



Dedicated Schools Grant and the funding of 14-19 year olds

A paper from the Association of Colleges

February 2008

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Note

AoC (the Association of Colleges) is the representative body for colleges of further education, including general FE colleges, sixth form colleges and specialist colleges in England, Wales (through our association with *fforwm*) and Northern Ireland (through our association with ANIC). AoC was established in 1996 by the colleges themselves to provide a voice for further education at national and regional levels. Some 95% of the 400 general FE colleges, sixth form colleges and specialist colleges in the three countries are in membership. These colleges are the largest providers of post-16 general and vocational education and training in the UK.

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Introduction

1. This paper is the first AoC contribution to the review of the dedicated schools grant (DSG). The Department for Children, Schools and Families (DCSF) will start the DSG review in February 2008 and plans to complete it by autumn 2009. This timescale gives the DCSF and its partners plenty of time to examine some important issues, one of which is the issue of 14-19 funding.
2. Colleges have a major role in the education and training of this age group as the following figures illustrate:
 - 727,000 16-18 year olds study in colleges (compared to 447,000 in school sixth forms);
 - 50% of all 16-19 year olds in education or training are studying in colleges;
 - 120,000 14 to 16 year olds study vocational courses in colleges;
 - colleges deliver one-third of A-levels;
 - 64% of 16-18 year olds in receipt of an Education Maintenance Allowance study in colleges;
 - general further education colleges receive (and spend) £2.1 billion in 2007-8 for 16-18 education; sixth form colleges £650 million.
3. Colleges have a growing role in 14-19 education. any decisions on 14-19 funding in the DSG review need to take full account of the issues in and impact on colleges. Although AoC is not a core member of the DSG formula review group, we would expect to be fully involved in any work on the 14-19 issue.

The 16-19 funding transfer

4. At some time in March 2008, government ministers will publish a green paper on the changes to the way in which education and training are funded. The paper will be jointly badged by DCSF and the Department of Innovation Universities and Skills (DIUS). The paper will explain how the government will implement the decision to channel funding for 16-19 education paid to schools and colleges via local authorities. The key issues about this transfer for the DSG review are:
 - the change requires legislation which will be presented to Parliament in the 2008-9 session. This means that Parliament will approve decisions relating to 16-19 funding before the DSG review is over;
 - the transfer is due to take place in April 2010 – part way through the current three year budget period for schools;

- it is feasible (and sensible) for the Learning and Skills Council to calculate and agree school and college budgets for the 2010-11 academic year by 31st March 2010. Parliamentary assent for the reforms might not be given until autumn 2009. This means that the current system for funding 16-19 education will effectively run until 31 July 2011, at which point there is an opportunity to implement reforms;
 - the Secretaries of State made a commitment in November 2007 to maintaining a national funding formula for 16-19 education in colleges and school sixth forms. College funding has involved a national formula since 1994; the national formula for school sixth forms has operated since 2002;
 - the November 2007 letter also explained that the national formula would be used to calculate allocations to individual institutions;
 - a commitment has also been made to funding institutions on the basis of where young people study rather than where they live.
5. The mechanics and timing of the 16-19 funding transfer mean that it is possible to plan now for a new approach to funding 14-19 education in 2011 – but only if the reforms involve a national 14-19 formula which takes, as its starting point, the existing 16-19 formula.

The new role of local government in funding 16-19 education

6. The decision to route funding for the education of 16 to 19 year olds via local government is a policy that is consistent with other policies. Local councils have developed a key role as the organisation responsible for the well-being of all the children and young people in their area. Recent and future legislation defines these responsibilities as covering young people up to the age of 18 and increases the role of local government in stages. Over the next 8 years, they take on responsibility for ensuring:
- every young person participates in education or training up to the age of 17 (2013);
 - information, advice and guidance is available to every young person (2008);
 - every young person can access an appropriate diploma course (2013);
 - the funding of education for young people up to the age of 18 (2010).
7. The new role for local government creates opportunities for more integrated approach to young people. Care will be needed to ensure that local councils can play a full and effective role in the new system and to avoid the following risks:
- a longer, less efficient, delivery chain where funding does always reach the provider;
 - more control and direction; possible restrictions on the ability of young people and parents to choose their place and course of study;
 - confusion between managing the system by place of residence and place of study.

8. AoC assumes that the balance of national and local control will be addressed in the Green Paper but our current view is as follow:
 - a strong national framework covering the key targets, the priorities for quality improvement, the commissioning strategy, the funding formula and funding rules;
 - national organisation of functions which cannot be handled by individual local authorities (for example capital funding, data, students with learning difficulties);
 - regional or sub-regional arrangements only where local authorities pool sovereignty on a voluntary basis. This may be particularly appropriate in London where there is a large amount of cross-borough travel;
 - clarity about the respective responsibilities of councils and college governing bodies for achieving acceptable levels of performance;
 - a strong emphasis on self-regulation by colleges with intervention focused on areas of weakness.

9. We would like to emphasise the particular importance of a national funding formula and national funding rules. National rates and rules help ensure:
 - comparable funding for comparable qualifications regardless of the institution;
 - sufficient funding for national qualifications regardless of location;
 - proper incentives to institutions to engage disadvantaged learners and to improve success rates. Strong progress has been made in both areas in this decade;
 - a fair process for setting funding rates. The current system for setting the funding tariff involves the examination of 10 year's worth of evidence of the programmes taken by 1 million 16-18 year olds each year ;
 - efficient management of the system. It will clearly be more efficient to have one formula than more than 100.

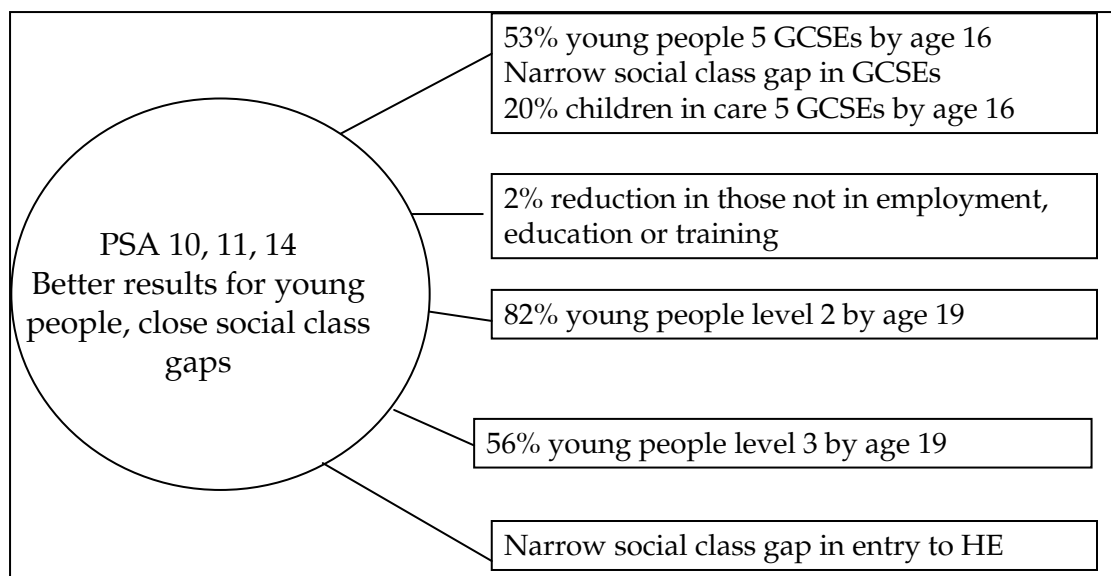
10. The maintenance of a national funding system should still leave considerable flexibility for councils to make funding decisions in the following areas:
 - the reviewer of institutional plans and a decision-maker on the allocation of student numbers, taking account of learner and parental choice;
 - a decision-maker on capital projects and the allocation of capital funds;
 - the instigator, co-ordinator and funder of local partnerships and development activity.

How a national 14-19 formula could contribute to national and local goals

11. The government has set some ambitious goals for the education and training of 14-19 year olds including:

- higher achievement in core subjects (e.g. Maths, English);
- higher achievement of all young people by the age of 19 (levels 2 and 3);
- personalising the secondary curriculum;
- improving behaviour and attendance;
- providing greater choice;
- improving the infrastructure.

12. The diagram below summarises some of the indicators in the three public service agreements which cover this area of activity:



13. The numbers in the 14-19 targets will change by 2011 but it is fair assumption that the current policy direction will stay the same. If so, a national 14-19 funding system could contribute to the delivery of these goals in the following ways:

- funding for 14 and 15 year olds could be linked more directly to the subjects that they take – supporting greater personalisation and wider course choices at key stage 4;
- greater coherence could be achieved in the funding approach for 14-16 and 16-18 education which would make progress towards success by the age of 19 easier to achieve;
- greater predictability about funding levels for institutions could be achieved
- a fairer method for setting rates could be put in place, with rates calculated nationally on the basis of evidence collected from the entire country
- incentives could be created for success in raising achievement at 16 (in the way that 16-18 incentives already exist);
- stronger rewards could be created for institutions who successfully cater for young people who are disadvantaged or who are in care.

A model for a 14-19 formula

13. These goals could be achieved within the current school funding framework with locally calculated formulae but it might be more effective and more efficient to agree the components and elements of the formula at a national level. AoC sees no technical reason why the existing 16-19 formula described below could not be adapted to become a 14-19 formula. We set out a possible approach in the box below and have included a brief description of the existing 16-19 formula in annex one to the paper.

CORE 14-19 FUNDING FORMULA

$$\text{£} = (\text{Pupil/student FTE} \times \text{NFR} \times \text{IF}) + \text{SEN/ALS}$$

The Pupil/Student Full-time equivalent could be a common measure of volume of teaching and learning for all 14 to 19 year olds. This would be a development from the existing standard learner number measurement used in 16-19 education. The unit of measurement would be a key element in budget discussions between school and college on one side and local authority on the other. The local authority would fix the number of pupil/student FTEs it was prepared to fund on the basis of performance in the current year plus a discussion about changes that will vary demand (eg. changes in pupil rolls, expected expansion or contraction of sixth form numbers)

A National Funding Rate could be set as the funding for an unweighted programme offered to a young person studying full time. The rate would be set at a national level by an committee appointed by DCSF tasked with collecting and evaluating evidence from schools and colleges. There are plenty of models in the public services for semi-autonomous rate setting arrangements, taking account evidence on costs and directions from DCSF (as the ultimate provider of all of the money). There would be a good case for different rates for different age groups (for example different ones for under and over 16) but a clear implication of the approach is action to close existing gaps in rates, for example between 14 -16 year olds in different local authority areas in the same part of the country and between 16-19 year olds in different institutions. There would, clearly, need to be transitional arrangements.

The Institution Factor (IF) could be calculated annually from the data supplied by schools and colleges and would vary the standard funding to take account of different programme costs, area costs, disadvantage and success rates. Care would need to be taken to limit the number of elements and to ensure that they are based on evidence but the factor would helpfully link funding to costs (for example those relating to area) and incentives (for example to success in raising achievement at age 16). The factor could be used as a way to implement a pupil premium .

The Special educational needs (SEN)/ Additional Learning Support (ALS) factor could fund the additional costs relating to young people with statements of special educational needs or with assessed learning difficulties and disabilities.

14. Some of the issues that the DSG review would need to address are:
- the issues relating to the construction of the formula (which elements would be included? how the pupil/student FTE measurements would be set? the degree of difference between the 14-16 and 16-19 parts)
 - how the formula would be managed (for example how decisions would be made on the rates? Who would decide the balance between cost-elements and incentive-elements)

- the transitional issues involved in implementation (for example, impact of more variable funding on secondary school budgets)
 - the ways in which the formula would handle partnership arrangements
 - changes to data collection (in PLASC and ILR) necessary to support the formula;
 - the way in which 14-19 funding would sit within local government budgets (for example would the DSG ringfence need to be divided into two)
15. AoC suggests this formula to show that it is possible and to show some of the advantages of the approach. We would be interested in working with DCSF and the organisations involved in the DSG review on ways in which a more coherent 14-19 system could be developed. We would also be happy to nominate college principals and others who could contribute to the 14-19 work in the next 18 months,

Association of Colleges
25 February 2008

Annex One
THE LSC FORMULA for FUNDING 16-18 EDUCATION

$$\begin{array}{r}
 \text{£} = (\text{SLNs} \times \text{NFR} \times \text{PF}) + \text{ALS} \\
 \text{GLH} \\
 \hline
 450 \\
 \text{max 1.75}
 \end{array}
 \times
 \begin{array}{c}
 \text{NFR} \\
 | \\
 \text{With} \\
 \text{transitional} \\
 \text{relief}
 \end{array}
 \times
 \begin{array}{c}
 \text{PF} \\
 | \\
 \text{Individual} \\
 \text{calculations}
 \end{array}
 + \text{ALS}$$

Programme
 Disadvantage
 Area costs
 Success rate

The Standard Learner Number (SLN) is equivalent to 450 Guided Learner Hours (GLH). In many cases, the LSC fixes the value associated with a particular qualification on the basis of expected number of hours it takes to deliver (regardless of how many hours it actually takes). The LSC agrees the number of SLNs that it will fund on the basis of current school or college performance plus a discussion about changes that will vary demand.

The National Funding Rates (NFR) is £2,945 for school sixth forms and £2,860 for 16-18 provision in colleges (2008-9 figures; note the 3% gap in rates). Transitional relief applies in 2008-9 to protect the budgets of institutions within a 5% range.

The Provider Factor (PF) (which would be better described as an Institution Factor) is calculated in advance for each college on the basis of the previous year's data. It combines information on programme type (to reflect the higher costs of some subjects), the disadvantage faced by each student (judged by postcode), area costs and success rates (to account for retention and achievement).