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**FUNDING THE 14-19 PHASE  
IN ENGLAND**

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***Abstract*** This paper considers the implications for funding arrangements of the government's reforms of the 14-19 phase of education in England. It concludes that in the 16-19 stage the existing national funding formula operated by the LSC is compatible with the nature of the reforms, though planned restrictions on the eligibility for funding of a range of qualifications may cause difficulties. In the 14-16 stage there may be similar issues over eligibility; but in addition the formulae operated by local authorities are not sufficiently detailed to deal with a more differentiated curriculum. A single 14-19 funding formula has many potential advantages but also poses significant challenges.

## **Introduction**

The aim of this paper is to help assess the implications for funding arrangements of reforms to the 14-19 phase of learning in England. It considers changes that have been introduced over the past 5 years, and looks forward for a similar period of time into the future – until 2013. By that date, if current government plans are realised, the age of compulsory participation in learning will have been raised to 17 (as a step towards a participation age of 18 in 2015) and all lines of the new Diplomas will be available to all learners.

The paper refers to 14-19 funding arrangements rather than the 14-19 funding system because at the moment there is no such system. It is possible to talk of the 16-19 funding system because, with minor exceptions, that phase is funded in a consistent manner by the Learning and Skills Council (LSC). It is possible to talk of a 14-16 system, since although local authorities (LAs) determine their own arrangements they do so within a tightly regulated national framework. Whether a move to a unified 14-19 funding system by 2013 is likely, or even desirable, is an important question this paper seeks to answer.

## ***Context***

To help understand developments in the funding arrangements for the 14-19 phase it is important briefly to note some of the key drivers of change. Several of the changes that have operated over the period in question owe more to a general approach to public service reform than they do to matters specific to education and training; although others derive from specific educational policies. The different sources of change can help account for apparent inconsistencies in the funding drivers that affect institutions.

Among the former group one of the most relevant policies is the move to separate the providers of public services from those who purchase them on behalf of the public. The avowed aim is to make providers more responsive to the needs of users; to prevent them following their own agenda which is often described as 'provider capture' of the

public services. In education and training this policy is best represented by moves towards a so called 'demand-led' funding system<sup>1</sup>.

Closely related to the emphasis on a purchaser – provider split is the view that competition between providers is the best way of improving the quality of provision.<sup>2</sup> Thus while some policies intrinsic to education stress the need for collaboration, the wider policies of the government exert a counter pressure by setting a competitive funding environment. Furthermore, in the post-16 world particularly, the desire to stimulate competition has resulted in the introduction of new providers, including private providers into the market. This has a consequence for the nature of the funding relationship; while schools and colleges continue to receive grant-in-aid, private organisations can only be funded on the basis of contracts.

The most recent major change to affect the 14-19 system has been the creation of two new education departments in the Machinery of Government (MoG) reforms announced in July 2008. This brought together all children's services in the new Department of Children, Schools and Families (DCSF) mirroring their unification at a local level within LAs. Although important consequences for funding the 14-19 phase flow from these reforms (some of which are still not fully worked through) it would be fair to say that they were not primarily driven by a 14-19 education agenda.

Among those drivers of change around 14-19 funding that derive from relevant educational policy, two stand out. One is the concern to raise the level of participation in post-compulsory education and training, ultimately to 100 per cent at age 17 in 2013 and then 18 in 2015. The government recognises that raising the compulsory participation age can only be effective if there is a significant increase in voluntary participation first, and is contemplating a phased programme of reform to achieve that objective.

In parallel with raising the participation age (RPA) government policy seeks to raise the status of vocational learning and increase the proportion of young people following this route. The Diploma programme is part of this agenda, as is the development of the new Foundation Learning Tier (FLT) and the drive to increase the numbers of apprenticeships. Some of the funding changes proposed over the next few years derive directly from these policies.

## *Components of a funding system*

Before looking in detail at the changes that have already occurred, are happening at present, and are expected in relation to funding the 14-19 phase it is important to clarify

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<sup>1</sup> See DfES & LSC (2007) *Delivering World Class Skills in a Demand-led System*, January.

<sup>2</sup> E.g. "The FE system needs to operate in an open and competitive market, driving up quality and delivering more innovative provision", *Delivering World Class Skills*, p.3.

what is meant by a funding system. This paper sees it as having four main components<sup>3</sup>. A funding system determines:-

- **Eligibility for funding** – who or what can be funded?
- **Priorities for funding** – what does the funder want and what do they want more of?
- **Allocations of funding** – what contribution should each provider make for the overall pattern of provision?
- **Rates of funding** – what is the price to be paid for each unit planned or delivered?

Another way of looking at this is that the public authorities can seek to use funding to regulate the system in at least four different ways; there are four principal funding levers that can be pulled<sup>4</sup>.

It is probable that in the next few years *eligibility* will become a more important issue for the 14-19 phase than it has been to date. The Reform of Vocational Qualifications (RVQ) programme, for example, envisages employers, acting through Sector Skills Councils (SSCs), exerting much greater control over which qualifications are eligible for public funding, which may conflict with current patterns of learner choice.

Government, through the LSC, already signals some *priorities* strongly to the 16-19 system; for example its ambition substantially to increase the proportion of young people undertaking full apprenticeship frameworks. It is currently unclear whether similar direction might be given in respect of activities in the 14-16 phase.

The determination of provider *allocations* in the post-16 phase is moving from a model which reflects historic recruitment to one which is based on forward planning. It is not clear how assertive LAs will be in the commissioning role they will inherit from the LSC, and how far they will carry the same approach into the 14-19 phase.

There remain substantial *rates* issues to be resolved, most notably the level at which 14-16 Diplomas will be funded after the development stage and when all 17 lines are in place. Current arrangements, which in effect give an element of double funding to those on Diplomas, do not seem sustainable in the long run.

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<sup>3</sup> How the funding is paid and the incentives built into the system can also have an impact on provider behaviour.

<sup>4</sup> At different times those responsible for post-16 education and training in England have emphasised one lever or another. The Further Education Funding Council (FEFC) and Training and Enterprise Councils (TECs) in the 1990s emphasised the use of rates and funding mechanisms seeking primarily to incentivise provider behaviour through the price mechanism and built in incentives. The LSC by contrast has focussed more on setting priorities and adjusting provider allocations. The most recent thinking by both government and the Conservative opposition emphasises the role of eligibility in steering the system.

## 16-19 Funding

In the past few years the LSC has progressively introduced a single funding model that applies to almost all learners aged 16-19 whether in school sixth forms, further education (FE) colleges or work-based learning (WBL) providers. Post-16 learners in Academies, though funded centrally by DCSF, are paid on the same formula as other school sixth forms. The major exception to the unified system is the arrangements for some learners with special educational needs or learning difficulties (SEN/LLDD) where a range of mechanisms still operate. The overall approach of the LSC appears to have the support of most providers and their national bodies<sup>5</sup>.

### *The LSC model*

The LSC model, following FE practice, funds learners according to the size and nature of their programmes. This is a contrast with LA practice where funding for pupils up to age 16 (and formerly 18) is based on learner numbers weighted by age. There seems to be broad acceptance by providers of a common funding model for 16-19 year olds which reflects the detail of learners' programmes, though this has not always been the case as illustrated by the case of Key Skills.

At an early stage in creating their original formula the LSC developed the concept of an 'entitlement' for full-time learners aged 16-19 in response to Curriculum 2000. Unlike older students, young people would attract extra funding to provide them with a programme of tutorial support, enrichment activities and on-going development of the Key Skills of Application of Number Communications and ICT. Following FE practice the funding for Key Skills was to be conditional on students registering for the qualification, but after an outcry from schools a ministerial intervention led to this condition being dropped. The numbers registered for Key Skills subsequently fell, and as a consequence in 2008 the LSC re-introduced the requirement to register learners for Key Skills in order to claim funding. It provoked little reaction.

### *Funding rates*

The rates used in the current LSC model take account of the size of a learner's programme measured in guided learning hours (GLH) and involve weightings to take account of the extra costs of delivering certain subjects, working in certain high cost parts of the country or working with disadvantaged learners. They also contain a financial incentive to maximise success rates. The funding for learning programmes is

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<sup>5</sup> See, for example, the AoC contribution to the School Funding Review where it argues strongly for national formulae along the lines developed by the LSC: AoC (2008) DSG and the Funding of 14-19 year olds.

'capped' so that no individual can be funded for a programme of over 787 GLH per year or around 22 hours per week.

The intention is that the rates paid should reflect the costs necessarily incurred in delivering good quality provision and should therefore be neutral, i.e. they should neither encourage nor discourage particular activities. In this they appear to have been broadly successful. The rates are regularly adjusted to reflect the actual number of hours taken by providers to deliver a qualification as evidenced on the Individualised Learner Record (ILR) and the process involves a panel representative of all provider types.

## ***The gap between school and college funding***

One of two major exceptions to a unified funding system concerns the continuation of a funding gap between schools and colleges. For 2008/09 a learner in a school will still be funded at rates 5.6 per cent higher than a student following an identical programme in a college. Although this is significantly less than the 13 per cent reported in 2006 by Fletcher and Owen<sup>6</sup>, it is not clear why it has proved impossible to close the gap. The reasons would, however, appear to lie with DCSF rather than with the LSC, since to close the gap is not technically difficult. It is most likely to derive from the minimum funding guarantees given by ministers to schools which prevent the LSC from reducing school funding in order to increase FE rates.

## ***Special educational needs***

The other major omission is an integrated system for learners with what are referred to in a schools context as Special Educational Needs (SEN) or in FE as Learners with Learning Difficulties and/or Disabilities (LLDD). Some progress has been made, in that funding for Additional Learning Support (ALS) for those with lower level needs is now made available for pupils in mainstream school sixth forms on the same basis as students in colleges (through a formula based on prior attainment). There is, however, no consistent approach to support for those with higher level needs. The LSC currently has separate schemes for those in FE colleges, trainees in WBL and students attending independent specialist providers (ISPs); and it also passes a historic allocation to LAs who each make their own (often expensive) arrangements for post-16 learners in special schools and those attending ISPs.

The example of SEN/LLDD funding illustrates an important point about the impact of funding systems more generally. Although schools received more money for students in their sixth forms than colleges did for comparable learners there was no identified sum for additional support. Many schools therefore felt unable to accept some learners because explicit funding was not available. The allocation of ALS to school sixth forms did

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<sup>6</sup> Fletcher, M. & Owen, G. (2006) *The Funding Gap*, LSDA.

not provide any new money. It simply top-sliced a proportion of the existing budget (thus reducing the basic unit rate and conveniently also reducing the funding gap with colleges). The intention was simply to make funding visible so schools could no longer say they lacked the money to provide support and would feel able to accept learners with a wider range of needs, as is the case in FE providers.

## *Allocating funding*

Alongside a move to a funding model based on common rates the LSC is introducing a common system for determining allocations to schools and colleges. In broad terms until 2008/09 funding allocations for schools reflected the numbers recruited, whereas in FE and WBL they reflected the amount of priority provision that the LSC wanted to buy. From 2008/09 both schools and colleges have engaged in a planning dialogue and been funded on the basis of an agreed plan.<sup>7</sup>

The concept of 'purchasing provision' is consistent with the concept of the LSC as a commissioner of services, and reflects a shift in thinking (if not in law) from providing grant-in-aid to support providers' plans, to issuing contracts to deliver a purchaser's plan<sup>8</sup>. From 2010/11 this commissioning role will be transferred under the MoG changes to LAs, most probably working together in sub-regional groupings. It is not clear how far or how quickly the LSC will want to develop its commissioning role, nor whether LAs individually or in partnership will want to develop it in the same way.

The ideal relationship that seems to underpin government thinking is that providers in an area will come together in a partnership and agree their respective contributions to a programme that meets the needs of all young people. Subject to providers meeting quality criteria the LSC/LA then contracts with them. If the collective plans indicate a shortfall for any part of the client group, or there is a problem with quality, the LSC/LA can announce a competition for new provision.

What is less clear is what happens where providers do not agree; or perhaps the more likely scenario that they agree but the pattern proposed does not meet local need or the targets set at the centre – for example for a growth in apprenticeship places or the numbers undertaking Diplomas. Will the LSC/LA use its commissioning/decommissioning powers to reshape the local delivery system or will institutional autonomy continue to triumph? Will commissioning seek to anticipate the choices made by individuals or to shape them in line with policy objectives?

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<sup>7</sup> Confusingly, this is referred to as moving to a 'demand-led' system. The demand led aspect is the consolidation of growth the following year, i.e. learner numbers from October 2008 are now built into the allocation for 2009/10 before further negotiations take place about 2009/10 plans. It may also help to think of 'demand-led' as meaning that the supplier has reduced influence.

<sup>8</sup> Compare the position in HE where HEFCE explicitly provides funding to support institutions' plans.

These debates will become increasingly sharp in the context of the demographic downturn about to hit the sector; and while the downturn will be in part offset by increased participation of those currently not in education training or employment (NEET) or in jobs without training (JWT) the impact on providers is not likely to be symmetrical. It is quite possible, for example, that there will be a reduced need for A level places at the same time as an increased need for programmes for former NEETs. Effective providers of the former may not always be the most appropriate for the latter.

## *Demand and planning*

Projecting the scale and nature of demand for post-16 education and training is always a complex matter. Policy makers have tended in recent years to underestimate the demand from 16 and 17 year olds for the full-time education route, which has consistently risen year on year. The number of those on apprenticeship programmes, on the other hand, has failed to increase significantly despite the aspirations of both government and opposition to see this route grow. The numbers engaged in part-time FE continues to fall; in the past two years this may be because opportunities to join classes designed primarily for adults has reduced because of cuts in adult provision.

In future the task of planning resources for the sector will become even more complex. In part this is because it is not clear what type of provision will prove attractive to those currently NEET or in JWT who need to be engaged as participation grows towards 90 per cent. It is clear, however, that the unit cost of such provision is likely to be significantly higher than the current average; current best estimates suggest at least 20 per cent higher<sup>9</sup>. It is more also complex because the separation of funding for adults into a different department removes the capacity to fund shortfalls in estimates of demand for the 16-19 phase from the adult budget, as has been the case in the past.

## *Eligibility changes*

The government and the LSC have used changes to the eligibility rules (i.e. that provision which is eligible for funding) to reshape post-16 provision in recent years, though its application to date has been mainly in the adult sector. In the 16-19 phase the main effect has been the removal from funding of short (3 and 6 hour) courses which were often added to full-time programmes, sometimes to broaden the curriculum and sometimes just to secure extra funding. The debate about eligibility will become more charged, however, as more Diploma lines are rolled out as explained below.

In discussing programmes for young people the government frequently refers to four pathways; the academic route – GCSE/A level; the applied route – Diplomas; the work-

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<sup>9</sup> LSN research for the LSC 2008 (unpublished).

based route – Apprenticeships, and the Foundation Learning Tier<sup>10</sup>. This typology, as has been frequently pointed out, omits mention of most of the current vocational provision in FE – such as BTECs, OCR Nationals, CGLI awards etc. Statements from government as to the future of vocational qualifications have been varied and ambiguous with some asserting that the Diplomas will have to ‘win their spurs’ while others implying that when all lines are in place other vocational qualifications will only be eligible for funding as part of a Diploma programme. At the moment many FE providers (and indeed school providers of vocational 14-16 provision) are reluctant to abandon successful vocational courses for what they see as less practically focussed Diplomas.

## 14-16 Funding

Most of the funding for the 14-16 phase of learning comes from the ring-fenced Dedicated Schools Grant (DSG) passed on to LAs by the DCSF. This is distributed to schools by individual authorities using a formula based around age weighted pupil units of resource (AWPUs). While LAs are able to change some of the values in the formula, its general nature is determined by central government; and it is intended, among other things, to maximise the proportion of funding flowing directly to individual schools.

### *Review of DSG formula*

The DCSF is currently working with LA partners on a general review of schools’ funding, due to report in 2009<sup>11</sup>. Although the curriculum reforms for the 14-16 phase form part of the agenda for the review, they are only part of the agenda and probably not the most important part. Arguably the critical issue is the tension between the desire to fund schools on a simple, transparent and equitable formula, and the considerable turbulence that moving to such a system would incur. It seems probable that increasing pressure to limit public spending will add to this tension by making it more difficult to ‘level up’ differences.

Nevertheless, the 14-19 reforms raise some important issues that have not been systematically addressed to date in the 14-16 phase. They include the facts that:

- some pupils will be undertaking elements of the curriculum that cost considerably more than other elements to deliver (the more practical aspects of the Diploma programme);

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<sup>10</sup> See, for example, DCSF (2008) Delivering 14-19 Reform: Next Steps.

<sup>11</sup> For details of the review, see <http://www.teachernet.gov.uk/management/schoolfunding/DSGformulareview/>, accessed Jan 2009.

- pupils undertaking the more expensive elements will not be randomly distributed across all schools but will form a much higher proportion of some schools than others;
- in most cases pupils undertaking Diplomas will need to attend more than one institution with implications for the transfer of resources and hence transfer prices;
- when pupils undertake part of their programme at another institution the extent to which the home school can make savings is variable and difficult to predict.

The funding issues raised by the 14-19 reforms go beyond rates, however.

- As the Diploma lines are introduced issues of eligibility will arise. It is unclear (as in the 16-19 phase) whether or when the government will seek to withdraw funding from traditional vocational qualifications currently undertaken by many 14-16 year olds.
- It is unclear whether LAs will seek to exercise a commissioning role for 14-16 provision in a way that is analogous to actions in the post-16 sector.

## *The Increased Flexibility Programme*

There is now a considerable body of experience of delivering vocational options to 14-16 year olds; and of pupils attending institutions other than their home school for part of the week. The Increased Flexibility Programme (IFP) has supported collaborative work between schools and colleges for several years, building on and extended by less formal 'link course' arrangements<sup>12</sup>. The experience of IFP helps focus the issues that need to be addressed by funding reform but does not provide the answer.

Under IFP, significant numbers of school pupils have attended colleges, WBL providers (and sometimes other schools) for part of their curriculum. Attendance has typically been for one day per week, occasionally half a day and occasionally longer. The initiative has been supported by specific grants via both the LSC and more recently LAs, but it is clear that the cost of operating these arrangements has exceeded the extra funding made available. Part of the reason is that schools releasing pupils have not found it possible to make savings and, therefore, there has been a strong element of double funding. The Youth Apprenticeship programme for the same age group is similarly seen as very successful, but again it is supported by extra funding.

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<sup>12</sup> For an evaluation of the IFP, see <http://www.dcsf.gov.uk/research/data/uploadfiles/RR668.pdf> , accessed Jan 2009.

In work for the Learning and Skills Development Agency (LSDA) Fletcher and Styles<sup>13</sup> found that the largest share of the extra cost of 14-16 vocational provision was borne by colleges who charged at marginal cost rates (or less) for their contribution. It was in effect subsidised from college budgets. While part of the reason for doing this was colleges' sense of mission, it is also clear that a powerful motivating factor was the ability to gain access to 14-16 year olds to influence their choices at 16+. It is perhaps ironic that one of the strongest spurs to pre-16 collaboration seems to be post-16 competition. This suggests that unless things change it will be far easier to develop collaborative arrangements for pre-16 Diplomas, which colleges will see as a marketing opportunity, than for post-16 Diplomas which colleges may see as a challenge to their existing programmes.

## *Diploma funding*

It is too early to assess the impact of the first round of recruitment to Diploma programmes but the signs are that the experience of IFP (in respect of funding at least) is being repeated. The resourcing of the pilot phase accepts that there needs to be double funding – schools are not expected to make savings when pupils are off site. The motivation of colleges for participating in the short run is not financial, so there is little pressure to charge an economic rate for their contribution. The £1,000 per head additional funding for Diploma students is widely regarded as adequate or better; one commentator described current financial planning by partnerships as “sharing out the spoils” rather than hard-nosed negotiations.

Although appropriate for a pilot phase, the current funding model is simply not sustainable if the ambition to reach between 25 per cent and 40 per cent of the age group is attained. Schools will come under double pressure as government will seek to reduce the extent of double funding, and colleges will find it harder to cross subsidise growing numbers. Schools will be able to make staff savings if the numbers attending colleges and WBL providers are large and predictable, but each school will reach that point at a different stage, dependent on its pupil profile and its context.

The differences in costs between different elements of the 14-16 curriculum argue for a funding model similar to that deployed in the 16-19 phase: one where resources are based on the programme followed by a pupil rather than simply their age. This point has been accepted by government in noting that the relativities in the LSC rates might be used as a guide to transfer prices in the pre-16 arrangements<sup>14</sup>. There are, however, some formidable obstacles in the way of what might seem a simple and logical move:

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<sup>13</sup> Styles, B. & Fletcher, M. (2005) Provision for learners aged 14-16 in the FE sector, LSDA; Styles, B. & Fletcher, M. (2006) Implementing 14-19 provision: a focus on schools, LSDA.

<sup>14</sup> See DCSF (2008) Guidance to local authorities (LAs) and 14-19 partnerships on diploma formula grant: 08-09.

- The greatest difficulty is perhaps the additional demand for data that such a system would require of schools. Schools currently report pupil numbers, but, other than for the post-16 phase, do not report the full details of the programme they are taking.
- Furthermore, it is hard to see a system that could be introduced only for Diploma programmes; but the extension of such a model across the whole 14-16 range would open up questions about the relative size and cost of other activities undertaken by that age group.
- Schools would be faced with two funding models for the 11-16 phase and a third if they offered post-16 provision – a state of affairs that is hardly consistent with government commitments on a reduction in bureaucracy.

### *A 14-19 funding model*

Some commentators have argued that what is needed is a single 14-19 funding model for a 14-19 phase<sup>15</sup>. Although it did not feature as one of the key themes driving schools funding reform it is now envisaged as a possible outcome of the schools funding review<sup>16</sup> which might be implemented in 2011. There is much to commend in such an approach but also some real difficulties to be overcome.

Assuming a single model reflected the design principles of the current LSC model for post-16 provision, there would be considerable advantages. They would include:

- Schools and colleges would not have to work with different models across the 14-19 phase. This would both reduce administrative costs and facilitate planning.
- LA staff would be better able to understand and work with a single post-14 model for schools. One concern about the MoG changes must be the capacity of LAs to handle more complex funding arrangements.
- Providers would not face perverse incentives to offer cheaper provision or limit learner choice, since they would be appropriately funded if learners chose more expensive options.
- The transfer of learners and/or funding between institutions would be facilitated since there would be an agreed set of rates for different activities.
- There would be a consistent planning dialogue that would relate to the numbers on 14-19 pathways, facilitating planning for progression.

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<sup>15</sup> See, for example, Corney, M. & Fletcher, M. (2008) New localism & 14-19 funding, Campaign for Learning.

<sup>16</sup> See [http://www.dcsf.gov.uk/14-19/documents/RE\\_Enabling\\_the\\_System\\_to%20deliver\\_next\\_steps\\_30.07.08.pdf](http://www.dcsf.gov.uk/14-19/documents/RE_Enabling_the_System_to%20deliver_next_steps_30.07.08.pdf), accessed Jan 2009.

On the other hand, the increased data demands on schools would remain a major obstacle. There would also be a range of further issues to resolve:

- Unless a single 11-19 model were to be based on current LSC arrangements, schools would still be faced with two funding systems: one 11-14 based on learner numbers and one 14-19 based on learner programmes. To change the funding arrangements for all secondary school funding to accommodate Diplomas might be seen as the tail wagging the dog.
- A single 14-19 funding model would raise questions about whether to incorporate all features of the current post-16 system, such as the link between funding and success; and basing the funding for disadvantaged pupils on postcodes rather than free school meals. However desirable such changes might be, their introduction would cause considerable turbulence.
- The relative costs of different subjects are not the same pre- and post-16. The LSC funding model assumes that a standard group size is 14, whereas Key Stage 4 funding assumes a standard group of 20 or more. The proportion of practical work in 14-16 Diplomas is often less than in current post-16 vocational work.

## *National rates for 14-16*

The above analysis assumes that a national funding model implies standard national rates. Standard rates are popular with schools and colleges because they help set a stable planning environment and facilitate negotiations about transfers of resources or learners. Additionally for colleges, which often recruit from large areas, the routing of funding through LAs risks their having to negotiate a multiplicity of rates for the same or similar programmes since they work with a whole range of other partners. The plans for the creation of the Young People's Learning Agency (YPLA) as one of the successor bodies to the LSC seems to envisage a context in which LAs commission provision at standard rates which are determined by a central slimline YPLA.

There are, however, some strong arguments why a system of national rates, even for 14-16 provision, may not prove practicable. One concerns the uneven capacity of schools to make savings when pupils attend other institutions: it depends critically on the number of learners and the pattern of their release. Another concerns the responsibility of LAs to maintain a broad entitlement to all lines of learning as well as managing down the number of those who are NEET or in JWT. In both circumstances the LA may be required to encourage a provider to take action which is not economic, and that could involve a degree of extra subsidy.

## ***Commissioning 14-16***

The duties placed on LAs underline the potential importance of their commissioning role. As with the post-16 sector the role could be passive (seeking simply to anticipate learner choice), or active (seeking to shape and direct it in line with a national or local vision). To the extent, however, that there are national targets, for example for an increase in apprenticeship places, the LA is bound to reflect them in the local commissioning plan. It would be odd indeed if national targets could not be met because the resources to deliver them had been allocated elsewhere.

To base commissioning on targets may, however, bring LAs into conflict with institutional ambitions and individual choices. At the very least the idea of a 'planning dialogue' with an LA covering not just learner numbers but the proportions following different pathways will be novel to many in the 14-16 schools sector. There is also a critical difference in context between the pre- and post-16 settings. In the FE sector, commissioning concerns which cohorts of learners an institution might recruit – whether a particular institution offers A level provision, for example. In the pre-16 phase the school already has a cohort of learners and a commissioning dialogue would relate to what those learners should do. Despite the vision that learners should have an unfettered entitlement to choose from the full range of post-14 options across a range of institutions, it is much more likely that their choices will be powerfully shaped by the school in which they are currently enrolled.

## ***Distributing Diploma Formula Grant***

In the context of such tensions it seems odd that the government has been agnostic about local arrangements for distributing the extra resources provided to support the introduction of Diplomas. Guidance to LAs outlined three possible approaches:

1. the extra resources, plus a pre-determined contribution from each school should be held and managed centrally in a single pot;
2. the extra resources should be delegated to schools who would add as appropriate from their own resources;
3. a mixed system, where the extra funds are managed centrally and schools add from their own funds as appropriate.

Although detailed figures are not available, it seems likely that in most areas pressure from schools has led to the grant being distributed to institutions – the 'school purchaser' model.

Although the preference for these arrangements was predictable, they seem the least likely of the options to facilitate the full and open partnership working that a sustainable approach to funding the 14-16 phase requires. If all the resources are managed by

schools it seems probable that some will be tempted to try to offer more of the vocational elements themselves. The school purchaser model seems more likely to encourage local bi-lateral negotiations with other providers leading to transfer prices at a variety of ad hoc rates. In order to manage the complexity of planning 14-19 provision in the new world the LAs' commissioning powers need to be buttressed by a firmer hold on the available funding as well as the ability to vary rates.

## Conclusions

In the 16-19 phase there is currently a single national funding model which is designed to reflect variations in the size and intensity of learners' programmes as well as learner numbers. It involves a complex set of rates calculations which reflect differences in the cost of delivering high quality learning of different types. In this respect the curriculum reforms being implemented for 14-19 education pose no special challenge to the system developed by the LSC; indeed the DCSF acknowledges that LSC rates might be an appropriate basis for determining the funding that is transferred between providers when pupils aged 14-16 are taught outside their home school.

The major omission from the arrangements concerns learners with SEN/LLDD who are funded through a complex and varied set of arrangements, not all of which appear to be good value for money.

The funding model is supported by a system of planning and priority setting that seeks to align the financial allocations to institutions with their agreed contribution to an overall plan. The approach has worked to date, though it is fair to say that it has not been tested in difficult circumstances; and it is unclear how pro-active the LSC, and subsequently LAs, intend to be.

It is also unclear how far the government will seek to use its powers to determine the eligibility of qualifications for funding to drive fundamental changes in the post-16 system. At the moment it looks as though to do so would risk serious conflict between national ambitions and local choice. It is worth recalling that previous attempts to manage the nature of vocational qualifications that are available (such as the introduction of GNVQs) ended in failure.

In the 14-16 phase, by contrast, there is no national model and no immediate prospect of one. The interim arrangements which have helped support the development of the IFP and the first stage of the introduction of Diplomas have been effective but are not sustainable. They have both involved a degree of double funding by government and a significant subsidy of schools from FE budgets.

For understandable reasons dedicated funding provided through the LSC to support the IFP and similar developments is now being routed through the Dedicated Schools Grant. There is a danger that the original purpose of this funding will be lost. Furthermore,

there is a danger that any extra funding will be seen as simply focussing on the roll-out of Diplomas rather than the more general re-shaping of the way 14-16 provision is delivered.

Since the future plans for the 14-16 phase involve a greater degree of differentiation between pupils' programmes and between schools a model like the LSC funding model for post-16 provision seems appropriate. There are, however, serious difficulties in the way of using the same model; and these seem to suggest that a single 14-19 funding system may need to accommodate provision for local variations in rates.

LAs will take on a new commissioning role in 2010/11. They currently lack experience of the role, which in any event is not well developed in the 16-19 phase and may prove even more contentious in the 14-16 phase. The role of LAs may need to be strengthened, therefore, by giving them greater powers to vary rates than at present seem contemplated, and routing all additional funding to support the Diploma and other reforms through them rather than delegating it to schools.

As in the 16-19 phase, it is not clear how far the government intends to use its power to control the eligibility of qualifications for funding to drive changes in the pattern of provision. Such action, however, seems likely to prove contentious if it means removing well-regarded vocational programmes from funding.