
Diploma Costs and Funding at Key Stage 4

Mouchel Management Consultants

Background

In September 2009, the Department for Children, Schools and Families (DCSF) commissioned Mouchel Management Consulting to undertake a Study into the Costs and Funding of Diplomas at Key Stage 4. The key objective of the research was to develop a more detailed understanding of funding models; consortia delivery costs (including a specific focus upon transport costs and practice); the scope for efficiencies; and the likely system costs out to 2013.

From previous research, Mouchel already had significant knowledge of costing work being undertaken in a number of authorities. The required sample of 30 authorities (around one in five nationally) was therefore chosen on a 'purposive' basis to include both authorities who had participated in previous research and who were planning further costing work, and authorities who had not previously been involved in the Diploma research. The intention was to provide a reasonable basis for extrapolation of findings nationally (although it was not intended that the sample could be considered to be representative from a statistical perspective).

The research involved structured face-to-face interviews with local authority 14-19 leads, transport officers and children's services finance officers, in addition to seeking wider views from schools and colleges, where possible. Initial visits took place to all 30 authorities, with more detailed follow-up work on costing and transport then taking place with a smaller sample of eleven and five authorities respectively.

Key findings

In summary, the key conclusions from the research were as follows:

- **Diploma funding models.** A wide variety of Diploma funding models continue to be used by authorities. There are, therefore, a range of approaches to the allocation of Diploma Formula Grant (DFG), Practical Learning Opportunities (PLO) and Age-Weighted Pupil Unit (AWPU) funding.
- **Changes to funding models.** Five authorities (17%) specifically identified that they had changed their funding models between 2008-09 and 2009-10.
- **Allocation of Diploma Formula Grant.** In terms of DFG, 37% of authorities (11) held this funding centrally, for subsequent allocation to the provider; 37% (11) allocated DFG funding to consortia to manage; 17% (5) allocated DFG funding to the home school; and 10% (3) had a mixture of the above approaches i.e. with specified percentages of funding being retained centrally, allocated to providers, and allocated to the home school.

- **Top-slicing of Diploma Formula Grant.** Seven authorities (23%) specifically identified that they had top-sliced the DFG to make contributions towards: the costs of collaboration and central costs; additional preparation activity; initial purchase of equipment; employer engagement; 'pump priming' smaller class sizes in the initial stages of Diplomas; a contingency, in the event that efficiencies are required in future by DCSF; and separation of the sparsity weighting of DFG to pay for transport-related costs.
- **Allocation of Practical Learning Opportunities funding.** As with DFG, authorities have used a range of different methods for the allocation of PLO funding including devolving the PLO funding to schools, holding PLO funding centrally and allocating PLO funding to consortia.
- **Age-Weighted Pupil Unit contribution.** It was identified that 40% of authorities (12) did not request any AWPU contribution from schools; 27% (8) requested an AWPU contribution which represented the difference between the cost of provision and available resources; 27% (8) requested an AWPU contribution at or around a one day per week equivalent AWPU contribution to Diplomas; and the remaining 6% of authorities (2) had a mixture of arrangements in place, reflecting different approaches between consortia and varying levels of AWPU contribution.
- **Costing of Diplomas.** In terms of work that had taken place to cost Diplomas, of the sample of 30 authorities: 23% (7) had costed Diplomas bottom-up, costing individual components of Diploma delivery e.g. equipment, at a more detailed level; 17% (5) had costed Diplomas bottom-up, although at a less detailed level e.g. just separating costs into teaching and non-teaching; 23% (7) had not costed Diploma provision, but had instead relied upon rates e.g. per hour, per day, as previously paid for vocational provision; and the remaining 37% (11) had not undertaken any costing of Diploma provision. Where no costing work had been undertaken, the approach used to allocate funding to providers for the provision of Diplomas was either based upon existing vocational provision rates or by directly passing across the amount received for DFG to providers.
- **Assumptions over costs included.** Where bottom-up costing work had been undertaken, authorities made very different assumptions about the costs to be included. Of the eleven authorities selected to work with in more detail on delivery costs:
 - 64% (7) included only 'direct' delivery costs and the remaining 36% (11) also included 'central' infrastructure costs;
 - Only 18% (2) had costed transport, with the remaining 82% (9) not having undertaken any transport costings;
 - 55% (6) costed individual Diploma lines; the remaining 45% (5) only costed a 'generic' Diploma.

In some authorities, there were also different approaches to costing in the various delivery consortia. In general, however, authorities tended to cost only the 'incremental' elements of Diploma provision which take a place away from the home school.

- **Individual cost components.** Although individual authorities made different assumptions over the costs that they included, the full range of costs considered were: teaching; technical support; transport; equipment/ consumables; trips/visits; infrastructure; exam fees; premises; employer engagement/work experience; Continuing Professional Development; and the full cost of bought-in provision, including college overheads.

- **Diploma costs identified.** As authorities had assumed different numbers of guided learning hours (GLH), and different class sizes, the more detailed costing work undertaken with the ten authorities with more advanced cost models sought to express their costs on common bases: (i) actual hours, actual learners; (ii) actual hours, 15 learners; (iii) 150 hours, actual learners; (iv) 150 hours, 15 learners. The average costs for a Diploma learner per annum on these differing bases were £1,513; £1,338; £1,098; and £951 respectively. DFG is currently provided at an average of £1,000 per pupil across Levels 1 and 2, before sparsity or area cost add-ons are factored into the DFG. DCSF has not specified the cost elements which the DFG is intended to cover, and a number of the costs included by authorities in the above figures could be met from funding streams other than DFG.
- **Transport costs.** Authorities' transport costing data was generally not strong and the results of our analysis therefore need to be treated with great caution. A very wide range of unit costs were identified and there were some unexpected outcomes in terms of the relationships of rural, semi-rural and urban transport costs. Expressed in costs per learner terms, rural costs varied from £0 to £346, with an average value of £84; semi-rural cost varied from £26 to £346, with an average of £151. The rural/semi-rural categorisation produced a number of surprising results, and we therefore believe that the overall rural/semi-rural average of £109 would provide a more reliable basis for cost estimation. Urban costs per learner varied from £0 to £300, with an average value of £43 per Diploma learner. This average is heavily influenced by three authorities which have implemented extremely expensive solutions to 14-19 transport and attributed it in whole to Diploma provision. Exclusion of the high cost urban authorities brings the urban average down to £21 per learner. Subject to the issues relating to the quality and consistency of the data, the data consensus is that transport costs exceed the sparsity allowance in most of the authorities/consortia for which transport cost data exists.
- **Cost pressures.** One of the largest potential future cost pressures identified related to infrastructure costs e.g. the costs of collaboration and assessment, which can currently be funded through the Local Delivery Support Grant (formerly known as the Consortia Support Grant). The second most significant area of cost pressures are those surrounding transport, which are set to increase in line with Diploma roll out against a backdrop of reducing Local Authority budgets. This is likely to remain an issue until both critical mass is reached and Local Authorities develop ways to manage this element more effectively. Class sizes were also identified as a specific cost pressure, particularly in the context of the low level of learner numbers that has been experienced in the early stages of Diplomas. Authorities argue that it would be unsustainable to support such small class sizes in the longer term, and some authorities/providers have addressed this issue by commissioning a minimum level of provision from colleges, or by setting minimum class size numbers.
- **Efficiencies.** Efficiencies potentially arise when a critical mass of Diploma learners develops, allowing schools to displace existing provision, and when elements of Diplomas are undertaken outside the home school, allowing schools to redeploy the resources freed up by the departure from school of a group of students. Given the current level of learner numbers, a significant majority of authorities did not believe that a critical mass of Diploma learners would arise until at least 2013. Additionality of provision is therefore still the norm. Pre-conditions for efficiencies to be achieved were considered to be:
 - (i) **Achieving critical mass at lower level** – greater certainty about the future of the Diploma qualification; embedding of Diplomas; displacement from the same option group; increase to 14 Diploma lines.

- (ii) **Full substitution** – replacement of existing subjects; reduction of the qualifications ‘landscape’; reducing the perception of the Diploma being a significantly more difficult qualification; rationalisation of options; smaller Diploma class sizes.
 - (iii) **Improved strategic planning/joint working** – joint working between schools; greater flexibility of staffing resources.
- **Good practice.** A number of areas of good practice in relation to Diploma costs and funding were identified, which could be considered by authorities more widely. These included: developing a better understanding of the costs of Diploma provision compared to existing provision; forecasting the potential longer term learner numbers and total costs of Diploma provision; review of Diploma funding models to ensure that these remain fit for purpose as learner numbers increase; developing the local authority strategic planning role; giving consideration to the circumstances under which efficiencies may be achievable and contingency planning in the event that levels of DFG and CSG reduce in future.
 - **Transport good practice.** Evidence of good practice with regard to transport management and costing was less evident. Solely from a transport perspective (recognising that there may be pedagogical arguments against it) we would advocate: delivering the outsourced elements of Diploma Study during a single, sometimes extended day; consideration of students travelling directly to their host establishment, rather than via their home school; staggered school start/finish times; greater integration of Diploma transport arrangements into wider authority transport provision; development of enhanced ticketing products, particularly in more urban areas. In some instances there may be pedagogical reasons that hinder the implementation of the single day delivery model.

Recommendations

Based upon the findings of the research, a number of key recommendations have been identified:

- **Funding models.** Authorities should continue to keep their existing funding models under review, to ensure that these remain fit for purpose, as Diploma learner numbers grow.
- **Diploma costs.** Authorities should quantify the full costs associated with Diploma provision (direct delivery, transport and infrastructure) to ensure that they are aware of the cost implications, should any potential reductions be made to the funding streams associated with Diplomas. This should include comparing the costs of Diploma provision with existing educational provision.
- **Class sizes.** Authorities should consider the sustainability of smaller class sizes and whether strategic work at authority or consortium level should be undertaken to identify the most viable class size (taking into account the stage of delivery) and scope for increasing the viability of class sizes.
- **Transport.** Authorities should bring Diploma transport into the mainstream of their transport planning and procurement. Whilst Diploma Transport Co-ordinators do exist in many local authorities, they are generally not fully integrated within LA Transportation Units. A more holistic approach will help to drive out economies of scale as learner numbers increase.

- **Efficiencies.** It is **not** recommended that DCSF seeks to implement reductions in funding in 2010-11 based on the ability of schools to achieve efficiencies, as the preconditions for achieving efficiency gains are not yet evident. However, it is suggested that DCSF should continue to monitor the scope for efficiencies in later years, particularly as learner numbers increase, as Diplomas become a mainstream curriculum area (potentially replacing other qualifications), with DFG potentially reducing accordingly.
- **Diploma Formula Grant for 2010-11.** Taking both Diploma delivery and transport costs into account, in overall terms, it would appear that, on average, Diploma Formula Grant, including the sparsity weighting, covers costs. The sparsity weighting element is handled in a variety of ways, from full devolution 'en-bloc' to micro management. Given the importance of maintaining and improving current levels of Diploma take-up, it is therefore suggested that, for 2010-11, DCSF should continue to allocate DFG funding to authorities at similar levels to those as for 2009-10 and consider the implications of the finding that transport costs appear to exceed the current sparsity weighting.
- **Good practice.** Authorities should consider the areas of good practice identified as part of the research, and whether these have the potential to improve their knowledge and awareness of Diploma costs and funding.

Additional Information

This research report was written before the new UK Government took office on 11 May 2010. As a result the content may not reflect current Government policy and may make reference to the Department for Children, Schools and Families (DCSF) which has now been replaced by the Department for Education (DFE).

The views expressed in this report are the authors' and do not necessarily reflect those of the Department for Education.