



***Learning to succeed:* post-16 funding and allocations first technical consultation paper**

1. FEDA supports the broad approach outlined in the consultative paper on post-16 funding and allocations. The intention, to create 'new, more coherent and transparent funding arrangements' based on clear objectives and common features, is most welcome.
2. We endorse the statement of nine objectives for the funding and allocations system. These provide a clear focus for all those involved in the sector to understand its priorities and the challenges that must be addressed. We commend the overriding objective of raising standards and the focus on the needs of individuals, employers and communities. We particularly applaud the explicit reference to community capacity building. We believe that the new Learning and Skills arrangements offer a real opportunity to address this challenge effectively and we look forward to supporting this agenda.
3. We also welcome the recognition that funding is not the only lever available to government to achieve its objectives. Clarity about the objectives for the Learning and Skills reforms and understanding and endorsement of these by providers and other key partners will be an essential basis for the development of the sector.
4. Excessive reliance on funding measures to drive the system could distract attention away from the broad objectives for the sector. As identified in the consultation paper, priority setting and planning, quality assessment and inspection, an appropriate curriculum and qualifications structure and appropriate marketing and information also have important roles to play in achieving objectives.
5. In addition to those levers identified above, we would add the following:
 - Leadership, management and staff development will be essential in creating the common culture and clarity of purpose for the new sector
 - Clear performance indicators, reflecting the aims for the sector, must be in place to enable progress towards their achievement to be charted. Appropriate information and data must be generated by the system to support this process.
6. The new Learning and Skills sector inherits different traditions of funding. One, from the further education sector, is based on a model of grant distribution; another from the Training and Enterprise Councils is based on a purchasing

contractual model; a third from the world of adult and community education is based on funding provision. These different traditions raise fundamental issues about whether the intention is to fund provision, to fund providers, or to purchase provision.

7. Clarity about the funding model that is to be developed for the Learning and Skills sector needs to be established at an early stage. This can provide the basis for a common understanding across the new sector and avoid the creation of a fault line, which could hamper the development of a coherent national system.

Q1 Do you agree that these features will support the development of a simple but effective post-16 funding system, which is responsive to the needs of learners and employers? Do you think other features should also be regarded as key?

8. We agree that the key features identified in the consultation paper should support the development of a simple but effective post-16 funding system. We attach particular importance to the following:
 - The intention to provide a stable planning environment through measures such as indicative allocations. We believe that stability should be a key feature of the new system, in particular to support the development of high quality provision and to avoid the negative consequences of a competitive environment. The capacity of providers to be flexible in response to the needs of learners will be best achieved in a stable planning environment.
 - The proposal that 'a high proportion of post-16 funds will be distributed according to national funding formulae, supported by a structure of national rates' and that current arrangements for provision will continue.
 - The proposal to recognise 'disadvantage' as a core element of the funding formula.
9. Taken together these features will help underline the assertion that learners have an entitlement to a common and high standard of provision wherever they live and whatever their circumstances. They promote a vision of a fair, inclusive and comprehensive system.

10. We would like to offer comments on the following features:

Simple and fair

11. There is a potential tension between simplicity and fairness. The recognition of 'disadvantage' for example, which we welcome, will lead to a model which is less simple but fairer. There is the danger of serious distortions of the market if, through excessive simplicity, some aspects of provision are crudely or wrongly priced.

Assessed needs or demand-driven

12. The paper suggests that 'funding should be allocated on the basis of the assessed needs of learners and employers'. The implication of the phrase is that the LSCs should act as an intermediary between learners or customers and providers. In our experience, learners and employers are best placed to judge what they need from the education and training system and arrangements need to give most weight to the demands expressed by them. We believe that direct discussion between providers and their customers should be encouraged. Arrangements that strengthen intermediary roles run the risk of creating a less responsive system and more cumbersome planning arrangements.
13. We would see the role of labour market information (LMI) as helping providers to anticipate demand from learners rather than serving as a substitute for it. We also support the view of the National Skills Task Force that LMI can help learners to make better informed choices.

Clarity of purpose

14. Finally, while it is right that a paper on funding mechanisms should concentrate on the levers available to the LSC, we agree that financial incentives for providers are not the only, nor even the best guarantee of quality. It is important to secure the professional commitment of providers and their staff to the overall objectives for the Learning and Skills sector rather than an instrumental commitment to respond to whatever incentive structure is provided.
15. This is recognised in the consultation paper, but we feel that it is worth underlining. In both further education and in government-funded training during recent years, the heavy emphasis on technically sophisticated funding systems may have encouraged some providers to focus on maximising funding rather than delivering government priorities.

Q2 Do you agree that the formula funding system should have elements for starts, retention, achievement and disadvantage?

Starts

16. In general, we would favour the removal of the 'entry' or starts element of funding and its amalgamation with the retention or on-programme element. It has served an important role in the FE sector, drawing attention to the need to establish effective systems for induction, but makes little difference in practice to the distribution of funds.

Retention

17. One of the most effective aspects of the FE funding mechanism was the practice of paying the on-programme element in stages, related to a learner's continuing participation. This has provided a major stimulus to college action. We see advantages in retaining this element of the methodology and in its extension across the new sector.

Achievement

18. Funding mechanisms need to support the government's priority of raising levels of achievement, and the 'achievement' element of funding has provided an incentive towards this. However, there are a number of options for how this policy priority might be supported.
19. In the broad Learning and Skills sector, definitions of achievement need to be able to reflect the range of provision and the diverse goals of learners. It will be important that we do not jeopardise the benefits of losing the restrictions of schedule 2, through incentives in the funding mechanism. For example, it will be vital that the system does not discourage first-step and other types of provision that do not lead to national examinations because they do not command an achievement element. Success factors against which funding can be claimed would need to be established for the full range of formula-funded provision, if an achievement element is to be retained.
20. Alternatively, an incentive to institutions to raise levels of achievement might be through payments attached to achievement of overall targets agreed with the LSC and linked to quality improvement. This could simplify the system by replacing the achievement element of funding. Such a mechanism might also be fairer, reflecting the different starting points and contexts of institutions. We would favour this approach.

21. Another approach would be for the achievement element to be used as an incentive for particular policy priorities such as the achievement of an overarching award, 'graduation' or key skills achievement.
22. As we move towards a more unitised system of qualifications for adults, a tripartite mechanism becomes increasingly unwieldy. The number of entry and achievement units associated with whole programmes is relatively small. Splitting them between the constituent units would be a burdensome administrative exercise.
23. If a tripartite mechanism were retained it would not be necessary to apply each element in every case. An entry payment may more appropriately be related to recruitment of adult learners without a strong educational background, where additional effort is needed in recruitment, induction and initial support. On the other hand, as discussed above (paragraph 19), it is more difficult to find a simple basis for paying the output element if learners are not registered for external qualifications.

Disadvantage

24. We support the proposal to have an element of funding linked to 'disadvantage'. With the creation of a new sector, it may be timely to return to the proposals set out in *Learning works* (the Kennedy report) which, after examining options, concluded that 'the best way of identifying students was by their previous educational achievement'. Because of difficulty in obtaining reliable data on previous attainment, however, other proxies have been used.
25. The postcode basis adopted by FEFC to date has been relatively simple but is not always seen as fair. Some argue that it does not do justice to rural deprivation, which is thinly spread in small pockets rather than concentrated in single postcode areas.
26. Further thinking is needed about whether funding incentives should be linked to low educational achievement or broader social deprivation. We believe that the presumption should be that the link is with educational attainment, and believe that within the context of the LSC's responsibilities in relation to economic regeneration and community capacity building, it will be important to sustain a focus on prior educational attainment. If incentives cannot be directly linked to educational attainment, the most effective proxies must be used.

Funding incentives or costs

27. In looking at funding systems and levers for changing provider behaviour in line with government policy objectives, the signals need to be unambiguous. For example, it needs to be clear when the intention is to provide premiums to create incentives for activity, and when the intention is to reflect real costs. Different providers have sometimes understood the initiatives taken by FEFC differently in this respect.
28. While we believe that, as in the FEFC approach, national tariffs, together with cost-weighting factors should aim to reflect costs, other elements of the funding system are incentives. For example they encourage achievement of targets and widening participation, but do not directly reflect costs. Clarity about which elements of the funding system are intended to reflect actual costs and which are intended to create incentives will therefore be important.

Q3 Do you agree that the national LSC should set limits within which local LSCs could vary national rates? Do you think it is right to rule out downward adjustments?

29. We strongly support the commitment to distribute a high proportion of funds 'according to national funding formulae, supported by a structure of national rates'. An important strength of the current FEFC system is that the tariff, together with cost-weighting factors seeks to reflect costs. We welcome the extension of this principle to all providers but fear that it might be undermined if variations are made locally.
30. We agree absolutely that LSCs should not reduce rates below what has been agreed as fair at a national level, and that 'using a price mechanism to ration provision will risk allowing the worst to undercut the best'.
31. We have some difficulty in identifying circumstances in which it would be helpful to vary the tariff. The consultation document states that tariff variation will provide a means of 'addressing a local shortage of provision'. However, it is not clear how tariff variation would be more effective in achieving this end than other mechanisms at the disposal of the LSC, such as planning or pump-priming initiative funding.

32. We could envisage that variation of the tariff might be a mechanism for addressing shortfalls in recruitment rather than shortage of provision, but even here we would urge caution. If an LSC were to raise the tariff to encourage providers to recruit in a shortage area, the danger is that they would simply draw in learners from another LSC area, exporting the problem. Concerted effort, including Labour Market Information for learners highlighting the potential employment opportunities available, is likely to be needed to deal with skill shortages of this kind.
33. A major advantage of the new arrangements is the potential for a unified national system. This could be undermined by the proliferation of different rates. An agreed weakness of TEC operation has been the extent of local variation in provision. We therefore agree that there is a need to limit the capacity of local LSCs to vary rates and believe that a very strong case should be made to demonstrate that this is the best way of dealing with the identified problem.

Cross-border traffic

34. In addition, it is difficult to envisage the application of this discretionary power without knowing how the LSC intends to deal with 'cross-LSC border traffic'.
35. We recognise the importance of high quality and comprehensive provision within the boundaries of all LSCs. However, learners will wish to be able to choose provision to meet individual circumstances and preferences. Quality may be a factor alongside others, such as proximity to work or to a school attended by a learner's children. In addition, there are centres of excellence and specialist centres that offer a service nationally and regionally and which will attract learners from outside an individual LSC area.
36. The system must be able to respond to the legitimate choices of learners. We therefore recommend that there should not be any restriction on learners' ability to choose the institution at which they study and that LSCs fund provision at the institutions in their area irrespective of the home addresses of learners. We suggest that this should be a clear operating principle for the new system.
37. The alternative to the approach proposed above would be a return to systems of reimbursement across boundaries. This would involve substantial and unproductive bureaucracy and could undermine the concept of a national system.

Fees

38. This section of the consultation document also raises questions about how fees will be handled in the Learning and Skills sector. Currently colleges and private training providers are free to compete on price, and set their own fees within national parameters. These set out for example the provision that must be offered free of charge (e.g. provision for 16–19 year olds) and in future will also need to include guidance on Individual Learning Accounts.
39. Given the commitment to a competitive market set out in *Learning to succeed*, we assume that this freedom to compete on fees for adults will continue (within national parameters). It could be argued that competitive pressure will ensure a dynamic sector with wide choice available to learners and that it will support the objective of securing maximum effectiveness and value for money. However, in an environment where there is downward pressure on fees to maximise competitiveness, the effectiveness of the local LSC in discharging its responsibilities in respect of quality will be vital. The maintenance of rigorous quality standards and monitoring of learner feedback and satisfaction will be essential to secure appropriate quality in this competitive environment.
40. There is a danger that local variation of tariffs could be used as a fee subsidy by providers, encouraging differences in the fees charged in different LSC areas. This could provide an incentive to cross-border recruitment which could in turn de-stabilise provider arrangements. Excessive competition could endanger the prize of securing a fair and coherent national system. This reinforces our view that tariff variations should be strictly limited.

Funding tariff variations

41. The consultation document does not make it clear how local LSCs will fund tariff variations; this needs to be clear. If the system developed reflects the current FEFC arrangements, we would expect that the national LSC would hold the local LSC accountable for distribution of a volume of activity funded at the national rate. If the local LSC varies the rate upwards, and has no power to make equivalent variations downwards, it will not be possible for it to fund the volume of activity agreed with the national LSC.

42. It will need to be clear on what basis funding is allocated from national to local LSCs and how detailed the targets will be which they will be charged to achieve. Clear arrangements are needed, including clarification about whether they will draw upon the 10–15% discretionary budget to fund tariff variations.

Q4 Do you agree that the examples listed are appropriate for non-formula funding? Are other examples appropriate?

43. As stated earlier (paragraph 2), we particularly welcome the objective which gives the LSC an explicit role in relation to community capacity building. This role was not overtly a responsibility of predecessor organisations and marks a new opportunity to make a contribution to tackling complex issues of local economic and community regeneration. Such work will involve complex multi-agency working, which requires time and commitment to establish and which we believe is therefore particularly suited to discretionary initiative funding. Many of the examples listed for use of non-formula funding could contribute to this work and we agree that they are appropriate for such funding. We recommend that in view of the importance of systematically tackling social exclusion, a focus on community capacity building should be the overriding priority for distribution of local discretionary funding.
44. Our experience is that formula funding is the most efficient way to allocate resources for the bulk of learning provision. We suggest, as a general principle, that as much funding as possible should be passed to front-line providers, rather than spent directly by LSCs. It is particularly important that the discretionary funding, which is a substantial sum of money, is not distributed through a mechanism such as competitive bidding, which experience has shown is capable of absorbing a lot of the energies of both providers and administrators to little effect.
45. The consultation document does not refer to funding for quality improvement. We would recommend that this be an earmarked fund rather than part of the 10–15% discretionary funding. In addition to the items listed, it may be necessary for the non-formula element to be used to cover the cost of any local variations of the tariff (see paragraph 41). The costs of local LSC administration may also be within this fund. Performance indicators for LSCs could usefully include the costs of the local LSC as a percentage of the budget it distributes.

46. It is not clear exactly what the advice and guidance spending of local LSCs would cover and there is justifiable concern that there is a conflict of interest in the provision of guidance by the LSC, when it is also bound to meet government targets. We would suggest the following arrangements:

- LSCs could have a modest budget for the generic promotion of lifelong learning but this should not lead to the development of local LSC 'brands' which detract from a clear national system
- The marketing of specific provision should be left to providers and local learning partnerships that are responsible for developing programmes
- Guidance should be available which is independent of both LSCs and institutions.

Q5 Do you agree that the annual cycle should lead to provisional allocation announcements by local LSCs each January preceding the September of that year? Do you think that the national LSC should set limits on in-year flexibility?

47. We welcome the proposal to make provisional allocation announcements by January. This will assist the planning process for providers.
48. We acknowledge that adjustments may be needed in the light of significant under-spends or over-spends in order that public money is spent fairly and follows activity and demand. As a general principle, however, it must be recognised that under-recruitment does not lead to pro rata savings on costs to providers and any clawback mechanism must be sensitive to this.
49. The manner in which in-year adjustments are handled will be crucial in terms of its impact on providers and may need to vary depending on the scale of the provider concerned. The options available will also depend to some extent on the level of detail of the allocations system and the terms of accountability between local and national LSCs. We would caution against a system in which indicative allocations were cast at a very detailed level. This would be a particular concern for large colleges that have been able, within national parameters, to vire funding to follow demand. It would be a major restriction on the capacity of large providers to act responsively if this capacity were unduly restricted.

50. We would also welcome an undertaking that as far as possible funding will follow the expressed demands of learners rather than their 'assessed needs'. This would emphasise the need for providers to keep their attention focused on what learners want, rather than on negotiating allocations.

51. We would support limitations on contingency funding to cope with unforeseen demand or to meet newly identified skills shortages. Provided large providers have the flexibility to vire resources to meet actual demand, a relatively modest fund should be adequate.

Q6 Do you agree with the general principle that good provision should be a key trigger for expansion, potentially at the expense of weaker provision? Do you think that the general principle should be constrained in the circumstances listed, or in any other circumstances?

52. We agree with the general principle that quality should be a key determinant in decisions on funding and allocations. However, we believe that in order to meet the needs of customers in such a diverse sector, the general principle will need to be constrained and a sensitive approach will be needed to define quality.
53. As suggested in the consultation paper, in considering allocations and the extent to which these are driven by quality, local LSCs will need to take into account the range of opportunities in the area and the range of needs. In some circumstances it will be appropriate to expand the provision made by high quality providers where this does not threaten the stability of another provider. In other circumstances it may be better to fund quality improvement plans in weak providers, in order to maintain a comprehensive service.
54. In addition, the needs of learners should be a key consideration when deciding how closely to link allocations to quality. We suggest that data on learner satisfaction should be systematically considered in assessing the quality of provision. For some adult learners in particular, the maintenance of local provision might be key to their participation; for others, the availability of child-care or the timing of the course may be the key. The emphasis in these circumstances might therefore be on supporting providers to improve rather than moving provision elsewhere.

55. Given the complexity of need, it would be unwise to limit the options available to the LSC in advance. The principle of favouring high quality provision should be implemented sensitively in the light of circumstances such as those listed.

Q7 Do you agree that any indicative allocations system would need to be subject to the limitations indicated?

56. We agree that indicative allocations need to be adjusted in the light of changes in demand and provider quality. We would urge that adjustments be made as far in advance as possible and that assessments of quality take into account the diverse requirements of learners (see paragraph 54).

57. However, we strongly support the move towards a three-year indicative allocation and an end to short-term contracting arrangements. The intention behind these proposals, to provide a stable framework within which providers can plan, is very welcome. It will be particularly helpful to small private trainers, voluntary and community providers, many of whom have suffered from unpredictable funding arrangements. Longer planning horizons can enable the development of more stable relationships between providers and with customers, and allow robust strategies for quality improvement. They can also counter the more negative effects of competition, by offering security.

Q8 Do you agree that new provision should be subject to limited initial approval? Do you think that any special measures will be needed to attract new providers?

58. A distinction is required between arrangements for the treatment for new providers and for new provision. We do not agree that new provision should necessarily be subject to limited initial approval. Much of the work of responsive providers changes to meet changing demand. We would not wish to see a degree of uncertainty injected into planning by a probationary period for any new offer. This could act as a disincentive for innovation.

59. Initial approval would more appropriately apply to new providers rather than new provision. It might, for example, be necessary to give a new provider time to demonstrate that they can deliver to a suitable standard. We believe that thresholds should set requirements in relation to aspects such as qualifications of staff, resources and health and safety, and that actual performance should also be monitored in the case of new providers. A judgement about whether provision achieves the right quality standard can necessarily only be made after it has been delivered. This approach would require some form of conditional approval subject to satisfactory monitoring of actual delivery.

60. We would challenge any assumption that innovation and new provision are necessarily associated with new providers. In the learning and skills sector, as elsewhere, innovation and responsiveness will often be the product of well-established and secure providers rather than newcomers.

61. While we recognise the need to support new providers where there is demonstrable need for new provision, we are not convinced that special measures will be needed to attract new providers. It should be acknowledged that while competition can be a stimulus to quality and responsiveness, in excess, it can also be a source of instability, which in turn can have an adverse impact on quality.

Q9 Do you agree that local LSCs should allocate volumes of provision for most University of Industry (Ufi) supported learning? Do you think that a form of earmarking at local level would be the best way to ensure that we realise the potential contribution of Ufi to lifelong learning? Should there be a central allocation for Ufi to work with national and multi site employers?

62. We would favour an approach that aligns funding arrangements for Ufi provision as closely as possible with those for other provision. FEFC is currently earmarking funding for Ufi, so a judgement will need to be made as to whether this is still required in 2001. As soon as possible allocations should be made on the same basis as for other providers – i.e. demonstrated demand from clients.

63. Ufi highlights the complications of accommodating online learning within a geographical planning and allocation system, and clearly the case for special treatment is stronger in relation to online delivery than it is for provision delivered through learning centres. However, accommodation of online delivery is not an issue that is exclusive to Ufi. It will be important that as it becomes more commonplace, online learning is not constrained by local and area-based funding mechanisms.
64. The paper is right to recognise that many Ufi learners will cross LSC boundaries and arrangements will need to accommodate this. We suggest above (paragraph 36) that LSCs fund provision at the institutions in their areas irrespective of the home addresses of learners. This could help to simplify the arrangements in relation to funding of Ufi. The reference to 'pooling' is a cause of great concern to those who remember the unproductive bureaucracy associated with local authority extra district payments. It is to be hoped that it is not the intention to re-create such a scheme.
65. The Ufi is charged with developing demand for learning by encouraging in particular the growth of online or e-learning. This is an important role, though it should be remembered that many other providers have experience in this type of work and have plans to expand their provision. We hope that the LSC will not create artificial distinctions between Ufi learners and those enrolled on similar programmes with other providers, nor build unnecessary complications into the funding and allocations process. We do recognise that it will be important to identify Ufi learners, just as it is currently a requirement in the FEFC system to identify New Deal learners. Ufi learners could be identified through the Individual Student Record, or its equivalent, in the same manner as 'New Dealers'.
- Q10 Do you agree that there should usually be only one intermediary between the LSC and the learner in the case of FE colleges and training providers?**
66. We understand the concerns that intermediaries can lead to unnecessary administrative costs and to unclear lines of accountability for quality and funding. However, rigid regulations might rule out some useful forms of partnership. Colleges and other large providers are well placed to handle some of the complexities of administration which might deter a small organisation from participating in LSC provision. It may be difficult to engage the full range of organisations in the voluntary and community sectors unless they can look for support in this way.
67. We note that current Ufi arrangements are based on contracting with learning centres via hubs in a modified form of franchising, which supports the view that there can be benefits in contracting chains. We therefore recommend that the dominant principle be whether the subcontracting arrangement adds value for the learner, and suggest that they be judged on their individual merit, within broad guidelines.
- Q11 Do you agree that direct contracting between local LSCs and employers should form, on average, no more than 10% of employer-based training in each local LSC area? Should this be subject to any criteria in addition to those described above?**
68. We support this restriction and believe that direct contracting should be kept to a minimum. In the circumstances described in the consultation document, the position of the employer appears to be the equivalent to a new provider and we suggest that they should be subject to similar quality thresholds and restrictions.
69. There is a danger that direct contracting may lead to 'deadweight' — the substitution of public funds for employer resources. Operation of direct contracting should be managed within a clear framework that sets out the circumstances in which public funding can be used for employer-based training. We set out some initial principles that might provide the basis for such a framework in response to question 16 below (see paragraph 81).
- Q12 Do you think that a coordinating unit should be supported by the LSC to help employers who wish to contract nationally? Do you agree that there should be a presumption against national contracts with training providers?**
70. We agree with the presumption against national contracts with training providers. We believe that there should be only a small number of cases, and that these could be handled on their merits by the LSC. We would counsel against the establishment of a unit; this could create posts dependent upon maintaining or increasing such contracting, rather than restricting such arrangements.

Q13 Do you agree that a co-financing approach could help maximise the take-up and effective deployment of the European Social Fund (ESF)?

71. There is certainly a need for reform of the approach to ESF funding. Current arrangements provide no incentive for institutions to participate and are cumbersome. We would, however, need to know more about how co-financing might work before reaching a judgement on its effectiveness.
72. Objective 3 funding for work-based training for young people is currently distributed via TECs. We assume that in the future this will be added to the objective 3 funding currently managed by FEFC for its sector, and that providers will be able to bid against this fund. In this way providers should be able to use mainstream LSC resources as match funding.

Q14 Do you agree that the cost of course-based qualifications pursued as part of work-based training should be the subject of national rates? Do you agree that more local flexibility is required for the cost of trainee support in the workplace and for assessment costs?

73. We do agree that as far as possible, provision should be based on standard national rates. Having worked through a transition from 'flexible' local authority practice to a largely national system in respect of further education provision, we believe that all elements of work-based training could be captured within a national formula. If it cannot be done at once it ought to be an aspiration. Our experience is that providers value, and benefit from, the predictability of a formula driven system far more than the potential sensitivity of a managed system. This impacts upon the quality of their planning and therefore the experience of learners.
74. We do not therefore agree that more local flexibility will be required for the cost of trainee support in the workplace, but do believe that the implementation of a formula driven approach will need to be carefully monitored in order to ensure that provision does not suffer.

Q15 Do you agree that a matrix approach to the funding of students with learning difficulties and/or disabilities would allow for greater transparency and consistency of treatment?

75. The circumstances of students with learning difficulties and/or disabilities are extremely varied and we are not convinced that they could all be captured by a matrix in the form proposed.

76. The consultation document does not make it clear why the FEFC approach to additional support is not considered appropriate. FEFC has recently evaluated the mechanism and found that it works well. In particular it takes as its focus the need for support, not the disability of the student. Learners with identical disabilities might have very different support needs depending upon the nature of the programme they are following.
77. The additional support mechanism is capable of handling the very wide range of contexts in which learners engage and of reflecting their individual needs and aspirations rather than their label. It is very well regarded in the FE sector and initial investigations with experts in work-based training and local authority provision suggest that it would be equally effective in those contexts.
78. We are aware that a matrix such as the one proposed is used by FEFC for placing learners at specialist colleges outside the FE sector and we understand its potential attractions. At first sight it appears straightforward and capable of ensuring convergence of funding. However the range of variables involved is much smaller than in FE sector colleges, and smaller still than the new LSC sector.
79. The matrix focuses on learners with more severe and complex difficulties and on institutions which cater for the specialised needs of a small set of learners with particular requirements in common. The nature of the learning opportunities they offer is also limited as virtually all the programmes are full time and cover a 24-hour curriculum. We agree that a matrix may be appropriate for this context but not for the wider learning and skills sector. The scale of current provision is an indicator of the difficulty. There are approximately 1200 learners funded at specialist colleges and about 120,000 learners receiving additional support in FE colleges.

Q16 Do you agree that we should work towards some commonly applied principles to govern the State's contribution to the cost of adult learning? Do you think that employed adults and employers should contribute the balance of the cost of learning?

80. We see this as a major issue for the new sector and consider it vital that the Learning and Skills Council establish a clear framework. The government has a crucial role in ensuring that training opportunities can be sustained through periods of economic downturn and to take a longer term strategic view of the future skill needs of the economy, in order to anticipate skill needs in advance of demand. These should be articulated through the Regional Skills Strategies of Regional Development Agencies (RDAs), which must inform the work of the LSC in this regard. Regional planning discussion between LSCs will be essential to achieve an appropriate fit with these strategies.
81. In relation to the contribution of employers, individuals and the State, we agree that clear guidelines are required and note that these need to address the fees that can be charged as well as the division of responsibilities. With regard to these responsibilities, in joint work with IPPR, the following broad principles were suggested as the basis for a framework:
- Employers pay for training of staff in job-specific skills
 - Public funding pays for key transferable skills and subsidises according to social or future skills priorities
 - Individuals contribute where their longer term career prospects are enhanced – for example, individuals might fund qualifications since these are more likely to be of benefit to the individual than to the employer.
82. We agree that account must be taken of the capacity of individuals to pay and there is a danger that low-paid adults may be disadvantaged. We therefore believe that progress should be made in securing the entitlement proposed by the National Skills Task Force for free education and training up to level 2. In addition, we support the requirement placed on the LSC to secure from employers an appropriate contribution to the costs of education and training, and would recommend that a clear legislative framework be introduced to secure employer contributions. We regret that the most recent report of the National Skills Task Force was unable to reach a recommendation on this vital issue.

Q17 Do you agree that 2000–01 should be the baseline year for calculating the real terms safeguard?

83. In order to ensure that the data on which the safeguard is based is as robust as possible, the selection of 2000–01 is probably right. It might, however, be wise to check the data for the base year against the average of the preceding two years to identify whether there has been any unforeseen and significant change. This approach was used effectively in the transfer of college funding from LEAs to the FEFC.
84. Although this question relates to school sixth forms, we wish to comment on arrangements for calculating adult and community provision. Part of the rationale for bringing this provision within a national system was a concern about variability of levels of provision available in different local authority areas. We are concerned that the proposal to base allocations on historical patterns of spending will perpetuate these inequalities. In relation to this aspect of the new sector, we would like to see clear proposals for provision to be raised to a common national platform as soon as possible.

Q18 Do you agree with the approach to implementation set out in section 4? Are there any additional factors you think need to be taken into account?

85. The inclusion of schools within the overall arrangements for planning and funding post-16 learning is a major step forward. It will help the development of more coherent arrangements for young people and offers the prospect of improved value for money. The changes could ultimately lead to significant changes in the schools sector and it is wise therefore to proceed carefully. FEDA welcomes the assurances given in relation to safeguarding the levels of funding in school sixth forms if numbers are maintained. These assurances will not only help to win the support of those in schools but also underline the commitment of the government to create a level playing field by levelling up funding rather than levelling down.
86. It is worth noting that the safeguards for schools are expressed in terms of pupil numbers. Elsewhere in the sector it seems likely that the size of learners' programmes will also be taken into account in funding. While the arguments for a smooth transition are important, it is also desirable to build into school funding the incentives to offer broad and demanding programmes that obtain elsewhere.

Q19 Do you agree with the approach to transition set out in section 5? Are there any additional factors you think need to be taken into account?

87. We agree that the integration of funding systems, operational models and accounting requirements will not be easy. It will be vital in moving towards integration that clarity should be established on fundamental principles that will underpin these aspects of the new sector. In paragraph 6 we refer to the different traditions of purchasing and grant distribution. Another example of where clarity is needed is in relation to what is funded – whether this is akin to the FEFC tariff, based on volume of provision, or whether it is based on a notional full-time or proportional learner.
88. We believe that clarity on these broad principles will assist the process of creating a common understanding in the new sector, and hope that these will be part of the next consultation in May 2000.
89. We welcome the commitment to provide support and assistance through the move towards a new system, and the clear understanding of the need for smooth transition. We recognise that changes for colleges are likely to be less significant in terms of the funding mechanism than for other providers that are accustomed to working within local funding systems. We believe that the experience of FEFC in moving from local funding of colleges to a national system provides a valuable model. Convergence over a period to a common platform can enable planned and manageable transition.
90. One of the strengths of the new sector will be the convergence of data into a common format for the range of provision within the ambit of the Learning and Skills Council. We believe that development of this potential should be prioritised in order that systems are in place as soon as possible, and so that the Council can provide information about its performance that relates clearly to the objectives set out in this consultation document.
91. We believe that a major challenge to the early stages of implementation will be to ensure that the range of providers – who will be the key to the success of the sector – begin to think of themselves as a single sector with common objectives. Opportunities need to be offered for colleges, voluntary, community and private sector providers and school sixth forms to enter into constructive discussion about how they can work together with maximum effectiveness to achieve these objectives, building on their diverse strengths and contributions. Such discussions could provide the basis for developing the sense of common purpose that will be essential to underpin a successful Learning and Skills sector.

Further information

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