

**i** For information



Leading learning and skills

# **Regional Allocation Framework for 2006/07**

**Final**

**Any queries on this content should be directed to the  
appropriate LSC office contact.**

## **January 2006**

# Regional Allocations Framework 2006/07

## Introduction

1. This internal LSC document provides regions with a framework to determine provider allocations for the 2006/07 academic year. It has been prepared by a number of national, regional and local colleagues, and is intended to help support regional and local staff in their discussions with providers. Each region will implement this framework within the context of their own structures and ways of working.
2. This framework:
  - Is an integral element of the LSC's planning processes, providing the technical detail for achieving the policy changes included in Priorities for Success, within the improved planning regime set out in Planning for Success
  - Takes into account feedback from the review of the 2005/06 funding allocation round
  - Covers further education (FE), work-based learning (WBL), personal and community development learning (PCDL), and learners with learning difficulties and/or disabilities (LLDD) funding streams
  - Does not cover school sixth forms, or Train to Gain.

## The LSC's Business Cycle

3. This framework addresses the following elements within the Business Cycle for 2006/07 described as:
  - January 2006, indicative allocations to providers
  - May 2006, allocations to providers confirmed.
4. In practical terms it is likely that allocations will go through a number of iterations as the planning process itself will progress from autumn 2005 through to May 2006. WBL is a significant exception to the above timetable, where indicative allocations should be given by 17 February 2006. This short delay is to allow for WBL funding changes to be completed and understood before indicative allocations are issued.
5. For the purpose of clarification, the indicative allocation is the funding allocation notified to the provider by the LSC at the end of January 2006 (or mid February for WBL), on which the provider should begin to plan operational delivery for 2006/07. It is acknowledged that changes can and will occur up until the final allocation is issued. These changes will occur for a number of reasons, including, but not limited to, inspection results, new data, other demands, and affordability. A key factor which will lead to changes in indicative allocations will be the improved understanding of providers' 2005/06 performance, which in many instances will only become clear after the indicative allocations have been issued.

6. In the light of this, decisions on growth in 2006/07 (beyond that required to address previous unplanned priority activity) might be deferred until the 2005/06 position becomes clear.
7. The LSC will seek to ensure that any changes between indicative allocations and final allocations are marginal (particularly where reductions are concerned). However, it is acknowledged that this will not always be possible, and where changes are made the provider should be notified at the earliest practical opportunity.
8. The change to WBL allocations between indicative and final stages may be more significant than for the other funding streams due to the need to incorporate the results of the review of apprenticeship rates.
9. For the rest of this document the framework does not distinguish between indicative or final allocations, as it simply provides a framework for their calculation – not their resultant status. The status of the allocation rests with the Regional Director, who will take into account a number of factors, such as public commitments, the quality of data used in their calculation, and whether the proposed allocations are affordable within the region's budget when making this decision.

### **Links to Other Documents**

10. This framework is not a policy document. Its purpose is to provide regions with a framework within which to implement policy that has been stated elsewhere. In preparing for funding allocation discussions with providers, LSC colleagues will need to be familiar with the following policy documents:
  - Priorities for Success, issued October 2005
  - The Grant Letter, issued October 2005
  - The Annual Statement of Priorities 2006/07 (national, regional and local), national statement issued November 2005
  - Planning for Success, issued in December 2005
  - Tools Supporting the 2006/07 LSC Planning and Provider Reviews, issued in draft in November 2005
  - The report on the 2005/06 funding allocation process, issued in December 2005
  - Policy Requirements for Planning, due to be issued in January 2006
  - Policy Requirements for Planning – Managing the Balance and Mix of Provision, issued in January 2006
  - Policy Requirements for Planning – Indicative Funding Rates for 2006/07, issued in January 2006
  - Policy Requirements for Planning – Planning and Funding for the Safeguard, due to be published in January
  - Funding Guidance, due to be published early in 2006.

11. Providers will have a detailed understanding of many of these documents. Some of the above policies are still under development, and future revisions of this framework will take into account any changes.

## **Ways of Working**

12. Determining funding allocations is an integral part of the planning process of the LSC and our providers. It is essential that effective communication links are maintained between the provider and the LSC during this process. This was a key concern that FE providers fed back to the LSC during the review of the 2005/06 funding allocation process. The LSC must ensure that regular discussion and liaison takes place with each provider, including external institutions, Higher Education Institutions (HEIs) and local authorities.
13. As already stated, this framework covers FE, WBL and PCDL. In previous years these different funding streams have sometimes been considered in isolation. For 2006/07 executive and local directors need to ensure that this does not happen, and that where discussions take place between different LSC and provider colleagues on different funding streams, it is necessary that the overall impact on the provider's delivery programme and funding is fully understood.
14. The funding discussions provide an opportunity for the provider and the LSC to agree an allocation taking account of both national policy and the local and regional context. For the provider it is an opportunity to explore the impact of the Government and LSC's policies on the institution. For LSC colleagues they provide an opportunity to understand better the provider's position in terms of programme delivery, quality, performance and financial health, in order to determine an appropriate funding allocation, and the contribution of the provider in meeting the needs of local area.
15. In the light of the findings of the review on the 2005/06 funding allocation process, colleagues are reminded that:
  - LSC staff should ensure that provider expectations are in alignment with LSC priorities, policies and what the LSC can afford
  - Frequent face to face meetings with all providers should be held in order to ensure that providers' plans, and the impact of the LSC's plans and funding changes, can be properly considered
  - Providers understand the reason for changes in funding
  - New developments are shared promptly with providers
  - Feedback from meetings with providers is considered in local and regional decision making.
16. Of course, many of the above points apply to the LSC's on-going relationship with providers and are not limited to just the allocations process.

## **Time Table**

17. The planning timetable is included on the LSC's intranet, on the share point and Business Cycle site.

## **Train to Gain (National Employers' Training Programme – NETP)**

18. As stated in the introduction, this framework does not cover Train to Gain allocations. At the time of writing the operational requirements of Train to Gain are being finalised. The budget for this activity is additional to the FE, WBL and PCDL budgets, and provider allocations for this activity will likewise be additional to their FE, WBL or PCDL allocations. Providers within these funding streams (as well as other providers), may become Train to Gain providers. Within planning discussions it might be useful to discuss the provider's readiness to deliver this provision and to understand their expectations. Guidance on this new funding stream will be issued in due course.

## **Development Plans and Funding Allocations**

19. In previous years funding and planning have often been seen as two separate exercises, one resulting in a funding allocation (financial memorandum part 2) and the other resulting in a development plan. It is intended in 2006/07 to make the relationship more explicit, with the funding allocation becoming an integral part of the development plan.
20. Therefore from 2006/07 there will be a single document that covers targets, quality and funding aspects of the funding agreement between the LSC and each individual provider, contained within the development plan. For further information please refer to Planning for Success.

## **Young People**

21. Colleagues should note that learners who reach 19 years of age during their second year of study should continue to be classed as young people – for funding purposes only.

## **Peer Review**

22. Many of the steps included within this framework require the use of judgement (within a standard framework) as opposed to the simple application of a formula. Colleagues should not be dissuaded from making difficult judgements simply because they are unwelcome. Where a decision is considered to be difficult, it might be appropriate for colleagues to consider having the decision peer reviewed. Such peer review arrangements should be established in advance by regional colleagues.

### **Allocation Calculations**

23. Detailed information on the calculation of FE, WBL and PCDL allocations is included in annexes A, B and C to this framework.

### **Further Assistance**

24. In the first instance support should be sought from regional colleagues, notably the regional planning and performance lead, or the regional finance director.

## Annex A: FE allocation calculations

1. The allocation process is intended to reflect each provider's particular circumstances within a clear national framework.
2. Individual FE funding allocation calculations for 2006/07 will comprise the following steps:
  - A: Setting a correct baseline
  - B: Capturing funding change implications in the light of Priorities for Success and other policy documents
  - C: Identifying realistic levels of priority growth and other changes in mix and balance of provision
  - D: Applying rate increases
  - E: Moderation
3. These five steps are considered in the following sections.

## **Section A: Setting a correct baseline**

**Main message: In preparing a FE funding allocation for 2006/07, the 2005/06 allocation should be taken as the starting point, and then adjusted in the light of 2004/05 outturn, and 2005/06 estimated performance.**

### **2004/05 Outturn**

4. Specific factors that should be taken into account when considering the 2004/05 outturn include the following:
  - The 2005/06 allocation will have been determined on the basis of the best available data and information that was available at the time. However, since then, more complete and accurate data will have been made available (ILR FO5 and final funding claim). It is reasonable for the 2005/06 baseline to be reconsidered in the light of this data
  - Where a provider's performance in 2004/05 was lower than had been expected when the 2005/06 funding allocation was decided, then it is appropriate to reduce the 2005/06 baseline as a starting point for 2006/07 discussions
  - The reverse is also true in respect of over performance, although such over performance must however:
    - only be in respect of priority learning, as set out in Planning for Success
    - and only allowed where practical steps were actively taken to reduce lower priority learning in order to accommodate the increase in priority learning
    - be of good quality
  - Where increases in funding per FTE between 2004/05 and 2005/06 were excessive, then this exercise should be taken as an opportunity to reconsider them.
5. The data for this exercise should be taken from the outturn estimate used during the 2005/06 funding allocation process, and the 2004/05 final outturn claim.

### **2005/06 Performance**

6. Specific factors that should be taken into account when considering 2005/06 performance include the following:
  - This exercise is more problematic than considering 2004/05 performance, as the available data is not complete or accurate, and LSC colleagues will therefore need to exercise more judgement, erring on the side of caution where there is clear uncertainty
  - FO1 returns – particularly in respect of young learners
  - For adult learners greater reliance may be required on provider forecasts for adult learning. The LSC should however take into account previous patterns of mid-year forecasts and eventual outturn when



considering how much reliance should be placed on this information. Particular note should be taken of the historical enrolment patterns that exist for adults during the summer term.

- Where a provider's outturn figures for 2004/05 indicate a degree of excessive optimism in a provider's forecasting, then it is reasonable for the LSC to take a prudent view on the 2005/06 estimated outturn.

### **Unfunded Activity**

7. Where there has clearly been unfunded activity in 2004/05 and 2005/06 then this should be taken into account in the baseline for determining 2006/07 allocations – providing that that activity was in respect of priority learners, **and** providing that the provider offset (as far as was practical or desirable) these increases in priority learning by reducing lower priority learning. Where this has not occurred then the LSC could consider that the baseline for lower priority activity is too high – as opposed to allowing additional funding in the baseline.

### **In-year Adjustments to Funding Allocations**

8. For the avoidance of doubt, rebasing adjustments to the 2005/06 allocation should **not** result in actual cash adjustments to 2005/06 funding allocations. The above adjustments are necessary to determine a correct baseline for determining 2006/07 funding allocation calculations. In some instances however, the LSC may consider that actual cash adjustments to 2005/06 funding allocations are appropriate. These instances are expected to be few in number.
9. To ensure consistency the LSC's management group has determined that all proposals to vary 2005/06 FE allocations should be considered by the finance sub-group. Where such action is planned, the circumstances should therefore be shared first with the national director of resources.

## Section B: Capturing ‘Priority for Success’ implications

**Main message: It is essential to capture these funding amendments before considering further changes in the provider’s provision (such as growth, changes in mix and balance of provision) as these changes are in effect changes to the provider’s 2005/06 baseline and are non negotiable. By capturing these changes the LSC is able to afford the increased levels of priority activity that providers should aspire to deliver, and which the Government expects – as stated within the Grant Letter.**

10. The six funding changes which affect the **volume** of funded learning are as follows:

<b>Funding Change</b>	<b>Policy Document for Reference</b>
Maximum level of funding per learner	Policy requirements for planning – indicative funding rates for 2006/07
Very short courses	Policy Requirements for Planning – Managing the balance and mix of provision, planning priorities for 2006/07, annex B: Policy and criteria for funding very short courses from 2006/07
Statutory requirement courses	Policy Requirements for Planning – Managing the balance and mix of provision, planning priorities for 2006/07, annex C: Policy and criteria for funding health and safety, first aid and food safety provision from 2006/07
Learning that does not directly contribute to the local, regional or national targets	Policy Requirements for Planning – Managing the balance and mix of provision, planning priorities for 2006/07
Poor quality provision	Policy Requirements for Planning – Managing the balance and mix of provision, planning priorities for 2006/07  Planning for Success

11. An overview to these changes is included in Priorities for Success and should be referred to. The implementation of some of the above changes is covered in the above policy documents which should be referred to. The Toolbox will provide analytical data for each provider on very short

courses, statutory requirements, and that does not directly contribute to the local, regional or national targets. This section of the framework will be substantially extended in the final document.

### **Poor Provision**

12. Provision that is judged as inadequate on re-inspection should cease to be funded. Provision that is currently assessed as inadequate should not be increased in volume above current participation levels.
13. The document Planning for Success contains further information on poor quality provision, and it is noted that this issue is currently being discussed with the sector. More detailed policy is expected to be issued in early 2006.

### **Practical Considerations**

14. In order to ensure national consistency, and to ensure that the sector as a whole has the right direction of travel, each of the six funding changes **must** be reflected in the 2005/06 baseline, prior to agreeing further changes and growth.
15. It is however acknowledged that in discussions with providers, colleagues will only have data available on 2004/05 activity, as opposed to 2005/06. This data should be taken as a starting point (increasing 2004/05 funding values to 2005/06 levels), with any changes to reflect actual delivery in 2005/06 being agreed with the provider. Where significant changes have occurred in 2005/06 then the LSC may need to ask FE providers to assess / model the impact of the Priorities for Success changes on their 2005/06 activity – in both volume and value terms. The volumes and values associated with these activities should be deducted from the 2005/06 baseline figures.

### **Fee Assumption Increases**

16. A further funding change is the increase in the fees assumption from 27.5 per cent in 2005/06 to 32.5 per cent in 2006/07. The increased fee assumption means in practice that the LSC expects the overall volume of adult learning activity to remain substantially the same, but with a shift in contribution leading to a reduction in public subsidy offset by an increase in individual and/or employer contributions (noting that in 2006/07 that those learners eligible for fee remission or undertaking skills for life courses will still receive free tuition, and that for other adult learners their courses will still be subsidised by more than two thirds).
17. As far as the calculation of funding allocations is concerned, the purpose of the discussion about the increased fees assumption is not about the fees that the provider can and will collect, but about the reduced funding that the LSC will pay to the provider. As with the above funding changes, data for 2004/05 will be provided by the National Office in respect of each

provider as to the implication of this policy change. It is acknowledged that the above changes in the volume of activity due to implementing Priorities for Success, will have an impact on funding reductions attributable to the change in fees assumption.

### **Fee Income Measure**

18. Although it is not required for the calculation of funding allocations, determining a fee income measure does need to be discussed within the planning process with each FE provider. Guidance on agreeing fee income measures, is due to be issued by the National Office.

## **Section C: Identifying realistic levels of priority growth and other changes in mix and balance of provision**

**Main message: growth in priority youth and adult learning is expected, but should only be included within provider plans where it is reasonable. Other changes in the mix and balance of provision need to be reflected within the provider's plan and funding allocation.**

19. In discussion with providers it is expected that colleagues will identify reasonable and achievable levels of growth in the LSC's priority areas. The LSC and provider should discuss the following factors:
  - National, regional and local priorities
  - Local and regional demand from both individuals and employers
  - Historic trends
  - Current year performance
  - Quality
  - Capacity
20. 16-18 growth should be supported in full wherever forecasts are reasonable and can be supported by evidence of realistic forecasting and successful performance against plans.
21. Growth in adult learning, that does not support the LSC's current priorities, is not fundable.
22. Discussions in this area should refer to Planning for Success and the Annual Statement of Priorities.

### **Additional Learning Support (ALS)**

23. Additional learning support implications should also be considered at this stage. Due to the possible permutations of changes in provision, the regional ALS budgets have been kept constant with 2005/06 and simply uplifted by 2.5 per cent. Given that the number of adult learners (albeit not the total amount of activity) may fall, these budgets may be overstated, thereby allowing more funding to be redirected to course delivery. However, this particular reduction in demand for ALS might be offset by the needs of increased numbers of skills for life learners, and the requirement to ensure that the needs of learners with learning difficulties and disabilities are met (please refer to paragraphs 45 to 48 which consider the needs of LLDD within FE).
24. Each provider therefore needs to be considered on a case by case basis, with funding being redirected from ALS to maintain learner numbers wherever possible and reasonable, whilst ensuring that the additional needs of skills for life learners and LLDD provision are adequately addressed.

## Section D: Applying rate increases

**Main message: funding rates increases should reflect general rate increases, adjusted for any changes in the rates of individual qualifications, although colleagues need to ensure that the final funding per FTE is reasonable and explainable.**

### Funding Rate Increases

25. Funding rates for most FE courses will be 2.5 per cent for adults and 3.4 per cent for young people (matching the minimum funding guarantee for school sixth forms).
26. Some funding rate changes for individual courses in 2006/07 will also be made, and should be announced early in 2006. The impact on most funding allocations should be marginal, but colleagues will need to review this prior to agreeing the final allocations.

### Funding per FTE

27. There are specific concerns about unit rates per FTE within FE. At present the difference between unit rates in the different regions is some 7 per cent (ignoring London which is complicated by the area cost weighting). This conceals a much larger degree of variance between individual providers. Most of these variances are explained by:
  - Different rate increases under success for all in 2004/05 and to a lesser extent in 2005/06
  - Different area cost factors
  - Specialist college factor
  - Different types of learning offer
  - Different types of learner (for example, students from disadvantaged areas)
  - Different levels of retention and achievement
28. The funding per FTE rates are important. Movements between years should only reflect:
  - The increase in funding rates
  - Improvements in retention and achievement (reflecting, for example, the positive impact of educational maintenance allowances)
  - Changes in the provider's programme (for example, increasing the volume of engineering training – but not simply increasing the breadth of existing courses in order to maximise funding)
  - Changes in the full time / part time pattern of delivery
  - Other changes in the factors listed above.
29. Although funding rates per FTE should “fall out” of the discussions on funding and volumes, they do provide an opportunity for a reality check to

be made on those discussions. Any increase in the funding rate per FTE between 2005/06 and 2006/07 that is more than the general youth rates increase will need to be explained and agreed with regional colleagues. Any increase above 2.5 per cent in adult unit rates per FTE will also need to be explained and agreed with regional colleagues (noting that where there is a substantial level of fee-assumed learning, that the LSC will expect the unit rate to increase at less than 2.5 per cent – and possibly to even fall).

30. During this process colleagues will concentrate on the movement between planned 2005/06 FTE rates and planned 2006/07 FTE rates. However, planning discussions should provide an opportunity to review 2005/06 planned FTE rates in the light of the actual rates for 2004/05.
31. This might result in changes to 2005/06 funding allocations (in terms of learner volumes and FTEs). Changes to 2005/06 FTE rates should not however be automatic, since differences might reflect changes in delivery which are inconsistent with LSC priorities. Any increase in 2005/06 FTE rates would need to be explained and agreed with regional colleagues.

## Section E: Moderation

**Main message: in order to provide support, ensure consistency and to act as a control on the process, all allocations (at whatever stage) require regional moderation.**

32. Once the above stages have been completed, the local LSC should be in a position to **propose to the regional director** (not the provider) an allocation for the provider, whether rough, indicative, final or some other milestone. The regional office will then need to review and where necessary moderate these proposals. Different regions may structure this work in different ways. Factors that will need to be reviewed will include:
- The consistent application of the framework in calculating allocations
  - The contribution of each provider to regional and national targets
  - Progression against national, regional and local priorities
  - Whether some providers will be destabilised
  - And, not least, affordability.
33. Each region has been given a budget, and it is for each region to agree development plans and funding allocations within that budget. Where the proposals for 2006/07 funding allocations are greater than the budget available, it will be for each regional director to determine how to address this problem. Steps to be taken will include:
- Ensuring that 2005/06 allocation figures have been properly rebased
  - Ensuring that funding change implications arising from Priorities for Success have been realised
  - Ensuring that poor provision has been removed from providers' programmes
  - Ensuring that growth projections are reasonable
  - Identifying whether funds can be vired from other regional budgets
  - Determining whether reductions in lower priority learning are sufficient.
34. **Only after the regional director has confirmed that the proposals are affordable within their regional budget, should the LSC notify providers about their allocation (again whether rough, indicative or final).**



## Other Matters

### *Exceptional Financial Support*

35. Provider financial health is an important concern to the LSC. This concern is about the potential effect that a provider's poor financial health might have on their effective delivery of their development plan.
36. It is important that any exceptional financial support is discussed as a part of the planning process and included within the provider's development plan. This might be reflected in one of two ways:
  - Amended funding allocations, which are still achievable in terms of delivery, but which might have been lower except for the specific circumstances of the provider
  - Additional financial support, which is not linked to learning delivery.
37. Both of these options require the agreement of the regional director and need to be supported by business cases. It should be noted that from 2006/07 there is no national fund for exceptional financial support, and any such support will need to be found from within regional budgets.
38. Any support should be given in the context of wider operational and strategic considerations, normally including improved management arrangements.
39. At an administrative level, any exceptional financial support which is **not** linked to learning delivery, must **not** be incorporated within FE funding allocations, or paid through AMPS-FE.

### *Personal and Community Development Learning (PCDL)*

40. Within FE allocations, discussion needs to take place with each provider as to what proportion of the total allocation is in respect of PCDL. This value will be taken as a proportion of the indicative and final funding allocation, as opposed to being a consideration in calculating the level of funding allocation in the first place. This value will be included within each provider's development plan and funding allocation, and be entered onto AMPS-FE.
41. Overall, the LSC must be able to demonstrate that it has fully allocated £210 million of safeguarded PCDL activity, and regional colleagues must ensure that their share of this amount is identified within provider funding allocations (£33 million is considered to be identifiable within further education learning – and needs to be explicitly identified in provider development plans and on AMPS-FE. The remaining £177 million will be identified on AMPS-ACL).
42. To support the process, an analysis of the historic proportion of internally certificated or non-certificated adult provision (category 200 in the LSC mix

and balance project), will be made available to regional and local colleagues in January 2006.

43. Prior to sharing indicative or final allocations with providers, each region will be required to confirm that the safeguard allocation looks broadly reasonable and capable of being turned into an operational reality. Where this is not the case, regions may need to revisit funding allocations in order to address this requirement.
44. Further information on PCDL is included in annex C.

#### *Learners with Learning Difficulties or Disabilities within FE*

45. This section relates to learners with learning difficulties and/or disabilities who are within FE participation. The LSC has a separate LLDD budget and the arrangements for this budget are considered in annex D.
46. Under the Learning and Skills Act (2000) the LSC must ensure that arrangements are in place for this group of learners to access suitable provision which meets their needs, and where appropriate the additional support they require to undertake it. The LSC recognises the duty it has in this area, both under the Act, and the Disability Discrimination Acts, and it will discharge these responsibilities fully.
47. The LSC prioritises its funding for adult learning on skills for life and Level 2 employability skills, but within the balance of its adult funding (which currently represents the majority of adult learning funding) priority should be given to programmes for learners with learning difficulties and/or disabilities, as well as programmes for those individuals who work with this group. This includes courses such as sign language, lip reading and Braille.
48. In preparing allocations for providers it is therefore important to ensure that any reductions in adult learning do not compromise this position.

#### *Future Year Allocations*

49. Provider development plans will eventually include indicative funding allocations for 2007/08 and 2008/09. However, these allocations should not be set until the 2006/07 allocation is finalised, and until *agenda for change* implications are fully understood.

## Annex B: WBL allocation calculations

1. Reference should be made to Mandatory Requirements for Local LSCs for 2006/07 in order to understand the policy context of calculating WBL allocations, noting that some changes are expected to be made in either late January or early February 2006.
2. The regional moderation requirements that exist for FE allocations also apply to WBL.

### Priorities for Apprenticeships

3. The specific objectives and priorities for Apprenticeships for the period 2005 to 2008 are to:
  - Increase the number of Apprenticeship leavers completing a full Apprenticeship framework by 75 per cent (over 2002/03) by July 2008
  - Eliminate persistently weak provision and otherwise increase the percentage of leavers that achieve a full Apprenticeship framework
  - Phase out NVQ only learning, with no new starts after July 2006
  - Continue to increase the numbers of learners in apprenticeships while remaining within budget, by maximising the contribution made by FE funding to completing elements of Apprenticeship frameworks through Programme Led Pathways
  - Contribute to the Level 2 and Level 3 PSA targets
  - Contribute to the Skills for Life target.
4. Allocations for 2006/07 should reflect these priorities, and in particular it is essential that WBL providers' allocations and targets ensure that:
  - The volume of apprenticeship places purchased is sufficient to meet the regional trajectory of apprenticeship completions
  - The overall size of the apprenticeship programme is maintained.
5. The calculation of WBL allocations has two main steps:
  - A Calculating the cost per place (£/Ail), and
  - B Deciding on the number of places and framework completions required from that provider.
6. This is a different approach to FE allocations where the total amount of funding that is reasonable and affordable is considered before reviewing unit rates, whereas the unit rates drive the allocation process within WBL. This reflects the historical position of each funding stream, where most FE funding is grant-in-aid funding to providers established by statute, whereas most WBL funding is payment under contract to independent providers – and is therefore determined along more commercial lines. It is intended

that this difference in treatment will be addressed through the *agenda for change*.

7. These two steps are considered in the following sections.

#### **A Calculating the cost per place (£/Average in Learning (Ail))**

8. The WBL Toolbox provides a £/Ail for 2004/05 and a predicted £/Ail for 2005/06 which will need to be adjusted in the light of the following factors:

- Rate increases of 2.5 per cent for 16-18 year olds and 0 per cent for the 19+ age group
- Changes to mix of provision in age, sector and level
- Changes from NVQ learning to apprenticeships necessitating increased key skill and technical certificate delivery
- Improvements in retention leading to a longer length of stay
- Improvements in framework achievement rates
- Other changes to provision.

9. A worksheet will be issued to assist LSC colleagues during this process.

10. Both area and disadvantage uplift rates will be calculated in accordance with the set rates. Area uplifts are applied using the same basis as FE funding based on published rates in the Requirement for Funding FE. Disadvantage uplift rates are recalculated each year, based on the latest full year's set of data. For 2006/07 this will be 2004/05 data. New providers have a rate set as the mean average.

#### **National Policy Developments**

11. Two key policy developments are currently being progressed to support the LSC's priorities. These are:

- Evaluating the effect of policy changes in 2005/06
- Revising rates in line with the findings of the Review of Apprenticeship Rates, that will address any overlap between NVQ and technical certificate delivery.

12. The results of this work will also have an effect on the unit cost.

## **B Calculating the number of places required**

13. The factors to be considered on deciding on the number of places to be purchased are:
  - 2004/05 allocation, total earnings and the number of places actually provided
  - 2005/06 current performance
  - The provider's performance against the Success for All floor targets and average framework achievement rates for each sector. In light of the grant letter's focus of only purchasing high quality provision, regions will need to consider carefully the wisdom of allowing any new starts for providers who have a record of performing below these levels
  - Local demand for places, including consideration of Connexion Service predictions of the need for places
  - The results of analysis of the Regional Skills Priority and Provision Matrix, to ensure provision in contributing to PSA Targets for Level 2 and 3 achievement, Skills for Life target and to Regional Skills Priorities
  - Contracts specifically purchase an increased number of apprenticeship framework completions
  - Financial assessment and recent audit results
  - Affordability.
  
14. Indicative allocation will be shared with providers by 17 February 2006. These will form the basis of ongoing discussions, and as with FE allocations will be subject to change.

## **E2E**

### **Priorities for E2E**

15. The objectives and priorities for E2E for the period 2005 to 2008 are to:
  - Improve the percentage of learners who progress to a positive destination from 34 per cent in 2004 to 50 per cent in 2008
  - Contribute to the PSA Target to reduce the number of Young People not in Education, Employment or Training by 2 percentage points by 2010
  - Increase the proportion of leavers who continue their learning towards achieving a full Level 2.
  
16. Allocations for E2E should reflect these objectives and ensure that local needs are met.
  
17. The following factors should be taken into account in deciding a provider's funding allocation for 2006/07:

- 2004/05 allocation and total earnings, calculated at full cost. This should include all provision, and should take into account the delivery of any unplanned provision in 2004/05
- 2005/06 allocation and current earnings against this allocation
- The client group serviced
- The provider's track record in achieving positive destinations for learners. In light of the Grant Letter's focus on only purchasing high quality provision, regions should consider carefully the wisdom of allowing any new starts for providers who have a record of performing at a low level
- Affordability.

## **E2E – Calculating the cost of the allocation**

18. E2E is undergoing a major change in 2005/06 with the introduction of EMA. Therefore funding for each provider will be reduced by approximately £48 per week per learner. National and regional budgets have been adjusted to take this reduction into account. Residual funding for learners still receiving the minimum training allowance has been included in budgets.
19. Allocations are calculated by multiplying the number of planned places purchased by the national weekly rate.
20. Disadvantage uplift is not applied to E2E, but area uplift is applicable in certain regions. This will increase the national weekly rate.
21. The planned assumption for length of stay on E2E remains 22 weeks.
22. A rate increase of 2.5 per cent will apply to E2E.

# Annex C: PCDL allocation calculations

## (Safeguard Allocation Calculations and Former ACL Providers)

- 2006/07 will include a significant change in the treatment of what is currently (in 2005/06) described as Adult and Community Learning (ACL). This provision was limited to a discrete group of providers (local authorities), delivering mainly adult education. Personal and community development learning (PCDL) on the other hand, describes a type of provision which is delivered by a wider range of providers, and which due to increased demand in priority areas of activity is currently under significant pressure. Because of this pressure it has been agreed that PCDL will be safeguarded at a minimum of £210 million in 2006/07.
- Because of this change, the following background information has been provided in order to explain the new arrangement, and how it affects 2006/07 funding allocations.
- The total funding associated with the safeguard was confirmed in Priorities for Success as £210 million, comprising £153 million for PCDL and £57 million for family and neighbourhood learning. This safeguarded funding was drawn principally from ACL funding (£177 million), with a smaller contribution from further education (£33 million).
- These two analyses can be illustrated as follows.

<b>2006/07 Academic Year</b>	<b>ACL Providers (£million)</b>	<b>FE Providers (£million)</b>	<b>TOTAL (£ million)</b>
Safeguarded PCDL	120	33	<b>153</b>
Family and neighbourhood learning	57	0	<b>57</b>
<b>TOTAL SAFEGUARD</b>	<b>177</b>	<b>33</b>	<b>210</b>
First steps provision allocated within AMPS-ACL	37.5		
<b>TOTAL ACL PROVIDERS' ALLOCATION</b>	<b>214.5</b>		

- It is possible to move funding between FE and ACL (subject to the safeguard being satisfied), and between PCDL within AMPS-FE and

AMPS-ACL. Virement from the safeguard to other funding lines is not allowed, as the LSC has to be able to demonstrate that £210 million was both allocated and spent on safeguarded activity.

6. Where a local authority is in receipt of two allocations (through FE and ACL AMPS) as a former external institution and an ACL provider, the LSC will need to consider the indicative allocations together in the planning process (the provider's FE allocation being determined as per annex A, as with any other FE provider). The analysis of 'category 200' provision as described in annex A to this framework will be relevant for these providers in respect of their FE funded provision.
7. PCDL provision is not intended to link to the LSC's funding priorities or to offer progression to other learning aims. Detailed information on the background and intended uses of PCDL can be found in Planning and Funding for the Safeguard, due to be issued in early 2006, and Managing the Balance and Mix of Provision.
8. For 2006/07 it will be necessary to establish a baseline for PCDL in every region, local area and provider and to ensure through our management information systems that we have a means of demonstrating that we have allocated out the funding for the safeguarded PCDL, and that this activity has been delivered.
9. The effect of these changes and the creation of a safeguard effectively ends the need for a separate budget line for ACL providers, and creates a single consolidated adult participation budget of which the safeguard is one element.
10. For 2006/07 we will maintain the existing allocation management systems, with existing ACL providers receiving their funding through AMPS-ACL and further education providers through AMPS-FE. Those providers who are both ACL and further education providers will continue to be paid through both systems (this will include the majority of former external institutions).
11. For the avoidance of doubt: the rest of this section concerns the allocation of the £214.5 million to providers who are currently ACL providers and which will continue to be paid through AMPS-ACL (the £33 million of PCDL which is delivered by further education providers will form part of the FE allocation and will be paid through AMPS-FE, and is covered by annex A of this framework).

### **Current ACL Providers' 2006/07 Allocations**

12. To ensure reasonable stability for current ACL providers, allocations will normally be no less than 90 per cent of the 2005/06 allocation. It is of course acknowledged that in some circumstances there may be issues concerning performance and/or quality, in which case a lower proportion (or no funding agreement at all) might be appropriate, but the number of these is expected to be very few.



13. Allocations will link to the provider's plan for PCDL and other safeguarded funds which will form part of the wider three-year development plan for many providers.
14. Although there is not an explicit link between funding and volume of provision, LSC colleagues should seek to maintain volumes of learners and monitor closely what is being delivered, especially with regard to LLDD provision.
15. Current ACL providers' allocations will comprise of three broad areas of activity as set out in the table above:
  - safeguarded PCDL (for which there is no requirement that learners must necessarily progress to other learning)
  - other safeguarded provision in respect of family and neighbourhood learning; and
  - first steps learning, which is offered as an initial entry point into learning and from which learners are actively encouraged and supported to progress to other forms of learning.
16. Local LSCs must agree with each provider how the available funding is apportioned between these three broad areas, noting the budget position referred to above. As in previous years, each local LSC must agree an appropriate volume and mix and balance of provision for the funding provided.

### **Current ACL providers' PCDL**

17. The data from the 'segmentation' exercise will be used as the starting point for producing indicative levels of safeguard funding at provider level, and will be made available to local LSCs to inform the planning discussions between the LSC and each provider.
18. This does not mean that providers with this provision automatically have it protected. The safeguard operates at the LSC's budget level. Where there is more of this provision than is required to meet the safeguard then funding may be reduced.
19. In finalising the balance between safeguarded provision and other types of provision, it should be recognised that the mix and balance may have changed since the segmentation exercise. Colleagues involved in preparing allocations for 2006/07 have the flexibility to adjust the data in order to reflect these changes.

### **Current ACL Providers' Family Literacy, Language and Numeracy, Family Learning and Neighbourhood Learning in Deprived Communities**

20. The total funding associated with this activity is £57 million, and should be allocated on the same basis and levels as the 2005/06 allocations.

## **Moderation**

21. The regional moderation requirements that exist for FE and WBL allocations also apply to PCDL.

## Annex D: Learners with learning difficulties and/or disabilities

1. Peter Little's report, '*Through Inclusion to Excellence*', made a range of recommendations for improving provision for learners with learning difficulties and/or disabilities (LLDD). The recommendations in the report were fully endorsed by the Management Group and the National Council.
2. One of the recommendations was that the development of high quality effective provision – particularly more locally-based provision providing a suitable alternative to residential placements – should be supported through an "Investment for Change" programme. The report also identified the importance of strengthening the LSC's regional capacity to be able to plan, develop and fund provision for learners with learning difficulties and/or disabilities, and to take responsibility for the management of the budget for placements at specialist colleges.
3. Work is currently underway on developing a strategy and implementation plan to take forward the recommendations of the review. Two key LSC groups have been established: an implementation group led by Nick Wilson (ED of LSC Surrey), and a strategy group. The former group has already undertaken a significant amount of work, and has brought forward the recommendation at the end of this report.
4. Current proposals for Theme 7 identify that the management of placement budgets, leadership of provider network development and expert support to local Partnership Teams will be the responsibility of Regional LLDD Managers, supported by LLDD Advisers who will have a link to local partnership teams.

### Placements Budget

5. The budget for placements at specialist colleges for learners with learning difficulties and/or disabilities is currently held nationally. From April 2006, this will be devolved to regions. For 2006/07 this budget totals £157 million. There is no separate budget line to support the 'Investment for Change' recommendation.
6. Regional Directors' first priority will be to ensure that the LSC's statutory duties with regard to placements for individual learners at specialist colleges for learners with learning difficulties and/or disabilities can be met within the allocated budget, recognising:
  - the trend towards an increase in the numbers of placements requested and;
  - the increasingly complex support needs of the learners placed.
7. The national LLDD team will provide information on the patterns of placements for each region to help inform planning.

## **Investment for Change**

8. Arising from the report of the review '*Through Inclusion to Excellence*', there is an expectation that there will be an element of investment for change to enable the development of high quality, innovative and potentially collaborative provision for learners with learning difficulties and/or disabilities in each region. There is, however, no separately identified budget for this.

## **Funding Uplift 2006/07**

9. The LSC's Business Forum recently agreed that the annual uplift to the funding matrix (through which placements are funded for learners at specialist colleges) should, for 2006/07, be 2.5 per cent for residential fees and 0 per cent for day fees. This recommendation was informed by a detailed study of provision costs for a representative sample of learners by consultants BDO Stoy Hayward. The total increase is, therefore, somewhat lower than the budget assumptions used to arrive at the budget of £157 million contained in the Grant Letter. It is likely, therefore, that there will be a small amount of funding available to support 'investment for change' for learners with learning difficulties and/or disabilities.
10. On receipt of the budget for placements at specialist colleges for learners with learning difficulties and/or disabilities, Regional Directors are empowered to ensure that the budget is directed solely towards provision for learners with learning difficulties and/or disabilities, focused on supporting placements for learners at specialist providers, but also used flexibly to meet needs.
11. In addition, Regional Directors may consider identifying approximately 2.5 per cent of the budget to be used to support 'investment for change' in regard of provision for learners with learning difficulties and/or disabilities in their region.