

Consultation on arrangements for funding adult and community learning from 2003/4

Response from the Learning and Skills Development Agency

1. The Learning and Skills Development Agency (LSDA) is a strategic national resource for the development of policy and practice in post-16 education and training. Our activities include research, with partners, to inform the development of policy and practice for post-16 education and training.
2. We have a clear brief to work across the learning and skills sector, providing support for colleges, work-based training, adult and community learning, and schools post-16, with a particular focus on quality. Our research into funding, qualifications and curriculum, and teaching and learning, as well as the first hand knowledge gained through the Adult and Community Learning Quality Support Programme, provide the basis for our comments on the issues raised in this consultation.
3. We welcome the general approach outlined to developing the funding arrangements for adult and community learning (ACL). We agree that although the immediate priority is to safeguard provision that has been secured via the local authority funding stream, the arrangements must be capable of applying across all LSC adult provision and should provide the framework for its longer term strategic development. We welcome the announcement in Spending Review 2002 that there will be a fundamental review of the funding of adult learning, which will allow a longer-term and radical examination of the issues raised in this consultation.
4. Our broad response can be summarised as follows:
 - We recognise the need for non-accredited learning to be provided in the sector, and believe that this should be funded without reduction for an achievement element
 - The range and volume of such provision will be managed through the planning arrangements of local LSCs, and its quality via provider review and inspection arrangements

- We believe that fee levels across the whole sector need to be reviewed, recognising that low levels of fee contribution represent a significant and largely hidden public subsidy
 - We believe that the key principles underlying fee remission policy should be nationally determined, more clearly targeted to meet public policy objectives, and more differentiated to reflect the differing circumstances of learners.
5. Our response begins with some general comments on the proposals, makes specific comments on the proposals, including the options for the achievement and assumed fee element that are specifically raised in the consultation, and ends with suggested areas for further research. Where our comments relate to a specific element of the funding, we use the paragraph headings used in the consultation paper.

General comments

The broad approach

6. We agree that the objective should be to include as much provision as possible within the common funding formula. There is considerable scope within the formula to reflect the different resource needs of different types of provision (through programme weights), different types of learner (through the disadvantage factor), and the different costs incurred in some areas (through the area cost factor).
7. It is also possible through the arrangements for additional learning support (ALS), to reflect the specific needs of individual learners. LSDA is currently carrying out on behalf of LSC a review of arrangements for ALS that includes an assessment of how best to extend them to ACL.

Scope

8. ACL is an identifiable type of provision because of its distinctive funding stream, but the range of provision is not exclusive to this funding stream. Similar provision, recruiting learners with similar characteristics, has also been funded through FE colleges and through TEC contracted provision. Therefore, in considering funding arrangements for ACL, the implications and applicability of proposals across the whole sector need to be taken into account.

Types of Adult Learning

9. A coherent approach to funding adult provision would be assisted by an agreed definition of the range of provision encompassed by the term 'adult learning'. As referred to in the consultation paper (paragraph 60), LSDA has begun to develop a typology to describe adult learning. This proposes

that in order to analyse adult learning, we need to take into account the characteristics of the provision, the characteristics of the learner and the public policy objective that is addressed through such provision. Analysis of these dimensions may also help to determine the level of public subsidy that is appropriate (explored further in paragraph 35).

10. We welcome further debate about the categories and their use. It needs to be stressed however that the adoption of such a typology, and the development of policy that relates to it, needs to address all sectors at the same time. If for example, it is felt that differential levels of public subsidy should apply between initial or formation learning, and workforce development, this distinction needs to apply in FE and WBL as much as the former LEA-funded stream.

Simplicity

11. We recognise the desire expressed in the consultation paper (Annex B, paragraph 7, final bullet), to develop a funding system that is as simple as possible. However, we believe that there is a tension between creating a fair and equitable system that targets public funding effectively and the quest for simplicity. On balance we would support greater equity rather than simplicity.

Policy levers

12. It is worth noting that funding is only one of the mechanisms available to steer behaviour in the Learning and Skills sector. Planning mechanisms, provider review, inspection, and area review can all assist in the process of securing an appropriate disposition of provision. For example, concerns that there may be incentives through the funding mechanism for too much or too little of particular forms of provision can now be managed through planning mechanisms. This is a significant change from the FEFC funding system that relied primarily on incentives built into the funding mechanism to steer behaviour.
13. Local LSCs have ample strategic planning and contracting levers to secure an appropriate range of provision. Accordingly, we believe that the funding mechanism should not be viewed in isolation, and that we should be realistic about what can appropriately be achieved through the funding lever alone. Arguably, in the LSC context, where these other policy levers exist, programme funding should primarily be concerned to cover the costs of provision and therefore be neutral in terms of incentives towards particular types of provision, with the planning mechanisms and fee policy as the means of influencing demand and securing the desired balance of provision.

Determining public subsidy of provision

14. Clearly public subsidy of provision secured through the Learning and Skills Sector results from the interplay between two mechanisms:

- Funding to providers to deliver particular programmes – this includes elements for disadvantage, programme weightings and areas cost factors to reflect the costs of delivery and includes achievement funding
- Fees paid by customers (by individuals or employers) to contribute towards those costs, determined currently through national policy on assumed fee contributions and including significant local discretion.

15. Therefore, the actual level of public subsidy is determined through the relationship between the funding mechanism and the fee policy. While this may appear obvious, it is important to recognise the interplay of these mechanisms in arriving at an approach.

Specific comments

Provision not easily susceptible to formula funding/work outside the formula

16. We welcome the approach proposed in the consultation paper that local LSCs will have powers, within a nationally determined framework, to fund learning activity that cannot readily be accommodated in a formula driven by learner numbers. The consultation paper suggests that this funding would be distinct from local initiative funding (LIF), and would fund direct learning activity, whereas LIF would be used to fund activities not directly related to delivery of learning. We think this distinction is useful, and could help to avoid the danger of the LIF fund being expected to support an unrealistic range of activity.

17. The type of provision that might be funded outside the formula could include the following:

- Learning activities designed to reach the most disadvantaged learners where an immediate increase in enrolments is unlikely to result
- Provision that is particularly innovative and where the response from learners uncertain
- Where learning takes place as part of a broader range of activities and cannot readily be separated out.

18. The national framework for funding such learning activities would need to be clear. We believe for example, that where an LEA provides a block

grant to a third party in order to deliver learning it ought to be possible in most cases to relate funding to learner numbers. We would not see the fact that work is undertaken in partnership, or involving the voluntary sector as, by itself a justification for funding outwith the formula.

19. We agree that overheads should be taken into account in setting the basic rates. (See paragraph 34 of the consultation paper.)

Options in the funding approach for the achievement element

20. We recognise the importance within the LSC's remit of securing provision that does not lead directly to qualifications and which supports, for example, personal well-being, 'organised leisure-time occupation¹,' and community capacity building. We note however, that the PSA targets announced in the recent Spending Review all relate to qualification-related outcomes, rather than to participation. Given the challenging nature of these targets, there may be a danger that the focus of LSC effort is towards these targets, at the expense of its wider remit. Robust means of planning and funding non-accredited provision will therefore be important.

21. The common funding formula includes a holdback of 10% of total funding (or 20% in WBLYP) that is only released upon evidence that learners have achieved specified outcomes. A major issue raised in the consultation paper is how to handle achievement funding in cases where there are no qualification or accredited outcomes. We do not believe that achievement funding can be applied to such provision, nor do we support the view that it should be funded at a reduced level. We do not therefore support any of the options outlined in the consultation document. Our rationale is set out below.

22. The consultation paper suggests that non-accredited provision is less costly to deliver because it does not need to have in place the processes associated with formal assessment and recording of learner progress. However, it would be a coincidence if it approximated to the 10% holdback, and indeed there is a lack of evidence to support an assumption that non-accredited programmes are, in general, 10% less costly. LSDA is working closely with LSC to establish how far the costs of qualification programmes and 'other provision' differ and how far these differences are, or could be, recognised through the base funding for the programme in question. We would support an approach to funding the provision in the longer term that aims to reflect the actual costs as determined through such research.

¹ Learning and Skills Act 2000

23. As a result, given the LSC has a clear remit to secure non-accredited provision, we recommend that it should be funded at 100%, not at the reduced rate of 90%. Through their strategic planning and contracting arrangements, local LSCs will determine the levels of such provision that should be available locally. We believe this should be funded fully, recognising that hold back for achievement is not applicable. The actual level of public subsidy for individuals will then be determined through the fee policy (addressed in detail below in paragraphs 27-35).
24. We recognise that the absence of holdback might create a perverse incentive to providers to substitute accredited by non-accredited provision. However, on balance we expect that this could be counter-balanced through the policy on assumed fee contributions.
25. There may be a case for moving towards a system where providers are licensed in the way suggested in option 2. This might lead to lighter touch review or inspection, but we do not see this as being relevant to the issue of achievement funding. The achievement element of the funding mechanism is designed to incentivise providers to raise levels of successful achievement. To apply such a mechanism to provision as a block sum or where there is no measure of terminal achievement could confuse the purpose and undermine the integrity of the mechanism.
26. Our view on this issue does not imply that we take lightly the importance of maintaining quality of non-accredited provision. We strongly support an approach that encourages providers to set and monitor learning aims. However, we do not believe that the funding mechanism is the primary lever to apply to achieve this objective, accepting that LSC will only fund providers that meet threshold standards of quality. LSDA research commissioned by LSC² has suggested that there is a danger that a requirement for a common approach (suggested in option one) might generate systems that in practice are very close to and as time-consuming to develop and operate as formal accreditation, but without the benefits for learners. Systematic imposition of such systems could undermine the integrity of non-accredited provision. We would therefore favour use of provider review and of inspection to promote best practice and continuous improvement within non-accredited provision, rather than risking the loss of its distinctive nature.

² 'Framework for recognising and recording achievement in non-accredited learning', unpublished report, May 2002

Options for fee assumption element

27. Another major issue raised in this consultation, concerns fees and fee remission policy. We would stress again that these issues cannot be contained within the LEA funding stream; any emerging policy must be applied to like provision across the whole Learning and Skills sector. This consultation therefore raises the wider issue of fee policy across the Learning and Skills Sector.

28. We believe that fee (and fee remission) policy should be nationally determined with limited and very clear parameters for local discretion. One rationale for the introduction of the LSC was a desire to introduce greater consistency of practice across the country. It would be unfortunate if the effect of the transfer to LSC simply resulted in inconsistency between local education authorities being replaced by inconsistency between local LSCs.

29. We therefore recommend that priorities for public subsidy should be nationally determined and the trend should be towards fairer national arrangements that reduce current discrepancies across regions. As part of a national policy on fees, we would expect all fee remission to be fully funded by the LSC, and all assumed fee income to be taken into account in funding to providers.

30. Examples of where local discretion might be required include the following cases:

- Local skill needs are identified which are particular to that local area which an LSC wishes to support through fee remission
- Imminent closure of a factory creates retraining needs for people currently in employment who might not normally be eligible for fee remission
- Innovative multi-agency, finite projects to support community or economic regeneration
- Individual cases of hardship linked to family circumstances or low-paid employment.

31. We believe that fee policy should enable scarce resources to be more carefully targeted to achieve greater equity in access to learning opportunities. The trend in government policy is towards encouraging those who can pay and who benefit from learning to contribute more substantially to costs. Funds obtained through increased fees from some learners can be used to support those unable to fund their provision or who meet a particular policy objective (shortage skills areas, those with low levels of prior attainment, communities suffering from economic deprivation, long-term unemployed, etc). There may be a case for

example for some individuals on some programmes to be ineligible for public subsidy, whereas others will be eligible for 100% subsidy.

32. We believe therefore that there is a strong case for expecting individual adults and employers to make a contribution to the cost of their learning. This would increase the total resources available, which is of particular importance in a context of increasing demand for learning.
33. Moreover, the rationale for a maximum fee contribution of 25% in FE – ie 75% public subsidy – is unclear. It represents a very substantial and largely hidden public subsidy for learning. Given that the fee contribution for ACL is around 40%, adopting the 25% standard fee assumption used in FE and WBLYP would reduce the total resources available to the LSC without evident gain. However, we believe strongly that similar provision across the whole sector should be brought into a common fees policy as soon as possible.
34. Based on the points above, we would not support any of the options proposed. We would support a more differentiated approach that takes account of the profile of the learner and the nature of the provision (option 4), but nationally determined, and with very limited and specified opportunity for local discretion.
35. While we recognise that to be manageable, the range of levels of subsidy may need to be brought into broad bands, we nonetheless believe there is a strong case for greater differentiation in levels of fee remission given the diversity of the learning and skills sector. We believe that in this area, an approach that draws on the dimensions of the typology referred to above (paragraph 9) could be helpful. For example, fee remission could be calibrated into bands according to:
- **Characteristics of the learner** – for example, whether they have a prior level 2 qualification; being in receipt of income support; resident in designated disadvantaged community
 - **Characteristics of the provision** – for example, designated first-rung provision, basic skills, targeting specific skills shortage areas, etc.
36. Careful modelling of the impact of different approaches will be essential, modelled across the whole sector, not just in ACL. The manageability of a more differentiated system would also be a key consideration. In addition, care will be needed to assess the possible impact on learner demand created by changes in the approach to fees, and consideration given to how to present and implement proposals in such a way as to minimise adverse effects.

Suggested areas for further research

37. In order to better understand the patterns of engagement of adults, we would support work to analyse the characteristics (for example, social class, educational background, employment status, ethnicity and other equity indicators) of learners currently engaged, mapped against different types of provision.
38. Further research could be undertaken to examine the impact and characteristics of the range of learning that might be described as for recreation and personal well-being and development. Research could test out the hypothesis that people who have a positive experience through such provision develop the confidence to move on, and could further analyse the factors that make this experience positive. Research could build on early work by FEDA³ (now LSDA), which suggested that critical factors include the quality of teaching and support and guidance, interactions with key people, and involvement in informal activities.
39. There is a range of work currently being undertaken, to research and analyse the costs of adult and community learning provision to inform comparisons of per capita spend by local authorities. It could be helpful to broaden this research to include some cost/benefit analysis. The benefits of learning provision are commonly measured in terms of qualification outcomes. It may be helpful to draw on the valuable work of the Centre for Research on the Wider Benefits of Learning (at the Institute of Education), which offers a more comprehensive and inclusive range of benefits for analysis.
40. There is a need for research to assess the impact of different levels of fees and approaches to fee remission on demand from learners. Before introducing significant change we would recommend research that could inform both the development and approaches to implementation of policy in this area.

³ Adult learners: pathways to progression, FEDA, 1997

Further information

LSDA's responses are coordinated by the Policy and Communications Unit in collaboration with relevant expert staff.

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