

Planning and Budgeting

The purpose of this briefing is to give an overview of how the planning and budgeting process across the entirety of the LSC programme is developing. The principles outlined have been endorsed by the National Council.

From Allocations to Planning and Budgeting

The FEFC was primarily a funding body which allocated resource to institutions. The Training and Enterprise Councils were charged with being responsive to labour market needs and were planning and contracting bodies. The Learning and Skills Council, which replaced these bodies, has a strategic planning and funding role. As such the Council will move away from *allocations* based purely on historical local activity, plus an element of growth, to a *planning and budgeting* approach.

It is important to note here that the Learning and Skills Council has a major opportunity to bring coherence to post 16 learning. This is particularly true of the provision for 16-18 year olds where it is the funding body for the main route ways of school sixth forms, colleges and work based learning.

The LSC's approach to planning and budgeting is built on 3 main columns:

- Funding
- Information
- The strategic plan.

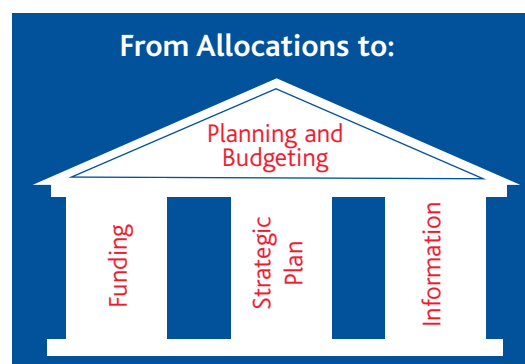


Figure 1

'The Learning and Skills Council has a major opportunity to bring coherence to post 16 learning'

The **funding** column is extremely important since the harmonisation of our approach to funding makes future change easier. Whilst clearly one of the key drivers within the *planning and budgeting* process, funding is not the only factor. Rather it provides, via the harmonisation of funding principles across the LSC's core programmes, a platform for the 'Common Funding Approach' in 2003-04 ahead of the 'New LSC Funding Approach' from 2004-05 (see figure 2). If all funding streams are in step then further developments can be taken without the risk of destabilisation in any sector. The new approach also provides transparency and will enable comparisons of like-for-like provision and respective costs to be made. This will raise important issues about the cost of different route ways for the same learning outcome and enable judgments to be made about the desirability of further harmonising funding.

An exception to this under Work Based Learning is Life Skills, which is individually tailored and funded. Under the Cassells review this programme is to be re-focused as Entry to Employment (E2E) and is likely to continue to be non-formula funded.

The second pillar on which planning and budgeting rests is **information**. We have inherited very different systems in relation to each of the main delivery arms. Our immediate priority has been to harmonise the approach to the collection of data on work based learning from the 74 TECs down to a single national system.

Development of these systems has meant that in 2001/02 we have often lacked necessary information, but the Work Based Learning system is becoming increasingly robust. It does, however, require more development and will give us regular information at least monthly. Certain developments may facilitate more up to date interchanges of data.

Information on other programmes is less regular, although more detailed. The introduction of the Individual Learner Record (ILR) should ensure that both Work Based Learning and FE provides the same quality of data. The convergence of these data issues (quality, frequency etc.) is being taken forward by the Performance and Management Information Steering Group. Overall, we need more accurate information that is more timely in order to allow us to make judgements about resource allocation in year. This area is also increasingly important following the adoption by the LSC of resource accounting to ensure that resources are both deployed and utilised in year.

The key here is an increased understanding of the developments in, and intelligence on, a particular locale, as a pre-requisite for managing learning activity and the associated funding across all LSC programmes.


Funding Stream	Arrangements in: 2001/02	2002/03	2003/04	2004/05
Work Based Learning	National formula introduced	Funding approach reviewed	Common funding approach	 New LSC Approach
Further Education	FEFC formula retained	New funding formula introduced	Common funding approach	
School Sixth Forms	LEA fair funding formula	New funding formula introduced	Common funding approach	
Adult and Community Learning	LEA adult learning plans funded	LEA adult learning plans funded	Common funding approach	

Figure 2

At the centre of the planning and budgeting process is the **strategic plan**. The Corporate Strategic Plan sets the national framework and targets which are supported by local strategic plans reflecting local priorities, needs and expectations. As the strategic planning process becomes more sophisticated, we need to be able to use local flexibilities to decide what we purchase and from whom, in order to deliver the local targets which sum to the national requirement.

Because we are not starting from scratch and need to fund inherited activity, the strategic plans risk being developed in isolation from the resource allocation process. A strategic planning process is significantly devalued in the absence of such links. Progress in this area is key if we are to take early steps towards a *planning and budgeting* approach.

Where Are We Now?

The current reality (see figure 3) is rather different from the model to which we are trying to migrate.

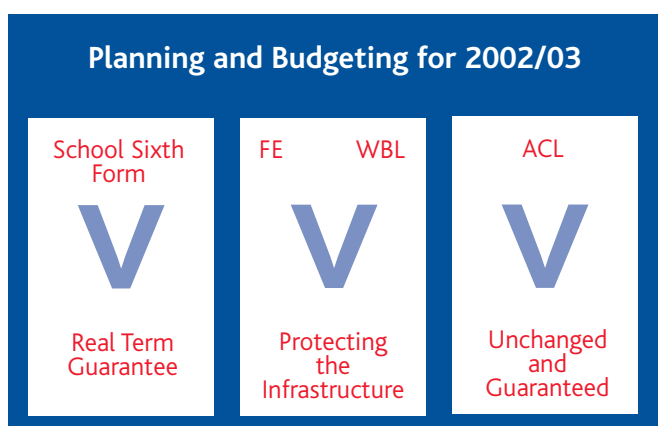


Figure 3

For **School Sixth Form** provision there is a real terms guarantee which ensures that the funding is maintained at current price for the same volume of provision and also deals with growth. It transpires that the new formula is the predominant method of funding schools (67%), but this remains ring fenced and is a barrier to the true operation of a coherent *planning and budgeting* approach described above.

Adult and Community Learning is currently working to previous allocation methodologies and is guaranteed and ring fenced for 2002/03. The allocations for 2002/03 therefore simply reflect the legacy of the previous resource distribution by DfES, with an across-the-board uplift for growth.

For FE and Work Based Learning there is more flexibility, although there are issues about protecting the infrastructure.

Work Based Learning is not controlled on a central basis other than in relation to 16-18 and 19+ split of funding. Local LSCs can decide what they purchase within the limits of an allocation from National Office, so long as they do not destabilise the provider base. If providers are not delivering, local LSCs are at liberty to re-profile in year and switch funds to current or new providers who can deliver. In 2002/03, local LSCs will reflect on the recent achievements of Work Based Learning providers and may well wish to switch shortfall to others who can deliver, whether new providers or successful existing providers. Judgments will also be made in a similar way about any growth that is available.

For **FE**, whilst the quantum of provision allocated may reflect the historical level of provision, the FEFC had little influence over the nature of provision. The FE Sector absorbs over 50% of our budget and an even bigger percentage of learners. As such, the sector is crucially important to the LSC in delivering national and local priorities. Local LSCs will be having a dialogue with FE institutions about the fit of the existing provision in relation to their local Strategic Plan. Where the fit is poor, there will need to be a negotiation to seek a better fit, otherwise growth may go elsewhere.

Within this there is always a proviso of the need to protect the existing infrastructure and not destabilise either colleges or Work Based Learning providers. As we introduce the new funding model for FE, colleges are being given safety net protection for 2002/03 at the cash levels for 2001/02 for the same volume of provision.

It is proposed that both Work Based Learning and Further Education growth will be allocated in one tranche to local LSCs, who will then distribute it to providers in line with their local Strategic Plan, flexibly, without restriction through either route-way. If growth cannot be deployed, it will be returned to the centre for reallocation through a process of moderation, both at the allocation stage and midyear. Processes for in year trading within and between local LSCs are also being developed.

In addition, funds will be allocated for the Local Initiative Fund (LIF), Education Business Link (EBL), Information Advice & Guidance (IAG) and Work Force Development (WFD). For the first time we will be allocating Standards Fund to local LSCs to deploy to improve standards, thereby also contributing to the achievement of targets.

Conclusion

The National Strategic Framework and Corporate Plan sets the objectives for the LSC from which local targets are derived. The local Strategic Plans reflect local needs and contribute to delivery of national targets. The *planning and budgeting* process will increasingly allow funds to flow in support of local Strategic Plans. It will be important for local LSCs to influence delivery, both in relation to baseline funds and growth funding. Other budgets, such as Standards Funds and Local Initiative Funds, will also play a part in improving local delivery to meet local needs.

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