FUNDING ADULT LEARNING: TECHNICAL DOCUMENT

Contents

EXECUTIVE SUMMARY

1   This technical paper sets out some of the potential options and related funding issues for colleges and providers which are being considered as part of the current Review of Funding Adult Learning and development of the Skills Strategy. It also reflects the work of the Learning and Skills Council Funding Group. It is published alongside two documents, *Developing a National Skills Strategy and Delivery Plan: Progress Report* and *Developing a National Skills Strategy and Delivery Plan: Underlying Evidence*. Consultation events with key stakeholders will be held locally in April and May 2003 led by local LSCs and regional partners.

2   The target audience for this technical paper includes (but is not restricted to) local, regional and national stakeholders, colleges, providers and sector bodies. Views and comments on the ideas described are sought.

3   The key issues considered in the document include:

- the case for targeting public funding towards low-skilled adults and skills shortages

- changes which could encourage adults to engage in learning to raise their level of skills

- how learning and the processes that support it could be more responsive to learner and employer needs

- developing adult learning opportunities that offer clear, flexible pathways for attainment and progression

- funding flows and processes that could support the key strategies described.

4   Feedback from the consultation events and the comments received will influence policy development and the final outcomes of the Review of Funding Adult Learning, the work of the Learning and Skills Council Funding Group and the development of the Skills Strategy.

SECTION ONE: CONTEXT AND BACKGROUND

Context

5   This is a technical paper produced by the Learning and Skills Council (LSC) in discussion with the Department for Education and Skills (DfES). This is not a stand-alone document and should be read in conjunction with the two documents: *Developing a National Skills Strategy and Delivery Plan: Progress Report* (the *Progress Report*) and *Developing a National Skills Strategy and Delivery Plan: Underlying Evidence* (the *Underlying Evidence*).

6   It should be emphasised that at this stage no firm decisions have been taken in relation to the contents of the final strategy. This document invites comments on options for the broad principles and key issues for re-shaping both the provision and the funding arrangements for adult learning.

7   Each local Learning and Skills Council (local LSC) will be organising a meetings for key stakeholders to be held in April or May 2003 in order to gather their views. If you wish to send written comments separately on the issues raised in this paper, please forward these by 14 May 2003 to the LSC at the address given at section 4 of this document.

Background

8   The *Investment for Reform* White Paper, published in July 2002 outlined the Government's intention to publish a skills strategy setting out the roles and responsibilities of employers, individuals and government. The *Progress Report* sets out key issues arising from the discussions so far.

9   Alongside this, one of the outcomes from the 2002 Spending settlement was a commitment for the DfES to undertake a review of the funding of adult learning.

10   The Review of the Funding of Adult Learning's (RFAL) remit is to review the arrangements for funding for adult learning post 19, including how the Government's various support mechanisms for learning could be more effectively deployed to:

- Provide incentives to employers to engage in training;
- Cause institutions to be responsive to employer needs, building their capacity to work with employers;
- Widen participation in learning by the low skilled;
- Enable Regional Development Agencies (RDAs) to play their full and effective role in developing and implementing regional skills strategies

through the LSC/RDA pilots[1].

11   Alongside these initiatives, in the autumn of 2002 the Learning and Skills Council established a funding sub-group of Council members and local Learning and Skills Council chairs (see Annex A for list of members). The Council Funding Group was charged with developing, by September 2003, future funding policy recommendations for the Council's consideration. Key issues were to include:

- a review of the historical and current arrangements by which the Council funds learning provision

- an analysis of existing and future influences likely to impact upon the Council's funding approach

- development of short, medium and long term strategic options for the Council's future funding policy

12   The common themes in emerging policy being developed by the Skills Strategy Steering Group, the RFAL and the Council Funding Group has resulted in this technical document being published alongside the *Progress Report* and the *Underlying Evidence* document.

Policy Context

13   The proposals for adult learning contained in this document come at a time of considerable policy development in a number of related areas.

14   *Success for All* set out the Government's agenda for reforming further education and training in England and establishing a new framework for quality and success which includes engaging employers and improving work-based learning routes for adults.

15   *Trust in the Future*, the Report of the Bureaucracy Task Force (BTF) recommended a new relationship between the LSC, colleges and providers, which centred around trust and transparency, and reducing unnecessary administration. The LSC's initial response to this report, *Trust in FE*, accepted the recommendations of the BTF.

16   The principles contained within these documents, and those outlined in the *Progress Report* underpin the policy developments considered here. In particular, they reflect an approach to adult learning that is both responsive and locally planned, based on greater partnership and trust, where the decision-making process is devolved to a local level. In addition, the LSC is currently consulting on *Successful Participation for All: Widening Adult Participation Strategy* which suggests a new planned approach to widening adult participation. This is relevant to all LSC-funded providers engaged in the education and training of adults.

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[1] In some regions, local LSCs and the relevant RDA have combined funding in order to meet skills needs.

SECTION TWO: PROPOSED PRINCIPLES AND STRATEGIES

Introduction

17   The purpose of the Skills Strategy is to set out a framework for improving workforce skills. Such skills relate to competitiveness and productivity of business. This technical paper highlights some of the funding consequences if we were to pursue a re-focusing of support for adult learning and skills.

Rationale for Change

18   The RFAL, the Council Funding Group and the development of the Skills Strategy have all articulated the urgent need to focus on improving the skills levels of low skilled adults.

19   Over 7 million adults in the UK workforce are not qualified to level 2, widely regarded as the minimum level of skills needed for employability for life. Whilst many low skilled adults are in employment, this group is most likely to experience unemployment, difficulty in obtaining employment and low wages, and is least likely to be offered training by their employer. Further details and evidence are given in the *Underlying Evidence* document.

20   There are therefore economic and social inclusion arguments for the State focusing the limited public resources available to support adult learning on improving the attainment level of the lowest skilled. The LSC gives highest priority to basic skills in its funding for adult learning. Publicly subsidised learning opportunities are widely available and many low skilled learners have engaged in these and achieved important improvements in their level of skills. However these opportunities are not currently taken up in the volumes needed to significantly reduce the number of low skilled adults. The current system is not reaching many of the low skilled and is not leading to a sufficient improvement overall in skills levels.

21   One of the key issues under discussion is that raising the attainment levels of the lowest skilled adults should be a key priority within a broad strategy designed to raise skills at all levels. This is reflected in the statement of rights and responsibilities recommended by the Skills Task Force that the State should ensure a minimum foundation for future employability. Improving skills levels is also an important part of the broad social inclusion agenda since it will encompass issues such as promoting active citizenship and improving individuals' health and well-being.

22   A further key aspect of adult learning is to enable individuals to progress and acquire higher level skills which will be of benefit to the individual, their employer and the economy. Such high level skills facilitate the transformation of business to a high value-added cycle that will be crucial for our economic effectiveness. It will be important to ensure effective pathways and appropriate support exists to enable progress in higher level skills development.

Strategies for Implementation

23   Strategies need to be developed for making publicly funded learning more responsive, accessible and flexible to address the needs of low skilled learners and others. These approaches will need to involve learners, employers, colleges and providers. The influence of local, regional and national strategic planning frameworks looking at short, medium and long-term skills needs will be important. We are considering a **range of options** that might successfully address some of the issues and would welcome your views.

24   All options will be considered in the context of the *Success for All* reforms and the anti-bureaucracy agenda. Three year funding arrangements for most LSC funded-colleges and providers are being introduced as part of the *Success for All* strategies from summer 2003. Policy initiatives emerging from the development of the Skills Strategy and the RFAL will be integrated with these arrangements and other approaches deriving from *Success for All*, which are being consulted on in February to April 2003. In addition, a major principle of our reforms is to reduce unnecessary bureaucracy by making the system simpler and more transparent to the user.

Engaging Adults

Targeting Resources at Low Skilled Adults and Skill Shortages

25   Low skilled individuals (target learners) might be defined as those who have not achieved a 'full' level 2 (for example 5 GCSEs at grade C or above, see paragraph 58). These target learners would be adults lacking the minimum skills enabling them to enjoy employability for life. Learning provision which engages such learners and enables them to progress towards achieving a 'full' level 2 could be regarded as high priority for public funding. Such provision may include basic skills where relevant, but would also encompass other learning such as:

- provision that encourages first participation, not necessarily leading to approved qualifications
- learning below level 2 that facilitates progress to level 2
- provision leading to the achievement of a full level 2
- where appropriate, direct entry to level 3 (or higher) provision

26   One way to address the needs of the low skilled could be to prioritise the use of public funds to support all adults, of whatever age, to achieve their first full level 2 qualification.

27   The need to support the attainment of higher level skills is also recognised. The economic returns at level 3 are higher for both individuals and employers which may provide a basis for expecting higher contributions to the cost of provision at this level. One option would be to focus on adults up to, for example, the age of 30, to be

supported in learning to level 3. Although we recognise that any age cut-off is an artificial mechanism for delimiting support, we do not believe that there are currently sufficient funds in the system to fund fully all adults to achieve a full level 3 qualification. The age limit in this instance would enable young adults who had not completed their initial education to be supported for a longer period. In addition, it would provide an opportunity for those young adults to progress into higher education.

28   An alternative approach could be to focus such support on provision which addresses identified skills deficits at a local, regional, national or sectoral level. We believe that public funded provision has a role in addressing those skills shortage areas on a selective and prioritised basis, working closely with employers, regional development agencies (RDA) and sector bodies including sector skills councils (SSCs) to identify those needs.

Do you consider that public resources should, or should not, be focused on the following groups as priority learners:

- **adults without formal level 2 achievement**

- **young adults (19-30 years old) without a level 3**

- **adults who wish to gain level 3 qualifications in an identified area of skills shortage**

What might be the consequences of re-directing resources towards learners in the target groups?

Priority Learners

29   Adults with low levels of skills did not successfully achieve during their compulsory education and, typically, will not have had a positive experience of learning. In addition, these individuals are not likely to have been involved in skills development or learning resulting in formal achievement to level 2 since leaving school. The greatest barriers to learning include:

- an unwillingness to re-engage in education because of previous poor experience[2]

- a lack of knowledge of learning opportunities and the suitability of these

- poor motivation to re-engage in learning possibly linked to a lack of awareness of the benefits to be gained or lack of self-confidence

- financial constraints relating to, for example, tuition fees, equipment, books, transport, examination fees, childcare costs

- access to appropriate learning in terms of transport and/or time

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[2]Labour Force Survey results indicate 71% with no qualifications and 58% with only level 1 say **nothing** would encourage them to learn.

- family or work commitments, which make involvement in learning unrealistic.

30   Currently, these 'least aware' learners face a fragmented curriculum offer consisting largely of either specialised courses which focus on one particular area or more general qualifications designed for 16-18 year olds such as GCSEs and A levels. The current offer does not broadly support rational and progressive engagement in learning leading to substantial achievements at level 2 involving both general and specific skills development to support long term employability (a 'full' level 2 – see paragraph 58).

31   The engagement of low skilled learners in appropriate learning opportunities is crucial to improving skills levels. The issues faced by low skilled individuals are multiple and will require a variety of strategies to be developed if individuals are to be attracted to training and learning opportunities.

Addressing Financial Barriers

32   Offering some form of prioritised entitlement to relevant learning for low skilled adults, similar to the entitlements that basic skills learners and 16-18 year olds have, could help to address the financial barriers to learning such as tuition fees, registration and examination entry costs that low skilled learners may face.

33   Entitlement to free provision may not be sufficient by itself to attract people back into learning. Financial assistance to address barriers such as transport, childcare and other costs through learner support funds is known to have had a positive impact on retention rates. Entitlement to appropriate learner support for low skilled learners, where support is tailored to individual needs (similar to the current learner support arrangements in FE) might be an effective strategy.

34   We wish to consider the possible options for extending support arrangements for adults with low levels of skills, within the available public resource, and would welcome views as to the most effective strategies for doing so.

35   Greater transparency for learners and employers of the total cost of learning and ownership of some or all of the funding (including public funding) to meet these costs could enable low skilled learners to feel more empowered to pursue learning. Funding flows involving learners and employers (see paragraphs 68-71) might more clearly demonstrate the amount of money that the State is prepared to invest in a low skilled individual and this information could act as a motivator and confidence boost for target learners.

How far would the approaches described above go towards addressing the financial barriers facing target learners?

What other strategies could be used to reduce financial barriers for target

learners?

Are there incentives that might be offered to target learners to encourage attainment?

Developing Awareness and Confidence

36   Enhanced information, advice and guidance (IAG), focusing closely on identifying low skilled learners prior to enrolment and supporting them through a robust IAG process could be used. Such an approach could cover advice at the outset on finance, childcare and transport as well as choosing an appropriate course of action.

37   Such an IAG process might provide a compensatory model that would help to address some of the disadvantages that the target learners typically experience. The IAG process could include an initial assessment for the accreditation of prior learning so learning undertaken and skills acquired to date could be properly recognised. Such a process would give target learners some initial confidence and incentive to develop their existing learning and skills into a formal qualification at the appropriate level.

38   It would be essential to ensure that the IAG process did not represent a barrier or bureaucratic burden, but provided effective support and encouragement to ensure low skilled learners were well-informed about the options and support available to them.

39   The IAG could be delivered through a number of agencies already involved in providing information about learning opportunities including the Ufi 'learndirect' helpline, local LSCs, colleges, providers, local IAG partnerships, voluntary and community organisations. Where target learners are already engaged in learning, for example, basic skills provision, other learning below level 2 or one level 2 qualification, the college or provider may be the most appropriate source of IAG to encourage further engagement in learning and progression to achieving a 'full' level 2. Union learning representatives and business development advisers could also develop their role to provide this support. Development of existing good practise in respect of outreach arrangements for non-learners (in LEA adult and community learning for example) should also be considered.

40   The development of current approaches to provide the infrastructure and capacity to meet potential new demands would need to be considered.

Would you support targeting advice and guidance on lower skilled adults?

How could current systems be improved, within available resources, to enable an enhanced IAG service targeted at low skilled adults?

What kind of support could IAG services provide for higher skilled adults?

What could the implications of developing IAG services for adults be?

Identifying Target Learners

41   If we were to prioritise certain groups of learners, mechanisms for identifying them would need to be effective, clearly understandable, easy to implement and meet a number of criteria:

- deliver resource according to learner need;
- enable one assessment to determine the full range of support so learners do not have to undergo multiple assessments for different elements;
- use existing systems as far as possible and keep bureaucracy at a minimum whilst being robust and accountable;
- be simple so it can be easily accessed and readily understood by learners;
- minimise risk of misuse of public funds.

42   Some options for identifying learners and ensuring funding is targeted effectively are explored below.

Self Certification

43   This could be related to a requirement for the learner to declare their prior level of qualifications. This would need to be done in a light touch way, with careful consideration of the implications for checking and audit of such declarations. Consideration of how such self certification could be incorporated within existing administrative systems would be required.

Means Testing

44   Means testing potentially offers a robust, auditable trail to ensure money goes to those on a low income. Although many colleges already operate means tests for learner support funds the implications of introducing any national system would need careful consideration in terms of time, cost and bureaucracy. The key question is the degree to which it effectively targets resource. Means testing is an effective way of targeting those with the lowest household incomes, however, early indicative figures suggest a significant proportion of **all** learners come from households with low incomes, and it may not, therefore, be an effective way of targeting those with low skills.

At Enrolment

45   Low skilled learners could be identified by colleges and providers at the point of enrolment. However, over half the learners engaged on level 2 provision already have qualifications at or above level 2, so would not be considered low skilled and therefore would not form part of the target group. This would require an approach which minimised the risk of perverse incentives for learners not in the target group to 'forget' about their qualifications in order to access free provision or for colleges and providers to offer free provision without distinguishing between those who already have a full level 2 or above and those who do not.

Information, Advice and Guidance

46   The process of providing IAG to adult learners could be used to identify low skilled learners at an initial stage in the process, for example when providing initial information about learning opportunities. Target learners could then be routed through to more in-depth guidance in relation to learning opportunities, possibly to develop a learning plan and link this to the relevant financial and other support which is available.

Unique Learner Identifier

47   This approach would provide a national system of registering each individual and recording their qualifications and perhaps other achievements. There could be considerable advantages to learners, college, providers and the State of introducing such a system as a long-term aim.

How could target learners best be identified and supported in the short to medium term?

What different strategies could be considered for implementation in the long term?

What would be the practical implications of identifying target learners particularly in relation to minimising bureaucracy?

Employer Engagement

Meeting Employer Needs

48   Employer demand for skills is likely to be stimulated by provision which meets their needs and contributes to their overall success as a business. In addition flexible and appropriate qualifications which match employers' needs are likely to encourage wider use of qualifications in training. The LSC has a role in ensuring provision responsive to employers needs is available, and is involved at a more strategic level in planning to meet those needs. Currently, employers spend relatively small amounts on training provided by colleges and other LSC-funded providers, often preferring to pay full cost for training from private providers. There is an opportunity to increase employer engagement with the learning and skills sector.

49   Current data suggest that employers are not currently training many employees who do not have a 'full' level 2. Employer demand for skills and training is derived from their business needs and typically this means training opportunities are focused on those pursuing level 3 or higher skills.

50   Currently, the DfES and the LSC are piloting the impact of Employer Training Pilots which are aimed at small businesses to encourage staff with low skills to train up to level 2. Although the outcome of these pilots will not be known before June 2003,

early indications are that they may be a successful way of engaging employers and staff in skills acquisition. Early feedback indicates that the approach enables colleges and providers to tailor their provision more closely to the needs of the employers. Further potential options to address these issues are set out in the *Progress Report.*

Colleges and Providers

Planning and Developing Appropriate Learning Opportunities

51   If low skilled adults are to be prioritised, it will be important that a range of appropriate learning opportunities that meet the requirements of the target group is available. Currently provision for adults is delivered through:

- Work based learning (WBL), for adults up to 24 years old, including Foundation and Advanced Modern Apprenticeships (level 2 and 3 respectively) and NVQs at levels 2 and 3
- Further education (FE) offers a wide range of learning opportunities including classroom-based, distance and employment-based learning at all levels
- Adult and community learning provides important non-qualification provision in a range of local and community based settings which can be significant in engaging low skilled adults in initial learning,

52   The principal 'lever' for ensuring suitable learning opportunities are available could be through the joint planning processes currently being developed by the LSC as part of *Success for All.*   Local LSCs will carry out a strategic area review of all provision to identify where new provision may be needed:

> "At a local level, we will build a new planning system that encourages colleges and providers to improve their responsiveness to employers and their skills needs. We will expect colleges' and providers' three year plans to set out the action they will take to meet skill needs, linking clearly with the local LSC Strategic Plan and the regional FRESA" (Frameworks for Regional Employment and Skills Action)
>
> paragraph 44, *Success for All*, November 2002

53   The development of alignment between local needs identified by RDAs, local LSCs and sector bodies (such as SSCs) and the provision to be funded and delivered by colleges and providers is likely to be the main process by which learning provision is re-shaped to address priorities. The development of a three year funding cycle as set out in *Success for All* will foster stronger links between funding and planning. These arrangements will be based on development plans extending over 3 years.

54   The priority areas currently reflected in learner entitlements to free provision are learning for 16-18 year olds and basic skills courses for adults. If we were to introduce similar prioritisation of other low skilled learners, this could impact on other types of learning. This could include both qualification and non-qualification provision pursued by non-target learners. The funding consequences would depend on several factors

including the rate of take up of any entitlement and the different unit costs associated with different forms of delivery.

55   There would need to be careful management of any resulting shift in resources. Strategies might include phasing the changes over several years. The shift in resource could form part of the *Success for All* development planning process for colleges and providers, local LSCs and other relevant agencies. Over several years, plans to change patterns of provision to focus on target groups could be developed and implemented. This would enable closer matching of provision to the developing demand from target learners. The phasing of change could be associated with the three year funding arrangements introduced as part of the *Success for All* policy.

56   The expansion of basic skills provision as a consequence of the Moser Report in 1999 may provide some important pointers on how the refocusing of resources could be implemented successfully. Colleges and providers have been encouraged, through a range of strategies, to develop and expand their basic skills provision as a priority. This has required a focus on basic skills and, inevitably, some reprioritisation. Such shifts in patterns of provision, participation and resourcing are likely to occur progressively over a number of years as part of a planned shift in focus.

How might a planned approach to changing patterns of provision best be implemented?

Are there other influences on patterns of provision which could stimulate the proposed change in focus?

What might be the barriers to shifting focus to priority learners?

What are the obstacles which colleges and providers face in seeking to respond to employers' and learners' needs? How might those obstacles be tackled?

What forms of reward or incentive might be used to encourage responsiveness?

Reforming the Adult Curriculum

A Flexible Approach

57   One of the areas the Skills Strategy plans to address is to reform the learning offer for adults and employers to make it more relevant to their needs. Feedback from employers indicates that a more flexible approach to education and training for employees is urgently required and individuals need more appropriate and accessible learning opportunities. Improved quality and capacity of provision are key parts of the policy approach in *Success for All*.

A 'Full' Level 2

58   Typically, a 'full' level 2 qualification is interpreted as:

- 5 GCSEs at grades A* to C
- an intermediate GNVQ
- a Foundation Modern Apprenticeship.

59 The qualifications taken by adults currently do not translate readily into this understanding of a full level 2. Current adult learning can involve very short, specific programmes such as a basic food hygiene qualification, typically studied and assessed in one day, or longer programmes of key skills development, NVQs or GCSEs. Appropriate combinations of such qualifications to give a substantial and balanced volume of attainment at level 2 are not mapped.

60   Currently, part time adult learners commonly face, at level 2, a curriculum offer consisting largely of specialised learning aims or more general qualifications designed for 16-18 year olds. Courses are usually offered as whole qualifications in one subject area which does not facilitate progressive achievement or flexible combinations of learning to develop general and specialised skills. For both learners and employers a holistic qualification at level 2, widely recognised, accepted and valued, could be an important step. A defined volume, level and combination of learning, representing a 'full' level 2 made up of a broad skill set including both general and specialised skills, would provide a readily identifiable level of attainment. There could also be scope for learners and employers to assemble training programmes by selecting combinations of units which best meet their needs, although the coherence and balance of learning programmes would need to be ensured.

Unitisation

61   A unitised approach could be used to provide a flexible and responsive curriculum which is attractive to adults and employers and enables a balance of generic and technical skills to be developed and accredited. This approach might be extended to provide a framework within which a full level 2 could be gained incrementally. This could enable coherent and easily recognisable pathways to develop that facilitate and promote 'full' level 2 achievement for adults, possibly through a credit framework involving the accumulation of units.

62   A unitised approach is continuing to develop, and this could be progressed further with existing and new qualifications to produce a more responsive and flexible adult curriculum.

63   A unitised approach would be likely to require more sophisticated tracking systems for colleges and providers to monitor participation and achievement of individual learners. In addition, if units are achieved in a variety of different settings involving more than one provider, the tracking and checking of achievement may become more challenging.

Potential Model

64   Access to higher education (HE) courses were designed specifically for adults. Access courses prepare adults from a variety of backgrounds for entry to higher education, typically in one year of full-time study or two years part-time (for example for two evenings a week). They are demanding programmes covering core skills such as numeracy, communications and IT, together with subjects specific to the interests of the learner and their HE ambitions, such as science, health, engineering or art and design.

65   Access courses developed in response to demand from adult learners for level 3 provision that was more appropriate to their needs than the typical 16-18 curriculum offer of (at that time) A levels and BTEC diplomas. Learners benefit from a clear focus and ambitious goals (often a guaranteed HE place on successful completion) within an established framework including strong peer support. The programmes are typically modular and accredited by higher education institutions (HEIs) or by an open college network (OCN). The majority of access courses are validated by the Quality Assurance Agency for Higher Education (QAA). Local HEIs, as the main recipients of Access learners, typically have considerable influence on the module content and combinations offered in the relevant pathway. It may be appropriate in a unitised adult curriculum for employers and sector bodies to have a similar influence on the appropriate combinations of units relevant to their area.

66   There could be some important pointers from the Access experience to inform curriculum development at level 2 for adults. These include the influence of practitioners and external stakeholders on the programme content, the widely accepted identity and value of the qualification and the clear focus for learners that this provides. There are also other approaches such as 'Access to FE' programmes and college diplomas, which are likely to provide useful models.

Current Activity

67   The Qualifications and Curriculum Authority (QCA) and the LSC are jointly leading the further development of unitisation and a national credit framework . The LSC has been asked to establish a national working group to report to DfES Ministers by March 2004 on the case for a national credit system. Draft principles for credit are being developed by QCA and the LSC. There will be a national consultation on the principles for a credit system in England during 2003.

Do you support the development of a fully unitised curriculum? What are the implications of this?

What would be the advantages and disadvantages of developing a credit framework system for adults?

SECTION THREE: POTENTIAL FUNDING REFORMS

Responsiveness

68   One of the key principles under consideration is the need to develop patterns of provision which are more responsive to needs, often referred to as 'demand-led'. The *Progress Report* notes that there are two types of demand, that from learners and potential learners, and that from employers and the labour market. Increasing the responsiveness of colleges and providers to local needs which reflect both types of demand is a key aspect of *Success for All* and the funding of adult learning needs to reflect this.

69   Currently, in most cases where there is formula funding for adult learning, between 75% and 100% of the national rate for the provision is met by public funding which is channelled through providers. Funding approaches to stimulate the further development of a more responsive offer could be introduced in several ways. These mechanisms could involve the learner or the employer and be susceptible to the influence of local, regional and national strategic planning frameworks looking at short, medium and long term skills needs. The options are discussed in the *Progress Report*.

70   *Success for All* introduces three year funding arrangements for most colleges and providers, based on development plans agreed with local LSCs. These arrangements are intended to provide greater stability in and predictability of funding to enable more strategic planning of provision to meet learners' and employers' needs. This developing link between planning and funding will ensure provision becomes more responsive to meeting identified needs, whilst ensuring stability for colleges and providers in funding terms.

71   The balance between funding controlled by the learner or employer, and that flowing direct to colleges and providers to reflect needs identified through planning processes will be an important consideration. If a large proportion of total funding was directed through learners and employers, greater responsiveness to market demand might be anticipated through giving learners or employers a greater sense of ownership and choice. However, the influence of planning to meet identified needs, such as skills shortages, might be reduced and greater instability could result for colleges and providers, with increased competition and more unpredictable changes in patterns of provision.

What are the implications of channelling some element of public funding through learners?

What are the implications of channelling some element of public funding through employers?

What other other funding flows or funding mechanisms would best stimulate responsiveness? What are the implications and risks of these?

Funding through a plan

72   The LSC envisages that colleges' and providers' funding will flow from the outcomes of a planning dialogue with local Councils. The local strategic planning process articulates demand from employers and individuals, taking account of priorities set by RDAs, SSCs and other sector bodies. Colleges and providers are key strategic partners of local LSCs and are well placed to influence local strategic plans. Their own delivery plans will increasingly reflect the jointly agreed priorities.

73   The LSC will be consulting with the sector later in the year on how simplification can be achieved by aligning the FE funding approach more closely to the planning process. This will include consideration of how far it may be possible to increase the flexibility of funding for aspects of adult learning. To give institutions more scope to respond to the needs of employers and communities, some provision might be funded by a block sum linked to an agreed plan of activity. This might include specific skills development and business support for employers, and capacity building with voluntary organisations and community groups. The outcomes of the planned activity might be assessed through a small number of success indicators, rather than precise reconciliation of learner numbers. The balance between funding allocated in this way and through learner numbers and other funding variables will need to be considered in the consultation. As with all simplification there will be a trade-off between increased predictability, security of funding and reduced precision.

74   The funding of colleges' and providers' plans should be closely integrated with local LSC strategic plans influenced by plans for local economic development and the needs of the labour market (for example FRESAs). The level of subsidy for particular provision could be determined by a forum of organisations operating at the regional, local and sectoral level. These subsidies need not be set at a uniform rate and a range of subsidy could apply depending on the skills needs and priorities for that locality or region.

How might local LSCs engage with key stakeholders, including RDAs and SSCs, to jointly ensure, through planning and other mechanisms, that provision meets the skills needs of employers and individuals?

How could an appropriate balance between the influence of local, regional national and sectoral skills needs be developed?

Fee Contributions

75   The options set out in this paper could ensure that public funding is more closely linked to policy intentions than at present, through the focus of funding and other resources towards low skilled adults.

76   Amendments to the existing fee policy may be required in order to deliver new entitlements. In the current system there is an expectation that, where appropriate, learners (or employers) will make a contribution to the costs of learning through the payment of tuition fees. The assumed fee contribution in WBL and FE is currently 25%

of the unweighted rate for each learning aim (50% where FE provision is dedicated to one employer's needs). It may be appropriate to develop a differential approach to assumed fee contributions, related to the type of provision, the category of learner and the local and national priorities associated with these.

77   Under such an approach, there may be a case for learners not in the target group to be expected to make a greater contribution than the current 25% to the costs of their learning (in other words, the level of public subsidy decreases). The potential impact of this on participation levels and the range of provision would need to be considered.

78   For certain areas of learning, for example where there are clearly identified national skills shortages, it may be appropriate to introduce a national fee remission policy. It may also be appropriate to consider a degree of discretion at a local and regional level, in order that priorities identified through local planning processes could be offered free of charge or with a reduced fee contribution.

79   Colleges and other providers currently have considerable discretion in relation to the fees that are actually charged to learners not eligible for fee remission and employers. There is a high instance, in both WBL and FE, of colleges and providers not collecting fees for a variety of reasons, including competition to recruit learners, the impact of fees on participation levels, and difficulty in engaging employers in training if a financial contribution is required. The local application of fee remission policies could be distorting local patterns of provision. It also implies a level of cross-subsidy exists between different types of provision, or that national rates are higher than the costs of delivery for some courses.

80   If public funding is to be more closely focused on addressing key priorities, including the target groups, the variable approach to fee charging may need to be addressed. A national minimum fee policy might be appropriate, for example requiring, as a condition of funding, that colleges and providers collect the appropriate fee from all relevant learners and employers. Such a policy would ensure consistency in the levels of fees charged and competition on the basis of fees would reduce. It would also ensure that the principle of appropriate contributions to the costs of learning being made by those in a position to do so was consistently applied. However, a national minimum fees policy would reduce colleges' and providers' discretion in responding to local needs and demands with flexibility.

What could be the implications of increasing fee contributions from learners not in the target group?

What are the pros and cons of a national minimum fees policy?

Simplifying Funding

Simplifying the Funding Approach

81   One of the key recommendations of the Bureaucracy Task Force (BTF) report,

Trust in the Future, is that the LSC should look to simplify the FE funding approach, with the aim of reducing bureaucracy for colleges and FE providers (in the first instance). The second phase of the BTF's work is to look at the potential for bureaucracy reduction in the other funding streams and this work is underway.

82   The key aims of simplifying funding are:

- to achieve better alignment between planning and funding, so that funding should be 'plan-led' and support the planning process

- to ensure that administrative demands are based on the processes that an effective college or provider requires to manage its own business

- to achieve more predictability of funding outcomes for colleges and providers, to assist planning and to provide greater financial stability.

83   The LSC is considering three aspects of simplifying the FE funding methodology:

- technical detail – reducing the scope for error existing within the current 'rules' of the funding methodology, focusing on those areas with the highest degree of complexity

- the structure of the funding formula – considering which elements of the formula might be applied more simply

- more fundamental changes to the funding methodology – which would involve looking at alternative approaches to the existing one in which funding is linked directly to the individual learning aims that learners pursue.

84   We intend initially to focus on those areas which have been identified as adding considerable complexity to the FE funding approach including:

- loadbanded provision
- in-year retention (recording learner withdrawals)
- achievement data
- funding discounts – employer dedicated and franchising
- additional learning support
- reductions made to final funding claims for any shortfall against target, with no margin for tolerance.

85   We will adopt a phased approach in consulting with the sector on detailed proposals for simplification, with the intention of looking at which aspects could, if supported, be implemented as quickly as possible. However, simplification is inextricably linked to the Skills Strategy to be published in June 2003. We shall in particular consider how far the principle of funding by plan could be extended in order to allow a simplified funding approach.

86   In addition to the specific measures described above, we consider that further significant simplification will be achieved through the development of trust relationships with FE colleges, described in *Trust in FE*, that will obviate the need for many of the monitoring and checking processes which currently exist.

87   For those colleges operating within a trust relationship, it is intended that there will be an end to retrospective funding recovery (known as clawback) and less frequent funding audits. A number of pilots and pathfinders in 2002/03 and 2003/04 will test out aspects of these new arrangements, with a view to introducing the new approach for the vast majority of FE colleges by 2005/06.

88   The introduction of three-year funding agreements and the consolidation of funding streams, from 2003/04, will also contribute to a more stable, predictable and less bureaucratic way of working for the sector.

89   The longer term options for simplifying funding include the possibility of reducing the demand for precise correlation between learner activity and funding levels. The LSC will be working with colleges and providers representatives in 2003 to develop these proposals further for consultation.

What should the main priorities be in simplifying the FE funding methodology?

Are there further opportunities to simplify the funding of adult learning which should be explored?

Implications of Unitisation

90   The potential development of unitisation and a national credit framework for adult qualifications are described in paragraphs 61 - 67. If a framework were to be introduced funding mechanisms to enable appropriate resourcing to be provided to reflect the flexible and incremental nature of engagement in learning would be required.

91   Units of qualifications taken by adults are currently funded in FE and ACL, but not in WBL. The mechanisms used to fund units in FE are based on the overall funding approach, using the number of guided learning hours (glh) to derive a national rate involving a table of glh values known as loadbands. However, whole qualifications usually have a specified national rate (a listed value) which is paid irrespective of the number of glh delivered or the mode of study.

92   One aspect of simplification which the LSC is developing is to increase the proportion of learning aims which have a listed funding rate. This reflects the considerable bureaucratic demands placed on colleges and providers to derive and evidence the glh for loadbanded programmes. Increasing the number of listed learning aims simplifies funding and reduces bureaucracy for colleges and providers.

93   The further development of unitisation and potential introduction of a credit

framework might be most effectively funded using listed rates. However, listing a qualification typically involves using a substantial evidence base of the number and range of glh in which it has been delivered across the FE sector. Such an approach may not be feasible for a unitised adult curriculum. Within a credit framework, it could be appropriate for listed values to be in line with the credit value (learning content) assigned to the unit. In this case, the credit value of a learning aim would dictate its funding rate.

94   Moving towards listed values for units is likely to be a progressive process, with a degree of transition involved in moving from loadbands to listing if significant instability and unintended consequences are to be avoided.

95   One aspect of funding unitisation is the correlation of funding levels between each unit and the funding of a 'whole' achievement, such as a 'full' level 2. The funding could be linear, that is the total funding available is equal to the sum of the rates for each unit. Alternatively additional funding could be related to a substantial recognised volume of achievement (such as a full level 2) so that proportionately more funding is available for the full attainment compared with the sum of the funding available for the individual units. The administrative implications of such an approach would need to be considered.

96   The use of full time equivalents (FTEs) have been proposed for FE as a measure of learner volumes for planning purposes in relation to the development plans and three year funding arrangements envisaged in *Success for All*. Total FTEs are derived by converting part-time learners into a proportion of a full-time learner. The development of a more fully unitised adult curriculum may have an impact on FTE measures which could involve transitory arrangements. For example, adult learners may choose to do more short learning aims because of the unitised offer, and this could impact on FTE volumes.

What would the advantages and disadvantages of funding units of learning in line with their curriculum credit value (prior to any relevant weightings or uplifts)?

What are the benefits and risks of positively weighting funding towards achievement of a 'full' achievement (such as a full level 2)?

SECTION FOUR: NEXT STEPS

Consultation Process

97   This document is published alongside the *Progress Report* and the *Underlying Evidence* document to provide an outline of the current considerations informing the development of the National Skills Strategy.

98   The proposals in this document represent the current issues under consideration by the Government and the LSC on the priorities for adult learning. We believe that the case for addressing the needs of the lowest skilled adults is compelling. However we are aware that to make a significant difference in this area could require fundamental change and could have significant implications for learners, colleges and providers, and employers. That is why we welcome your ideas and views to influence thinking and to take forward the debate.

99   Local LSCs will be holding meetings in April and May 2003, to give key stakeholders an opportunity to consider and comment on the proposed strategy. Each local LSC will ensure that the comments and feedback are forwarded to the National Office for collation and analysis.

100   You may also respond in writing to:

Funding Design and Development Team
Learning and Skills Council
Cheylesmore House
Quinton Road
Coventry
CV1 2WT
Email: fundingadultlearning@lsc.gov.uk **[to be confirmed]**

101   We will announce our proposals for implementing the strategy after analysing your feedback. We will continue to involve you in its development and proposals for implementation. The Skills Strategy will contain an implementation plan showing how the Strategy will be progressed.

102   Responses to this document are invited by 14 May 2003.

103   If you have further questions about this document please contact your local LSC (see Annex B for contact details). If you want further copies, please contact **DFES contact address to be inserted**

ANNEX A

Council Funding Group Members

Chair	Imtiaz Farookhi	National Council member
	Professor John Bull	Chairman, Devon and Cornwall Local Learning and Skills Council
	Rob Douglas	Chairman, Surrey Local Learning and Skills Council
	Jane Drabble	National Council member
	Chris Humphries	Former National Council member
	Sir George Sweeney	National Council member

Council Funding Group Officers

	Ken Pascoe	National Director: Operations Directorate
	Caroline Neville	National Director: Policy and Development Directorate
	Geoff Daniels	Assistant Director: Funding Policy and Development
Clerk	Pam Vaughan	Group Programme Manager: Funding Design and Development

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	Stephen Marston	Director, Adult Learning Group

ANNEX B

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