

4. Funding Provision for Adults

Introduction

- 4.1** Provision for adults is diverse, reflecting the varied needs of learners. The funding system will need to cope with programmes which culminate in an externally approved qualification and those which do not. It will have to cover programmes which vary from short taster provision to courses of 900 guided learning hours. In order to maintain coherence and transparency, a principal objective must be to have a funding formula that is capable of applying national rates to as much of this provision as possible. The total funding from the LSC would, however, be paid net of the fee element assumed for the programme, unless the learner was covered by fee exemption arrangements.
- 4.2** The focus of this chapter is on short (often part-time) provision, undertaken at a lesser degree of intensity than the type of provision discussed in chapter 3. The proposals here in chapter 4 would apply as much to young people undertaking short provision as to adults (other than in respect of fees). By the same token, an adult undertaking an intensive package of, for example, vocational A levels, would be funded as in chapter 3.
- 4.3** The funding for LEA-secured adult and community learning (ACL) provision is discussed later in this chapter. The Secretary of State has given a guarantee to Local Authorities that for the first two years of the LSC, they will receive comparable amounts to those they now spend on ACL. But, as already indicated, we shall expect the LSC to extend its formula approach to most ACL as soon as is practicable, following consultation with LEAs and others.

APPLYING THE CORE SYSTEM TO ADULT PROVISION

- 4.4** Chapter 2 identified the elements of the proposed core formula, as follows:
- ▶ programme core costs
 - ▶ programme weighting
 - ▶ achievement
 - ▶ area costs
 - ▶ disadvantage
- 4.5** That chapter also discussed additional learning needs, learner fees and employer contributions, and transition arrangements, all of which are relevant to the funding of adults.

Programme core costs

- 4.6** Chapter 3, on funding young people, set out how we propose to fund long, intense - often full-time - programmes leading to externally approved qualifications. Those proposals do not depend on concepts such as “guided learning hours” because it would be needlessly complex to track the differences between two learners both of whom were, for example, seeking to achieve a similar package of A levels over two years. But part-time provision - and adult provision is mostly part-time - does not lend itself so easily to such simplifying assumptions. Therefore, we are led to an approach which does employ proxies to ensure that a fair sum is being paid for provision, whilst mapping seamlessly to the approach proposed for young people.
- 4.7** We propose that there should be a series of funding blocks spanning adult provision. Individual learners would trigger the national rate for the appropriate funding block, depending on the programme they were undertaking. It is too early to say what national rates should attach to which funding block. But, *purely for illustrative purposes*, with no implication that these are real values that will apply in practice, the series might look something like this:

Funding block	national rate (£)
1	60
2	120
3	180
4	300
5	420
and so on, but with the likelihood that a ceiling would eventually be reached, eg as follows	
14	1,500
15	1,620
16	1,740
17	1,860
18	1,980

- 4.8** There will need to be clear guidance to providers on the method for assigning programmes, and combinations of programmes, across the funding blocks. The clearest method that exists at present for doing this for part-time provision is the FEFC concept of guided learning hours. This may need to be adapted over time in the light of experience with on-line learning although we consider that even there it will be appropriate in the medium term.

- 4.9** Under the guided learning hours approach, the model above would be adapted to provide a look-up table to make it clear which number of guided learning hours went with which funding block. Again, *purely for illustrative purposes*, with no implication that these are real values that will apply in practice, this is expressed in the following model:

Hours	Funding block	national rate (£)
up to 10	1	60
11 - 20	2	120
21 - 30	3	180
31 - 60	4	300
61 - 90	5	420
and so on		
331 - 360	14	1,500
361 - 390	15	1,620
391 - 420	16	1,740
421 - 450	17	1,860
451 or more	18	1,980

- 4.10** This approach minimises boundary effects and avoids spurious precision. We propose it as a way of building on the FEFC's "loadband" approach, where the bands have been very wide - just 7 covering the same span as above. The FEFC is in any event moving in the direction of 30 hour building blocks for 2000/01.
- 4.11** The funding blocks would NOT be aggregated where a learner pursues programmes at different times within any one funding year. For example, if a learner does a 25 hour block early in the funding year, and then she re-registers for a further 25 hours later in the same year, she would have done 50 hours and would attract £300 (ie not £360).

Programme weighting

- 4.12** As in chapter 2 we propose that, on top of the programme cost sum, there would be an appropriate programme weighting element.

Achievement

- 4.13** The achievement element would be a percentage of the overall cost of the course.
- 4.14** Funding must not artificially encourage or discourage providers from offering provision leading to qualifications. The Rates Advisory Group will need to ensure that the rates set for programmes involving external assessment take account of the costs compared to other programmes. The LSC and local LSCs will also need to make regular judgements about the balance of provision between programmes that lead to qualifications and those that do not.

4.15 The Learning and Skills Bill (Clause 89) provides that, for those aged 19 years and over, public funds may not be used for the payment of registration or other fees associated with assessment, moderation, verification and accreditation of an external qualification, unless that qualification is approved; the course itself, however, would be eligible for funding. To ensure that the approved qualifications meet high standards, are necessary and enable progression, we are likely to set prior accreditation by the QCA as a core criterion. When the QCA has completed its initial programme of accreditation, and subject to that part of the legislation being implemented, we propose that courses not leading to approved qualifications will remain eligible for funding, but will be regarded as learning that does not lead to a qualification.

Disadvantage and area costs

4.16 The disadvantage and area costs elements proposed in chapter 2 would also be applied.

BASIC SKILLS PROVISION

4.17 There are estimated to be some 7 million adults with poor literacy skills and an even greater number with poor numeracy. The Government is determined to tackle this problem, which has damaging consequences for the economy and society, not to mention for the individuals themselves. The first phase of action to improve the infrastructure for learning basic skills was announced last November, and a full national strategy will be announced later this year.

4.18 Tackling a problem on this scale will require radical action, and the Government will be asking the LSC to give basic skills high priority in its planning and funding of provision. It will be important for funding to:

- ▶ reflect learners' entitlement to free basic skills provision;
- ▶ ensure that no hidden costs are passed on from providers;
- ▶ encourage recruitment and achievement of learning goals, while recognising that learners are starting from different points and will require varying degrees of support;
- ▶ encourage provision which is easy for learners to access;
- ▶ allow diversity and creativity in adult basic skills provision, reflecting the needs and interests of learners, and the sort of flexibility described in relation to **learnirect**;
- ▶ recognise any additional costs arising from the above.

- 4.19** In 1998-99, there were 230,000 FEFC-funded learners on basic skills courses in literacy and numeracy, and on courses in English for speakers of other languages; an increase of 12% over 1997-98. Programmes are mostly part-time, day or evening, and are usually taught between two and six hours a week (the most frequently attended courses take around 60 to 70 hours). The FEFC funding approach is illustrated below.

Current FEFC Funding Arrangements for Basic Skills

The FEFC would currently fund a 70 hour basic skills course in the following way

Category	Units
Entry	8
On-programme (reflecting that this course would be in the 60-119 hour loadband)	10
Cost-weighting	5
Fee remission	4
Achievement	1
TOTAL	28 units
Value of units	= £17.00
FUNDING	= £476.00

Under the LSC, funding would be built up in the way discussed above, using cash rather than units.

- 4.20** We think that the overall approach to funding set out in this document should help support the drive to improve adult basic skills. The proposed LSC formula will be able to match the type of funding generated by the FEFC approach but will be expressed directly in terms of cash rather than through a unit-based approach. There will be points which need more detailed development, including the way "embedded" basic skills teaching is funded when it is within other provision. Consideration will also be given to the funding of basic skills support for people in employment alongside, or as part of, a more general workplace training, and of provision for unemployed people which they could continue when they regain employment.

UFI AND LEARNDIRECT LEARNERS

- 4.21** Ufl will be launched this autumn using the customer-facing brand name **learnirect**. It will introduce a new approach which will transform adult learning provision. **learnirect** learning is about allowing people the choice to learn at a time, place and pace that suits them. It is learner-centred and is driven by their needs.
- 4.22** Ufl will be much more than just a provider of learning opportunities - it will be a key strategic and business partner of the LSC. In their strategic relationship Ufl will work closely with the LSC nationally and locally on issues including marketing and the promotion of lifelong learning, planning and the underpinning market information, how best to use and expand e-learning opportunities, and compatibility of ICT systems.

4.23 The establishment of the LSC coincides with the rapid changes affecting e-commerce, e-business and the expansion of e-learning and on-line learning activity. Already a number of providers have initiated aspects of on-line learning as part of their learning offer to students. Ufl has been established by Government as a flagship initiative in the fields of on-line and lifelong learning and will open fully for business in autumn 2000 with at least 60% of its initial offer on-line and this will expand in the subsequent months and years. Learners in the future, including those supported by LSC, are likely to want to be able to mix elements of face-to-face and on-line learning according to their own needs and aptitudes and the requirements of the subject in hand. It is essential that funding arrangements under the LSC should be able to encompass these developments within both its funding formula and business processes.

4.24 The Department will expect Ufl to focus on three of the Government's priority areas in its first years - basic skills, ICT and SMEs, as well as in four industrial sectors. In support of this, the funding system for adults must be fair across both traditional and **learndirect** learning and it must take account of the core features that make up **learndirect** learning. Learners must be able to:

- ▶ access learning in bite-sized pieces;
- ▶ start, continue and complete their learning when they choose;
- ▶ choose whether and when they wish to present their learning for assessment and/or accreditation;
- ▶ access and continue their current learning opportunity from home, in learning centres and at work;
- ▶ expect the same quality service wherever they learn;
- ▶ expect high quality tutor support services (on-line, by telephone, or face to face) and secure peer group conferences; and
- ▶ have access to their own records at all times.

4.25 High-quality support for **learndirect** learners will be an essential part of the Ufl offer. Support will be offered face-to-face in learning centres both to welcome and get new learners started as well as to provide initial general support with on-line learning. Specialist support will be directly available in the largest centres but also on-line to learners working from smaller centres, or from their workplace or in their home. Ufl hubs will establish registers of on-line and specialist tutors to provide this support and, through the Ufl network, **learndirect** learners will be able to get access to tutors from other hubs on-line.

4.26 At launch, over 60% of **learndirect** learning will be delivered on-line and the name "e-learning" is sometimes used for this kind of provision. By 2003, between 75% and 90% of **learndirect** learning will be available on-line. But not all **learndirect** learning will be on-line; and not all on-line learning will be **learndirect** activity. The funding system for **learndirect** learning must apply to on-line and off-line learning, from any supplier or provider that meets the core features set out in the preceding paragraph.

4.27 Ufl will be operating in development mode until autumn 2000. In this period, and through 2000-01, the FEFC will be using the present FEFC funding system. It will be imperative that this system in the short term, and the LSC system from April 2001, can:

- ▶ fund bite-sized pieces of learning. The FEFC will in 2000-01 fund a variety of **learndirect** learning including short taster provision;
- ▶ recognise the individual's irregular patterns of learning, for example start and end dates that are independent of a provider's teaching calendar, or gaps in learning of more than four weeks;
- ▶ fund learning whether it leads to a qualification or not - FEFC have already been able to fund **learndirect** learning of this sort on an experimental basis; and
- ▶ take account of the way in which learners are supported, without having to record, say, every phone call, or email.

4.28 We shall also ensure that the LSC pricing structure works both for traditional and e-learning provision, not least because many learners will be on programmes which mix the two. The overall design described in chapter 2 should serve the needs of e-learning:

- ▶ merging the start and programme payments removes what, for e-learning, will often be an artificial distinction. Programme payments can cover the initial assessment and guidance phase and the task of ensuring that learners are taught how to e-learn;
- ▶ there need be no presumption that there will always be an achievement payment for every piece of learning. This might not be appropriate, for example, for some smaller pieces of learning while it may well be so for more substantial pieces. Since most, if not all, **learndirect** learning can be steps on the way towards a recognised qualification, the achievement of such a qualification would be one trigger for payment. Moreover, the formula approach will cover courses that do not lead to qualifications;
- ▶ the payment for disadvantaged groups will facilitate the entry of many non-learners, one of Ufl's key targets, into learning.

4.29 For the first few years of Ufl's operation we propose to give steers to the LSC on the minimum expenditure we shall be expecting on **learndirect** learners. For 2001-02 the Ufl business plan currently assumes that £135m will be allocated by local LSCs for **learndirect** learners. That should be the minimum allocated through the LSC. However, before the figure is finalised, there will be a bottom-up planning process to confirm volumes required locally. And **learndirect** hubs and centres will be eligible to attract more than the sums assumed initially for 2001-02 if that is justified in the light of local LSC consideration of their plans.

LEA-SECURED ADULT AND COMMUNITY LEARNING

- 4.30** The Government's intention is to achieve a major shift in the quality and availability of learning opportunities for adults - and the LSC has a key role to play in bringing this about. The creation of the LSC provides a major opportunity to break down the artificial boundaries which have operated in the area of funding learning for adults, to enable a fresh and strategic approach to using funding to help lever up participation and achievement, and to use public funding to foster a learning society by making suitable learning opportunities available to adults of any age. It will also enable a clear and sustained focus on key priorities, including the drive to tackle the nation's legacy of poor basic skills of literacy and numeracy, and helping combat social exclusion through improving people's access to "first rung" learning opportunities in their own neighbourhoods.
- 4.31** Very large numbers of adults will learn through FE providers - and the funding formula approach set out earlier in this chapter is designed to support that. The formula will also be the vehicle for funding the sort of provision now offered in the "Designated Institutions", which includes non-vocational and recreational learning. We shall also be working to ensure that, where appropriate, adult and community learning made available by LEAs is also funded through the formula.
- 4.32** Adults also learn in a variety of other settings, within what is usually known as the adult and community learning sector. This learning is provided by local authorities, FE providers, and by a range of other community and voluntary organisations. Local authorities are by far the most significant provider, either directly or through contracts and grants to others. LEA adult education spending supports some 1.6 million learners, and associated spending by other local authority departments might put that figure up to 3 million. This key role is recognised in the Learning and Skills Bill now going through Parliament. Local LSCs will be required to include in their plans the education and training they would like an LEA to secure and which they are prepared to fund.
- 4.33** Following the decision to transfer to the LSC the funds that LEAs currently receive from the DETR for adult and community education, the Secretary of State has given a guarantee to local authorities that, provided they produce satisfactory plans, for the first 2 years of the LSC they will get comparable amounts to those they now spend from their own Education Standard Spending resources. The transfer and guarantee will be based on the latest information about net spend on education for adults as formally reported by LEAs to the DETR on forms RO1 Education for 1998-99. We have decided that the guarantee should be based on expenditure in one financial year - 1998-99 - as averaging expenditure over three years is ruled out by local government re-organization. The Department has written this month to local authorities about the information needed to implement the guarantee. Where local authorities demonstrate that they can do more to help the LSC meet its objectives, particularly for those groups most excluded from learning, they can seek to have this recognised in any further resources, beyond those needed to meet the guarantee, which may be available to the local LSC for adult and community learning.

- 4.34** The local LSC will in effect be buying a plan from the LEA, in return for its funding. This will build on the existing arrangement whereby the DfEE funds LEAs through the Schools Standards Fund for the production of a lifelong learning plan. Given the need to plan ahead for 2001-02, and the greater diversity of LEA-secured adult and community learning, we think that initially the plan will not be based on the LSC's general funding formula, though the intention should be to move to this position as soon as practicable for most adult and community learning. However, the plan will need to include indicative costs and volumes. The DfEE expects to publish guidance to LEAs in June on what is expected in their plans for adult and community learning for 2001-02, the first year of the guarantee.
- 4.35** We believe that the clear intention should be that the majority of adult and community learning supported by LSC funding should be funded via the national funding formula as soon as is practicable. But to do this, the LSC will need a programme of work in its early days to establish a national knowledge base about the costs and range of ACL provision. We are setting up a working group to start working through the detail of this and other funding issues in adult and community learning.
- 4.36** At the end of the guarantee period the Government's expectation is that LEA-secured adult and community learning will continue to feature centrally in each local LSC's plans. Indeed it would be disappointing if it did not. The Government is confident that LEAs will respond positively to the new arrangements, reinforcing the key role they can play in the planning, development and delivery - both directly and indirectly - of local learning.
- 4.37** While looking to move the majority of LSC-funded adult and community learning onto a formula basis, we also think that there will always be some of this work that is not easily susceptible to this. Some of the most innovative adult learning involves agencies for some of whom learning is not a prime activity; other organisations work with extremely disadvantaged and marginalised client groups; in others there is a curriculum in which learning activity forms only one part of a community development agenda.
- 4.38** Such work is supported by, for instance, the DfEE's Adult and Community Learning Fund. This Fund formally comes to an end in April 2002. Until then it will continue to be managed nationally under its existing arrangements through the Basic Skills Agency and NIACE. It will be vital that the lessons and the innovations of the Fund are not lost. So the LSC will need to assess how best to sustain the momentum of this work, whether through initiatives by the local LSCs, or by a follow-on national fund, or some combination of both.
- 4.39** The LSC will need to set a national framework for development work. Local LSCs can then embed priorities at local level by, for example, funding outreach provision through FE providers, adult and community learning secured by LEAs, or by direct support of local organisations. Each local LSC should ensure that there is significant progress towards the aim of genuinely neighbourhood-based learning opportunities. In the most disadvantaged communities the aim should be for a step-change in the range and level of local learning opportunities for adults as recommended in the report of the Policy Action Team on Skills and in the recently published framework consultation on a National Strategy for Neighbourhood Renewal.

INFORMATION, ADVICE AND GUIDANCE FOR ADULTS

- 4.40** Information, Advice and Guidance for Adults (IAG) is a new programme, focused especially on ensuring, for all adults, access to free information and advice. The money available rises to £28 million in the LSC's first financial year, 2001-02. IAG will be provided through a set of single contracts with the lead partner in each local IAG partnership. These will be DfEE contracts novated to the LSC during 2001. The contract will, in effect, be buying a service plan from the local IAG partnership, showing how it will deliver the free IAG service in its area.
- 4.41** The allocation of IAG funds from the LSC nationally to local LSCs, and thence to IAG partnerships, must be sufficient to ensure continuity of free information and advice services available to all. A minimum level of IAG funding will therefore be non-discretionary for this purpose. Initially, the allocation will reflect the current formula which is based on per capita adult population. The LSC nationally will want over time to consider the case for a more differentiated funding methodology, for instance to build in weighting factors to allow for disadvantage and social exclusion. Any such development would need to be in step with the disadvantage component of the LSC's wider funding methodology.

WORKFORCE DEVELOPMENT

- 4.42** The LSC will be responsible for assessing and identifying current and future national skills and learning needs. It will create a system led by the demands of individuals and employers.
- 4.43** It will achieve this by developing a national framework for workforce development. This will build on the work of the Skills Task Force and relationships with key partners such as employers, trades unions, National Training Organisations, the Small Business Service, the Employment Service and Regional Development Agencies. It will identify an agenda for action to ensure that in a fast-moving world those in work, those seeking work and those entering work for the first time have the skills they and the economy need to improve our competitiveness and take us successfully through the 21st century.
- 4.44** The national framework will use a robust analysis of labour market and skill needs to inform the development of a wide range of skills provision important to the current and future needs of the workplace: hi-tech and managerial skills, vocational skills, employability, key skills and basic skills. It will also embrace new ways of reaching more individual learners through **learnirect** provision, through the use of learning accounts and through FE and private and voluntary sector provision.
- 4.45** The LSC at national level will support local LSCs to develop their local workforce development plans, building on the preparatory work done by TECs through their integrated workforce development plans. It will also support National Training Organisations as they develop their sector workforce development plans, to feed into regional and local development strategies.

- 4.46** At the local level, it will be critical that the funding for workforce development, whilst informed by national priorities, is directed to meet the needs identified by local partners. The provision to meet those needs will include programmes supported by formula funding (for example, Modern Apprenticeships, FE provision) and support through local discretionary budgets. Developing a coherent approach to workforce development will help us to maximise the total investment in skills and learning and ensure it is truly demand-led.
- 4.47** As part of overall plans, local LSCs will develop local workforce development plans in conjunction with local partners and the RDA which they will submit to the national LSC for approval. Access to a flexible workforce development budget will help them develop local approaches to engaging employers in workforce development. These approaches will include in particular support for small employers, through key workers and management development, to help achieve the targets for Investors in People. Arrangements will be similar to those under the Local Competitiveness Budget. The LSC will take account of local employer baselines in allocating funds to each LSC and there will be a requirement to secure matched funding from employers.

Introduction

- 5.1** One of the major objectives of the new arrangements for the funding and planning of post-16 provision is to build on the success of the New Deal and improve still further the opportunities available for unemployed people. From April 2001, ES assumes responsibility for the Work Based Learning for Adults (WBLA) budget, and this, coupled with the consequent improvement and intensification of provision for unemployed adults, will strengthen the link between the skills agenda and the Welfare to Work agenda. The Prime Minister's recent decision to create a new Agency in 2001, combining the ES and the 'Working Age' parts of the Benefits Agency, is also an important development which reinforces the direction of change.
- 5.2** The ES provides advisory services to a wide range of unemployed people and supplements this service by securing programme provision to help them get jobs. This includes 'traditional' learning and skills programmes delivered in the workplace and in the classroom as well as a range of complementary provision designed to improve jobsearch skills and motivation and to tackle specific individual needs - for example linked to drug or alcohol abuse. Success depends crucially on effective joint working between unemployed people, ES Personal Advisers and ES-funded providers.
- 5.3** Chapter 2 (a) set out our proposed simpler formula funding system to apply across ES and LSC-funded provision. This will help sharpen the focus on performance and continuous improvement. A clear message which has emerged from our consultations is that the plethora of existing funding models can be a costly and unwelcome distraction from the main task of helping unemployed people get jobs. This is especially the case where similar provision is being funded both by the ES and by others.
- 5.4** We therefore propose to apply the common formula funding system to significant parts of ES provision as soon as is practicable. This will allow the full benefits of a single, streamlined funding system to be realised and ensure greater coherence with the LSC. Provision in scope will include much of the externally delivered elements of the New Deal for Young People (including many Gateway and Follow Through services) as well as large parts of the re-engineered provision for unemployed adults.
- 5.5** This chapter sets out our proposals for applying the formula to the diverse range of ES learning and other programmes. As with LSC-funded activity, the arrangements for financial support for individuals - including allowances, transport costs and child care - will be funded outside the main formula.

Applying the Formula - Overall Approach

- 5.6** Our proposals are that the overall level of funding for an ES provider will be calculated through the standard elements of the formula applying to ES, namely:
- ▶ programme core costs
 - ▶ programme weighting
 - ▶ achievement
 - ▶ area costs.

Programme Costs

- 5.7** The majority of funding will usually be linked to regular and full attendance although for some shorter provision a simpler arrangement may be appropriate. We are clear that we want to move quickly away from the over-complex payment systems which characterise the funding of some existing ES programmes.
- 5.8** In common with the LSC's proposals, the ES will allocate provision into a manageable number of funding blocks and cost weighting bands as appropriate. Funding blocks will, as far as possible, relate to the expected length of the programme and weekly hours of attendance (only some of which may strictly be 'guided learning' hours) or the type of provision.

Programme weighting

- 5.9** For cost weighting we aim to avoid building unnecessary complexity in to the system. The Full Time Education and Training Option within the New Deal for Young People uses three cost bands at present and this has generated relatively few anomalies. While drawing more ES provision into the formula may create a need for more bands, the initial intention is to aim for no more than five. Clearly, though, this will need to be reviewed should experience show this is insufficient (or indeed excessive). The pricing structure will take the form of a simple look up table.
- 5.10** Within each of the funding bands, we expect that costs will be expressed as monthly payments and the total cost for an individual's programme can, therefore, be determined by multiplying the monthly rate by the expected length of stay. However, we wish to ensure that the system creates incentives for early progression and for people moving quickly into employment rather than simply retaining them on provision. Early completion/progression payments have been used successfully by the ES in the past and are, indeed, a feature of some New Deal funding at present. Where appropriate, we intend to include this incentive within the formula focused, at least in part, on progression into jobs.

- 5.11** The ES will establish its own Rates Advisory Group. Terms of reference will be similar to those of the LSC Rates Advisory Group and there will be arrangements for sharing information plus some cross-membership. Although there may be relatively few circumstances where the provision funded by the LSC and the ES will be identical (linked to the important differences in the two organisations' aims and objectives) some provision is similar. The aim is that there should be a clear read across between what the ES pays and what the LSC pays in similar circumstances. Where there are differences in the level or nature of the funding, the reasons for these should be apparent and readily explained. One of the tasks of the ES Rates Advisory Group will be to consider evidence of anomalies.

Achievement

- 5.12** The achievement element will, in most cases, focus on jobs and will link to ES Annual Performance Agreement (APA) and New Deal definitions - a job and a sustainable job being the two main measures. Qualifications will also feature in achievement payments in some circumstances. Though rates may vary depending on the programme to be funded the ES will typically pay up to a third of the programme cost for achievement spanning job-related and qualification outcomes. The ES also intends to undertake limited piloting of higher achievement payments.

Area Costs

- 5.13** As foreshadowed in chapter 2 the additional costs of delivering in London will be reflected in the national rates. Further detailed work will be undertaken over the summer on this.

Payments

- 5.14** The move to profiling of payments with regular reconciliation points will bring a large measure of coherence to the day to day operation of the joint formula funding systems and allow savings to be made in administration costs. It does, though, represent a major shift in the way the ES manages its payment processes and will require changes and improvements in the planning and contracting for provision at local level. Nonetheless the aim is to move all formula funded ES providers to profiled payments as quickly as possible but to be mindful of the need to ensure that the new arrangements do not exclude small or new providers.

Funding disadvantage and Additional Support

- 5.15** As noted in chapter 2, the ES will not include a separately identified 'disadvantage' element within its funding model. In order to ensure clients with significantly greater demands, such as learning difficulties and/or disabilities and those with basic skills or language requirements, are supported, once expenditure rises above a threshold, the additional support element will be linked directly to provider's expenditure. As with the LSC, ES will consult on introducing a matrix approach.

Modelling work

5.16 We are undertaking modelling work and data analysis of the costs involved in funding provision in order to ensure affordability within the ES resource available.

5.17 The example below shows, using illustrative figures only, how the diverse range of ES provision can fit into the formula funding framework. In common with the LSC model, detailed in Chapter 4, ES will use funding blocks to represent short provision that can be 'one off' - such as the production of a C.V.- courses or activities that last a few weeks, right through to more substantial provision such as the Full Time Education and Training Option of the New Deal which can vary significantly in length and intensity. Though it will often be possible to allocate provision into hourly bands we propose, in some circumstances, that ES should allocate named provision to a funding block rather than determine its block solely by the average or expected length of time it takes to complete. The footnotes explain the rationale for grouping the provision into each of the funding blocks in the context of the examples shown (which only cover a selection of the blocks).

Funding Block	Band A	Band B	Band C	Band D	Band E
Funding Block 1 ¹	up to £60				
Funding Block 4 ²	£300	£500	£700	£900	£1,100
Funding Block 10 ³	£1,020	£1,260	£1,500	£1,740	£1,980
Funding Block 18 ⁴		£1,980	£2,300	£2,620	

¹ ES will contract for 'one off' provision, such as the production of a C.V. This, and other provision of this type, may not cost £60 and therefore the ES Funding Block 1 will pay up to £60 depending on the type of provision required.

² This example highlights how the weighting factors might be used. In this example, ES wishes to contract for provision that lasts two weeks. This provision would normally be grouped under Funding Block 4 and would attract payment of £300. However, ES is currently contracting for a 'New Intensive Gateway' course which will last for two weeks (or 60 hours). Because of its intensive nature, provision of this kind may be allocated a higher cost weighting factor.

³ This example is intended to represent provision that is variable in length, such as training provision, which might range from short intensive courses to longer programmes of up to 26 weeks. In the example this type of training is allocated to Funding Block 10 and then weight according to the actual cost of delivery.

⁴This example is similar to the current FTET model which is banded into three cost weighting factors.

Transitional issues

5.18 As stated above, we consider formula funding should be applied to significant parts of ES provision as early as practicable. This change will impact heavily on the main programmes the ES delivers: the New Deal for Young People and the New Deal for 25+ and WBLA from April 2001. There are two key transitional issues that need to be considered:

- a) timing - should all ES provision be moved to formula funding at the same time i.e. April 2001, or should a phased approach be adopted? and,
- b) operational - how should the transition from the current payment arrangements to formula funding be handled?

The timetable for the transition of ES provision to formula funding

5.19 A 'big bang' approach to the introduction of formula funding across all ES programme provision from April 2001 has the attraction of creating coherence for providers and may reduce the need for duplicate systems or parallel running. However, this does represent a big change for the ES and its providers and the process is further complicated by:

- a) the transfer of responsibilities for the WBLA budget to the ES and the related work to develop and improve provision for unemployed adults (which will require a contracting round during 2000-01);
- b) the timetable for the review and renewal of existing New Deal for Young People and Programme Centre contracts;
- c) the transfer of some existing TEC staff to the ES and the need to address other contract and partnership issues arising from the dismantling of the TEC network.

5.20 Immediate implementation across the piece would also mean that national rates would need to be set for all of the provision at the same time requiring an extensive and early mapping exercise.

5.21 Accordingly, it is proposed that formula funding is phased in across the range of programmes, starting in April 2001 with the 'new' provision i.e. the New Deal for 25+ and WBLA which will be the subject of a fresh contracting round this year. Contracts for the delivery of New Deal for Young People will be reviewed during 2000-01 and, subject to satisfactory performance, we propose a phased move to formula-funding during 2001-02. This will mean that short extensions need to be offered to existing delivery contracts to enable this work to be managed effectively, and for early lessons to be learned. That said, where it is possible and sensible to do so, we would want ES to agree early transition with providers - for example, where they may be contracted to deliver both for young people and adults - to avoid unnecessary dual running.

Transitional payment arrangements

New Deal 25+

- 5.22** Although there will be a significant expansion of the 25+ New Deal in April 2001, there will be many providers who deliver New Deal 25+ under the old funding arrangements. ES intends to pay formula funding for new clients from April 2001. Existing payment arrangements will remain for existing clients although, where possible and sensible, the ES will aim to agree that all participants are funded on a single system.

Work-based learning for adults

- 5.23** ES takes responsibility for the WBLA budget from April 2001 and it is important that we ensure a smooth transition for both existing clients and for those providers with which ES continues to contract in future. The ES will be undertaking a major exercise over the coming months to establish what provision is currently being delivered, what provision will be required post 2001 and the volumes of clients and nature of training that will be affected during the transition. As already foreshadowed, a contracting exercise for the new 25+ programme and the WBLA elements, will be carried out during 2000-01. We expect this to start in the Autumn.

- 5.24** Although the ES proposes to introduce formula funding for work based training from April 2001, we recognise that currently there are many different arrangements for funding WBLA provision and moving to the new rates without clear transitional arrangements for the existing clients could cause providers difficulties with their funding and planning processes. We also recognise that a balance will need to be struck between ensuring that providers receive adequate funding for work carried out before the change against the importance of implementing the new system quickly with minimum bureaucracy and the need for parallel working. The ES and DfEE are currently discussing a number of transitional options.

- 5.25** The transitional position is further complicated because there may be some providers who decide they do not wish to deliver WBLA from 2001 or who are unsuccessful in the tendering rounds. This will mean that different arrangements may need to be developed depending on the circumstances of individual providers. However it is of paramount importance that the transition for clients on WBLA is seamless.

New Deal for Young People

- 5.26** For the New Deal for Young People we propose that ES should move all contracts to the new funding system during 2001-02. In order to avoid having to operate dual systems for any significant period of time, we propose that ES should move transitional clients to the new system as appropriate. However, we recognise that an immediate move to nationally determined prices for an existing programme may cause difficulties in some circumstances. Accordingly, it may be appropriate in some cases to phase in the new funding levels in order to ensure the transition can be managed smoothly and that clients are not adversely affected by the change. However, we would not expect the period of convergence to be protracted.

6. Learner Support

- 6.1** This chapter sets out some of the current arrangements for learner support and, where relevant, transitional arrangements when the LSC takes on its funding responsibilities from April 2001.

Introduction

- 6.2** One of the most significant issues affecting efforts to widen participation is the personal cost to learners of their education and training.
- 6.3** Research shows that 16-18 year olds from low income families are much less likely to remain at school or enter FE or work-based training for young people than their better-off peers, with the inevitable consequence that they are less qualified, and fail to achieve their potential. 91% of 16 year olds from professional and managerial families stay on in full-time education or government-supported training in England and Wales, compared to just 61% of those from unskilled families. Many would like to stay on at school, college or take up training opportunities, but feel that they cannot afford to do so. For older learners the cost of learning has also been shown to be a disincentive to participation, particularly for those with childcare responsibilities.

Underlying principles

- 6.4** There are certain principles, or characteristics, which should run through any system of learner support, through its design and its delivery. These are to:
- ▶ support Government objectives, particularly on social inclusion, National Training Targets and skill shortages;
 - ▶ direct the available resources to those learners most in need;
 - ▶ encourage partnerships and collaboration in using these resources most effectively;
 - ▶ balance consistency and responsiveness to local circumstances;
 - ▶ be open, understandable and user friendly for learners;
 - ▶ interact with other forms of financial support, including benefits, in a complementary and coherent way; and,
 - ▶ offer value for money.
- 6.5** Whilst the LSC will be responsible for funding all post-16 provision, it will not necessarily take on the permanent role of funding support for individual learners or have sole responsibility. The Government's longer term strategy is to consider ways of bringing together all the existing forms of financial support for young people. Older learners might be covered by separate arrangements. There will be extensive evaluation and consultation on all the learner support activity and initiatives.

- 6.6** Whether the LSC is involved as an agent for distributing funds or not, it will be in a good position to provide advice to the Government on best use of all learner support funding. The LSC will also be well placed to link this funding with related policies which impact on financial decisions by learners, such as fees exemption.

Current Support Arrangements

- 6.7** At present, there are different arrangements for supporting pupils, learners and trainees in school sixth forms, further education colleges and on the work-based route. Access funds are available to help students with a wide range of allowances and learner costs, including for equipment, fees, transport and other living expenses. There are also funds for childcare and, for some students, accommodation costs. There is some overlap between different funds in terms of what they can be used for. Learners may therefore receive different levels or types of assistance from those who have similar characteristics depending on the route taken.
- 6.8** In some cases FE students may obtain Career Development Loans. These are an important source of support, and offer a maximum of £8,000.
- 6.9** As well as the national schemes for learner support, the FEFC currently supports some individual students whose circumstances give rise to additional learner costs. For example, students living on the Isles of Scilly need to travel to the mainland to participate in post-16 education. The FEFC currently meets their travel and accommodation costs as well as funding the provision of training for these students. Funding is also made available for students living away from home whilst they study provision at specialist institutions, such as colleges of agriculture and horticulture or colleges of art and design. Students with learning difficulties and disabilities can get help with special equipment and other support.
- 6.10** Support for further education students is discretionary and targeted on those most in need, due to low income or the necessity of meeting exceptional costs. This is provided in the form of a general Access Fund and specific assistance with residential and childcare costs (see also the sections on Learning Accounts and fees exemption). This support is provided through the institution where the student studies, which, within broad guidelines, will exercise local discretion over who will be supported and the level of support offered. LEAs also retain a power to provide additional financial support for FE students if they deem it necessary.

Childcare

- 6.11** Students with childcare responsibilities are recognised as having additional financial needs through the specific support for this area of cost. A new Childcare Support Fund of £25m is to be introduced in September 2000 to replace the present FEFC tariff scheme. This will operate in the same way as the FE Access Fund, allocating funding to colleges and other institutions by formula and then leaving considerable discretion to them as to who should be supported and the level of that support. Guidance asks colleges to give priority to lone parents and use formal - that is registered - childcare. This support should be linked to measures to increase the number of childcare places in colleges.

Dance and drama awards

- 6.12** The Government introduced a national scheme of dance and drama awards from September 1999. Responsibility for awards in schools currently receiving funds through the FEFC and directly from the DfEE will pass to the LSC. The HEFCE will retain responsibility for the awards, where the provider has established a relationship with a higher education institution funded by HEFCE and offers degrees and higher education diplomas.

Transport costs

- 6.13** The funding of travel costs has, over the last few years, become complex and inconsistent across the country. Section 509 of the Education Act 1996 places a duty on LEAs to provide "such transport as they deem necessary". But in recent years there have been wide variations in the actual support learners receive from LEA to LEA, with some effectively supporting only the costs of those with learning difficulties or disabilities.
- 6.14** Around a quarter of the FEFC's allocation of Access Funds to colleges is used to support travel costs. Colleges set their own criteria for using the funds and for determining who should be assisted with travel costs. There have been significant increases in the allocation of Access Funds to colleges over recent years, which give colleges more funds to support transport costs. TECs are required to secure provision which provides sufficient funding for individual learners' needs for transport and other support essential to accessing and completing their training.
- 6.15** The Government is currently exploring alternative ways of supporting learners through their time in post-16 education and training. As described below, the EMA pilots provide a means of getting funds, including travel costs, directly to the learner, and the Youth/Learner Card provides a means of negotiating discounts for certain types of provision. These are initiatives primarily aimed at 16-18 year olds; older learners should be able to call on the Access Funds to subsidise college travel costs.

Learner support and social security benefits

- 6.16** The Government is considering the relationship between post-16 learner support and social security benefits. At present, there can be problems when entitlement to social security benefits is reduced by payments of learner support to individual students. The Government is keen to ensure a coherent system of learner support which is simple for learners to understand and for providers to operate.

Transition

- 6.17** We propose that from April 2001, the LSC should continue the FEFC and TEC funding roles in these areas of learner support. The current systems would be carried forward from April 2001, including the LSC's responsibility for continuing to make training providers contractually responsible for supporting travel costs in the immediate future. And it will ensure that travel costs are supported through college Access Funds. We would welcome views on whether the creation of the LSC, with its wider coverage of learner routes and local presence, offers opportunities for re-thinking the approach to and organisation of learner support.

TRAINING ALLOWANCES

- 6.18** All young people on work-based training receive financial support either in the form of wages or training allowances. Although we propose to remove training allowances from the system of funding training provision, we believe that the LSC should take on funding responsibility from April 2001 as a transitional measure.
- 6.19** Trainees with non-employed status get training allowances. TECs are currently responsible for ensuring that all trainees receive at least the £40 minimum. The DfEE does not specify who should pay it, although in practice the training provider would be the usual source as far as the young person is concerned. TECs and training providers (together with employers if appropriate) agree how the overall cost of training is shared. All trainees receive free training provision.
- 6.20** Some TECs set their own minima at a level higher than the national minimum. The most recent available research indicates that over half of non-employed status trainees receive only the minimum allowance, with no top-ups from TECs, training providers or employers. TECs are generally responsible for setting their own eligibility conditions for the receipt of training allowances but the training week should be at least 16 and no more than 40 hours each week and planned attendance should be set out in a training plan.

Transition

- 6.21** For the longer term, the issue is whether training allowances should continue in their current form or whether, for instance, they should be phased out in favour of direct employer-trainee contributions or payments, or linked more closely to other learner support arrangements such as Education Maintenance Allowances. As the LSC takes over responsibility for funding training from TECs in April 2001, we need to set in place transitional arrangements for training allowances from that date.

6.22 Our proposal, on which we would welcome comments, is that from April 2001, the LSC should:

- ▶ honour implied commitments to current trainees by ensuring that the training allowances continue to be paid at the level set by the relevant TEC as at April 2000;
- ▶ continue the April 2000 level for new trainees who have additional needs, with the expectation that the allowances will be fully funded by the LSC;
- ▶ for other trainees, where the trainee is not employed, the LSC would need to ensure that the minimum allowance of £40 was paid to the trainee with the expectation that employers will contribute to the costs of allowances.

EDUCATION MAINTENANCE ALLOWANCES (EMAs)

6.23 EMAs were introduced in September 1999 in 15 areas. From September 2000 the scheme will be extended to another 40 areas, including 4 areas which are piloting a model which involves paying transport costs. The aim of the pilot scheme is to test the extent to which a targeted financial support and incentive package makes a difference to post-16 participation, retention, and most crucially, attainment. The scheme is currently administered by LEAs.

6.24 Payments of up to £30 each week (£40 in two areas) are available to eligible young people who remain in full-time education after Year 11. A range of different models is being piloted, which will enable us to evaluate the impact of different elements of the allowance. The key features of the EMA are:

- ▶ it is a 'something for something' measure. Payment is stopped if the young person fails to meet the conditions set out in a learning agreement such as missing one lecture without good reason, or failing to hand in homework on time;
- ▶ support is targeted on the worst-off;
- ▶ the EMA is paid direct to the young person (except in two areas where it is paid to a parent);
- ▶ additional bonuses are payable for retention and attainment;
- ▶ EMAs are available for any full-time course at school or college provided it leads to a recognised qualification at level 3 or below;
- ▶ EMAs are payable on top of all existing benefits and allowance, including wages earned by the young person.

6.25 While the pilots are at an early stage, initial indications are very promising. Post-16 participation has increased in all pilot areas, in all cases at a higher rate than the average for the rest of the country. There is also strong evidence that EMAs are having a very beneficial impact on young people's attendance and effort, which should in time feed through to better attainment. Longer term, we will evaluate the impact of EMAs on retention and attainment before making decisions about whether to introduce a national scheme, and if so, what it should look like.

LEARNING ACCOUNTS

6.26 The national framework of learning accounts will:

- ▶ provide a package of benefits (similar to a membership scheme) to help people in work pay for learning for their personal development;
- ▶ provide links to other sources of information about learning opportunities;
- ▶ be an 'account with Government' enabling people to take up discounts and benefits;
- ▶ make it easier for employers to support employees' individual development aspirations.

6.27 Learning Account incentives include:

- ▶ a £150 Government contribution to the first one million accounts opened, provided the individual makes a small contribution themselves;
- ▶ access to discounts on a range of learning - up to 20% for a wide range of courses and other learning opportunities with a maximum of £100 in each year and up to 80% on more specific learning, such as basic computer literacy;
- ▶ tax and NIC relief for individuals for whom employers have agreed to contribute to the cost of eligible learning on equal terms across the whole of the workforce;
- ▶ employer contributions to individuals' learning accounts will be tax deductible.

6.28 Anyone aged 19 or over can open an account. Particular groups have been identified as a priority for Government incentives: women seeking to return to the labour market, younger workers with low skills and qualifications, self-employed people and non-teaching school staff. There are some specific exclusions: people in full-time education, for example, will not be able to take advantage of the incentives in relation to their course of study, nor will those undertaking other forms of Government-assisted learning.

6.29 Learning providers will support individual learning accounts to:

- ▶ register with the Customer Service Provider;
- ▶ be able to respond to individuals' enquiries about learning accounts and what learning qualifies for discounts. The Department will issue guidance to providers. The CSP can also assist providers in this function;
- ▶ liaise with the CSP when an individual books and pays for learning;
- ▶ provide details to the CSP on start dates and completion dates of the learning;
- ▶ to despatch incentive payment details to the CSP to enable reimbursement. This function will be handled electronically through BACS.

6.30 The national framework is being rolled out in stages from April 2000 onwards and is proceeding to timetable. In September 2000 we expect the framework to be fully operational so that individuals can use their accounts to pay for learning and benefit from the discounts. We expect paying by instalments to be available from the Autumn.

Paying for learning in instalments

6.31 Learning providers in the private and public sector can expect more demand for learning funded through learning accounts. As the aim is to increase the amount of learning funded by individuals we expect that most learning providers will need to offer options to pay in instalments to people purchasing learning with a learning account.

6.32 The Department wants to see this practice become more widespread and wants to hear providers' views to find the most appropriate ways of doing this. In particular, we would welcome views on whether the payment instalments approach should:

- ▶ be offered on all courses where the 20% discount applies;
- ▶ enable payment to be spread over 4 instalments;
- ▶ enable the last payment to be provided through the CSP. This would give the individual the benefit of the discount but discourage account holders from signing up and dropping out once they are required to pay;
- ▶ require that no interest be charged by the provider.

7. LSC Capital Funding Arrangements

Introduction

- 7.1** At present the FEFC makes some contribution to some FE capital expenditure, as set out in the box below. The LSC will also need a regime for FE capital, building on the FEFC's approach. Section A of this chapter considers aspects of that regime. Section B discusses the position in LEA-maintained Adult and Community Learning. Section C refers to ERDF and SRB and other matched funding.
- 7.2** Schools have their capital needs addressed separately, within LEA arrangements. That will remain the case in future, even after the LSC becomes responsible from 2002-03 for providing LEAs with revenue funds for school sixth forms.

A. FURTHER EDUCATION PROVIDERS

- 7.3** The current arrangements for FEFC capital funding of FE providers are set out in the box below.

Current FEFC Capital Funding Arrangements

For 1999-2000, the grant for eligible projects is calculated on the basis of a lump sum of £50,000 plus 35% of eligible project costs above £100,000 and payable over three years against appropriate evidence of expenditure. Also financial support of up to £100,000 on a matched (pound for pound) expenditure basis may be available to support the consultancy fee costs incurred by colleges necessarily undertaking feasibility studies for large PPP and rationalisation projects with capital costs estimated at over £5 million or more. Colleges with capital projects to develop and improve residential facilities for those with learning difficulties and/or disabilities can also now be considered for capital project support from the FEFC. In addition, £12 million has been allocated over the period 1999-00 to 2001-02 specifically for the purposes of improving access and facilities for those with learning difficulties and/or disabilities.

The FEFC ensures that colleges applying for capital support for a project go through a three stage process:

- ▶ evaluation by colleges against validation criteria set by the Council (consistency with college strategic plan, financial viability, planning requirements, confirmation of college contribution);
- ▶ an economic appraisal of the project; details of any necessary loans or PPP arrangements (amount and terms); and an evaluation of the college's financial health;
- ▶ selection of applications by the FEFC which considers the following: sufficiency and adequacy of facilities; quality assessments (of college provision); economy; value for money; space utilisation (with a greater proportion of floorspace reduction leading to a more favourable score); health and safety; and financing (where the FEFC gives preference to PPP over loan financed projects).

7.4 The LSC will wish to set objectives for all of its principal areas of activity. For the allocation of capital funds to FE providers such objectives could include the requirement to:

- ▶ promote excellence and the high quality delivery of education and training;
- ▶ secure adequate infrastructure for learning;
- ▶ maximise the learning potential and employability of individual learners to achieve challenging goals by helping to provide appropriately specified premises, facilities and other resources necessary to achieve these goals;
- ▶ be responsive to proven learning and training needs;
- ▶ widen participation and ensure access by all to education and training facilities;
- ▶ extend the use of, and access to, ICT for on-line learning, including working with Ufl;
- ▶ provide for the needs of all learners but with targeted support for key groups of learners;
- ▶ promote the effective use of matched funding to help maximise the funds available to support learners;
- ▶ secure increasing effectiveness and value for money through appropriate rationalisation and the more cost-effective utilisation and management of providers' premises and facilities.

7.5 The new LSC's is capital funding system for FE might include;

- ▶ simple and transparent in terms of its design and administration;
- ▶ capable of appropriate evaluation against general and specific programme and funding objectives;
- ▶ based on the business plans of providers which should be founded on a needs analysis of learners and employers in their community;
- ▶ based on an assessment of local needs and priorities by the local LSC.

7.6 A capital programme addressing these key features would be likely, therefore, to:

- ▶ match specific needs to the capital resources available;
- ▶ use these resources to promote widening participation and accessibility by all learners;
- ▶ reflect government priorities for education and training;
- ▶ encourage rationalisation and collaboration between providers if this is likely to lead to improvements in the quality and cost effectiveness of provision.

Applying the System

7.7 Before seeking capital funds from the LSC all eligible FE providers could be required to produce an accommodation and equipment resources strategy, as part of the longer term strategic and business planning process. This would:

- ▶ confirm existing and forecast future educational and training needs;
- ▶ assess the quality and capacity of premises, facilities and equipment resources and identify the additional capacity, if necessary, to meet these needs;
- ▶ estimate the cost of upgrading/replacing and maintaining premises, facilities and equipment resources to accommodate that need;
- ▶ plan for the financing of these improvements using the financial resources forecast as being available to the provider from the LSC and other sources.

7.8 A specific timed and costed plan to improve accessibility for all learners should form part of FE providers' strategies and, in particular, seek to improve accessibility to learners with learning difficulties, physical disabilities and sensory impairment as all providers are likely to face increasingly stringent legal obligations. The government does not anticipate that such arrangements would be less stringent or comprehensive than those currently required of FE providers.

Issues arising

Capital Priorities in FE

7.9 Although urgent health and safety related building repairs issues were addressed in the years immediately after incorporation, building condition problems were not able to be fully addressed and still remain a potential burden for many FE colleges in England. Current priorities include improving quality, increased rationalisation, the need to cater for additional learner numbers and changes in the modes of attendance in subjects studied and priority for new curriculum and qualification initiatives.

Mechanism for Support

7.10 As well as being able to qualify for additional grant based allocations against specific projects, all FE colleges are expected to earmark 2% of the annual recurrent allocation for expenditure on capital purposes such as new build and modernisation projects, long term capital related planned maintenance, and the upgrading of IS/IT systems and equipment. This sum is taken into account when calculating colleges' entitlement to recurrent funding and is not available to other organisations receiving FEFC recurrent funding. The LSC may wish to consider top-slicing this sum from recurrent allocations and making formula based capital allocations to colleges for activities such as capital maintenance and replacement of capital assets, upgrading IS/IT systems and equipment procurement. It is unlikely that the LSC would wish to allocate all sums available on a formula basis as this would not address the need to target government and other priorities.

Rate of Capital Support/Allocation Priorities

7.11 The rate and amount of capital support and the period over which it is paid could vary with the priorities given to particular categories for expenditure. For example, there may be a case for a higher priority, and hence the rate of support, for provision for 16-18 year olds, facilities for learners with learning difficulties, disabilities and sensory impairment or to reward excellence or target need. The LSC could consider capping capital contributions and netting off disposal proceeds, perhaps in part, against the amount of capital support available. These arrangements would have to be consistent with the priorities which the LSC's capital programme would be meant to address.

Capital Cycle

7.12 Currently, applications for capital support are considered by the FEFC on a quarterly basis. The LSC will need to choose between allocating capital budgets to local LSCs or managing a national budget with the authority to approve allocations delegated to local LSCs for particular sizes of project. It is likely that property and other capital appraisals skills will be available to local LSCs either on a national or regional consortia basis and also the authority to determine particular types of projects. At present, the FEFC's capital programme group (a sub-committee of the FEFC) advises on capital policy and is able to approve applications for capital project support and consent to proceed with projects costing up to £5m. The LSC will need to consider whether it will also require a similar arrangement. Consideration also needs to be given to an appropriate level of delegation for individual local LSCs. It is likely, therefore, that the LSC may wish to set a level of delegation relating, say, to projects costing up to £3m.

Equipment/IT

7.13 As indicated above, there is no specific equipment allocation to colleges. The current ringfenced capital allocation for IT systems connectivity to national systems could be developed with the continuing aims of providing IT connections to colleges, local communities and other education partners. In the future further emphasis may need to be given to the provision of appropriate equipment and systems to meet learners' needs within colleges.

Transition

- 7.14** The FEFC is currently committed to a three year grant payment period and, given the timescale in bringing larger projects forward, the LSC will be required to make capital funding grant payments on projects currently being reviewed through to 2003-04. In several cases, colleges with large complex projects on a private finance initiative (PFI) or public private partnerships (PPP) basis have sought approval in-principle and are unlikely to start on site until after 1 April 2001.
- 7.15** We would welcome views on whether the LSC should allocate funds to assist the development and enhancement of ILT and IS/IT services and, if so, on what basis these allocations should be made. Also, on whether further priority should be given to allocating funds for the renewal and enhancement of equipment and should FE colleges be required to ring fence 2% of their recurrent funding for capital purposes.

B. ADULT AND COMMUNITY LEARNING PROVIDERS

- 7.16** The LSC will channel central government funding for capital to colleges, local authorities and other learning providers in the public and non-profit sector.
- 7.17** Adult and community learning is provided by local authorities and a range of other community and voluntary organisations. Local authorities are by far the most significant provider, directly, or through contracts and grants to others. Local authorities deliver adult and community learning through around 200 dedicated centres and at least 4000 to 5000 other buildings, mostly schools. Other organisations use their own premises or other local venues.
- 7.18** Unlike Further Education, there has been no specific provision in central government support for capital investment in adult and community learning generally or to meet the needs of people with disabilities. Some local authorities have resorted to revenue funding to maintain and repair existing buildings but our understanding is that overall the condition of assets is deteriorating.
- 7.19** There are two policy strands underpinning capital needs for adult and community learning. First, Government is clear that adult and community learning is a vital part of the Government's plans to drive up achievement, widen participation in learning and to strengthen community confidence and capacity. It has a key role to play in improving basic skills, in providing opportunities for families to learn together, and in creating access to further and higher education. Secondly, the Government is committed to extending disability rights to the education sector.
- 7.20** The LSC will institute procedures and systems that follow best practice on strategic planning of capital investment, options appraisal, the scope for PPP and PFI approaches to meeting capital needs, risk management, key performance measures, evaluation, asset management, and disposal.

7.21 Funding of providers will be based on local decisions made by the 47 local Learning and Skills Councils, in the light of guidance issued by the national Learning and Skills Council and agreed with the Secretary of State. The LSC and its local arms will have a clear framework for making decisions on capital allocations, including factors to consider in setting local objectives and output measures for capital investment. The aim, over time, is to modernise the capital base for adult and community learning to ensure it supports the policy aims set out above.

C. ERDF, SRB AND OTHER MATCHED FUNDING

7.22 Where appropriate, ERDF and SRB matched funding and other appropriate funding opportunities should be sought by local providers in support of innovative capital projects. These projects must be able to prove additionality from ERDF and SRB matched funding. Bids should only be made where they fit in with regional priorities and local economic plans, which include infrastructure needs. Bids should reflect government priorities and contribute to economic development. Where SRB bids have an education and training focus with capital elements, LSCs will have a key role. In exceptional circumstances, capital grant funding from the LSC might be payable on an annual or other basis in support of an ERDF or SRB bid.

SUMMARY OF FIRST FUNDING CONSULTATION

This is based on over 400 written responses and comments by 750 delegates at 8 consultation conferences.

Question 1.

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

Over 80% of respondents thought that the key features provided a good basis on which to build, although some reserved judgement until more details were available. There was recognition that the new arrangements would have to overcome the tension between some aims, for example more simplicity versus more effective targeting of funds. There was a widespread desire to see a level playing field for providers, but different interpretations of what this meant. Many questioned the school sixth form guarantee. Three-year indicative allocations were particularly welcomed. Some respondents felt that the funding entitlement should be extended to all 16-25 year olds, while recognising resource constraints.

Question 2.

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

83% of respondents agreed to these principles, although some warned against over-complexity. There were mixed views over whether start payments were needed for all learners, or whether the disadvantage factor was a better means of targeting. Merging the starts and programme elements was seen as offering considerable benefits through extra simplicity. There was widespread agreement that a clearer proxy measure of disadvantage than the current postcode system was needed, but few ideas, apart from means testing, about what alternatives could be adopted. A common theme was a desire to see funding for part qualifications and rewards for progression, and also for achievement that was not limited just to acquisition of qualifications, eg getting a job. Suggestions for the level of payments for achievements (outcomes) varied from less than 5% to 20%. There was some recognition that the amount should vary across different types of provision.

Question 3.

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

Nearly 85% of responses agreed that the national LSC should limit any upwards variation in national rates. Those from the TEC-funded sector tended to favour a greater level of flexibility. Most other responses favoured minimal, or no, variation, arguing that price variations would undermine the clarity and predictability which providers were looking for, would need to be large to have any effect, and would create anomalous cross-border variations. They argued that any upwards variation should be transparent, with clear criteria, and should be the exception, with flexibility being achieved through other means. 80% of responses were against allowing local LSCs to reduce national prices, although some of those familiar with TEC funding defended this possibility.

Question 4.

Do you agree that the examples listed at 2.13 (eg workforce development etc) are appropriate for non-formula funding? Are other examples appropriate?

Opinions were generally divided on sectoral lines. Those associated with private sector provision tended to favour a higher degree of discretion, and were concerned that listing what non-formula funds should be used for suggested that these funds would not be discretionary. They also tended to argue that more than 10-15% of LSC funds should be devoted to non-formula provision. Many argued the opposite, concerned that discretionary funds would be top-sliced from their budgets, and seeing 10-15% as too much. They were keen on national guidelines for the use of non-formula funds. Several respondents felt more clarification was needed on what was in this category.

Question 5.

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

81% agreed that there should be an annual cycle. The majority of these felt that this should be an August to July cycle. Some responses expressed concern about how the transition to the new cycle would be managed. 78% of responses agreed that the LSC should set limits on in-year flexibility. Many felt that a re-profiling system would need to be limited, carefully managed and would need effective planning to ensure that funds were not held back unnecessarily and the re-allocation of funds was not made too late within the year.

Question 6.

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

85% supported these proposals, although many recognised the need for clear guidance to be developed with criteria for identifying 'good' and 'weak' provision. Some felt the focus should be on taking steps to improve existing 'weak' provision, with new providers introduced only after that had failed. There was also support for a "preferred supplier" network. And some respondents called for financial rewards for higher quality providers.

Question 7.

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

Over 91% agreed to these proposals. A few felt that flexibility within the funding allocation was important. Others suggested that the allocation system should be monitored by conducting annual reviews to ensure provision met quality assurance. There was a welcome from all sectors for three-year indicative allocations. Some held the view that new providers should not be permitted to undercut existing providers, but there was also concern that arrangements should not act to exclude new providers.

Question 8.

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

There was widespread support for this principle, with over 90% in agreement. But each sector was concerned for its own position. FE sector representatives argued that their broad role in the community required them to put on a wide range of sometimes costly provision, supported by learner services such as crèches and welfare advice, and hampered their ability to compete with leaner private training providers. Some also felt that existing providers entering new areas should be treated as new providers. On the other hand, private sector representatives were concerned about competing with large FE providers which they saw as much better placed to achieve economies of scale, and some were concerned that this could lead to unfair discrimination against newer providers and would affect equal opportunities for existing providers. Some also felt that financial incentives from the LSCs to help cover start-up costs would be required to attract new providers.

Question 9.

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

There was general support (68%) for the allocation of volumes of provision for **learndirect** learners, although there were mixed views as to whether this should be at a local (60%) or a national (35%) level. Some respondents felt that Ufl provision should be subject to the same contractual rigour as that of other providers. And a few felt that employers should be allowed access to the same funding streams as traditional providers to increase the scope of on-line learning.

Question 10.

Do you agree that there should usually be only one intermediary between the LSC and the learner in the case of further education colleges and training providers?

There was widespread agreement (83%) for this proposal, with many agreeing that LEAs should be exempt from this arrangement. Of those who agreed, some thought it important that there be national criteria to determine where there could be added value in allowing more than one intermediary. Others felt that local LSCs would find it difficult to contract with hundreds of small providers, and may want or need to involve managing agents, who can be useful for smaller employers and providers.

Question 11.

Do you agree that direct contracting between local LSCs and employers should form, on average, no more than 10% of employer-based training in each local LSC area? Should this be subject to any criteria in addition to those described above?

The responses to this were more mixed, with 65% agreeing that limits were necessary and 30% feeling that limiting arrangements in this way was unnecessary. There was much debate about the 10% figure with some thinking it too low, and others too high. A common theme was that any limit should be open to regular review.

Question 12a.

Do you think that a co-ordinating unit should be supported nationally by the LSC, to help employers who wish to contract nationally?

Responses were divided by sectoral interests, with most employers and providers in favour, but with many colleges being more cautious. In all, 65% of respondents were in favour of a national unit, whilst 25% expressed concern that this would act against local interests.

Question 12b.

Do you agree that there should be a presumption against national contracts with training providers?

There was broad agreement (66%) that national providers should contract locally, although many felt there should be scope for national contracting with national providers meeting a demand which was more national than local. Some also felt that providers should not have to contract individually with each local LSC.

Question 13.

Do you agree that a co-financing approach could help maximise the take-up and effective deployment of ESF?

There was a widespread welcome for co-financing, with 84% in favour, and an acknowledgement that it was likely to reduce providers' administration, make audit arrangements simpler, and add value to ESF supported projects. Some respondents wished to reserve judgement until they had seen the details.

Question 14.

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

88% of responses agreed that work-based training should be subject to national rates, although it was acknowledged that work needed to be done on the detail. 80% were in favour of more local flexibility for work-based training, with some suggesting that the LSC should develop a framework of criteria which could be applied locally.

Question 15.

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

There was a widespread welcome of a matrix approach, with 83% in favour. There was some concern as to whether a matrix could deal with severe disadvantage and those respondents tended to argue for individual arrangements. Others thought that learners should be assessed on the basis of their needs, rather than their disability. Many respondents also recognised the value of the current FEFC additional support mechanism, and some proposed that this should be extended as an alternative.

Question 16.

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

There was widespread agreement that there should be common principles to govern the state's contributions (with 92% in favour), although there was recognition that this is a complex area. There was widespread agreement that the state should continue to fund the total cost of basic skills provision for adults. Many stressed the importance of providers' flexibility to charge fees to learners in order to respond to variations in learners' financial circumstances.

Question 17.

Do you agree that 2000-01 should be the baseline year for calculating the (sixth form) real terms safeguard?

There was a mixed response to this, but with 53% in favour of 2000-01 as the baseline year, and the remaining responses split between a variety of other options. Some were concerned that 2000-01 would be too early to take account of the full impact of Curriculum 2000. 16% felt that 1999-00 would be more appropriate, and 10% suggested a three-year average.

Question 18.

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

Again, there was a mixed response to the approach, with 50% stating that they favoured the approach, and 28% disagreeing. Many, particularly school sixth forms, felt that further clarification of the role and remit of the LSC and its local arms was needed in order for the implementation arrangements to run smoothly, and there was some concern over the future of small rural sixth forms. Responses from the FE sector, on the other hand, tended to reflect concern at the funding guarantees, and that FE funding should be levelled up.

Question 19.

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

Respondents tended to welcome the sensitive approach to transition (with 68% in favour) but reserved final judgement until it was known what the steady state would look like, and until there was a critical path for getting there. Some providers felt that early indicative budgets would help, particularly for small providers, who would be most vulnerable. The undertaking to honour commitments to TEC learners was welcomed. Many private sector representatives wanted to see firmer indications of continuity of budgets, or felt that 16 month roll-over contracts should be introduced from April 2001.

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