

# SFC(2) 03-06(p1)

## ELWa's views on the current school funding arrangements in Wales

### Scope

1. As a body, ELWa's duty is to fund post-16 education and training in Wales, excluding Higher Education. Therefore, the methodologies and ideas expressed in this paper have been developed in the context of post-16 learning. However, the concepts could be applied at all stages of learning.

### Background

2. In the late 1990s, the Welsh Office identified that there was a need to review the way that post-16 education and training in Wales was funded. Under Secretary of State for Wales, Peter Hain MP, formed the Education and Training Action Group (ETAG). After lengthy deliberations, the ETAG report was published. The report was considered by the Assembly's Post 16 Education and Training Committee which, in turn, produced the Education and Training Action Plan for Wales (ETAP). The plan focused on the need for changes to be made in the way that post-16 provision was funded. It was approved by the Assembly in Plenary on 1 February 2000.

3. ETAP made the case for change. As examples, the following areas are brought to the Committee's attention:

learner focus – funding needed to be focused on the needs of the individual learners;

parity of esteem between academic and vocational provision;

similar programmes at different providers were being funded at different levels;

many different planning systems were in use and that this could lead to a less than integrated approach;

a single provider of education could be funded from more than one public source;

the 'funding year' varied between sectors; and

recognition that budgets are finite and that, therefore, expenditure needed to be prioritised.

4. The publication of ETAP resulted in ELWa being remitted to develop a single planning and funding system to cover all aspects of post-16 provision in the four sectors of activity. Those sectors are:

school sixth forms (including special needs);

further education (FE);

work based learning (WBL); and

community learning (CL).

## **Development to date**

In the light of reviewing this inheritance, and taking into account the requirements of its remit, ELWa concluded that there was a compelling case for a managed process of change. The changes formed part of a wider modernisation agenda in the field of post 16 learning intended to:

level the playing field of funding arrangements between different sectors;

bring to an end the post code lottery;

expand choice of subjects and modes of learning;

increase the quality of learning on offer;

reduce unnecessary and wasteful competition;

promote collaboration and the sharing of resources between providers;

bring openness and transparency to funding arrangements; and

strengthen the links between planning and funding.

## **In addition:**

any funds released through rationalisation will enable targeting of investment where learners, rather than providers, are the focus irrespective of the funding stream; and

a level playing field between sectors will also assist in the goal of attaining parity of esteem between academic, vocational and informal learning, especially if underpinned by universal credit, qualifications and quality frameworks.

By addressing the disparate nature and disproportionate levels of funding and the incompatible funding mechanisms, ELWa believed that it would become more effective in taking forward Assembly Government priorities, such as the 14-19 agenda; which transcends sector divides. Also, as ELWa operates within a finite budget, and there will always be tough funding decisions to be made, expenditure prioritisation will be the more effective if funding is on a like-for-like basis.

8. To move the agenda forward, ELWa has developed an integrated National Planning and Funding System (commonly referred to as the NPFS) which, once fully introduced, will result in real benefits for learners through the most efficient, effective, and economic management of the resources made available by the Assembly for post-16 education and training. The NPFS will tackle the existing complexities and inequities and establish an open and transparent approach which will provide value for money.

9. As Members are aware, the system is being introduced on the basis of a managed transition. This ensures that providers are not inadvertently destabilised but will be moved (via cushioning and damping techniques) to new levels of funding during a transitional period. Ultimately, the new system will ensure that funding follows strategy and planning.

10. To rationalise the funding of mainstream provision, ELWa has developed a new funding formula. The formula is based on the funding of 'credit'. Each funding unit is designed to reflect ten hours of learning, which is in line with the Credit and Qualifications Framework for Wales. This enables every learning activity to be assigned a particular number of funding units that ELWa refers to as Credit Equivalence Units (CEUs). For example each GCE A2

attracts 27 CEUs which represents 270 hours of learning over the period of one academic year. These CEUs are referred to as base CEUs as additional units can be allocated if certain conditions are met.

11. The formula increases the CEU attribution for a particular learning activity if:

the subject being taught is more expensive to provide (e.g. physics when contrasted to history);

the activity is being taught through the medium of Welsh;

the learner comes from an educationally deprived background;

the learner is aged between 16 and 18 (to allow for extra curricular activities and the provision of informal religious education);

the provider is operating in a sparsely populated area thus creating inevitable diseconomies of scale; and

the learning outcome is achieved.

12. With the exception of the achievement uplift, the system is designed to reflect relative differences in the cost of providing a particular learning activity. This is a shift away from funding an institution, irrespective of the volume of learning being undertaken.

13. ELWa has been funding WBL and FE since April 2001, but LEA schools and CL began to be funded by ELWa in April 2002. To begin with, ELWa continued with LEAs' levels of funding with modest changes towards a harmonised rate of funding. As improvements to LEA and school data collecting have been made, the quality of the funding data has improved enabling the NPFS to be introduced as the basis for funding allocations.

14. Although such a system is new to the LEA sector, it has been used for some time in the FE sector and is generally well understood. Over the last couple of years, ELWa has worked hard to raise the level of understanding in the LEA sector and we believe that effort to have been successful.

15. In determining LEA allocations for 2006-07, the NPFS methodology has been used for the first time. It will be applied to FE funding in the 2006/07 academic year and current thinking will apply the new approach to the funding of WBL with effect from August

2007. No date has yet been set for the conversion of CL funding to the new methodology.

16. In addition to the main funding stream which is referred to as Learning Provision, the NPFS has three other streams of funding, each complementing the other. Whilst not necessarily formulaic in approach, the other three streams encompass:

workforce development;

support for learners; and

strategic investment.

Further information on all four streams can be found on ELWa's NPFS web pages ([www.elwa.org.uk/npfs](http://www.elwa.org.uk/npfs)), but can be explained in more detail at committee if required.

17. Turning to planning, ELWa's National Council has recently agreed a National Planning Framework that will be rolled out during 2006. It is predicated upon a National Learning Assessment that should identify key priorities for learning in the coming years. Against this backcloth many stakeholders such as Sector Skills Councils will contribute to the identification of changes in demand for the volume of learning activity by subject area and by region. Subsequently, the planning framework will require responses at regional and CCET levels to ensure providers are funded to meet demand. In the FE and school sectors that demand will include demographic change and curriculum developments.

## **Data Issues**

18. The NPFS has been designed to use the PLASC data collection system, as this minimises the burden placed on schools. Although it has taken some time to obtain reliable datasets, the teething problems have now been broadly overcome. It would be relatively easy to extend the system to other age groups.

## **Conclusion**

19. ELWA is of the view that, once the managed transition has been completed by July 2010, the NPFS will be an effective, transparent and accountable system in respect of the planning and funding of post-16 provision in Wales. Also, ELWa perceives the main funding

formula to be flexible enough to be applied wherever specific learning activities can be identified for funding. The learning activities do not need to be accredited, simply capable of being identified and recorded.