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Education and Lifelong Learning Committee

REPORT TO THE NATIONAL ASSEMBLY'S EDUCATION AND LIFELONG LEARNING COMMITTEE

AN UPDATE ON THE DEVELOPMENT OF THE NATIONAL PLANNING AND FUNDING SYSTEM FOR POST 16 LEARNING IN WALES

1.0 INTRODUCTION

1.1 The National Planning and Funding System (NPFS) will:

- be learner focused;
- widen choice for learners;
- reduce unnecessary competition between providers
- increase the quality of learning
- eliminate the post code lottery; and
- clear the funding fog.

1.2 This paper sets out progress made on the development of the NPFS and associated activities since ELWa's last appearance before the Education and Lifelong Learning Committee on 7 July 2004.

2.0 BACKGROUND

2.1 The groundbreaking Education and Training Action Plan (ETAP) document recognised that improvements in learning were being hampered by a multiplicity of uncoordinated providers each acting independently, duplicating effort and often in competition with one another. This situation was compounded by disjointed funding arrangements.

2.2 In line with the ETAP recommendations and with widespread support, the Welsh Assembly Government required ELWa "to make proposals for a single formula based funding system for all post 16 learning other than HE."

2.3 ELWa's new demand led planning and funding system has four funding streams:

	Stream	Description
1	Learning Provision	The largest block, funding school sixth forms, colleges, work based learning and adult community learning.
2	Learning Network Investment	Strategic capital investment, investment in collaboration, support for quantum change in particular types or areas of delivery e.g. development of e-learning and Welsh language provision.
3	Learner Commissioned Purchasing	e.g. Individual Learning Accounts (ILAs).
4	Learner Financial Support	e.g. support for childcare.

2.4 The Learning Provision element is the largest stream, accounting for around 90% of ELWa's budget. Nevertheless, the other funding streams are also extremely important tools that will support ELWa's agenda for modernisation and inclusiveness in post 16 learning.

2.5 In parallel with the funding system, ELWa has also been working on the development of a complementary planning system and a number of other activities designed to drive the modernisation of post 16 learning in Wales.

2.6 At the same time, the Welsh Assembly Government has been progressing the 14-19 learning networks agenda. Multi-million-pound investment in this policy area over the next three years will complement and support the implementation of the NPFS and the attainment of the level playing field.

3.0 THE CASE FOR CHANGE

3.1 ELWa's paper to the ELL Committee on 7 July set out the case for change. The case for change remains strong, if not stronger now than ever before. Learning demand continues to grow and the post 16 learning network cannot depend on above inflation level funding increases year after year to meet that growth. It must modernise and look to new ways of working. Without reform Wales will:

- continue to see wasteful competition and duplication between providers;
- continue to see learning subject choices and modes of delivery limited due to inefficiencies;
- continue to experience a post-code lottery in relation to the funding of some provision with learners funded at anything between £2,772 and £4,394 per year, depending on where they live;
- continue to witness an inadequate link between the planning and funding of post 16 learning;
- continue to offer a limited range of learning opportunities in the Welsh language; and
- continue to be part of a two-tier system where parity of esteem between vocational and non-vocational learning is never addressed.

4.0 THE MERGER AND BUSINESS CONTINUITY

4.1 On 14 July, the First Minister announced the merger of the WDA, Wales Tourist Board and ELWa with the Welsh Assembly Government by 1 April 2006. The First Minister gave a commitment to "business as usual", a message reiterated on a number of occasions by the First Minister and the Minister for Education and Lifelong Learning. ELWa has continued to drive forward the NPFS and the modernisation of post 16 learning in the knowledge that the activities are long-term in nature and will continue to be central to Wales' success as a learning country.

5.0 WHAT WE TOLD YOU IN JULY

5.1 In July, ELWa updated the Committee on progress with the NPFS and some related activities. The following issues were key:

- collaboration between providers would underpin the modernised learning network;
- four geographical pathfinders would be established;
- a quality framework would be implemented;
- a major review of workplace learning was underway;
- Adult and Community Learning would be reviewed;
- the funding system had been refined and improved; and
- two options for the transition between the current funding arrangement and the new NPFS were proposed.

6.0 WHAT YOU TOLD US

6.1 The Committee gave in-depth consideration to the weightings within the funding model and expressed its concern in relation to the funding of school sixth forms and the impact of deprivation on learning providers in some areas. In addition, the need to safeguard and expand Welsh language provision was highlighted. The provision of a sparsity uplift was also queried and the reward of achievement and penalisation of failure was raised.

7.0 HOW WE'VE RESPONDED

7.1 Listening and Responding

ELWa has maintained an inclusive approach to the development of the NPFS based on the widespread engagement of the learning network, partner organisations and other stakeholders. This approach has yielded many dividends, including the development of robust policy and adaptations to the funding system; proof that we are listening and not

just claiming to be. This outward-facing approach will continue. ELWa will continuously seek to make itself available.

Later in this paper, specific details are given on areas of the funding model that have changed as a result of our listening and responding.

7.2 NPFS Year Zero

The NPFS is now in year zero of operation (in dual running mode). Indicative funding allocations were published at the end of July highlighting how much funding providers would receive at the end of the transition period based on their existing levels of activity. This indicative funding information is a key component of ELWa's approach to managing the transition.

It should be noted, however, that the learning network will have evolved by the end of the transition period. We anticipate that as a result of collaboration, pathfinders and CCET Annual Recommendations for Learning, the patterns of learning and therefore of funding will change over the five-year convergence period.

7.3 Planning

Since July, ELWa has published its four Regional Statements of Needs and Priorities (RSNPs) following extensive research and consultation with its Regional Committees and partners. ELWa is currently considering the 21 Annual Recommendations for Learning submitted in response to the RSNPs by the CCETs. This process will ensure that current patterns of provision are sustained and shortage areas addressed. In addition, ELWa is also working closely with the Sector Skills Councils on sector wide skills issues. This dual approach to planning will ensure that learning opportunities are made available to Wales' individuals, businesses and communities in the most appropriate way.

7.4 Geographical Pathfinders

As part of the planning element within the new NPFS, ELWa has initiated a number of Geographical Pathfinder projects. These projects will be used to review existing learning provision in a chosen area and assess its ability to meet the needs of learners and employers. Where improvements are necessary, the aim of a Pathfinder project is to produce options for change, consult, agree and then implement the optimal scheme. Different areas will require different solutions and there will be no "one-size-fits-all".

ELWa has consulted with partners and providers on the Geographical Pathfinders and will announce the first four Pathfinder areas shortly. The chosen Pathfinders will start in the New Year and will take around one year to reach the post-consultation recommendations

stage, after which, depending on the approval of proposals, implementation would begin. At that point, a new wave of Geographical Pathfinders will begin. As well as Geographical Pathfinders, ELWa is also undertaking Sectoral Reviews, commencing with the Care and Creative Industries sectors.

7.5 Collaboration

Collaboration underpins the implementation of the NPFS. It is a new way of working aimed at expanding choice for learners as well as making more efficient and effective use of Assembly Government funding. ELWa is in the early stages of policy development in this field. A series of Collaboration Conferences throughout Wales during November and December will secure the input of the provider network. Output from the Conferences will help shape the development of a Common Investment Fund which will facilitate collaboration between providers. ELWa's policy on collaboration will be agreed in time for activities in the 2005-06 financial year. Collaboration is the strongly endorsed approach to service delivery within the Welsh Assembly Government's "Making the Connections: Delivering Better Services for Wales" policy document.

7.6 Learning Provision: Weightings

The Learning Provision stream within the NPFS combines:

- learning volume (Credit Equivalence Units) - learning and related activities plus achievement;
- cost weightings that relate to learning provision – learning activity area plus Welsh language; and
- cost weightings that relate to learner characteristics – measure of disadvantage plus sparsity plus learner development.

Since the modelling that led to the indicative allocations in July 2004, further work and consultation has been undertaken to refine and better understand the implications of the model for providers. External task and finish groups were established to further refine the 'Achievement', 'Sparsity' and 'Welsh Language' uplifts and external research was commissioned in the latter area. In addition, the Council has published research papers that reflect current thinking in terms of the attribution of the base Credit Equivalent Units (CEUs) and the Learning Activity Area Weights (LAAWs).

7.6.1 Achievement (attainment or completion)

Although achievement has no specific cost attached to it, ELWa is of the view that any funding system should include some recognition of achievement as an incentive to the providers to motivate their learners. An uplift of 15 per cent was included in the indicative allocations. An external group discussed this issue at some length and came to the view that such an uplift should be split between 'completion' and 'certification'. ELWa supports this view and has decided upon a split of 10% for course completion

and a further 5% on certification. Collection of this data from schools will require an amendment to the PLASC data fields.

7.6.2 Learning Activity Area Weightings

ELWa has previously agreed to adopt the new QCA/ACCAC approved subject classifications. Since the publication of the indicative allocations, it has become apparent that the averaging technique used to achieve the transition from the old subject classifications needed refinement for weighting purposes. ELWa will publish a full consultation paper on LAAWs next spring. As an interim measure only, ELWa has reverted to the LearnDirect codes but this is not a long-term solution as they are around 6,000 in number. It is likely that this consultation will result in the grouping of subjects, thus significantly reducing the number of LAAWs used by the model in the medium to long term.

7.6.3 Welsh Medium/Bilingual learning

Since July, research work has been undertaken to identify the additional costs of Welsh Language provision. The results were discussed at an external task and finish group who agreed that only four specific models of Welsh Medium/Bilingual provision should be supported. The group also concluded that Welsh Medium and Bilingual provision should generally be funded above the level of English Medium provision. However, if a learner cohort needed to be split to create two smaller cohorts, then the uplift for the Welsh Medium cohort should be significantly higher. This higher uplift will be restricted to providers currently engaged in this mode of provision. Any new provider wishing to engage in such provision would first have to consult with ELWa on any such plans. In the case of bilingual provision, it was recommended that the uplift be applied to all learners in a particular class as that would encourage providers to expand their provision in this area. ELWa has accepted these recommendations.

7.6.4 Measure of Disadvantage

Since the publication of the indicative allocations, ELWa has given further consideration as to whether the decisions are sufficient to target funds at the most educationally deprived areas of society. It is now felt that to restrict the application of the uplift to 'Communities First' does not adequately address need. As a result, ELWa has adopted four weightings for the measure of disadvantage, ranging from 1.05 to 1.40.

7.6.5 Sparsity

The indicative allocations were modelled using the population densities of the electoral wards across Wales. In order to qualify for sparsity funding the learner had to be resident in both a local authority and an electoral ward that had a population density of less than the national average (140 people per square kilometre). The wards that benefited were then ranked in terms of population density and a stepped weighting of 20, 40 and 60 per cent applied. The application of this system produced a wide spread of providers that benefited from sparsity funding. In some cases, providers that were based in quite urban

environments received funding, as they had some students from rural areas. That was not the intention of the uplift and the Council has investigated alternative approaches.

An external task and finish group was convened to assist ELWa in formulating policy in this area. As a result of that work, ELWa has decided on the following refinements:

- the application of the uplift should only apply to providers that ‘qualify’ as operating in a sparse environment;
- any uplift should apply to all learners at identified providers; and
- small schools operating in very sparsely populated areas, where there is no alternative provision, should be funded at a rate that is sufficient to support an acceptable breadth of curriculum. This rate is currently identified as 5,400 base CEUs. At a harmonised rate of £25.29 this would equate to £136,566.

The adoption of the measures outlined above will result in far more targeted support for learning delivered in sparsely populated areas.

7.6.6 Learner Development

The Learner Development factor is proposed to identify that provision given to 16-18 year olds often includes ‘enrichment activities’ such as elective studies, sports, drama, and in schools and denominational colleges, the mandatory provision of Religious Education.

The indicative allocations were prepared on the basis of allocating a 20 per cent uplift to all learners aged under 19 at the start of the academic year. ELWa has given this area further consideration and has now concluded that this funding should be available up to around £425 per learner. This frees up funds to enable increases to other uplifts, especially educational deprivation.

8.0 IMPACT OF CHANGES TO THE WEIGHTINGS

The changes outlined above either release funding or involve additional expenditure and the challenge is to achieve the appropriate balance. ELWa believes it has done so. In summary, the impact of the changes is as follows (based on this year’s budget):

8.1 Learner Development

Indicative allocations gave £11,911,795 to LEAs and £14,537,589 to colleges. This accounted for 6.17% of the Learning Provision budget

The revised weightings allocate £9,261,462 to LEAs and £11,663,013 to colleges. This accounts for 4.88% of the Learning Provision budget thus freeing up money for other priorities.

8.2 Sparsity

Indicative allocations gave £2,422,163 to LEAs and £5,011,274 to colleges. This accounted for 1.73% of the Learning Provision budget

The revised weightings allocate £2,217,610 to LEAs and £3,076,275 to colleges. This accounts for 1.24% of the Learning Provision budget. Although the amount given has dropped slightly it is now much more targeted.

For example, under the indicative allocations 24 colleges qualified for some level of sparsity uplift, despite the fact that many of them operate in urban and semi urban areas. Using the revised methodology only five qualify, thereby ensuring increased support for the providers most affected by sparsity.

8.3 Welsh Language

The uplift used for the indicative allocations was a 20% uplift for both bilingual and Welsh medium provision. The revised weightings give a 25% uplift for three types of provision and a 100% uplift is applied to the fourth. The modelling on this has not yet been completed but it will give a slight increase to the cash amount allocated for this uplift.

8.4 Deprivation

Indicative allocations gave £2,173,429 to LEAs and £8,333,847 to colleges. This accounted for 2.45% of the Learning Provision budget.

As a result of the feedback we obtained on the issue of deprivation, the revised weightings allocate £4,244,887 to LEAs and £14,720,726 to colleges

This accounts for 4.43% of the Learning Provision budget, a significant increase on the funding directed towards this priority area.

9.0 OTHER ISSUES

9.1 Funding School Sixth forms via LEAs

ELWa continues to work in partnership with LEAs throughout transition to the point where schools will receive 6th form funding in line with the NPFS calculations. A Memorandum to LEAs outlining conditions of funding is being assembled and it will be attached to this year's sixth form allocations.

9.2 Data Quality

ELWa is sympathetic to the issues created by the new PLASC system and will be ensuring there is sufficient support available to embed the system and the capture of data in support of the NPFS. Support will include meetings with schools as well as a series of events for the wider provider network. The development of an on-line package designed to enable providers to model their provision and calculate their subsequent funding is also being considered. For this year only, ELWa proposes to use the September 2004 PLASC where the data is available and the September 2003 data updated for the September 2004 headcount where September 2004 PLASC has not been returned.

9.3 Availability of learner funding

To date, modelling has been undertaken on the actual activity rates that are taking place. For some years a maximum level of funding has been set for the Further Education sector and this will now be applied in the new funding model. The availability will be set at 135 CEUs, equivalent to 1350 learning hours; a level that will more than accommodate the Welsh Baccalaureate qualification.

9.4 The review process

To ensure the integrity of the model, it is proposed that the system should be subject to an annual technical review. This would enable changes to be made to the relativities within the Funding Model and the substitution of data sources where improvements have been identified. After three years of application, a full review is proposed. This would ensure that the mechanism is fit for purpose beyond the period of transition.

10.0 NEXT STEPS

10.1 Overview

The next stage in the development and implementation of the NPFS is the announcement of the funding allocations for Local Education Authorities early in January.

Policy on collaboration will be finalised in the Spring using information gleaned from schools, LEAs, colleges and training providers at the Collaboration Conferences and a fund will be established to support this new agenda.

Regular pause and review opportunities will be used and the funding system will be fine-tuned to ensure it continues to be fit-for purpose.

10.2 Introducing the level playing field

ELWa previously outlined the transition measures it would introduce to lead to a level playing by July 2010. This will ensure that there is equitable funding for all learning within and across all sectors.

10.2.1 FE Colleges and LEAs

ELWa proposes to utilise the NPFS to calculate allocations to both Local Education Authorities and Further Education Colleges (and related institutions) during 2005. The roll out of the NPFS will be subject to transition rules that guarantee levels of funding to all providers for a period of time (provided their pupil numbers do not drop). Details of the proposed transitional arrangements, as indicated in our July paper, are to be found in Annex A.

10.2.2 Community Learning

ELWa has only recently had comprehensive data available for this area of provision. Although some research has been undertaken to establish the effect of funding allocations on Community Learning activity, the full impact has yet to be modelled. As a consequence, it would not be sensible to utilise the NPFS formula to derive Community Learning budgets in the forthcoming year. However, it is ELWa's intention that the NPFS be used to fund this segment of provision in the future.

10.2.3 Work Based Learning

Members will be aware that, earlier this year, ELWa undertook a national tender exercise in this area. Part of the rationale behind the exercise was the desire to apply for European Funds to supplement this work.

If the NPFS is applied to work based learning before the end of the European Project in 2007, ELWa would need to re-tender the work and no transitional arrangements could be applied. This would entail significant effort by both providers and staff. ELWa is therefore of the view that the NPFS should not be used to derive the contractual values for individual work based learning providers until the end of the current European Social Fund (ESF) project.

Delaying the utilisation of the system for individual providers does not prevent the use of the NPFS to derive the budgetary quantum to be made available to the work based learning sector. This approach will ensure that work based learning providers will be able to consolidate and plan for the NPFS with a clear understanding of the progress being made towards a level playing field.

11.0 CONCLUSIONS

Much progress has been made on the development of the NPFS since July. The focus has been on listening to the feedback of providers and other key stakeholders and changes made to the funding system reflect the inclusive nature of our approach.

Together with the development of a number of complementary policies and activities, the NPFS can now be used to drive forward the modernisation of post 16 learning in Wales. ELWa will continue to listen and will continue to strengthen its approach wherever necessary in order that by 1 April 2006, the

Welsh Assembly Government assumes direct responsibility for a learning network already on the road to change.

Annex A

Transitional arrangements

ELWa has adopted the following principles to manage the transition to the level playing field:

- is based on safety netting for certain providers over a five year term;
- avoids destabilising learners or providers;
- permits a planning period at the start of the five year term;
- imposes a manageable rate of change on providers; and
- allows for individual negotiations with providers who have to migrate by more than 15 per cent.

The safety net system will operate as follows:

- Year one – August 2005 (April 2005 for LEAs) to July 2006. Funding calculated under new methodology. Providers' safety netted at existing levels plus the GDP inflation factor. This will provide two academic years (from July 2004) to act as a planning period. Year one would also act as the base year for future funding calculations. Any increase in the Council's budget, that exceeded GDP, would not be distributed to safety netted providers.
- Year two – August 2006 to July 2007. Funding calculated under new methodology with all providers safety netted at 100 per cent of the base year (year one) levels.
- Year three – August 2007 to July 2008. Funding calculated under new methodology but all providers safety netted at 100 per cent of the base year levels.
- Year four – August 2008 to July 2009. Funding calculated under new methodology but all providers safety netted at 99 per cent of the base year levels.
- Year five – August 2009 to July 2010. Funding calculated under new methodology but all providers safety netted at 98 per cent of the base year levels.

On current data, this should achieve a level funding playing field by July 2010, without network destabilisation. Individual arrangements will be needed wherever a provider does not confirm with this pattern by 2010.