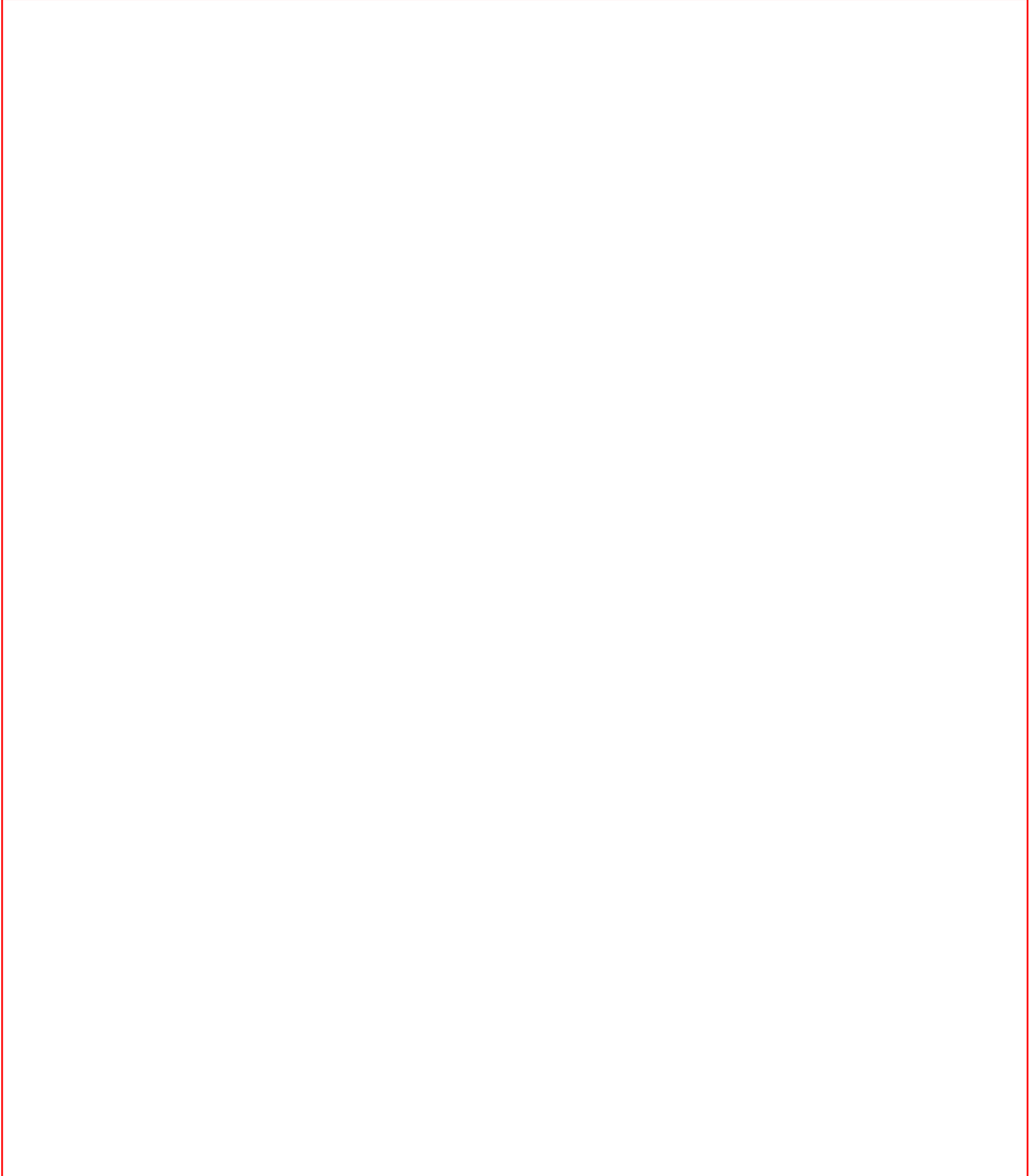


Education and Lifelong Learning Committee



National Planning and Funding System

fforwm background paper

Presentation to Welsh Assembly's Education and Lifelong Learning Committee

1 December 2004

The fforwm side will be represented by Glyn Jones, Vice Chair of fforwm and Principal, Pembrokeshire College, Brian Robinson, member of fforwm's Board and Principal, Coleg Sir Gar, and Dr John Graystone, Chief Executive, fforwm. In attendance will be Fiona Jones, Deputy Chief Executive, fforwm and Sian Davies, Head of Public Affairs, fforwm.

Introduction

fforwm represents the 23 Further Education (FE) Colleges and the two FE Institutions in Wales. Please note that in this paper the word 'College' is used to cover both an FE College and an FE institution. fforwm is an educational charity and a company limited by guarantee. fforwm's mission is to "raise the profile of Colleges amongst key decision-makers and support them in the continuous pursuit of high quality education and training and stimulating economic development and social well-being and cultural life in Wales".

The FE sector annually enrolls over a third of a million students and in 2004/05 is receiving from ELWa almost £242m in recurrent funding. It is estimated that FE receives around half ELWa's budget for delivering 70 per cent of its programmes. Colleges employ over 14,000 staff and are often among the largest employers in their area. They are also well served by around 450 governors, volunteers drawn from local business and the local community as well as staff, students and people with relevant expertise.

Colleges are located in various parts of Wales, in urban and rural sites, in areas of sparsity or population density and in areas of deprivation or affluence. As such they reflect the economic and social circumstances in Wales.

fforwm welcomes the opportunity to discuss ELWa's proposed new National Planning and Funding System (NPFS) with the Education and Lifelong Learning Committee. This paper sets out some general principles arising from the introduction of the NPFS and does not go into technical detail.

FE Institutions in Wales

It is important to recognise that Colleges are the main providers of full-time courses, including 'AS'^A' levels, for 16-19 year olds in Wales. They deliver at least one-third of work-based learning funded by ELWa and provide at least 6 per cent of higher education in Wales. Indeed, Colleges provide the full range of vocational and academic subjects, funded by ELWa. Colleges enrol students aged from 14 to 90, who attend full-time and part-time courses. Colleges have more full-time 16-19 year olds than school sixth forms. As one example, in Carmarthenshire, Coleg Sir Gar has around 2,500 full-time 16-19 years olds compared with around 1,400 students in the eleven 11-18 schools in the area. Colleges are clearly central to the Government's 14-19 agenda.

Colleges have also played an important role in attracting European Social Fund (ESF) projects to Wales. These projects have been significant in supporting disadvantaged learners, helping in widening participation and improving areas of economic disadvantage. ESF income is heavily committed to the purpose intended and does not generate profit for the Colleges involved.

While Colleges vary considerably in size and type and their curriculum offer is wide ranging and diverse, they may best be described as sixth forms, work-based learning providers, deliverers of academic and vocational qualifications rolled into one: truly comprehensive tertiary provision.

On top of these, because of the volume of activity, the huge increase in the number of students and steady improvements in quality, Colleges have been able to demonstrate value for money.

Current System

Currently there are three broad funding models in post-16 education and lifelong learning. Firstly, the recurrent funding methodology (RFM) for FE institutions is 'designed to reflect the nature and complexity of further education, to meet Assembly driven priorities and to reward qualification attainment' (ELWa Funding Allocations 20004/05 NC/C/04/08F). The RFM has three stages linked to recruitment, learning and attainment. The basis of funding at each stage is described in terms of funding units. The standard rate of the funding unit in 2004/05 is £62.15 (1.54 per cent lower than in 2003/04).

Secondly there is a contractual model used for training providers (as noted above, Colleges deliver probably about one-third of these contracts). Thirdly, funding for school sixth forms is broadly based on a formula linked to full-time student numbers and retention but not to the amount of study time or the type of course being offered. Thus in schools, a student taking GCSE resits will attract broadly the same funding as a student taking a full 'A' level programme.

Development of the National Planning and Funding System

The development of a fair, equitable and responsive funding system for the post-16 education and lifelong learning sector will play a crucial part in determining the educational and business approach of Colleges and other providers. Indeed it is fair to say that the activities of Colleges are likely to be significantly influenced by the way they are funded. Chris Humphries CBE, Director General of City & Guilds, who chaired the UK Government's National Skills Task Force, pointed out at the fforwm Annual Conference in 2002 that Colleges were incredibly responsive – what they responded to was the method by which they were funded.

The funding system must therefore reflect the policy requirements of the Welsh Assembly Government on lifelong learning for widening participation, improving quality, tackling the skills deficit and raising economic performance in Wales. The NPFS provides real scope for the Welsh Assembly Government and ELWa to influence provision to reflect regional and local priorities.

Education and Training Action Plan

fforwm has consistently supported the principles set out in the Education and Training Action Plan (ETAP) which under the Learning and Skills Act 2000 led to the setting up of a new post-16 education and lifelong learning sector comprising further education Colleges, school sixth forms and work-based learning providers. Central to these principles is the need for equity across the whole post-16 sector in order to tackle duplication and wasteful competition.

Having a common method of funding is central to the introduction of a level playing field in the post-16 education and lifelong learning sector. However there are a number of other areas in which Colleges are treated differently from other providers. These have a considerable impact on costs yet will not be taken into account in the introduction of the NPFS. These include the following

- Colleges pay VAT, schools do not. A fforwm survey has calculated that over a three-year period ending 31 July 2004, the 23 FE Colleges (excluding YMCA and WEA South) paid £28.3m, an average of £9.4m per year or the equivalent of £2.69p on the funding unit.
- The LLWR (the Lifelong Learning Wales Record) data collection which Colleges have to complete provides far more information than the Post-16 Pupil Level Annual School Census (PLASC) (the record used for collecting data in schools). For example the PLASC does not include data on the amount of learning time spent by a student. LEAs and schools are protected from the heavy administrative burden of LLWR. This difference undermines accountability and transparency, as it is impossible to compare performance across sectors.
- Unlike other providers, Colleges have to supply ELWa with a substantial amount of financial information such as 5-year forecasts, mid-year returns, finance record (year end) and financial statements.
- LEAs are informed about their budgets in January while Colleges do not receive theirs until May/June for the academic year starting 1 August.
- Colleges make provision for transport out of their own funds. One College, for example, pays 550k per year for transport, the LEA contributes 150k and transport for school sixth forms is free.
- Colleges are subject to different and stricter audit arrangements than schools and training providers. In a survey conducted in 2002, fforwm identified 43 separate audit and inspection arrangements impacting on Colleges in Wales including internal and external audits and Welsh European Funding Office (WEFO audits).
- A number of Colleges have purchased assets through loans in addition to or instead of ELWa funding. These loans have to be repaid.

Funding across the Post-16 Sector

fforwm has long argued that there should be a common level of funding in the post-16 education sector. It has always been invidious, for example that funding for a student choosing to study three A' levels at a school sixth form should be much higher than for a student taking the same subjects in a College.

When Colleges became incorporated in April 1993, there was wide divergence in the amount spent on each student. Within three years the gap had disappeared as Colleges migrated to a single level of funding. Colleges have therefore experience of transferring to a new funding system, know that migration can work if handled carefully and will be pleased to offer their advice on the process to LEAs, schools and work-based learning providers.

fforwm's views on the NPFS

The following summarises fforwm's views on the introduction of the NPFS

- fforwm in principle welcomes the introduction of the NPFS.
- fforwm would like to see some changes to maximise the effectiveness of the proposed NPFS and these views have been conveyed to ELWa.
- It is right and fair that there should be a common system of funding for post-16 education and lifelong learning.
- There should be parity of funding for learners working to achieve the same or broadly similar levels of qualification in the differing sectors of post-16 education and training.
- There must be dampening and cushioning and a gradual phasing in of the new arrangements to prevent instability in some Colleges and other providers.
- Bringing about overall convergence by 2009/10 is a realistic and fair target.
- NPFS should help bring about parity of esteem between academic and vocational qualifications and help eliminate wasteful duplication and competition.
- Wherever possible, weightings for programme areas should reflect the cost of learning on different courses.
- The system should be learner-centred and reflect what Colleges and other providers actually do. It should be responsive to the needs of individuals, communities and employers. It must encourage participation, and direct resources at disadvantaged individuals. It must also support Welsh Medium and bilingual education.
- The system should encourage high standards and reward quality.
- The introduction of the NPFS should encourage the development of credit-based qualifications.
- Extra funding for growth should be considered where institutions exceed targets, achieve high quality and where this is in line with national strategic targets.
- Separate funding for capital should be included outside any element for revenue.

Conclusion

The indicative allocations for the proposed new NPFS were published in July. They were based on 2002/03 data and the assumptions behind some of the calculations have since been changed. Colleges have been consulted on their views and a number of changes recommended.

The introduction of the NPFS goes some of the way to ensuring a more level playing field in the post-16 education and lifelong learning sector. There are a number of other factors that affect the level playing field approach. These include

- Definitions of retention and achievement are different between schools and Colleges. This distinction is crucial in understanding performance data and in developing benchmarking.
- A quality provider performance review for Colleges and work-based learning providers is currently being developed by ELWa. Schools and LEAs are not included.
- Inspection arrangements are different for schools and Colleges.
- Colleges are expected to submit annually an operational plan and a strategic plan with annexes covering estate, marketing, bilingualism and finance. Other providers do not have to do this level of planning.
- The rules for adaptation of buildings under the Disability Discrimination Act are different for Colleges than for schools and are more onerous and costly.

fforwm recognises the distinct legal status of Colleges, schools and work-based learning providers means that there will always be some differences in audit and regulation. This, however, cannot justify the very demanding data collection and audit requirements on Colleges,

which are out of all proportion to risk and place costly demands on their staff. The introduction of the NPFS is but a first major step in developing real equity of funding and common approach at post-16 level.

The fforwm representatives welcome the opportunity to discuss the above points with members of the ELL Committee. They would also welcome the opportunity at a later date to develop the concept of the level playing field in the post-16 education and lifelong learning sector outside higher education and if desired prepare a briefing paper for discussion with the Committee.

November 2004