

EDUCATION AND LIFELONG LEARNING COMMITTEE

THE DEVELOPMENT OF A NATIONAL FUNDING SYSTEM

1 Key Stages

1.1 This document sets out the key stages in the development of a national funding system including:

- (i) the critical path timetable for the Funding Review (**Annex A**);
- (ii) the key players, including membership and terms of reference of the External Stakeholders' Reference Group (**Annex B**);
- (iii) safeguards for the funding of post-16 education and training prior to the implementation of a national funding system;
- (iv) underpinning principles of a national funding system; and
- (v) the transitional arrangements for funding sixth forms

1.2 The proposals in this paper stay true to the ETAP report of the then Post-16 Education and Training Committee, which was agreed in plenary by the National Assembly. The project to develop a national funding system seeks to build on the firm foundations that were established by the creation of the National Council - ELWa, the integrated all-Wales body for post-16 education and learning (except HE), by the establishment of coherent and seamless funding arrangements to the providers of post-16 education and training in Wales, for the ultimate benefit of learners.

The Critical Path Timetable for the Funding Review Process

1.3 The National Council has inherited a range of funding methodologies including a formula based system (the recurrent funding methodology (RFM)) from the former FEFCW, a contracts based system from the former TECs, historically defined allocations from the LEAs for their adult continuing education and a loosely based formula system for their school sixth forms. The Funding Review process described in the critical path timetable at **Annex A** is based on several premises, namely that:

- funding follows strategy, hence links with the development of the National Council's corporate strategy and plan are clearly embedded in the process;
- existing funding methodologies should be considered critically to identify existing good practice;
- as many stakeholders as possible should be involved in the review process to ensure that the outcomes are informed by a wide range of views and that there is ownership of such outcomes;

- the consultation process with key stakeholders will continue, including a formal consultation in the summer of 2002, informal consultation and receipt of proposals from external stakeholders; and
- regard will be taken of the findings of the Council's e-learning and evaluation strategies and the outcomes will act as drivers for change;
- an agreement will be reached with the National Assembly on the National Council's running costs budget and support for organisational development;
- some feasibility studies, pilots and modelling will take place prior to the implementation of a funding system; and
- transitional arrangements for the new national funding system will be in place for 2003-04.

The Key Players

- 1.4 The critical path timetable identifies the key players in the execution of the Funding Review Process.
- 1.5 **A Review Team** composed of officers from across the National Council with expertise in all aspects of Council national and regional funding, data analysis and policy development, under the auspices of the Directors' **Steering Group**, has been established. *The Review Team is being extended to include a new appointee with particular responsibility for sixth form funding. In addition, discussions are being held with the WLGA to facilitate the secondment of a Local Authority Finance Officer to the National Council.* This team has begun the process of desk research, including current approaches to funding and data collection systems in the National Council, having regard to international perspectives and building up internal and external communication networks. This team has encouraged external stakeholders to submit funding papers and documents. To date, Fforwm has submitted a policy paper, Gwent Education and Research Information Network has produced an occasional paper on adult learning in Wales, and NIACE Dysgu Cymru, with Council officers, is producing a report on community based informal learning.
- 1.6 **An External Stakeholders Reference Group** has been established under the chairmanship of Sheila Drury, National Council Member and Chair of the Council's North Wales Regional Committee. Members of this Group have been drawn from providers and other interested parties. It is anticipated that the membership of this group will be subject to regular reviews to ensure it encompasses as wide a range of stakeholders as possible. The remit of the Group is to provide a forum for discussion, reflection and testing of ideas relating to the National Council's duties to fund post-16 provision. Members are also encouraged to share ideas informally with officers. The full membership and terms of reference are set out in **Annex B**. This is not a decision-making group, as all final decisions regarding the approaches to funding rest with the **National Council**. Ultimately, the Council will put its proposals for the development of a national funding system to the National Assembly for agreement in 2003.

Safeguards

- 1.7 In order to ensure that post-16 education and training in Wales continue to be funded appropriately during the period of the Funding Review a number of safeguards are in place. There are two categories of safeguards:

- (i) Those which have been set in place to ensure that valued provision is not undermined, namely:
- further education provision remains subject to funding agreements, including targets, between the National Council and the FE providers;
 - routine technical amendments will continue to be made to the recurrent funding methodology to ensure equitable funding agreements, particularly in the light of curriculum developments;
 - the 2002/03 funding allocation for FE provision will be made using broadly the existing recurrent funding methodology but funded priorities will reflect the National Council's Corporate Strategy and Plan;
 - youth training provision remains subject to the terms and conditions of existing nationally standardised contracts, including targets, and contracts will be put into place for 2002-03 on a broadly similar basis to the approach taken in 2001-02;
 - work-based learning for adults provision will be reviewed in 2001-02 and proposed changes will be discussed with the National Assembly;
 - funding for pilot Modern Skills Diplomas for Adults will continue in 2001-02;
 - the adult continuing education budget for 2001-02 has been allocated to LEAs in line with the agreed sums transferred to the National Council;
 - in April 2002 the school sixth forms budget will be allocated to LEAs in line with the agreed sums transferred to the National Council and will be allocated by LEAs in accordance with their statutory schemes of delegation.
- (ii) Those which will ensure we maintain momentum and achieve significant improvements in learning opportunities before the Funding Review's conclusions are implemented:
- in order to move towards an equitable approach to contract funding, similar provision across the four regions of Wales in 2001-02 is being mapped with a view to interim improvements being made quickly;
 - all-Wales suppliers and programmes are being mapped with a view to establishing a national, single point for contracting in the National Council and consistent price ranges;
 - standard pricing for work-based learning for adults and national coherence on the range of prices will be explored for 2002-03, with investigation continuing into similar developments for youth training;
 - early amendments to the recurrent funding methodology for FE will be made, where necessary, to get rapid progress in priority areas, for example e-learning and widening participation;
 - the Council's evaluation strategy, beginning in 2001-02, will identify the impact of existing Council funding of provision and enable us to propose early changes where necessary;

- reviews of the adequacy of the transfer of funding for adult continuing education and the nature of the current provision will be conducted. These reviews will inform proposals for developments in 2002-03; and
- CCETs have been asked in the recently issued guidance to identify opportunities for improvements in the delivery of better outcomes and the removal of nugatory competition.
- Liaison will be maintained with the National Assembly throughout the Funding Review Process.

Underpinning Principles of a National Funding System

1.8 One of the first tasks in the Funding Review Process is to establish the principles necessary to underpin a national funding system. This system will be designed to achieve the strategies outlined in the Corporate and Operational Plans which will be agreed with the National Assembly in early 2002. In this context, there are a number of principles already agreed by the National Council which will underpin the development of the national funding system. In addition, as the design of the system progresses, the principles will evolve to reflect the Council's strategic policy developments. The current agreed principles are that the national funding system should:

- facilitate the accountability of the providers, suppliers and the National Council, whilst being manageable and cost-effective in its operation;
- be transparent, equitable and objective, developing partnerships and eliminating wasteful competition;
- promote parity of esteem between all learning, encouraging informal learning;
- be predicated on credit-related learning;
- be learner-driven, promoting inclusion and facilitating informed choices by the learner;
- promote the development of an accessible and sustainable high quality learning infrastructure; and
- facilitate innovation and responsiveness to the changing needs of individuals, employers and communities.

2 The Transitional Arrangements for Funding Sixth Forms

2.2 The transitional funding arrangements for sixth forms are being managed by the Council's Lifelong Learning Division of the Operations Directorate and regard is being taken of the regional dimension to sixth form planning and funding issues. Policy issues which relate to the management of the transition process and the subsequent implementation of the Council's duties need to be raised with National Assembly officers before the Council decides on the optimum way forward. They include:

- the implications of funding via LEAs and the impact of the National Council's funds being channelled through the Local Schools Budget (LSB) and into the Individual Schools Budget (ISB) as opposed to being treated as a stand alone grant;
- the feasibility of the National Council imposing conditions of funding under the Financing of Maintained Schools Regulations (Sections 47-49 of the School Standards and Framework Act 1998). These regulations prescribe the expenditure which makes up an

LEA's LSB, and specify the nature of planned expenditure which an LEA may deduct from their LSB in order to arrive at their ISB for a financial year;

- the impact of funding special schools and out-of-county placements and inter-authority recoupment arrangements for pupils with special needs;
- school staff pay awards, the impact of national agreements and comparators with FE college lecturers;
- the impact on schools of Estyn quality inspections, the potential dual auditing, statistical and financial returns imposed on them by local authorities and the National Council;
- clarification on the transfer of capital funds and the impact of this issue on effecting real collaborative change on a school site;
- whether the cross-subsidisation of pre- and post-16 provision should be allowed; and
- the implications of the Education Bill, and the potential it provides for change.

2.2 The letters to the Chairs of Governing Bodies of schools with sixth forms from the National Assembly's Minister for Education and Lifelong Learning and from the National Council's Chair have served to introduce the following safeguards:

- (i) for 2002-03 the National Council intends to fund each local authority in line with the amount of funding which has transferred, which we expect to include the up-rating for pay and price increases;
- (ii) there will be continuity of provision for students who embark on two-year sixth form programmes in September 2002;
- (iii) the National Council will be holding direct talks with representatives of local authorities, schools and the teaching unions;
- (iv) the Funding Review External Stakeholders' Reference Group includes representatives from the LEAs, school sixth form and Welsh medium sectors;
- (v) full implementation of the new arrangements for school sixth forms will be phased to allow for LEA and school internal business planning; and
- (vi) there is a need to test new funding ideas to improve learning opportunities.

Critical Path Timetable

2.3 The critical path timetable, is set out below:

Date	Actions/Events
October 2001	Amendments to Financing of Maintained Schools Regulations completed by NAFW in consultation with the National Council
November 2001	Education Bill – potential for change with regard to funding arrangements

October 2001 – March 2002	Meetings between NAFW, WLGA, National Council, ADEW, WSSA to resolve policy issues relating to the management of transfer as at paragraph 2.1 above
October 2001 – March 2003	Communication and consultation meetings with teaching unions, ADEW, head-teachers and governing bodies to share policy issues and provide information and updates on developments
October 2001 – May 2003	Development of Student and Trainee Individualised Record (STIR) - links established with schools/LEA data. The STIR is the proposed data collection system for the National Council. Amongst other activities, this system will provide the data to underpin the Council's Funding System
January 2002 – June 2002	Test new funding approaches, particularly in relation to collaboration between schools and colleges
January 2002 – March 2002	Initial financial and audit systems established
April 2002	National Council has powers to fund school sixth forms

THE EXTERNAL STAKEHOLDERS REFERENCE GROUP

Members' Terms of Reference

- the group will provide a forum for discussion, reflecting and testing ideas in the context of the National Council's external stakeholders' expectations;
- members will contribute stakeholders' perspectives by means of informal or formal presentations;
- the group will be asked to consider and comment on proposed new approaches to fund post-16 provision in Wales;
- discussions will be held under 'Chatham House' rules in order to facilitate open discussions;
- the group will not be required to make any final decisions regarding any new approaches to funding; such decisions will rest with the National Council;
- the group will meet three times per annum; and
- members will be encouraged to provide ELWa officers with informal feedback and issues for consideration outside the formal meetings.

Membership

<i>Organisation/Sector</i>	<i>Named individual</i>
National Council	Sheila Drury (Chair)
Wales Council for Voluntary Associations (WCVA)/Corporate Plan	Alice Greenlees
Schools/Corporate Plan	John Roberts
National Training Forum (NTF)	Babette Thomas
FE/Employer-related	Neil Crawford
FE/learning support	Stephanie Colley
FE/MIS and Finance	Dafydd Evans
NIACE Dysgu Cymru	Rhoslyn Griffiths
Qualifications and Curriculum Authority for Wales (ACCAC)	John V Williams
Estyn	Liz Kidd
Fforwm	Brian Robinson
Higher Education Wales (HEW)	Louise Woollard
Wales TUC	Mark McCrossan
National Union of Students (NUS)	Steve Brooks
Skill	Liz Maudsley
Ufi	Sian Morgan
Equal Opportunities Organisations (EOC)	Kate Bennett
NTO/EMTA	Bernard Capaldi
Calsonic	Tim Jones
Schools/Prestatyn High	Andrew Keep
Schools/Ysgol Gyfun Penweddig	Arwel George
LEA/Association of Directors of Education in Wales (ADEW)	David Matthews

PRINCIPLES UNDERPINNING THE NATIONAL COUNCIL'S FUNDING SYSTEM

Generic Principle	Relationship to Learning	Relationship to Process
<ul style="list-style-type: none"> TRANSPARENCY - ACCOUNTABILITY 	<ul style="list-style-type: none"> facilitates learners and learning providers' abilities to take informed decisions 	<ul style="list-style-type: none"> strives to be open facilitates accountability
<ul style="list-style-type: none"> FLEXIBILITY 	<ul style="list-style-type: none"> credit related: promotes 'bite-sized chunks of learning' as well as full externally accredited provision enables learners to access educational training at different parts of the 'web' rather than a ladder provides funding for a wide range of provision to suit the learners' needs 	<ul style="list-style-type: none"> recognises that 'one size may not fit all'; appropriate methodologies must be fit for that purpose encourages 'progress' as opposed to progression recognises the distance travelled including progress in learning and contributions to communities
<ul style="list-style-type: none"> SUSTAINABILITY 	<ul style="list-style-type: none"> supports the development of learning infrastructures contributes to human resource development supports capacity building within communities 	<ul style="list-style-type: none"> ensures a regular and predictable funding flow predicated on long term planning of education and training
<ul style="list-style-type: none"> EQUITY-PARITY-OBJECTIVITY 	<ul style="list-style-type: none"> recognises the value of academic and vocational provision, accredited and informal learning 	<ul style="list-style-type: none"> funding levels determined on an equitable, objective basis promotes parity of esteem provides a balance between a national system and local flexibility facilitates the evaluation of outcomes / outputs vis-a-vis the quality and costs of provision; and impacts on retention and attainment
<ul style="list-style-type: none"> EFFICIENCY-VALUE FOR MONEY 	<ul style="list-style-type: none"> stimulates and maximises the business and personal investments made by employers, employees and individual learners 	<ul style="list-style-type: none"> recognises core costs but avoids disproportionate expenditure and allows for reclaim related to underachievement allows match funding within the context of European regulations avoids excessive bureaucracy (whilst recognising the need to have secure, auditable systems in place) manageable for providers and funders; systems avoid disproportionate expenditure on running costs
<ul style="list-style-type: none"> INCLUSION 	<ul style="list-style-type: none"> enables and entitles individuals to access learning promotes equality of opportunity, access and participation for everyone includes essential skills in an enriched learning experience promotes environments which benefit the learner, businesses and communities 	<ul style="list-style-type: none"> supports Welsh medium and bilingual approaches promotes breadth of provision across Wales promotes inclusion and widening participation
<ul style="list-style-type: none"> RESPONSIVENESS-INNOVATION 	<ul style="list-style-type: none"> individual at the centre: ensures that providers focus on individual need, including the use of various modes of delivery emphasises retaining learners in the early stages responsive to community and business needs, empowers providers to react and respond quickly as well as to act proactively 	<ul style="list-style-type: none"> responsive to economic, social and cultural policies promotes innovation and change through sustained investment and flexibility promotes partnership and collaboration among providers and third parties and encourages the sharing of good practice cognisant of the variety of the pre / post-16 and the FE / HE interfaces; and the variations in tertiary structures across Wales
<ul style="list-style-type: none"> QUALITY 	<ul style="list-style-type: none"> ensures learners access high quality education 	<ul style="list-style-type: none"> supports high quality and world class education and training standards uses data collection to improve the achievement of priorities; set and measure targets and performance indicators