

i For information



Leading learning and skills

agenda for change **Funding Reform**

Outcome of Consultation and Next Steps

This document is of interest to all providers funded by the Learning and Skills Council

01 March 2006

***agenda for change* Funding Reform**

Introduction

- 1 The consultation document *Learning and Skills – agenda for change: Funding Reform – Technical Proposals* was published by the Learning and Skills Council (LSC) shortly after the *agenda for change* Prospectus in August 2005. The consultation period closed in November 2005. Two hundred and seventeen responses were received from a broad range of providers, representative bodies and other stakeholders. (The term ‘provider’ is used to refer to all LSC-funded providers of learning and skills.)
- 2 This document reports the outcomes of the consultation on the *agenda for change* technical funding proposals, and identifies the issues to be resolved. We outline options for addressing the issues, arrangements for trialling, and a timetable with milestones required to implement the *agenda for change* funding reforms in 2007/08, expressed in terms of the LSC Business Cycle.
- 3 There was broad support for the aims of creating a common funding approach and simplifying the system. However, there were widely differing views on the detailed technical funding proposals.
- 4 The analysis of the consultation has been shared with both the *agenda for change* external Planning, Funding and Quality Group, and by the LSC Management Group, and both groups have advised as to the next steps in taking the approach forward.

Consultation responses

- 5 The consultation responses reflected the tension between simplicity and precision in funding arrangements. Respondents welcomed simplification as a general principle but many argued for greater differentiation in the funding system, to take account of the diversity of learners and provision within the sector. The way in which we see the proposals resulting in a simplified funding process is set out below.

Creation of a provider factor

- 6 The proposal to create an individual ‘provider factor’ for each provider will locate the necessary detail for funding post-16 provision in one part of the funding methodology. The provider factor will be calculated well in advance of the start of each funding year (or over a longer cycle of years). Unlike the current approach, this will enable the funding method to ‘take a back seat’ and to support the planning process.

Revised data requirements

- 7 The data required to support the new funding approach will be drawn from, and will not be additional to, the information that a provider management team requires to run a high quality, efficient organisation. Data will not be collected simply to satisfy the requirements of the funding approach; for example, the current requirement in further education to report the

retention/withdrawal of learners at three census points in the year will not be a feature of the new system.

- 8 The point at which the elements that affect/determine funding come into play leads to a significant reduction in the amount of in-year monitoring and data returns. In-year, therefore, performance against the funding allocation will be based upon measurement of actual standard learner numbers (SLNs) in comparison with the SLNs upon which the allocation was calculated. This provides a clearer link between volumes and funding.
- 9 A detailed analysis of the consultation responses is attached at Annex A.

Key issues

- 10 The key issues emerging from the consultation concerned the operation of the 'core' and 'commissioning' approach; the calculation of 'standard learner numbers'; the treatment of 'fully-funded' and 'co-funded' provision; and the calculation of the 'provider factor'.

Core and commissioned elements

- 11 The main issues raised on the core and commissioned elements are:
 - a. **the size of the core element** – the consultation suggested that the core should be between 90 per cent and 95 per cent of the previous year's allocation (plus inflation). Some respondents advocated a higher core, or setting aside a specific budget to bring in new providers.
 - b. **harmonising funding rates over time** – a new funding formula will, through an individually calculated provider factor, mean that the funding rate for the core element will be unique for each provider. The common commissioned funding rate will enable these differences to be removed over time. The speed of harmonisation depends on the relative percentage of core and commissioned elements; the higher the core element, the slower harmonisation takes place. For example, a core of 90 per cent would take four years to reduce variance of +/- 10 per cent to +/- 6 per cent. The Planning, Funding and Quality Group has suggested that alternative ways of achieving harmonisation should be explored.
- 12 The purpose of the core and commissioned mechanism is two fold – the purpose of the core element is to secure reasonable financial stability in return for agreed volumes, and the commissioning element acts as a catalyst for effecting transformational change.
- 13 Commissioning funding will benefit providers delivering high quality learning that meets our stated priorities. The LSC will plan collaboratively at a strategic level to ensure greater alignment between priorities, plans and the resources available to the sector. The planning dialogue and subsequent commissioning decisions will provide the mechanism for securing high quality providers and provision with respect to the entire profile (mix and balance) of provision, not simply the commissioned element. Strategic commissioning will be undertaken where appropriate, for example, where there is a significant amount of poor quality provision delivered by a provider or where provision is deemed to be unsatisfactory through a re-inspection.

- 14 In agreeing the appropriate profile of provision and associated funding for each provider, the LSC will engage in a planning dialogue with each provider that will focus upon delivery and response to the LSC's national and regional statements of priorities. The agreed contribution of each provider will be founded upon a strategic assessment of each local area, taking account of the existing provider and provision infrastructure. In December 2005 the LSC published *Planning for Success – a framework for planning and quality*, in which the new approach to strategic planning is set out at paragraphs 48-51.
- 15 In taking forward our approach to developing the operation of the core and commissioned approach, we will:
- consider the effects of core funding set at both 90 per cent and 95 per cent in the trials of the new approach
 - work with the *agenda for change* trialling providers to work through the operational implications of planning on a core and commissioned model
 - consider a range of models for achieving harmonisation, which would take account of the trials and modelling of the impact of the new funding formula; for example, the process of harmonisation could be accelerated after an initial period by changing the core percentage and applying the commissioned rate to a larger proportion of provision.
- 16 The LSC will be giving further consideration of how the core and commissioned approach to funding will embed the principle of withdrawing funding from poor quality provision/providers.
- 17 In *Planning for Success*, paragraph 19, we pledged to 'cease to fund provision that is judged as inadequate on re-inspection. Provision currently assessed as inadequate will be under notice to improve, with consideration given to the extent to which the provision or provider will continue to be funded and at what level.'
- 18 The LSC is developing a procedure for addressing poor quality provision that can be used with the future development of the core and commissioned funding approach.

Standard learner numbers

- 19 The technical consultation document proposed a number of options for determining the measurement of 'standard learner numbers' (SLNs). The main issues raised concerned the use of either 'bands' or a 'divisor' to convert teaching time into SLNs.
- 20 The majority of respondents favoured a 'divisor' method of dividing a learner's teaching hours by 450 (the minimum 'full-time' hours) to create the SLN value. However, it was recognised that a simple division underfunds short programmes and overfunds longer programmes. This can be addressed by modifying the division calculation.
- 21 The proponents of 'bands' argued that this approach was simpler, and could take account of the funding differentials between longer and shorter programmes. But a large number of respondents felt that the bands illustrated in the consultation document were too wide, and that in particular an additional band for longer full-time programmes was required. The case

for recognising longer full-time is accepted by the LSC and is built into the options for measuring standard learner numbers.

22 The consultation responses clearly reflect the tension between simplicity and precision. The Planning, Funding and Quality Group felt, on balance, that a modified divisor method was the better option.

23 In response to these issues:

- We propose to test both the 'divisor' and the 'band' option in the trials, incorporating an additional band for longer full-time. This will enable us to assess which of the options is most straightforward and practical to use to allocate funds to support providers' plans.

24 The options for measuring SLNs to be tested in the trails are detailed in Annex B.

Fully-funded/co-funded rates

25 Funding rates will be differentiated to take account of the expectation that employers and learners will pay a fee contribution for some provision. The fully-funded rate will apply to learners and provision eligible for fee remission – currently 16–18s, people receiving income-related benefits, basic skills and first full Level 2 provision. The fully-funded rate will need to be differentiated between 16–18s and 19+ learners, following the decision to apply the higher 'minimum funding guarantee' rate to 16–18s in 2006/07.

26 The consultation considered if more than one co-funded rate would be required. In order to keep the approach as simple as possible, the LSC will seek to minimise the number of co-funded rates.

27 In response to these issues:

- As part of the trialling, we will model the effects of a range of co-funded rates, in order to understand the level of complexity this might introduce into the funding approach, and further consider how differential fees might be reflected in the approach.

Provider factor

28 The consultation document proposed that differential costs faced by providers should be reflected in a 'provider factor', covering subject weightings, area costs, disadvantage, and additional learning support. The success rates achieved by the provider would also be built into the funding calculation. The provider factor would be calculated from the latest available data at the time the allocation is determined.

29 Respondents agreed that these were the key elements that should be included in the provider factor, though some suggested a number of additional factors, such as a 'specialist college' factor, regional factor, or a special factor for work-based learning. None of these received widespread support and it is not proposed to add further elements to the provider factor. The LSC will consider further how the proposals might affect specialist colleges and, if appropriate, undertake a review of the costs associated with programmes delivered by these providers.

30 Key issues raised in the consultation concerning the provider factor are:

- a. **Subject weightings** – respondents said that these should be harmonised across sectors, creating a common set of weightings based on the sector subject areas that are used across post-16 education and training.
- b. **Area cost adjustments** – the main view expressed was that these should be reviewed in the next phase of development, assessing alternatives to the existing method, including the index used by the Office of the Deputy Prime Minister for funding local government.
- c. **Disadvantage** – most respondents supported the continuing role of the geographical index of deprivation. We envisage adopting the 2004 Index of Multiple Deprivation (currently the 2000 index is used), which provides more fine-grained disadvantage data.
- d. **Additional learning support** – respondents argued that the distribution of the need for additional learning support (ALS) was different from disadvantage and required a separate calculation.

This position has been accepted, and the Planning, Funding and Quality Group is now considering alternative approaches to handling ALS.

For example, the Planning, Funding and Quality Group has considered a proposal to distinguish between lower-cost ALS that could be allocated through a formula built into the provider factor, and higher-cost ALS that would be held regionally, alongside the budget for specialist provision for learners with the most significant learning difficulties and/or disabilities. This would encourage more effective planning of provision across currently separate funding streams, and facilitate bringing specialist day/residential colleges into the new funding system.

- e. **Success rates** – there was broad support for the inclusion of success rates in the provider factor, though some argued that using 50 per cent of the success rate would unduly benefit providers with higher levels of achievement.

There was also some debate about whether only longer programmes (as defined for benchmarking purposes, more than 24 weeks) should be included in the calculation. This would, however, exclude much adult provision.

31 In response to these issues:

- To clarify the point regarding success rates in the provider factor, the consultation response may have been in part caused by not making sufficiently clear that the success rate (which includes retention as well as achievement) is different from the achievement element in the current system (where retention is calculated separately). Retention and achievement taken together have a very similar impact to the proposal in the consultation document.
- We propose to maintain the 50 per cent success factor proposal as this slightly favours providers with better success rates compared with current arrangements.

- We propose to include all learning aims in further education (FE) in the calculation, other than those below nine hours, which will not be funded from 2006/07 onwards.
- For work-based learning, we will consider how best to reflect achievement of full Apprenticeship frameworks in success rates, at the same time ensuring equity of treatment with other sectors.
- We will consult in the spring on alternative options for area cost adjustments.

Next steps

- 32 The funding consultation envisaged that we would introduce the new approach for further education and work-based learning in 2007/08. The Secretary of State for Education and Skills has indicated that we should work to bring school sixth forms into the arrangements, probably from 2008/09. As stated in *Priorities for Success*, some further work on the new Personal and Community Development Programme is required before a decision can be made on the funding arrangements that will apply in this area.
- 33 To meet the timetable for the 2007/08 Business Cycle, we need trials to be completed and solutions agreed by early autumn 2006. The trialling process has begun using providers identified through expressions of interest and recommendations from regional colleagues. An outline of the trialling objectives and process is provided at Annex C.
- 34 As part of the trialling process, as set out in *Planning for Success*, paragraph 3, the LSC will work with providers to develop our relationship 'from one based upon contracting, monitoring and reconciliation, to one based on principles of planning, dialogue partnership and trust'.
- 35 In support of the development of the provider and LSC planning relationship, the LSC is developing a strategic planning and modelling system which will include the ability to calculate SLN funding. This system – referred to as PaM – will start being used in October 2006 for the 2007/08 planning round. In order to make sure it reflects the needs of providers and the LSC as developed by *agenda for change*, a three-year development period is envisaged. The development group for the system will build on the current further education and work-based learning providers already taking part in the funding trials.
- 36 Membership of the *agenda for change* Planning, Funding and Quality Group is attached at Annex D.
- 37 In spring 2006 we envisage a further report to the LSC Management Group and a publication setting out initial results of trialling, and modelling data. Final proposals will go to the LSC Management Group by September 2006.

***agenda for change* – Funding Reform – Consultation Responses**

Introduction

- 1 This annex provides analysis of the consultation outcomes that followed publication on 16 August 2005 of *agenda for change: funding reform – technical proposals*. The consultation period ran for 12 weeks from the publication of the document until 7 November 2005 and formal responses were gathered through a dedicated email address and by fax/post.

Respondents

- 2 In total 217 responses to the consultation were received from a broad range of respondents.
- 3 Organisations assigned categories on response forms, and their categorisation has been used in the analysis. The breakdown of respondents was:
- **Total responses directly relating to the questions in the consultation: 199**
 - **Total responses with general comments relating to the *agenda for change*: 18**

General Further Education College	92	Adult Learning Provider	7
Sixth Form Colleges	60	Independent Provider	10
Specialist Colleges	13	Representative Body	12
Local Education Authority	9	National Organisation	4
Trade Union	1	Voluntary Organisation	4
Employer	1	Individual	
Sector Body	2	Others	
Regional Body	2		
		TOTAL RESPONSES	217

Overview

- 4 Respondents supported the aim of a common funding system for all sectors involved in post-16 education and training.
- 5 The consultation found broad support for the aim to simplify the funding system, and an acknowledgement that this would involve some loss of responsiveness. Opinion on the detailed options was very mixed, and does not provide the LSC with a clear and unified view from the sector as to how it thinks the LSC should take the funding proposals forward.

- 6 A number of respondents commented that without more detailed information on how the commissioning process would work in practice, and what the effects of the reforms would mean for their individual institutions. It was difficult to comment on the proposals, other than in broad terms.

Responses/summary of key comments raised

- 7 The analysis given here combines a straightforward statistical approach with a selection of some of the key recurring points made by respondents.
- 8 The percentage calculations have excluded those respondents who chose not to respond to individual questions or stated they were not applicable; respondents who were unsure and provided commentary have been included.

Q1: Do you think standard learner numbers (SLNs) should be calculated using bands or a divisor?

Yes	No	Not Sure	No Response/NA
102	26	69	2
52%	13%	35%	

- 9 Respondents broadly supported the proposal to calculate SLNs using bands or a divisor. Opinion as to which of the two methods to use was mixed, with 37 per cent in support of bands and 63 per cent in support of a divisor.
- 10 The main reasons given in support of bands were simplicity and historical precedent.
- 11 Those respondents in favour of the divisor felt it was the clearest, fairest and most accurate means for calculating SLNs as long as it did not add further audit burdens to colleges. It would also minimise the 'cliff-edge' effect inherent in any banding system.

Q2: If calculating using bands, do you think the number of bands suggested in table 1 of the consultation paper setting out the technical proposals is right?

Yes	No	Not Sure	No Response/NA
59	78	43	19
33%	43%	24%	

- 12 Again, there were mixed views as to whether the number of bands (nine) being proposed was right. Some proposed fewer bands in the interests of simplicity; others felt that there should be more bands at the higher values of guided learner hours (glh), suggesting an intermediate band between 1.0 and 1.3 SLN and a band above 1.3.
- 13 It was suggested that further modelling might be required to ensure sufficient weighting had been given to shorter programmes in order to recognise the additional costs on entry.

Q3: If using a divisor to calculate SLN values, do you agree with the suggestion that the divisor should be 450 glh, with a cap at 650 glh?

Yes	No	Not Sure	No Response/NA
96	47	41	15
52%	26%	22%	

- 14 Of those respondents who agreed with the proposal, most felt that 450 glh was a well-established and broadly accepted figure for recognising a learner as full-time.
- 15 Of those who disagreed, the main concern was the cap. Some felt the cap should be higher to reflect the current size of learning programmes in terms of delivering Curriculum 2000. Some did not understand the need or purpose of the cap and others felt they needed more clarity.
- 16 Conversely, comments were received that asked for the cap to be lowered, to protect the funding for part-time adult learning.

Q4: Do you agree that there should be an enhanced SLN factor for those learners on significantly larger full-time programmes?

Yes	No	Not Sure	No Response/NA
119	37	34	9
63%	19%	18%	

- 17 There was a majority in favour of an enhanced SLN factor for learners on significantly larger full-time programmes, to reflect the costs of more intensive programmes taken.
- 18 Those who disagreed felt that this would result in an increase in funding for the most advantaged, and a reduction in funding available to entry programmes. A number of respondents commented that larger programmes should deliver better economies of scale, and this should be taken into consideration when deciding this issue.

Q5: Do you support the suggestions for measuring classroom-based and distance/electronic learning activity?

Yes	No	Not Sure	No Response/NA
120	32	35	12
64%	17%	19%	

- 19 Respondents broadly supported the suggestions for measuring classroom-based and distance/electronic learning activity. However, there were reservations on the use of individual listing of qualifications, with the risk that a single funding rate for each qualification failed to accommodate a wide variety of delivery methods and the consequences for more disadvantaged students on longer programmes.
- 20 Many suggested that the use of individual listing of qualifications should be restricted to where there is one clear mode of delivery. Where individual listing is desirable, a reliance on historic data, as expressed through

weighted average guided learning hours from the Individualised Learner Record (ILR), to determine the costs necessary to deliver programmes. Well-established mechanisms for establishing the minimum necessary costs should be retained.

- 21 The need to agree values with the local LSC should only be used by exception.

Q6: Do you support views on the initial suggestions for measuring the size of National Vocational Qualifications (NVQs) as outlined in paragraph 24, section 2 of the consultation paper setting out the technical proposals.

Yes	No	Not Sure	No Response/NA
72	52	53	22
41%	29%	30%	

- 22 The drawbacks of individual listing in Q5 were seen as applying with equal force to the setting of funding rates for NVQs.
- 23 It was felt that more work was needed to define the distinction between a reasonable amount of training in the 0.4 band and the limited amount of training in the 0.2 band. Some respondents felt that both 0.2 and 0.4 looked too low, given the resource required for workplace assessment/delivery particularly in the case of young people, or to reflect the delivery of these programmes on a full-time college basis with appropriate periods of work built into the programme.

Q7: Do you support the view that SLNs should be counted based on starts and most recently available historic success rates, by incorporating the success rates into the provider factor?

Yes	No	Not Sure	No Response/NA
163	16	16	4
84%	8%	8%	

- 24 There was strong support for incorporating the success rates into the provider factor.
- 25 Respondents commented that the proposal would significantly reduce the amount of data that the LSC needed to collect in-year while using data on a historic basis to align funding to a broad measure of costs. The use of starts, as the main measure, brought the LSC funding system broadly into line with schools and the higher education system.
- 26 Concern was raised as to how a provider success rate would be calculated for ACL (short courses/non-accredited provision).

Q8: Do you support the notion that the funding approach should include the possibility of having more than one co-funded rate?

Yes	No	Not Sure	No Response/NA
129	44	16	10
68%	23%	9%	

- 27 There was strong support for having more than one co-funded rate.
- 28 Respondents indicated that this would enable a hierarchy of priorities to be developed. At the same time, there were concerns about the complexity to the funding model that this would introduce.

Q9: Do you agree that these elements should be included in the provider factor?

Yes	No	Not Sure	No Response/NA
145	27	20	7
76%	14%	10%	

- 29 Many felt the elements included were the five most important. There were concerns regarding the proposals for additional learning support (see Q10).
- 30 However, others were suggested:
- a regional factor
 - a specialist college factor
 - a factor which reflects the unique costs of work-based learning
 - a recognition of travel costs
- 31 Respondents acknowledged that the provider factor would significantly simplify the way the LSC funding formula operated on a day-to-day basis, but at the risk of shifting the complexity to the underlying calculation of the funding rates. A number of respondents requested modelling data be made available.

Q10: Referring to suggestions in paragraph 48(a) and (b) in section 2 of the consultation paper setting out the technical proposals for calculating the values for disadvantage and additional learning support, do you support the notion that they should be combined?

Yes	No	Not Sure	No Response/NA
59	85	52	3
30%	43%	27%	

- 32 Respondents raised significant reservations to the proposal for combining disadvantage and low-level additional learner support into one element in the provider factor. Many felt that while both elements should be included in the provider factor, they should remain separate as they relate to significantly different issues.
- 33 There was support for the LSC to continue using postcode data to identify disadvantage.
- 34 There were mixed views on the method for calculating ALS. There were problems in using postcodes weighted by the Index of Multiple Deprivation as a way of determining the value in the formula because it was not clear that there was a link between the two. Some respondents felt that ALS needed to be calculated on actual/historical costs. Others favoured introducing a (relevant) formulaic approach.

Q11: Do you agree that a 50 per cent proportion of the success rate in the provider factor gives the right balance between starts and success?

Yes	No	Not Sure	No Response/NA
75	64	52	8
39%	34%	27%	

- 35 Those respondents that agreed with the proposed 50 per cent did so on the basis that it gave the right balance between rewarding providers for high quality provision and value for money learning experiences for learners.
- 36 Others felt it was too high, and would heavily penalise providers with low achievements, regardless of whether low achievement results from low quality or a difficult mix of qualifications. Respondents therefore proposed that a lower percentage for success rates was used in the formula, namely 25 per cent.
- 37 A number of respondents requested further modelling to be undertaken to assess the impact of the proposal.

Q12: Do you agree that for larger providers, elements of the provider factor should be reviewed on a three-year cycle?

Yes	No	Not Sure	No Response/NA
76	68	46	9
40%	36%	24%	

- 38 Comments received were quite specific and included:
- success rates be reviewed annually (a common request)
 - area costs be reviewed every three years
 - programme weights be reviewed annually
 - review all annually but change on a three-year rolling basis
 - review every three years unless the LSC and provider agree otherwise
- 39 More general comments included a common request for defining 'larger providers'. Concern was raised that larger providers would have more stable funding than smaller providers. There was also a danger that the LSC would fail to reward quality improvement.

Options for Measuring Standard Learner Numbers (SLNs)

The following calculation methods will be tested in the trials:

Banded methods

Methods A and B reflect comments in the consultation to include an additional band to reflect larger learning programmes.

Method A Banded 0 - 600 glh as in *Funding Reform – Technical Proposals*
600 - 749 glh = 1.3 SLN, 750+ glh = 1.5 SLN

Method B Banded 0 - 600 glh as in *Funding Reform – Technical Proposals*
600 - 789 glh = 1.3 SLN, 790+ glh = 1.6 SLN

Divisor methods

Method C is very similar to the current way full-time equivalent learners are calculated. However, it does not recognise the higher costs of delivering shorter programmes, nor the proportionately reduced costs of larger programmes.

These are addressed by using a modifier in Methods D and E that aligns the SLN values more closely with the banded methods and the current further education funding approach. This ensures appropriate levels of funding for both shorter and longer programmes.

Method C Divisor method – straight line
SLN = $\text{glh}/450$ with cap at 1.5 SLN (675 glh)

Method D Divisor method – modifier (1)
SLN = $\text{glh}/450 \times (1 + 0.1 \times (450 - \text{glh})/450)$ capped at 1.5 SLN

Method E Divisor method – modifier (2)
SLN = $\text{glh}/450 \times (1 + 0.2 \times (450 - \text{glh})/450)$ capped at 1.5 SLN

***agenda for change* Funding: Trialling Process**

Trial objectives

- 1 The purpose of the trials is to test the new funding methodology using a selection of recommended and volunteer providers spread across all nine regions and to aggregate for one local LSC.
- 2 This test will result in informed recommendations with regard to the funding methodology, which should be rolled out in the future, and the impact this is likely to have on the LSC and its partners.
- 3 In order to achieve this objective, the following secondary objectives must be achieved:
 - gain understanding of the impact of the new methodology on targets and priorities for individual providers and for a local LSC
 - gain understanding of the impact on the amount to be paid to providers
 - increase understanding of the new funding methodology across the LSC, as a minimum in all nine regions
 - gain understanding of the position regarding winners and losers as a result of introducing the new methodology
 - inform the application of the funding methodology to future funding streams (for example, schools)
 - inform the business requirements for any potential system solution
 - inform the learning and development impact.

Approach

- 4 The proposed approach is to test the *agenda for change* funding methodology by comparing the results it produces with the results from 2005/06, that is, shadowing the allocations. This will be done by retrospectively applying the new funding methodology for 2005/06 for those elements that are in scope.
- 5 This approach has been chosen for timeliness; the trials must be fully completed and solutions developed by autumn 2006, to provide a fully informed, recommended methodology in time for the 2007/08 planning cycle.
- 6 This therefore implies bringing forward the timetable for trialling as set out in the technical proposals document, but will enable the LSC and providers to gain a better understanding of the impact of the new funding methodology before it is implemented in 2007/08.

Detailed approach

- 7 The detailed approach showing the activities planned to take place within the trials is attached at Appendix 1 to this annex.
- 8 Data analysis at the LSC's National Office will contain the following tasks:

- compare 2005/06 allocations with 2003/04 and 2004/05 allocations, calculating details of core and commissioned elements for the selected providers. Use ILRs for 2003/04 and 2004/05 to express in SLNs, using options for calculating SLNs
- In parallel:
 - use ILR 2005/06 to monitor progress against 2005/06 allocations
 - discuss report formats of data
 - locally, carry out the in-year sharing of data and monitoring
- organise focus group meetings in February 2006 to share ideas and discuss progress
- roll out the results into the allocations process for 2006/07 and issue shadow allocations in parallel with standard allocations
- model the aggregate position for one local LCS.

Scope

9 The trials will encompass the following:

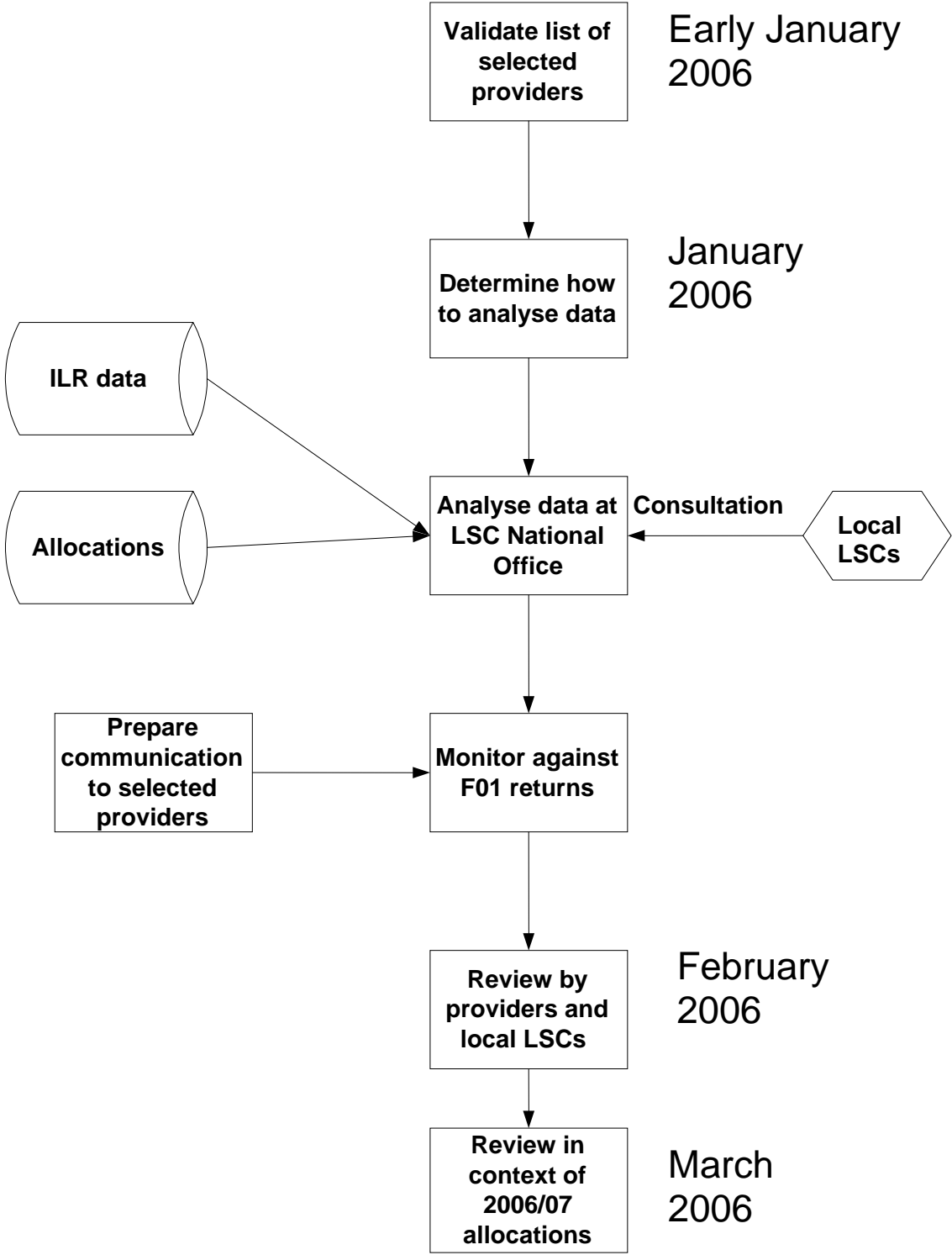
- the FE, Apprenticeships, Entry to Employment (e2e) funding streams
- candidate providers, which have been chosen from expressions of interest from providers and nominations made by Regional Planning and Performance Directors. Maximum number 30. These will include:
 - FE colleges which supply all of the in-scope funding streams
 - adult and community learning (ACL) providers who offer FE and Personal and Community Development Learning
 - Independent work-based learning providers
- at least one provider in each region
- an aggregated view for one local LSC, to be provided by the team at LSC National Office; this will not require the active participation of all providers with the local LSC
- the list of institutions/providers participating in the trials is attached at Appendix 2 to this annex.

Timetable

10 The timetable for making final decisions about the approach, to be used for 2007/08, is attached at Appendix 3 to this annex.

Appendix 1 to Annex C

New Funding Methodology Trials – Approach



Appendix 2 to Annex C

List of providers participating in the trials

Provider	Region
MANCAT	North West
Reaseheath College	North West
Lancashire County Council	North West
Rathbone Training	North West
Cleveland College of Art and Design	North East
City of Sunderland College	North East
Wakefield College	Yorkshire and Humberside
Wakefield Metropolitan District Council	Yorkshire and Humberside
Grimsby Institute of Further and Higher Education	Yorkshire and Humberside
Northern College for Residential Adult Education	Yorkshire and Humberside
Sheffield Trainers	Yorkshire and Humberside
Huddersfield New College (6th form college)	Yorkshire and Humberside
Solihull College	West Midlands
North Warwickshire and Hinckley College	West Midlands
Telford College of Arts and Technology	West Midlands
JHP	West Midlands*
West Nottinghamshire College	East Midlands
New College Nottingham	East Midlands
Cambridge Regional College	East Midlands
South East Essex College of Arts and Technology	East Midlands
Hertfordshire Regional College	East Midlands
Southwark College	London
The City Literary Institute	London
College of North East London	London
Four Counties Training Limited	London
London Borough of Waltham Forest	London
Bournemouth and Poole College	South West
Dartington Tech	South West
Richard Huish College	South West
North Devon College	South West
Abingdon and Witney College	South East
The Sixth Form College Farnborough	South East
Itchen College (sixth form college)	South East
JTL	National Employer Service
De Montfort University	East Midlands
University of the Arts	London
LSC Nottinghamshire (aggregated picture)	East Midlands

** LSC Coventry and Warwickshire will lead*

Appendix 3 to Annex C

Timetable for implementing funding reforms

Date	Activity
February 2006	Publication of consultation outcomes and trialling details Meeting with trialling institutions/providers and local/regional LSCs to share results of modelling exercise Ongoing monitoring of trials Indicative 2006/07 allocations to providers sent out. <i>agenda for change</i> shadow allocations shared with trialling providers Communication/consultation begins with schools
February 2006	Annual Planning Review in progress. Local Councils agree draft Local Annual Plans
March 2006	Review outcomes of trials in context of 2006/07 allocations, and further consultation on aspects of the approach, including area costs Bottom-up aggregation of the volumes of provision planned, including core and commissioned funding by local, regional and national offices
Spring 2006	Modelling data available
April 2006	National Employer Training Programme goes live. Pilots become programmes
May 2006	Issuing of 2006/07 shadow allocations alongside standard allocations

Date	Activity
August 2006	<p>Ongoing monitoring of the new funding approach</p> <p>Trialling for Personal and Community Development Learning</p> <p>Implementation of interim approach for National Employer Training Programme</p>
Autumn 2006	Document detailing final method to be used 2007/08
2007/08	<p>Roll-out of funding proposals for further education and work-based learning</p> <p>Trialling of funding proposals for school sixth forms and specialist colleges for learners with learning difficulties and/or disabilities begins</p>
2008/09	Roll-out of funding proposals for school sixth forms and specialist colleges for learners with learning difficulties and/or disabilities

Membership of the Planning, Funding and Quality Group

Adrian Holmes	Sheffield Trainers Limited
Andrew Jones	Sir John Deane's College
Bob Powell	HOLEX
Carol Gibson	Waltham Forest College
Caroline Kempner	Director: Analysis and Management Information, LSC
Chris Pocock	Department for Education and Skills
David Collins	South Cheshire College
David Cragg	Regional Director, West Midlands, LSC
David Lawrence	Easton College
David Hughes	Regional Director, London, LSC
David Russell	Director of Resources, LSC
Donald Rae	Derbyshire Education Authority
Elaine McMahon	Hull College
Geoff Daneils	Director of Funding Policy and Strategy, LSC
Geoff Hall	New College Nottingham
George Bright	Wiltshire College
Graham Hoyle	Association of Learning Providers
Ian Pryce	Bedford College
Jackie Fisher	Newcastle College
John Guy	Sixth Form College, Farnborough
Jon Ashe	Department for Education and Skills
Julian Gravatt	Association of Colleges
Kevin O'Brien	National Star College/NATSPEC
Marion Plant	North Warwickshire and Hinckley College
Mick Fletcher	Learning and Skills Development Agency
Nick Lewis	Broxtowe College
Richard Williams	Rathbone
Roger Marriott	Director of Evaluation and Strategic Development, LSC
Shelia Soul-Gray	University of the Arts
Steve Gray	Training 2000 Ltd
Stewart Segal	Association of Learning Providers
Sue Rimmer	South Thames College
Verity Bullough	Regional Director, East Midlands, LSC

© LSC March 2006
Published by the Learning and Skills Council.

Extracts from this publication may be reproduced for non-commercial educational or training purposes on condition that the source is acknowledged and the findings are not misrepresented.
This publication is available in electronic form on the Learning and Skills Council website: www.lsc.gov.uk

If you require this document in an alternative format or language, please contact the LSC Help Desk.

LSC Help Desk: 0870 900 6800
Publication reference: LSC-P-NAT-060126