# Connexions Service Funding

## A Consultation Paper - January 2001

connexions

In preparing this consultation paper the following criteria have been followed:

1. Timing of consultation should be built into the planning process for a policy (including legislation) or service from the start, so that it has the best prospect of improving the proposals concerned, and so that sufficient time is left for it at each stage.

2. It should be clear who is being consulted, about what questions, in what timescale and for what purpose.

3. A consultation document should be as simple and concise as possible. It should include a summary, in two pages at most, of the main questions it seeks view on. It should make it as easy as possible for readers to respond, make contact or complain.

4. Documents should be made widely available, with the fullest use of electronic means (though not to the exclusion of others), and effectively drawn to the attention of all interested groups and individuals.

5. Sufficient time should be allowed for considered responses from all groups with an interest. Twelve weeks should be the standard minimum period for a consultation.

6. Responses should be carefully and open-mindedly analysed, and the results made widely available, with an account of the views expressed, and reasons for decisions finally taken.

7. Departments should monitor and evaluate consultations, designating a consultation coordinator who will ensure the lessons are disseminated.

## Contents:



Copies of this document are available in braille and audio versions

**How to respond**

This consultation will end on **6 April 2001**. We look forward to receiving your responses before that date if at all possible. A questionnaire response form is attached at the end of the paper. You can send your responses, as well as any queries, to:


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Or you can e-mail: **connexions.funding@dfee.gov.uk.** A copy of this consultation paper and the questionnaire response form can be found on the Connexions Website **www.connexions.gov.uk**

Connexions Service Funding

# Introduction

1. The Connexions Service will provide a radical new approach to guiding and supporting young people throughout their teenage years, and in the transition to adulthood. It will be a universal service, in that it will provide advice, guidance and personal support to all young people according to their needs. The service will seek to reduce social exclusion, and be clear in its plans how it proposes to do so, meeting the needs of specific groups such as young people excluded from school, who misuse drugs and young offenders. Personal development opportunities, which enable young people to work with others or take on leadership responsibilities through access to sporting, cultural and volunteering activities, will also be an important feature of the service.

2. The Government set out its vision for the Connexions Service in Connexions: The best start in life for every young person (February 2000). Further details of how the service will operate were set out in The Connexions Service: Prospectus and Specification (May 2000) and the Connexions Service Business Planning Guidance (October 2000).

3. The service will be progressively introduced from April 2001. This document sets out our initial thinking on the type of funding arrangements the service will need in future years, and invites your comments by 6 April 2001. The document focuses entirely upon the arrangements that will apply in 2002-03 and beyond. Transitional funding arrangements, based on the existing careers service funding methodology, will apply to the first 16 areas that start to deliver the service in 2001-02. These arrangements are described in the planning guidance, and further detailed financial guidance will follow.

## Funding Flows

4. The Connexions Service will be funded by bringing together existing resources for youth support and guidance, by additional resources that were made available in the Year 2000 Spending Review (within and beyond the Department for Education and Employment) and by European Social Fund resources administered by national and regional committees. In practice, therefore, resources will flow to Connexions Partnerships from three principal sources:

   - national funding from the Connexions Service National Unit. This will include the current Careers Service and New Start budgets, which will be entirely routed through the Connexions Partnerships. It will also include the additional funding which has been made available to DfEE in the Spending Review;
   - resources (in kind or cash) from partners at local level. This will include the relevant parts of local authority youth services and the Education Welfare Service, Young Persons Advisers funded through the ring-fenced budget being established to support implementation of the Children (Leaving Care) Act 2000 and the relevant parts of Youth Offending Teams; and
   - regional European Social Fund money, which may be routed through Connexions Partnerships to local delivery agents (see paragraph 62).

## Key Principles of the Funding System

5. The objectives of the new funding system are that it:

   - enables a universal service to be delivered to all young people according to their individual needs, which promotes equality of opportunity;
   - encourages partners to contribute appropriate levels of their resources to the partnership;
   - rewards excellence and encourages innovation;
   - maximises European Social Fund money;
   - does not damage existing provision;
   - is objective and transparent, based on high quality, reliable information which is available to all parties;
   - is as simple as possible;
   - is compatible with funding mechanisms for related initiatives such as Excellence in Cites and Youth Offending Teams; and
   - enables the use of information technology to deliver a more modern and effective system.

6. The proposals in this document are consistent with the methodology being developed for other key initiatives, including the Learning and Skills Council, which flowed from the Learning to Succeed White Paper in 1999. They would bring all the benefits that training providers and others have welcomed in consultation on the Learning and Skills Council system.

## Key Features

7. The key features of the new funding system discussed in this paper are that:

   - Funds would be allocated to Connexions Partnerships using a funding formula. The document presents two options: (1) a formula with a “core” and “targeted” element; and (2) a formula with a tripartite structure to identify the size of the three Connexions priority groups and the relative cost of helping them; (Chapter 1)
   - There would be significant targeting of funds towards areas with the most young people with additional needs, in view of the extra help they will need from the service; (Chapter 1)
   - Two or three “proxies” would be used in the formula to represent the needs of young people in each area. The consultation paper seeks views on which of the following proxies to use: GCSE results; the number of 16-17 year olds who are not in education or training; the number of young people in public care; youth unemployment rates and the number of young offenders; (Chapter 2)
   - Connexions Partnerships and the Connexions Service National Unit would agree what resources are available locally to deliver the service (e.g. from the Youth Service), and this would be an integral part of the grant agreement. There would be no element of match-funding to reward partnerships who secure the most resources locally; (Chapter 3)

- The arrangements for allocating resources to schools and post-16 institutions would be decided in light of experience this year. Views are sought on the broad parameters, including:
    - a requirement that partnerships spend at least 35-40% of their grant on 13-16 year olds (this would build on the arrangements for 2001-02);
    - whether partnerships should also spend a certain minimum proportion of their grant funding on work with young people in post-16 learning; and
    - the extent to which there should be local flexibility to determine how resources are allocated to schools. (Chapter 4)
- We will seek to ensure that the Connexions Partnerships do not suffer a cash reduction in their budget for at least the first two years (2002-03 and 2003-04) as a result of moving to the new funding formula; (Chapter 5)
- An Innovation Fund would be established to encourage new approaches; (Chapter 6)
- Views are sought on whether the funding formula should reward Connexions Partnerships that perform well, and what form these incentives might take. (Chapter 6)



Connexions Service Funding

**Chapter 1:**

# Developing a Funding Formula for the Connexions Service


## Summary

This chapter makes proposals for allocating the national funds held by the Connexions Service National Unit to Connexions Partnerships[1].

It proposes that funds should be allocated using a funding formula, that would provide all Partnerships with the funding they need to deliver a universal service to all young people, according to their needs. To achieve this, there are two options on which we would welcome comments. Under Option 1, the funding formula would contain a core element, based on the size of the 13-19 year old population in each area; and a targeted element based on the needs of young people. Option 2 would have a tripartite structure based on the numbers of, and differential costs of helping, young people in the three priority groups set out in Connexions - The best start in life for every young person.

If the funding formula is linked to population size, we would welcome views on whether annual population estimates, school census data, or a combination should be used to estimate the number of 13-19 year olds. Views are also sought on the extent to which funding should be targeted upon areas with the highest concentrations of young people with additional needs, to recognise their need for extra support.


## Introduction

8. The introduction of the new service provides an ideal opportunity to review current funding arrangements, and develop a new approach that is simple, transparent, objective and better reflects the new policy goals. In particular, all areas must have the funding they require to provide a universal service to <u>all</u> young people, according to their needs. We propose that the number of young people, and their needs, should therefore be the key factors in determining the allocation of funds to each Connexions Partnership. This is consistent with the principles that are being developed for Learning and Skills Council funded provision.

9. The needs of young people are infinitely variable. They can be captured accurately and fairly within the funding system as a whole, but not down to every last detail. We need a new system that is simple, transparent, workable and fair. This does not mean endless "fine-tuning", which would increase complexity but not necessarily produce a better outcome. Our aim is that the funding system should use no more than two or three different proxies to capture the needs of young people. These proxies would be simple indicators that could be used to represent the number of young people with additional needs or with multiple problems in each area. The proxies that are included, and their relative weightings, will be crucial if funding levels are to properly reflect the needs of young people in each area. In particular, they will need to ensure that areas with the largest numbers of young people with additional needs get the right amount of extra money, to reflect the extra help that they will need. Proposals on which indicators might provide the best proxies are set out in Chapter 2.

1 This will include the current Careers Service and New Start budgets, plus the additional resources that were made available in the Year 2000 Spending Review. (New Start was introduced in 1997 to develop new partnerships and test new ways of re-engaging disaffected 14-17 year olds. The New Start budget will become part of the overall budget for the Connexions Service.)

10. We propose to use a funding formula to allocate funds to Connexions Partnerships. Although we have considered other options, a funding formula would be simpler, more transparent and easier to administer than any other approach - including inviting partnerships to bid for funding. We have also considered a system of match-funding, whereby the level of grant would depend on the resources each Partnership brings to the table. However, we do not think that this would direct funds to where they are needed most, and could disadvantage partners in the voluntary and community sector. The reasons are set out in detail in Chapter 3.

11. This chapter focuses entirely on the way in which the national budget can be shared out between the 47 local Connexions Partnerships. It will be for Partnerships to determine how their allocation is spent, and the precise balance between the needs of different groups (see Chapter 4). They will do so in consultation with local partners and the National Unit. This parallels the Learning and Skills Council approach, which has been welcomed.

12. What follows relates to funding that will come directly from the National Unit, and does not cover, for example, funding for Youth Offending Teams and local authority youth services. Allocation of the special grant to support the implementation of the Children (Leaving Care) Act was decided following consultation with the Local Government Associations.

## Developing a Funding Formula

13. The funding formula must produce allocations for each Connexions Partnership which cover the cost of providing a universal service for all young people in their area, including the extra help which is needed by young people facing complex or multiple problems. To achieve this, we are considering two possible options for the structure of the funding formula:

    a. the **first** option would be a funding formula with two distinct elements: (a) core funding based on the number of young people in each area, to retain a clear link with the size of the population that is being helped and provide a good funding base everywhere; and (b) targeted funds to reflect the additional needs of young people in each area; or

    b. the **second** option would be a funding formula with a tripartite structure based on the size and needs of the three priority groups. The groups are:

       i) young people with multiple problems who require intensive sustained support;

       ii) young people who are at risk of disengaging, who may require in-depth guidance;

       iii) young people who are progressing well, who need information and advice on career/learning/employment choices with minimum levels of intervention.

    This second option would separately identify the size of the three priority groups described above, and would allocate funds according to the number of young people in each group and the relative cost of helping them.



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14. In practice, options 1 and 2 could achieve very similar funding outcomes. The key factors will be the proxies for young peoples' needs that are included and their relative weightings, rather than the structure of the funding formula. However, they would be different presentationally. Option 1 would be administratively simpler, but might arguably be too crude. Option 2 would be more sophisticated and transparent, in that it would clearly identify the relative cost of helping young people with different levels of need. This may be helpful to partnerships which are developing and planning the provision of their services on this basis. However, it presumes that sufficiently accurate distinctions can be made between similar client groups, and that these can be represented fairly through funding differentials.

15. Under option 2, the three broad groupings would be intended simply as a planning and funding guide, not as a rigid categorisation. We would not expect Connexions Partnerships to categorise young people as belonging to any particular group or offer three distinct levels of service. Young people will have different needs at different stages in their lives. The service must be flexible, responsive and tailor provision to young people's individual needs. If this option is adopted, we would need to be clear that it would not lead to young people being inappropriately categorised or labelled.

16. Some illustrative examples of possible funding formulae are shown in the Appendix to Chapter 2 on pages 18-21, to help respondents to visualise the proposals in this consultation paper and what the structure of the two options might look like.

**Question 1: Which of the structures for the funding formula would you support? Please say why you support option 1 or option 2.**

## The Size of the 13-19 Year Old Population

17. Option 1 would be partly based on population size. Option 2 would also need to retain a clear link with the overall number of 13-19 year olds in each area, and could use population size to help define the number of young people within the priority groups. If the funding formula includes an element based on population size, we will need to be able to measure this. This could be achieved by using annual population estimates produced by the Office for National Statistics, or by using data that is collected from schools, mainly via the annual school census.

18. Annual estimates of the resident population would have some advantages. In particular, they are national statistics, produced annually, and are available by age group. They cover all local authorities, so can be aggregated up to Connexions Partnership areas. The estimates are based on the last population census but are updated with knowledge of the numbers of births and deaths, and estimates of local and international migration. Students are counted on a term time basis. The results do deteriorate during the period between each census. While they are relatively robust at county level and above, there may be some bias against metropolitan areas. There is therefore a risk that the estimated numbers of 13-19 year olds across Connexions Partnership areas may be affected. Annual population estimates are used in a number of other funding mechanisms (e.g. Standard Spending Assessments).

19. The most likely alternative is data from the annual school census (formerly known as "Form 7"). This is updated annually, and relates to the number of pupils at school in an area. Since many pupils will have contact with personal advisers in school, it would be an advantage to base the funding formula on the size of the school population, as this would reflect the cost of providing school-based services. This data is also used by most careers services to identify young people within their area, supplemented with the further information they have gathered about young people who are not in school. Like the main alternative, there would be some disadvantages. Annual school census data would not capture most of the 16-19 year old age group or 13-16 year olds who are outside the school system. If this data is used as the sole indicator of population, it will be important to capture the needs of these groups through other proxies of need in the funding formula.

20. In most places, population estimates and school census data would produce similar results. However, they would give rise to significant differences in a small number of areas, where the school population differs from the resident population. For example, in Central London there is a 26% difference between population estimates and school census data. Elsewhere, the difference ranges between 0.24% and 12.11%. On average, it amounts to about 2.68% nationally.

21. Given the pros and cons associated with each of the data sources, we would welcome views on whether they might be used in combination. For example, school census data could be used to estimate the size of the pre-16 age group, as it is more reliable and reflects the cost of providing school-based services. Annual estimates of population could then be used to identify the size of the post-16 age group, as it is the only source of data which directly applies to this age group, and includes homeless young people and others who are not likely to be in school. Students are accounted for in the population estimates for the area in which they are living during term time. There is no data on the movement of students who travel beyond their home area to study.

**Question 2: What data do you think should be used to estimate the size of the 13-19 year old population?**

**Question 3: Would you support a combination of school census data and population estimates?**

## Weightings for Young People with Additional Needs

22. A key issue is the extent to which funding will be targeted upon areas with the most young people with additional needs. In a funding formula with a tripartite structure (option 2) it would be necessary to decide the level of funding that would be needed by each priority group. This would need to reflect the size of <u>each</u> group and the additional costs involved in helping them.

23. In deciding the appropriate balance, the aim will not be to agree a unit cost or "price per head" for every young person in the Connexions Partnership area. This could never be accurate, since part of the cost would always be met from local resources. Instead, the aim is to apportion the national budget between the 47 Connexions Partnerships in a fair and transparent way.





24. Nevertheless, the balance within the national funding formula will clearly be an important factor in making sure that all areas can deliver a universal service to young people, according to their needs. It will also send an important signal about the additional help that needs to be available to young people facing the most significant problems. We would welcome views on what an appropriate balance might be, based on the relative cost of helping young people who are a) progressing well and need only limited support b) at risk of disengaging and c) facing severe and multiple problems.

25. We need more evidence before taking any decisions. However, if the two tier approach in option 1 is adopted, our <u>initial</u> view is that it might be appropriate to allocate between 30% and 50% of the budget on the number of young people, and between 50% and 70% using proxies of need (see Chapter 2). This would retain a strong link with the number of 13-19 year olds in each area, a key factor in determining the funding each area will need. It would also ensure that all areas have a strong funding base to carry out the full range of underpinning activities - including the full range of information, advice and opportunities.

26. The effect would be to increase the level of targeting, compared with the current Careers Service Allocations Method[2]. Allocating 70% of the budget using proxies of need would deliver about twice as much funding per capita to areas with the most young people with additional needs, compared to those with the fewest. This is a significant uplift, particularly when further resources will be available through other routes for work with the most disadvantaged young people (for example, Youth Offending Teams, Young Persons Advisers funded by Department of Health and resources to help schools to tackle truancy). However, a considerable degree of targeting will be needed.

27. Early evidence from the Learning Gateway, Youth Offending Teams and the Connexions Service pilots suggests that a significant investment is required over a sustained period of time, to help the most disaffected young people to progress in learning. There is also some evidence to suggest that caseloads of less than 30 may be appropriate for personal advisers working with these young people. Since the budget for the Connexions Service will be much higher than that of the careers service, a larger proportion could be allocated on the basis of need, whilst maintaining and enhancing the support that is currently available for young people who are progressing well.

28. We will carry out further work in the coming months to assess the relative cost of helping young people with additional needs. We will take account of the views and evidence supplied through this consultation exercise and existing research, before taking decisions on the weightings that should apply. We will also consider the results of mapping work by Connexions Partnerships, which will identify the services that young people need in each area, and the outputs which are identified in business and delivery plans for the first 16 Connexions areas. In particular, we will want to review the work that has been done by the Further Education Funding Council to measure the additional support which is needed by disadvantaged students, and take account of any future work by the Learning and Skills Council. Through the current "widening participation factor", which the LSC has a remit to review from April 2001, colleges can claim a funding uplift of between 3% and 12% for disadvantaged students. This is significantly less than the degree of uplift we are considering, although the Connexions Service will need to tailor provision much more closely to the needs of the individual - for example, by providing intensive support to young people with multiple problems over a sustained period.

2 Prior to 1999-2000, 72% of the careers service budget was allocated on the number of young people in each area and 28% according to their needs, as measured through the number of young people who were eligible for and participating in work-based training. In 1999-2000 and 2000-2001, careers services were allocated a budget of 93% of their 1998-1999 allocation plus additional amounts based on their share of 15 year old pupils with less than 5 A - C and no GCSEs, and number of places in Young Offender Institutions. In 2000-2001, this new funding formula allocated 16% of the budget on the basis of need, rising to 32% of the combined Connexions Service and careers service budget in 2001-2002.

**Question 4: If option 1 is adopted, what would be the appropriate balance between funding allocated on the number of young people, and funding allocated using proxies for their needs (as discussed in Chapter 2)?**

**Question 5: If option 2 is adopted, what funding differentials would most effectively capture the needs of the three priority groups?**

## Geographical Factors

29. Partnerships in some parts of the country will need to meet higher overhead and other costs, and this will need to be recognised within the funding formula. The issue is which areas need to receive this extra help. Currently, within the careers service funding formula, the only area that attracts an additional cost weighting is London at 11%. The LSC funding system builds on the FEFC area costs structure, which includes uplift factors for London and its surrounding areas that range from 3-18%. An FEFC Review of Geographical and Institutional Factors: Staffing concluded that there was strong case for an uplift for the London area and its surrounding counties but the case for other conurbations was less robust. Most respondents to consultation on the LSC funding framework agreed that there should be an area cost weighting, and recognised that London costs were higher. They agreed that the LSC should look at whether this uplift should apply to other areas, and some argued that rural areas should benefit.

30. We plan to carry out further work, to assess the relative costs of providing the service in London and in rural areas. This will build upon the work already undertaken and take into account the experience from the pilots. Our initial view is that the evidence points to London as the only high cost area in which a discrete formula element should apply. However, we will take a final decision in light of the views expressed during consultation and the outcome of further work. This further work will also inform the level at which the London weighting is set and whether there is a need for variations within the London area.

**Question 6: Do you agree that Partnerships working in high cost areas should be compensated through the funding system?**

**Question 7: Should the area cost weighting apply to any areas besides London? (Please give reasons).**

## Transition Arrangements

31. Depending on the funding formula that is adopted in 2002-03, and the degree to which funds are targeted towards areas with the highest concentrations of young people with additional needs, it is possible that there may be significant changes to the allocations which the first Connexions Partnerships will receive in 2001-02[3]. If so, we will consider the need to introduce some form of dampening during the transition to the new arrangements (see Chapter 5).

3 Allocations in 2001-02 are based on the current careers service allocations methodology.





**Chapter 2:**

# The Funding Formula: Proxies for the Needs of Young People

## Summary

Under both of the potential funding formulae described in Chapter 1, the needs of young people who require additional support from the service would be measured through suitable proxies. This chapter proposes that, if possible, only two or three proxies should be used within the funding formula. These might include: GCSE results; the number of young people who are not in education or training post-16; the number of young people in public care; youth unemployment rates or the number of young offenders. Views are sought on the proxies that, in combination, would capture the needs of young people in each area simply and effectively. Some illustrative examples of funding formulae and their effects are set out in the appendix on pages 18-21.

## Introduction

32. However the funding formula is structured (see Chapter 1), it will need to include proxies to represent the number of young people with additional needs, and the extra costs involved in helping them. As discussed in paragraph 9, this is the key to developing a funding formula that is simple and workable.

33. There is a significant amount of research on the factors that are most closely associated with young people dropping out of learning[4]. This suggests that there is a complex relationship between a large number of different factors, including GCSE results, gender, region, ethnicity, home background, parental occupation and a history of truancy. We cannot, and should not, attempt to capture this set of complex interrelationships within the funding formula. What we can do is develop a set of simple indicators, that will focus on the outcomes we are seeking and the key factors or conditions in achieving those outcomes.

34. Including a large number of proxies would make the funding formula more complex to administer and less transparent. Nor would this necessarily produce a better outcome, since some proxies could duplicate or cancel out the effect of others. This is why our aim is to include no more than two or three different proxies within the funding formula. At the same time, we need to be confident that these proxies will identify the needs of young people in the round. The proposed funding formula must also support equal opportunities, and not lead to perverse outcomes by gender, race or disability.

35. In deciding which proxies be used we therefore need to consider:

- which are most effective in representing young people's needs;
- whether robust data is available at local level; and
- the need to keep the funding formula simple

4 Payne (2000); Morris et al (1999); Stone et al (2000)

36. If the funding formula has a tripartite structure (option 2), we would also need to be confident that there were sufficient, trustworthy indicators that could be used to differentiate adequately between the needs of different client groups. We would also need to consider presentational issues in deciding which proxies to use, to avoid the risk of unhelpful stereotyping. For example, it would not be helpful to associate certain groups of young people (e.g. teenage mothers or looked after children) with a particular priority group.

37. One option that we have considered is using the DETR index of deprivation as a proxy for young people's needs. This would be broadly consistent with the current widening participation factor in further education.[5] However, while it would be possible to do this, the DETR index is designed to measure deprivation at a much more local level. In order to use it to allocate mainstream funds between the relatively large Connexions Partnership areas, the data would need to be aggregated up to local Learning and Skills Council areas. This would be complex and unwieldy, given the large basket of indicators on which it is based.

38. We have also ruled out a number of possible indicators because, whilst they would capture important client groups for the service, it is simply not possible to measure numbers accurately. For example, robust data is not available at local level on the number of homeless young people or the number of young people misusing drugs. There are also significant disadvantages to some further indicators, because they reflect external factors as well as young people's needs. For example, data on unauthorised absence from school tells us only part of the story, in that it identifies the total number of days that are lost to truancy, but does not link these absences to individual pupils. It does not therefore tell us how many young people are truanting, and whether they are persistent truants.

39. Funding for Connexions Partnerships will be allocated using a small number of proxies because of the need to keep the funding formula simple, and underpinned by robust data. In allocating their own funds, Connexions Partnerships will of course assess and plan to meet the needs of all young people in their area. This will include young people with specific needs who require close attention and support, such as minority ethnic groups with significantly lower average attainment or employment rates; young people with learning difficulties or disabilities; excluded young people and young people living in deprived neighbourhoods.

5 The Further Education Funding Council (FEFC) currently provides colleges with a funding uplift for students from disadvantaged areas based on the DETR index. The uplift is also available for certain categories of adult learners. The FEFC has consulted on proposals to replace the current funding uplift for 16-19 year olds with a system of determining eligibility based on prior educational achievement which the 1997 Kennedy report Learning Works found to be a better indicator of the additional support that students require to progress in learning. The Learning and Skills Council has a remit to review the widening participation factor from April 2001. (See also paragraph 27)





## Correlation Between Proxies for Young People's Needs

40. To assess the extent to which certain proxies might identify overlapping groups of young people and give rise to duplication within the funding formula, we have carried out a correlation exercise. The results are shown in table 1 below.

Table 1: Correlations Between Proxies for Young People's Needs

| | Number of 15 year olds who do not achieve any GCSEs | Entitlement to free school meals | Number of young people in public care | Number of 16-17 year olds not in education or training | Number of places in Young Offender Institutions | 19 year old unemployment |
|---|---|---|---|---|---|---|
| Number of 15 year olds who do not achieve any GCSEs | 1.000 | .603(**) | .273(*) | .563(**) | .056 | .667(**) |
| Entitlement to free school meals | .603(**) | 1.000 | .536(**) | .521(**) | -.191 | .902(**) |
| Number of young people in public care | .273(*) | .536(**) | 1.000 | .190 | -.147 | .517(**) |
| Number of 16-17 year olds not in education or training | .563(**) | .521(**) | .190 | 1.000 | .101 | .594(**) |
| Number of Places in Young Offender Institutions | .056 | -.191 | -.147 | .101 | 1.000 | -.083 |
| 19 year old unemployment | .667(**) | .902(**) | .517(**) | .594(**) | -.083 | 1.000 |

Explanatory Note: Correlations measure how different variables are related. This table illustrates the "Pearson" correlation, which measures the linear association between variables - that is, for example, how the proportion of young people eligible for free school meals relates to the proportion of young people who do not achieve any GCSEs. A figure of 1 indicates a perfect positive correlation (i.e. as one variable rises so does the other variable). A figure of -1 indicates a perfect negative correlation (i.e. as one variable rises so the other variable falls). The correlation will be in the range -1 to 1. The table indicates whether the correlations are statistically significant. Figures with either one or two stars are statistically significant. The geographical scale of the correlations is local LSC level.

# Other measures of unemployment would produce slightly different correlations with some of the other proxies. For example, adult long-term unemployment would have a lower correlation than youth unemployment, with the number of 15 year olds not achieving any GCSEs, entitlement to free school meals and the number of 16-17 year olds not in education and training. The correlation with the number of young people in care and the number of places in Young Offender Institutions would remain roughly the same.

Data Sources:

- Number of 15 year olds who do not achieve any GCSEs - Source: DfEE School Performance Tables, 1998.
- Entitlement to free school meals - Source: DfEE LEASIS, 1999.
- Number of young people in public care - Source: Department of Health data on children aged 13 and over looked after by local authorities on 31 March 1999.
- Number of 16-17 year olds not in education or training - Source: DfEE Analytical Services data on numbers not in education and training 1997/98. This data does not take account of young people in Government Supported Training (GST) which could not be aggregated to LSC level. Data that includes young people on GST will be available from January 2001.
- Number of places in Young Offenders Institutions - Source: Certified Normal Accommodation for sentenced Young Offenders in Young Offenders Institutions, Prison Service/Home Office 1999.
- 19 year old unemployment - Source: Claimant count, September 2000 (NAOMIS).

41. They show that there is a strong degree of correlation between non-achievement of GCSEs, entitlement to free school meals and youth unemployment rates, and that there would be significant duplication if all of these proxies were included in the funding model. There is a slightly smaller, but still very strong, correlation between non-achievement of GCSEs and the number of young people who are not in education or training post-16. There is much lower correlation between non-achievement of GCSEs, the number of young people who are in public care and the number of places in Young Offender Institutions (although we would not necessarily expect a high correlation between places in Young Offender Institutions and GCSE results, as the former does not provide a complete picture of the distribution and needs of young offenders - see paragraph 43).

## Proposed Proxies for Young People's Needs

42. Taking into account the aims and objectives of the service, the available research and the results of the correlation exercise, we think that two or three of the following indicators might best capture the needs of young people in each Connexions Partnership area. These are:

- **GCSE results**
  This would reflect the key aim to improve educational attainment. Whilst capturing the needs of the pre-16 age group, GCSE results are also a very good indicator of post-16 attainment.[6] Therefore, we think that GCSE results should be a key proxy within the funding formula. It would be possible to include:

  a) the number of 15 year olds who do not achieve any GCSEs (including those who are not entered); and/or

  b) the number of 15 year olds who achieve less than 5 GCSEs at grades A*-G.

  The latter would include a wider group of young people, who are likely to need extra support to remain in learning or enter the labour market, but who may not be facing severe or multiple problems. By doing so, it would reduce slightly the degree of targeting within the funding formula (i.e. the funding would be shared out more evenly between areas). In the tripartite funding formula set out in option 2, the number of 15 year olds achieving 5 GCSEs at grades A*-C could provide the proxy for the group of young people who are generally progressing well, but who need extra help from time to time, including information and advice on career, learning or employment choices.

- **The number of 16 and 17 year olds not in education or training**
  There are some 16 and 17 year olds who do well at GCSE, but do not continue in further education or training. This will be important to capture within the funding system. Using this proxy would capture a key post-16 target group, as it would relate directly to the primary target to reduce the number of young people who are not in education or training post-16.

6 The Kennedy Report, Learning Works, found that prior educational attainment was the best guide to the additional support which young people need to progress in learning.





- **Youth Unemployment Rate**
  This proxy would capture the needs of young people who come from the most deprived areas. In particular, it would acknowledge the needs of those young people who do well at GCSE, but face difficulties in entering the labour market. This would include some black and ethnic minority groups, particularly in local communities which experience very high levels of unemployment. It is important that the funding formula recognises the specific needs of such groups. Using this proxy in combination with the number of 16 and 17 year olds who are not in education or training would effectively capture the needs of all young people who are not in education, training or work. This was the focus of the Social Exclusion Unit report Bridging the Gap. For this reason, we recommend that it is one of the key proxies within the funding formula, alongside GCSE results and the number of 16 and 17 year olds who are not in education or training. As an alternative, it would be possible to use the long-term adult unemployment rate. This would still provide a proxy for the wider level of disadvantage within each area, but without penalising areas where a large proportion of young people take up unskilled or low skilled jobs.

- **The number of young people in public care.**[7]
  This would be a proxy measure for the wider level of disadvantage within an area, which may not be fully captured by indicators of educational attainment. Young people in public care will also be an important client group for the service. This proxy is less highly correlated with attainment at GCSE than some other indicators, reducing the potential for duplication within the funding formula.

  On the other hand, the relatively low correlation may be due to the fact that the number of young people in care at any one time represents a "snapshot", and will include some who may be in care for only a short period. Recent research found that 70% of 16-19 year olds who left care between April 1999 and March 2000 had no qualifications.[8] This suggests that there may be a closer relationship between non-achievement at GCSE and the number of young people who are looked after for an extended period. The Children Act Report 1995-1999 confirmed that the number of children who are looked after for an extended period is more closely associated with underlying need. It also reported that, to some extent, the number of young people in care reflects differences in Local Authority policy. It is also worth noting that the absolute number of young people in public care is very small, and would need to be weighted significantly to have any effect within the formula. If the tripartite structure for the funding formula is adopted, we would also need to consider whether this proxy might encourage inappropriate stereotyping, by associating young people in care with a particular level of need.

  For all of these reasons, if this proxy is used we think that it should be in addition to, and not instead of, data on GCSE results and the number of 16 and 17 year olds who are not in education or training.

7 It is not possible to include data on care leavers as well as young people in care because the data is not robust enough to use in a funding formula.
8 Department of Health Statistical Bulletin 2000/24.

43. We have also considered whether to include a proxy based on the number of **young offenders** within the funding formula. One option would be to include the number of places in Young Offender Institutions. This is used within the current Careers Service Allocation Method.[9] However, the use of this data has been controversial, since it rewards areas in which YOIs are based, rather than those in which young offenders may require support following their release. While we recognise that areas in which YOIs are based will incur extra costs, this proxy only partially reflects the extra cost of helping young offenders nationwide and gives particular help to only some areas. Including YOI places as a proxy within the funding formula would boost funding in areas such as South Yorkshire, Staffordshire, Milton Keynes, Oxfordshire & Buckinghamshire, Northamptonshire and Dorset which have large numbers of YOI places. Allocations in some other areas would be reduced, particularly those with no YOI places such as Tyne and Wear, Greater Merseyside and Birmingham & Solihull.

44. To a significant extent, the needs of young offenders will be captured by other proxies within the funding formula, for example the number of young people who are not in education or training post-16. However, we would welcome views on using the number of young offenders as a proxy within the funding formula. Now that data from Youth Offending Teams is becoming available, it would be possible to develop a specific indicator based on the number of young people under the supervision of YOTs. However, the data would need to be quality assured to make sure that it was robust enough to include in a funding formula. It is only just starting to come on stream, and is expected to become more reliable over time.

45. We would also welcome views on whether the funding formula should include any measure of **rural deprivation**, to capture needs that may be specific to rural areas. Depending on the weightings that would apply, the effect of using almost all of the proxies discussed at paragraph 42 would be to increase the share of funding which is available to urban areas (see the illustrative formulae on pages 18 to 21). This may be the right approach, if these proxies provide the best measure of young people's needs. However, we will consider carefully any evidence that is supplied through consultation on the needs of rural areas, and whether they would be fully captured through the proxies at paragraph 42.

**Question 8: Do you agree that GCSE results, the number of 16-17 year olds who are not in education and training and unemployment rates should be the key proxies of need within the funding formula?**

**Question 9: If yes, what data on GCSE results do youthink the funding formula should include (a) the number of 15 year olds who do not achieve any GCSEs (including those who are not entered) or (b) the number of 15 year olds who achieve between 1 and 5 GCSEs grades A*- G or (c) both?**

**Question 10: Do you think that any of the following should also be included in the funding formula: (a) the number of young people in public care; (b) the number of young offenders; (c) any alternative indicators? (Please give your reasons)**

9 The current Careers Service Allocation Method was introduced in 1999-2000. It takes 1998-99 as the base year, allocating to each careers service company 93% of its 1998-99 allocation (this helps to ensure that no company experiences a reduction in funding year on year). The remainder of the budget is allocated using a "policy weighting factor". This is based on the number of 15 year olds who do not achieve any GCSEs in each careers service company area (including those who are not entered); the number of 15 year olds who achieve less than 5 GCSEs grades A - C and the number of places in Young Offender Institutions.





## Young People with Learning Difficulties and Disabilities

46. The Learning and Skills Act places a duty upon the Secretary of State to ensure that assessments are undertaken where a young person with a statement of Special Educational Needs in their last year of compulsory schooling is identified as likely to or definitely is leaving school for other post 16 learning. The Act also gives the Secretary of State a power to arrange assessments in a wider range of circumstances. The responsibility for ensuring these assessments are carried out will rest with the Connexions Service and will be delivered through the Assessment Framework. Guidance on the framework is being prepared and will be available shortly. The LSC has interim measures in place to fund additional learner needs in 2001/02, and will be consulting partners during 2002 on the arrangements to be put in place for the 2002/03 funding year.

47. Nationally, the budget will include additional funding to carry out this new statutory duty and power. These funds will be allocated to the 47 Connexions Partnerships using the funding formula. We do not propose to ringfence any part of the overall budget for this activity, which is one of a number of statutory duties that the service will carry out on behalf of the Secretary of State. Nor do we propose to include a specific indicator within the funding formula to capture the number of young people with statements of SEN. This reflects our wish to keep the funding formula as simple as possible. In addition, we believe that using externally validated GCSE results (see paragraph 42) as a proxy is preferable to the use of percentages of young people with statements of SEN, as the latter is likely to be influenced by variations in Local Education Authority policies.

48. We are also conscious of the fact that a number of young people with severe learning difficulties and disabilities are in residential colleges, often a long way from home. They and their parents often require a lot of support. In future, this will link to the support that will be offered through the assessment process. It is vital that the new service recognises and caters for the needs of these young people. We will listen carefully to the views expressed in consultation, but at this stage we do not anticipate a need to include the number of young people in residential colleges as a specific indicator within the funding formula. This is because the responsibility for helping these young people will be shared between the Connexions Partnership in their home location, and the partnership where they are based during term time. We have also taken account of the relatively small number of places, which are spread throughout the country. We will, however, make sure that partnerships recognise within their plans the additional support that these young people may require.

## Appendix 1: Illustrative Funding Formulae

These formulae are purely for illustration, to help respondents to visualise the two different structures which are presented in this document (see Chapter 1) and the effects of using different proxies for young people's needs. The actual weightings that are used will be based on information about the relative costs of helping young people with different levels of need. The sources of the data used in this modelling are contained in the note to the correlation table on page 13. School census data has been used to estimate the number of 13-19 year olds in each area, and London weightings have been excluded.

### Option 1: Formulae with a "core" and "targeted" element (illustrations 1A - E):

Illustration 1A

| CORE ELEMENT: | TARGETED: | |
|---|---|---|
| 50% of budget allocated on the number of young people in each area | 25% of budget allocated on number of 15 year olds achieving no GCSEs in each area. | 25% of budget allocated on the number of 16 & 17 year olds not in education or training in each area |

This formula would result in a slightly greater share of the funding going to metropolitan areas, and some rural areas, than under the Careers Service Allocation Method (although the differences would be small by 2003-04, given that the careers service formula progressively increases the level of targeting). One exception to this trend is London, where most areas (except North London) would get a slightly smaller share of the available funding. This may be explained by historic factors, particularly the size of the allocations that were originally agreed for careers services in London after competitive tendering of the careers service. London Connexions Partnerships would, of course, receive further help through the London weighting.

Areas that are likely to receive a higher share of the budget than in 2000-01[10] using this formula (excluding London weighting): Greater Manchester; West Yorkshire; Merseyside & Halton; South Yorkshire; Humberside; Essex; Tyne & Wear; North London; the Black Country; County Durham; East & West Sussex; Nottinghamshire; Staffordshire; Tees Valley; Norfolk; Hereford & Worcestershire; Cambridgeshire; Northamptonshire; Hampshire and Isle of Wight; Wiltshire & Swindon; Northumberland.

10 2000-01 is being used as the base year for comparison because the first 16 Connexions Partnerships will receive additional funding in 2001-02, compared with careers service companies in other areas. It is important to note that the current careers service funding methodology is progressive, and that each area's share of the available funding will therefore change over time. Although these comparisons are valid in respect of 2000-01, the position of some areas may be slightly different in future years. The comparisons are also based on 2000-01 primary allocations (ie the allocations made by DfEE to Government Offices) and do not take into account any adjustments that were made by Government Offices. It should also be noted that as the data for the proxies will change each year, this may effect the position of some areas.





Illustration 1B - as 1A but with more targeting in respect of young people with additional needs

| CORE ELEMENT: | TARGETED: | |
|---|---|---|
| 30% of budget allocated on the number of young people in each area | 35% of budget allocated on number of 15 year olds achieving no GCSEs in each area. | 35% of budget allocated on the number of 16 & 17 year olds not in education or training in each area |

This formula would enhance the trends that are produced by formula 1A, and the size of the gains for metropolitan areas.

Areas that are likely to receive a higher share of the budget than in 2000-01 using this formula (excluding London weighting): Greater Manchester; West Yorkshire; Merseyside & Halton; South Yorkshire; Hampshire & Isle of Wight; Essex; Birmingham and Solihull; Tyne & Wear; the Black Country; Nottinghamshire; Staffordshire; Humberside; North London; Tees Valley; Norfolk; Cambridgeshire; Northamptonshire; County Durham; Wiltshire & Swindon; Northumberland.

Illustration 1C - as 1A but uses number of 15 year olds achieving less than 5 GCSEs grade A*-G

| CORE ELEMENT: | TARGETED: | |
|---|---|---|
| 50% of budget allocated on the number of young people in each area | 25% of budget allocated on number of 15 year olds achieving less than 5 GCSEs grades A*-G in each area. | 25% of budget allocated on the number of 16 & 17 year olds not in education or training in each area |

The effect of introducing data on low achievement at GCSE would be to reduce slightly the targeting of funds towards metropolitan areas. The share of funding for each area would, in fact, be quite similar to the Careers Service method. However, Merseyside would receive a slightly lower share of the funding.

Areas that are likely to receive a higher share of the budget than in 2000-01 using this formula (excluding London weighting): Greater Manchester; West Yorkshire; East London; Hampshire and Isle of Wight; Lancashire; Essex; Devon & Cornwall; Birmingham & Solihull; the Black Country; East & West Sussex; Staffordshire; Humberside; North London; Derbyshire; Tees Valley; Norfolk; Bournemouth/Dorset/Poole; County Durham; Wiltshire & Swindon; Gloucestershire; Shropshire.

Illustration 1D - as 1A but uses the number of children in care instead of the number of 16 and 17 year olds who are not in education or training

| CORE ELEMENT: | TARGETED: | |
|---|---|---|
| 50% of budget allocated according to the number of young people in each area | 25% of budget allocated on number of 15 year olds achieving no GCSEs in each area. | 25% of budget allocated on the number of young people in public care |

This formula would also produce a broadly similar ranking to the Careers Service method - although the inclusion of children in care would mean that most urban areas (particularly Central London and Merseyside) would gain significantly in terms of their share of the funding.

Areas that are likely to receive a higher share of the budget than in 2000-01 using this formula (excluding London weighting): Greater Manchester; West Yorkshire; Merseyside & Halton; Kent & Medway; South Yorkshire; Hampshire and Isle of Wight; Lancashire; Birmingham & Solihull; the Black Country; East & West Sussex; Central London; West London; Humberside; West of England; North London; Hereford & Worcestershire; Cambridgeshire; Northamptonshire; County Durham; Tyne & Wear; Devon & Cornwall.

Illustration 1E - Includes youth unemployment rates as well as indicators of educational achievement

| CORE ELEMENT: | TARGETED: | |
|---|---|---|
| 40% of budget allocated according to the number of young people in each area | 30% of budget allocated on number of 15 year olds achieving no GCSEs in each area. | 30% of budget allocated on the number of unemployed 19 year olds. |

Areas that are likely to receive a higher share of the budget than in 2000-01 using this formula (excluding London weighting): Greater Manchester; West Yorkshire; Merseyside & Halton; South Yorkshire; Hampshire and Isle of Wight; Birmingham & Solihull; the Black Country; Humberside; North London; Northamptonshire; County Durham; Tyne & Wear; Northumberland; Nottinghamshire; Tees Valley; Norfolk; Staffordshire; Essex.





## Option 2: Formula with a Tripartite Structure (illustration 2A)

Illustration 2A

| FIRST TIER: | SECOND TIER: | THIRD TIER: |
|---|---|---|
| x% of funding allocated on the number of young people in each partnership area with multiple problems who require intensive sustained support | x% of funding allocated on the number of young people in each area who are at risk of disengaging, who may require in-depth guidance | x% of funding allocated on the number of young people in each area who are progressing well, who need information and advice with minimum levels of intervention |

Under option 2, an agreed proportion of the budget would be available in each of the three “funding tiers” within the formula. These three tiers would represent the size and needs of the three Connexions priority groups at national level. The amount of money that would be available in each tier would be based upon:

1) The number of young people in each priority group at national level, as identified through suitable proxies; and

2) The relative cost of helping them.

The allocations to each Connexions Partnership would depend on the number of young people in each priority group within their area, as identified by the agreed proxies. Each partnership would receive a different funding allocation, as they would have different numbers of young people in each priority group (and therefore each tier of the funding formula). However, since the same proxies would be used to calculate the number of young people in each priority group at national and local level, the numbers in each group at Connexions Partnership level would add up to the national total.

Although no specific examples of option 2 have been modelled, illustrations 1A - 1E show the effects of using different proxies and weightings in combination.

Chapter 3:
# Securing Local and European Social Fund Resources


## Summary

This chapter discusses the way in which Connexions Partnerships can secure an appropriate level of resources locally. It focuses on the incentives that will be provided at Partnership level, rather than the detailed negotiations they will undertake with local partners. It proposes that each Partnership's strategy for securing resources, and the level they intend to secure, should be agreed as part of their three-year business plan and one-year delivery plan. In the longer term, the National Unit will consider the need for a system of financial incentives (match funding) if this approach fails to secure an appropriate level of resources.

It proposes that resources provided by local partners should be additional to grant funding, and that grant funding will not be adjusted to compensate for local variations in resources. However, we will expect current funding discrepancies between areas to narrow over time, through strategies agreed as part of the planning process.

This chapter also summarises the proposals that were made in the separate European Social Fund co-financing consultation document, published on 24 October 2000. It sets out how co-financing could help to reduce bureaucracy and bring greater coherence, co-ordination and targeting of provision.


## Introduction

49. The resources that the National Unit will allocate to Connexions Partnerships are not intended to cover the entire cost of providing the service. The resources that partners contribute at local level will also be a vital funding stream. If the service is to succeed, it is essential that Partnerships can draw upon an appropriate level of resource from statutory services and other funding opportunities, and that these resources are co-ordinated to deliver the best possible service to young people (see paragraph 53). We expect that most partners will wish to achieve greater co-ordination. However, without the right incentives, there is a risk that some may not wish to co-ordinate their resources in this way, or may see new funding as an opportunity to divert existing resources into other activities.

50. Securing the resources to deliver a high quality service that meets young people's needs in a coherent way will be our top priority. Where appropriate and over time, our aim is also that similar levels of funding should be available in areas with similar needs. This will apply to resources that Partnerships can draw upon locally (see paragraph 53), as well as the grant funding made available by the National Unit.

51. The ultimate goal is to add value to local services for young people, by improving the co-ordination and targeting of funds. Besides increasing the level of help that the service can provide, this should help all partners to achieve their own objectives. Partners will not be expected to divert funds for non-Connexions activities into the Connexions Service. Nor will they be required to actually transfer their budget, unless they wish to do so. The issue is how local resources can be managed coherently and branded as part of Connexions, where they are delivering Connexions-type services to young people.

52. This chapter also discusses the scope for Connexions Partnerships to access and administer resources from the European Social Fund through a "co-financing" approach, as discussed in the recent co-financing consultation document The European Social Fund: Proposals for Co-financing in England published on 24 October 2000.

## The Level of Resources Available Locally

53. We do not propose to establish any hard and fast rules on what constitutes an appropriate level of resources from partners locally. However, the planning guidance set out our general expectation that Partnerships will draw together and co-ordinate a significant proportion of the resources that are currently devoted to youth support and guidance within their area. Nationally, we expect that local authorities will wish to contribute a significant proportion of their Youth Service and Education Welfare Service provision. We also expect the service to bring together the work of Youth Offending Teams and Quality Protects (particularly services for care leavers) at local level. We expect business and delivery plans to set out the contribution that each can make to delivery, including the number of personal advisers that will be incorporated into the new multi-disciplinary teams. The new Young Persons Advisers, funded by the Department of Health, will normally carry out the Personal Adviser role for young people who are in or leaving public care. Funding for this service will therefore form part of the resources that are available at local level.[11]

54. As well as identifying what these key players can contribute, the National Unit will expect Partnerships to think creatively about the scope to draw together and manage other local resources from the public, private and voluntary sectors, which help to deliver the aims of the service. A wide range of organisations have the potential to contribute - whether in terms of personal adviser time, administrative support, loans of premises, equipment or staff with specialist skills, or wider outreach, volunteering or leisure opportunities. Partnerships will also be expected to consider the scope to secure funding from wider sources, including the Single Regeneration Budget, New Deal for Communities, the National Lottery New Opportunities Fund and charitable trusts. They should also consider opportunities provided by the private sector e.g. where businesses are already providing rent-free accommodation in shopping arcades.

11 Ministers have given a guarantee that funding for Excellence in Cities will be additional to the funding which is available for other programmes. Therefore, EiC funding for Learning Mentors will not be classed as a contribution to delivering the Connexions Service, although Connexions Partnerships will need to ensure that the two initiatives dovetail at local level.

## The Method for Securing Local Resources

55. We have considered two alternative ways to provide incentives for Connexions Partnerships to draw together resources locally. The first is to provide incentives within the funding system. For example, there could be a match-funding element in addition to the basic funding formula, through which a proportion of each Partnership's allocation is held back and released if a certain threshold of resources is committed by partners locally. The second approach is to secure resources through the negotiation process, through which Connexions Partnerships will agree their Business Plan with the National Unit and secure grant funding.

56. A match-funding system has the advantage of being transparent and easily understood. However, it can also be a blunt instrument, making it difficult to achieve the intended outcome and possibly creating some unwanted side effects. For example, some Local Education Authorities have re-allocated youth service expenditure to other education priorities, such as schools. It would not be appropriate to introduce a system of financial incentives which influence the decisions of elected local authorities, and lead them to divert this funding to Connexions at the expense of other local priorities. It is also difficult to develop a matched-funding formula that can provide the right incentives for all Connexions Partnerships, that will all have different needs and starting points. Such financial incentives are more likely to reward those who have spent most in the past or those who are good at levering in funds, rather than those who need them most. A system of match-funding would also require very clear and detailed guidance on the contributions that would be eligible, and the boundary between the Connexions Service and wider services for young people. All of these factors seem to strengthen the case for a more subtle and flexible system of incentives.

57. We think that providing incentives through the grant negotiation process is the best way forward. Its strength is in its flexibility, by allowing Business Managers[12] to take into account a range of local factors in agreeing the appropriate level of resources. It is also much simpler to administer than a match-funding system.

58. Under this approach, negotiations would take place around proposals put forward by Connexions Partnerships as part of their three-year business plans and one-year delivery plans. This would effectively be their strategy for drawing together resources in their area. The Business Manager would be able to take into account their starting point and local circumstances, and make a judgement about what is proposed. At agreed points during the year, progress would be reviewed. There would be an expectation that national funding would supplement, not replace, existing resources for youth support and guidance (unless these resources are time-limited and cannot be secured on a continuing basis, e.g. individual ESF or lottery funded projects). This option relies heavily upon the negotiation skills of Business Managers and their knowledge of local circumstances. It makes negotiation of the Business Plan, and ongoing monitoring, of key importance within the planning cycle.

59. Although we propose to draw together local resources through the grant negotiation process in the first few years, there may be a need to consider financial incentives in the longer term if this fails to achieve results. The National Unit will take a view, following its review of the overall planning process. However, financial incentives would very much be our second choice. They would introduce a further layer of complexity within the funding system, which may not be transparent if they are based on individual negotiations. It would also make budget management a highly complex process.

12 Government Office staff who will agree and monitor the Connexions Partnership Business Plan and Delivery Plan on behalf of the Connexions Service National Unit.





60. We recognise that the mechanisms proposed in this chapter would operate at Connexions Partnership level, and that partnerships would also need to build good working relationships with service providers to ensure that resources are brought together locally. These relationships will be key to their success in achieving local co-ordination and securing the resources which are needed to deliver a coherent and high quality service for young people. The Learning and Skills Act 2000 also requires statutory services to co-ordinate their provision with that of the Connexions Service, as long as this would not interfere significantly with the effective conduct of their functions.

**Question 11: Do you agree that the level of local resources should be agreed through the grant negotiation process, rather than a system of financial incentives?**

## Additionality

61. We propose to treat any resources that are provided by local partners as additional to the national grant funding that is allocated through the funding formula. The grant funding will not therefore be adjusted to compensate for varying levels of expenditure by local partners. (Currently, there are significant local variations in expenditure on related services. For example, in 1998-99 a typical local authority spent £55 per head of its 13-19 population on its Youth Service. The actual spend varied widely between local authority areas, the range being from £20 to over £200 per head, with the top quarter of authorities spending nearly £72 per head[13].) At the outset, this will make it more difficult to achieve similar levels of funding in areas with similar needs. Over time, we will be seeking to reduce local funding disparities through the targets and the funding strategies agreed through the business planning process. However, this will not be appropriate in every case. There will often be a valid reason for local differences in spending - for example, these may reflect decisions about priorities taken by elected local authorities. For this reason, we are clear that there must be a flexible approach, based on discussions with each Connexions Partnership and the local situation.

62. The only alternative would be to offset the contributions that we expect from partners locally from each Partnership's allocation. However, this would compensate for lower levels of spending by some partnerships in the past, and penalise those that have traditionally devoted more resources to youth support and guidance. There would be no incentive for partners to increase their current levels of spending - in fact the reverse would apply.

## The European Social Fund

63. The Department for Education and Employment issued a European Social Fund consultation document on proposals for co-financing in England on 24 October 2000. The consultation ended on 8 December 2000. Co-financing means paying both ESF money and the required domestic matched funding to providers in a single funding stream. If Connexions Partnerships become co-financing organisations, as proposed, they would be able to consider the scope for using ESF as part of the normal planning process, when they are consulting young people and providers, identifying local needs and preparing business plans.

13 Source : 1998 Audit, 2000 follow-up. Self report from authorities.

64. Co-financing would help Connexions Partnerships to target ESF money when and where it could add most value, maximise synergy between ESF priorities and the aims of the service, and achieve a greater coherence, co-ordination and targeting of provision. It would reduce bureaucracy and administration for providers. They would not have to bid separately for ESF money and the match funding and would need to meet only one set of monitoring, audit and record-keeping requirements.

65. Co-financing would operate at both national and regional levels. Connexions Partnerships would access the greater part of the ESF money at regional level, to ensure that it addressed regional and local priorities and to allow for innovation and creativity. ESF funding for national initiatives (e.g. personal adviser training) would be entirely separate from the allocations made to Connexions Partnerships, ensuring that the budget for each Partnership would be 'clean' match funding.

66. It is expected that Connexions Service would use ESF funding to support a range of activities, including:
    - support and guidance for young people who need intensive help to improve their life chances and employability. Examples are young people in or leaving public care, young offenders, and young people with no or few qualifications;
    - support and guidance for young people who may face discrimination on grounds of race or disability;
    - in-depth guidance for young people who are likely to drop out of learning post-16, or those who are in employment but not receiving education or formal training; and
    - support and guidance for young women - including teenage mothers - who face particular problems participating in learning or entering employment.

67. The co-financing consultation document proposes that co-financing for the Connexions Service would operate in regions from September 2001. Those Connexions Partnerships that will start to deliver the service in April 2001 would embark on informal discussions with GOs and providers more or less straightaway. Co-financing would gradually be extended to cover the whole region as new Connexions Partnerships were introduced.

68. Transitional arrangements would be needed for existing projects that were due to continue after the introduction of the service. A range of Connexions partners will have such projects, including careers service companies, the voluntary sector and local authorities. Where organisations still have access to 'clean' match funding, the projects could continue. In other cases, the Connexions Partnership might need to guarantee a source of 'clean' match funding. However, where an organisation ceases to exist, projects would have to stop, transfer to the Connexions Partnership or transfer to another organisation. This will be subject of further guidance following the consultation. For information, a copy of the consultation paper can be downloaded from the ESF website **www.esfnews.org.uk**.

69. Further work will be undertaken as a result of the consultation and the aim is to publish firm plans for the implementation of co-financing early in 2001.





**Chapter 4:**

# Allocations by Connexions Partnerships and Local Flexibility


## Summary

This chapter discusses the flexibility that Partnerships will have in allocating resources to providers, the subcontracting process and the role of Local Management Committees. It proposes that in general, Partnerships should determine the type and level of support that is available to different client groups. The one exception is the allocation of resources to school-age children. Transitional arrangements give guidance on the level of resources that should be available to schools and school-age children in 2001-02, and the process for allocating resources locally. This chapter seeks initial views on the arrangements for future years, for both schools and post-16 learning routes. It seeks views on whether Partnerships should spend a minimum of 35-40% of their budget on work with 13-16 year olds, and whether it would be appropriate to set a similar minimum across the post-16 routes.

This chapter also clarifies that Partnerships will contract directly with delivery organisations, rather than passing funds to Local Management Committees. It sets out our general presumption that there will be only one intermediary between the Partnership and the individual young person. It proposes that Partnerships should be able to make grants of up to £30,000 per year to small, informal community groups for specific purposes - and that up to 5% of the total budget could be allocated in this way. It proposes that Partnerships should identify and account for capital and administration expenditure separately within their plans, but there would not be a limit on the overall proportion of grant which could be spent on these activities.


## Introduction

70. The principle that Connexions Partnerships will determine the needs and priorities within their area, in discussion with Local Management Committees and providers, has been clearly established. There must be sufficient flexibility for Partnerships to take strategic funding decisions, based on their knowledge of local provision, needs and gaps.

71. However, this flexibility must take place within the broad framework that will be established by the National Unit, and any guidance on national priorities. In allocating funds to providers, Partnerships will also be expected to achieve value for money, and ensure that all providers have an equal chance to offer their services through a fair and transparent process. Both Partnerships and providers will be expected to strive for continuous improvement in the quality of the service that is delivered. The planning guidance has already provided further information about our expectations for competitive tendering and the application of Best Value principles, and about the subcontracting arrangements that will apply in 2001-02. The proposals in this chapter expand upon these general principles.

## Resources for Specific Client Groups

72. In general, Connexions Partnerships will determine the type and level of resources that should be devoted to specific client groups. They are best placed to assess the need for support and guidance, and the provision that is already in place. Partnerships will identify the type and level of provision that they propose to make available in their plans, which will be agreed with the National Unit.

73. The only exception is the allocation of resources for schools, school-age children and the post-16 learning routes, where we think there is a case for further guidance. This is discussed in more detail in the sections that follow.

## Resources for Schools

74. The planning guidance for 2001-02 sets out the transitional arrangements that will apply for allocating resources to schools.[14] We will want to see how these arrangements work in practice, and talk to schools, LEAs and Connexions Partnerships before we develop longer-term arrangements to apply from 2002-03. We would, however, welcome initial views on the future arrangements through this consultation.

75. The planning guidance set out an expectation that, in 2001-02, Partnerships would spend at least 35-40% of their grant funding on the 13-16 age group, including those not in school, for example young people who have been excluded or travellers. This proportion is roughly similar to the proportion of the Careers Service budget that is currently spent on the pre-16 age group (currently, careers services spend about 40% of their budget on work with pre-16s in schools, although this proportion relates to a smaller funding package).

76. The planning guidance made it clear that, as a starting point, schools will usually receive at least the same level of help from the Connexions Service in 2001-02 as they do now from the Careers Service. With a budget increase of around 60%, we would expect most to see a significant increase in the level of support. As a safeguard for individual schools, it will be a rule of thumb that all maintained secondary schools will receive at least one day per week of personal adviser time, to be spent in direct contact with pupils. A significant number of schools do not receive this level of help at present. The precise level of help will be weighted according to the size of each school, and the incidence of underachieving groups.

77. In allocating further resources to schools in 2001-02 (i.e. above this minimum of one day per week), Connexions Partnerships are asked to develop transparent criteria in consultation with Local Management Committees. In developing local criteria, the guiding principle will be targeting on greatest need, and therefore partnerships will need to consider factors such as:
    - the number of pupils within the school;
    - the number of pupils achieving less than 5 GCSEs at grades A*-C and the number achieving no GCSEs;
    - the incidence of underachieving groups; and
    - other relevant local factors.

14 In most cases, we do not expect that schools will hold the budget and purchase services themselves. Usually, we expect that it will be more straightforward for schools to receive support from the Connexions Service (e.g. personal adviser time). In other cases, Local Education Authorities might hold the budget on behalf of individual schools.



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78. Once criteria have been developed it will be for Local Management Committees to apply them and take detailed decisions on the help each school will receive. In doing so, they are encouraged to consider the resources already available to schools, including resources from the Education Welfare Service, Youth Offending Teams and regeneration projects.[15] At school level, a partnership agreement with the Connexions Service will be the mechanism to consider pupil needs, the range of resources to be deployed and the support from specialists.

79. We intend to see how these arrangements work in practice, and the local criteria that are developed, before taking decisions on the arrangements that will apply in future years. However, it would be helpful to receive views on the broad parameters at this stage, in particular the questions below.

**Question 12: Do you agree that Connexions Partnerships should be asked to spend at least 35-40% of their grant funding on work with the 13-16 age group?**

**Question 13: Should there be (a) local flexibility in allocating resources to schools or (b) national arrangements, such as a national formula or criteria?**

**Question 14: What are the key factors which should influence the allocation of resources to schools?**

## Resources for Post-16 Learning Routes

80. The planning guidance for 2001-02 did not specify how resources should be allocated to post-16 activity. However, we would welcome views on whether similar arrangements should apply across the post-16 routes (school sixth forms, further education colleges and work-based training providers). In particular, we are considering whether all Connexions Partnerships should be asked to spend a minimum proportion of their grant funding on post-16 work.

81. This approach would recognise the support that young people need to stay in learning, and that this will not be provided exclusively by existing pastoral support teams within school sixth forms and colleges or by employers and training providers on the work based route. Young people on all of the post-16 routes need help to build on the academic success that they achieved at 16. In particular, they need access to advice and guidance, including on further learning options such as Higher Education. Some young people who have done well at GCSE may also need extra help to make the transition into post-16 learning. This will be an important factor in reducing drop-out rates. At the moment, about half of all young people leaving Advanced Modern Apprenticeships do so without having gained a full level 3 qualification.[16]

82. If there is a requirement for Partnerships to devote a certain minimum proportion of their budget to young people in post-16 learning, we do not think that this should be as high as the 35-40% that might apply to 13-16 year olds. The proportion would need to reflect the smaller number of young people in learning post-16, and the vital support that Partnerships will need to provide for those 16-19 year olds who are not in learning or work. For these reasons, a minimum of 10-15% might be a more appropriate figure.

15 Resources for Excellence in Cities will not however be taken into account in agreeing the level of help that will be available to schools from the Connexions Service. Ministers have given a commitment that Excellence in Cities resources will be additional to other programmes. LMCs will need to consider how both Excellence in Cities and Connexions resources will be deployed within the school, though, to avoid duplication and maximise impact.

16 SFR 37/2000 - TEC/CCTE Delivered Government-Supported Training: Work-Based Training for Young People and Work-Based Learning for Adults-England and Wales, September 2000

83. Whatever approach is agreed, it will need to be sensitive to the very different needs of local areas, and the significant local variations in staying-on rates. Where staying on rates are low we would expect Partnerships to devote a greater part of their resource to work with local providers, to ensure that provision available to young people is of the highest quality and ensures an increase in the numbers of young people staying in learning. In practice, we would also expect funding for work across the post-16 routes to reflect the proportion of young people following a particular route e.g. work-based training.

**Question 15: Do you think that Partnerships should spend a minimum proportion of their budget on the post-16 routes? If yes, what proportion would you suggest?**

## Role of Local Management Committees

84. While the Connexions Partnership will be responsible for strategic planning and funding, in most cases, Local Management Committees will also be established to oversee the day to day operational management at local level. LMCs will work on county or unitary local authority boundaries. They will discharge their responsibilities by appointing a local manager. Each LMC will agree with the Connexions Partnership what level of resourcing will be available to deliver the service locally, what the desired targets and outcomes will be, and how personal advisers will be deployed.

85. To guard against lengthy contracting chains, we expect that delivery organisations will contract directly with Partnership, rather than the LMC. This will also enable the Partnership to take a strategic view of the contracting process - for example, to agree a single contract with a provider who operates across several LMC areas to reduce bureaucracy and to achieve economies of scale. If LMCs were responsible for contracting provision, such overlaps might not be identified so easily.

86. This means that funding from the National Unit will not pass directly to the LMC. However, there will still be an important role for the LMC and the local manager within the contracting process. Partnerships will not possess such detailed knowledge of local needs, and will rely upon LMCs to identify the services that need to be procured in their area. LMCs will provide Partnerships with the information they require to contract for delivery of appropriate services. In addition, while we expect Partnerships to retain responsibility for financial monitoring and payments, the local manager will be responsible for the ongoing monitoring and evaluation of services which are delivered through the contract. He or she will make sure that services are delivered as specified, and that quality standards are met. This is broadly similar to the model that is operated by the Employment Service.

87. Where contracts for services cover a wider area than that of a single LMC, we would expect the Partnership to clearly agree the responsibilities of each local manager for contract management. For clarity and simplicity, it may be appropriate to assign overall responsibility to a single individual.





88. These principles will apply to the national grant funding that is made available through the National Unit. However, we do not propose that they should apply to agreements about the resources that partner organisations will contribute locally. In many cases, contributing services are organised at Local Authority level - for example, local authority youth services and Education Welfare Services. In these circumstances, the local manager may need to discuss and agree the resources that each will contribute, and how they will be organised.

89. The local manager will also be responsible for negotiating partnership agreements with schools and colleges, taking decisions on the support that each school and college will need. Such agreements will take account of the total resources that have been made available by the Partnership for services in schools and post-16 routes, and the Partnership will be responsible for letting the contracts needed to deliver those services.

## Sub-contracting

90. To guard against long contracting chains, we propose to adopt the principles set out in the planning guidance and welcomed in the post-16 funding consultation. This established a clear presumption that there should only be one intermediary between the local Learning and Skill Council (or, in this case, the Connexions Partnership) and the individual learner. One further level of sub-contracting would be permitted where it added value and where providers wished to deal with the intermediary. An example might be a managing agent for a large number of contracts with small, voluntary bodies. This approach would also meet ESF requirements, where only two levels of subcontracting are permitted.

91. For the vast majority of sub-contracted provision, we expect Connexions Partnerships to use contracts. However, there may be cases where the Partnership wishes to fund small, informal community groups - for example community groups providing services to black and other young people from minority ethnic groups. In these cases, we envisage that funding could pass via a grant[17]. We propose that partnerships should be able to use a simple model grant agreement - provided by the National Unit - to make awards of up to £30,000 per body per year, where the recipient is a small, voluntary or community group with no independent legal status. Exceptional cases for awards that fall outside these limits would have to be approved individually with the National Unit.

92. Any grants to voluntary groups would need to be closely linked to the priorities identified in Partnerships’ business and delivery plans, and support delivery of the core Connexions Service. Partnerships’ plans would need to describe how they propose to use this facility, and how it would help them to deliver local priorities. Grants would be able to support the following types of activity:

- pump priming (e.g. to help voluntary groups to build their capacity to deliver services in the medium-term, for example to improve quality or extend the range of services on offer); and
- delivery of more diverse or better quality services in the immediate future - for example to “complete the jigsaw” of local provision.

17 This proposal will need the agreement of the European Commission, if ESF is to also be claimed on this basis.

93. In making awards, Partnerships would need to consider the outputs that would be delivered and whether they represent value for money; the capability of each group to deliver agreed outputs; the quality of provision; whether increased capacity could be sustained in the longer term; and the leverage that voluntary groups would secure (e.g. by matching the grant with other sources of funding).

94. Partnerships would be required to put in place a monitoring and evaluation process to ensure that funds allocated in this way were recorded, spent appropriately, that value for money was achieved, and that agreed outcomes were delivered.

95. Partnerships would be restricted to dispersing no more than 5% of their grant funding in this way, and would be subject to appropriate monitoring and evaluation arrangements. Provision that is funded in this way would need to meet agreed quality standards. This facility would only be used to fund activities that were clearly linked to the objectives of the service, and which filled a gap in local services. It would not be used to fund wider youth or leisure activities, or activities that could be supported by existing schemes for the voluntary and community sector, such as the Neighbourhood Support Fund, Millennium Volunteers, National Voluntary Youth Organisation Grants and the New Opportunities Fund.

**Question 16: Do you agree that Connexions Partnerships should be able to make awards of up to £30,000 in the circumstances described in paragraphs 91 - 95, subject to a 5% limit on the proportion of their budget which can be allocated in this way?**

### Capital and Administration Expenditure

96. We do not propose to limit the proportion of grant that can be spent on administration or capital. It would be difficult to set a limit that would be appropriate to all partnerships, and expenditure on these items will probably vary depending on the circumstances of the partnership. However, we intend to produce guidelines on the need to ensure best value in administration and capital expenditure. Partnerships will be asked to justify proposed expenditure in their business plans, and where necessary plans will be challenged and adjusted to ensure that the objectives of the service are not compromised by inappropriate or unnecessary expenditure on capital equipment and administration. We intend that both capital and administrative expenditure will be monitored through the grant management process.

**Question 17: Do you agree that there should not be separate budgets for capital and administration expenditure, but that such expenditure should be separately identified in business plans and monitored by the National Unit?**

### Eligible Activities for Grant Funding

97. The National Unit will publish further guidance on the activities that will be eligible for grant funding. This will cover the extent to which Connexions Partnerships will be able to use their own budgets to fund wider activities, for example, specialist services for young people, where they have identified a gap in local provision that cannot otherwise be filled. It will be important for Partnerships to work with a range of users and providers (including Youth Offending Teams, health authorities and local authorities) to support the development of specialist services for young people.





**Chapter 5:**

# The Allocations Process


## Summary

In order to give a complete picture of the funding arrangements this chapter describes how the allocations process will work, how it links into the business planning cycle and sets out what assurances can be given about future funding allocations. It details the way in which payments will be made to partnerships and their frequency, together with any flexibility to carry forward grants from one year to the next and the arrangements for treating surpluses and reserves.


### Introduction

98. The arrangements described in this chapter mirror those that have already been described in the planning guidance for 2001-02. The chapter also provides further clarity on the allocations process and timetable in future years. Although we are not specifically seeking views on these issues, we have included this chapter in order to give a complete picture of all aspects of the funding arrangements.

### The Business Planning Cycle

99. We expect to issue business planning guidance in late summer or early autumn each year. As far as possible, our aim will be to inform Partnerships of their funding allocation from the National Unit for the next financial year by November. Both before and after being notified of their allocations, Partnerships will need to engage in detailed discussions with Local Management Committees about the type and level of provision that is needed in the coming year. We will also expect both Partnerships and LMCs to consult widely with young people, parents, providers and strategic partners about the services that need to be delivered. This process of consultation would need to begin in the early autumn, in order to inform the three-year business plans and one-year delivery plans that Partnerships will agree with the National Unit. Clearly, though, we would expect Partnerships to seek feedback regularly throughout the year and to be constantly reviewing their services in the light of customer comments.

100. Once their allocations are issued in November, partnerships will finalise their business and delivery plans and submit them for agreement by the National Unit. Once plans are agreed and the grant agreement is signed, they will be able to begin the process of contracting with providers in early spring. Partnerships may also need to tender for some additional services during this period, if their budget is greater than anticipated.

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## Funding Guarantees and Forward Allocations

101. Ministers have already given a guarantee that no Connexions Partnership area will receive less money than it does now through the Careers Service budget, when the Connexions Service is introduced. We will also seek to ensure that Connexions Partnerships do not suffer a cash reduction in their budget for at least the first 2 years (2002-03 and 2003-04) as the result of moving to a new funding formula. This will help partnerships to plan in the early years, and should facilitate a smooth transition. This would, of course be conditional on the levels of funding which are voted by Parliament. It would not prejudice the Secretary of State's right to make alternative arrangements to deliver the service in any area, if the Partnership fails to achieve a satisfactory level of performance. Nor would it prejudice the right of the National Unit to withhold funding for plans that do not demonstrate that first class provision will be secured, or that there will be an appropriate mix of providers.

102. We also propose that there should be scope for Partnerships to contract for up to three years with any provider. This mirrors the approach that has been developed for provision funded by the Learning and Skills Council. While public funds can never be subject to absolute guarantees for years ahead, there is a case for allocating volumes of provision on an indicative basis for up to three years as appropriate. This would naturally be subject to assurances about provider quality and to local Partnerships retaining enough flexibility to respond to changing demands.

## Methods and Frequency of Payment

103. The National Unit will fund Connexions Partnerships by means of grant payments. The terms and conditions of grant will be set out in a grant letter, supported by a more detailed financial memorandum. This will indicate the frequency of payments, which will be linked to the delivery of the Partnership's business plan through an agreed payment profile.

104. The decision to use grant reflects the culture change that we are seeking to achieve. It will ensure that more funding is used directly in support of young people, since there will not be scope for Partnerships to generate a profit or surplus on the grant payment (although a profit could be generated by an organisation holding a sub-contract for the delivery of services). It also reflects the different nature of the relationship between the National Unit and Connexions Partnerships. In future, the Unit will not be contracting for the delivery of services and paying the full cost of those services. The grant will represent only one part of the wider resources that will be available to Partnerships.

105. Grant payments will normally be made monthly in arrears against actual expenditure. Exceptions could be made on a case-by-case basis, for example where partnerships need funding up front in order to make advance payments to small voluntary or community groups that would otherwise encounter cash flow difficulties, or in meeting large, one-off set up or capital costs. Profiles will be reviewed and adjusted during the year, on the basis of actual expenditure. This flexibility will help partnerships to manage their budgets effectively. It will ensure that grant payments reflect the pattern of actual expenditure throughout the year, and accommodate the need for capital investment.

106. The Connexions Partnership will be responsible for ensuring that funds are spent appropriately. Any funding which is not used according to the terms and conditions of the grant will need to be refunded to the National Unit or deducted from future payments.

## End Year Flexibility

107. There will be no blanket flexibility to carry over grant into the next financial year. Partnerships will, however, be allowed to carry forward grant in specific cases where they have been given approval by the National Unit.

## Surpluses and Reserves from Wider Activities

108. Partnerships will be able to generate surpluses on the funding which they secure from sources other than the National Unit, provided this is agreed by the relevant organisation. Partnerships will be strongly encouraged to re-invest any surpluses that are generated from non-grant income in the delivery of the Connexions Service. However, there will be no requirement for them to do so.

109. There will be a need for clearly defined accounting arrangements which will separately identify income from other sources, and expenditure, in order to confirm that surpluses are generated from these rather than from grant funding.

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**Chapter 6:**

# Performance Incentives, Quality and Innovation


## Summary

**Part 1 - Performance Incentives.** This section examines the options for introducing financial incentives to improve performance and raise standards. It seeks views on whether the funding formula should contain a mechanism to reward achievement linked to (i) high levels of customer satisfaction; (ii) achievement of targets; or (iii) the delivery of high quality business plans.

**Part 2 - Quality and Innovation.** This section makes proposals for the establishment of an Innovation Fund to encourage and support new approaches to delivering services and raising standards. It also considers the development of “Beacon” status for Partnerships to reward excellence. It concludes that further consideration be given to such a scheme in 2003-04 when all partnerships are in place and good evidence of performance and inspection results is available.


## Part 1 - Performance Incentives

110. Connexions Partnerships will be charged with maintaining high standards and improving performance through a range of business approaches. These include meeting stretching headline and local targets, obtaining and acting on feedback from young people, acting on inspection results, meeting quality standards and monitoring by the National Unit of a range of business processes. We will also expect Partnerships to contract with suppliers that offer the best quality provision and value for money. The National Unit will be empowered to withhold funding where plans do not demonstrate that first class provision will be delivered and best value secured.[18]

111. The issue is whether these measures are sufficient to ensure the best possible level of service, or whether it is necessary to provide financial incentives to drive up standards - and if so what these would be. Without any performance element the funding would be based entirely on the needs of young people in each area. The funding system itself would not provide any incentive to improve. The more successfully Partnerships meet young people’s needs, the less funding they would receive in subsequent years.

112. There are a number of ways in which reward might be given for the achievement of business outcomes. For example, funding could be linked to the achievement of targets, customer satisfaction or the business planning process. These options are considered in more detail in paragraphs 115 to 117.

18 See Connexions Service : Prospectus and Specification

113. However, linking funding to performance would raise some difficult issues. There is always a risk that it would distort behaviour or create unexpected outcomes. Our goal is also a funding system that is as simple and transparent as possible. Performance funding would inevitably make the funding regime more complex, and require a significant amount of staff time to administer. Linking funding to performance could also take resources away from under-achieving areas - which may in fact have the greatest need. This could have a knock on effect on performance, giving rise to a downward spiral.

114. There is also a risk that even the most carefully designed performance incentives could reward or penalise partnerships for factors that are outside their direct control. For example, achievement of many headline targets will be a shared responsibility with other organisations, such as the Learning and Skills Council. Nevertheless, it is still right to expect partnerships to make progress towards their targets year on year. Also, it is very important that whatever funding model is finally adopted, it must be able to support the development of high quality provision working in partnership with the LSC. It will be essential that partnerships influence LSC-funded provision and work with providers, in particular the FE sector, to ensure that provision leads to higher numbers of young people staying in learning.

### Options for Performance Incentives

115. To develop any system of financial incentives, we would need to be able to measure improvements in performance. In the early years, as the quality and inspection systems are put in place, there will be limited information on performance. We must also allow for the fact that performance in year one may not be representative, because of the work that is needed to put new arrangements in place. This means that any system of financial incentives would take time to develop, and would not be in place until 2003-04 at the very earliest.

116. The options we are considering are:

(i) rewarding partnerships who achieve high levels of customer satisfaction across the full range of the client groups;

(ii) applying financial rewards to the achievement of targets; and

(iii) rewarding high quality business plans and delivery.

117. These options are discussed in the sections that follow.

(i) **Rewarding Partnerships which Achieve High Levels of Customer Satisfaction**

The service will be guided by the views of young people, who will remain central to the development of the service. Financial incentives could be applied to customer feedback mechanisms. For example, if an annual customer satisfaction survey is introduced, financial incentives could be linked to a year on year improvement in the extent to which young people in the community thought the service was meeting their needs. However, there may also be some disadvantages. The popularity of the service is not necessarily the best guide to its overall performance. Unless steps were taken to ensure that feedback was based on a representative sample of young people, there would also be a risk that financial rewards could reflect the opinions of a minority.

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(ii) **Applying Financial Rewards to the Achievement of Targets**

Financial incentives could also be linked to the achievement of headline targets. As discussed in paragraph 114, in many cases responsibility for achieving the headline targets is shared with a number of other organisations. This means that it would be difficult to isolate the contribution made by the Connexions Service. For example, a Partnership that was performing well could lose out financially if it did not achieve key targets due to the lack of suitable education or training places or specialist services. However, in these circumstances it would still be right to expect the Partnership to make progress year on year. For some targets, we expect Partnerships to play a leading role - including targets to increase the participation of 16 and 17 year olds and keep in contact with young people. Other targets may be less appropriate for financial incentives. For example, the targets to reduce drugs misuse and youth offending cannot be measured accurately at local level.

Financial incentives could also apply to the achievement of the local targets that Partnerships propose. This would give significant emphasis to local needs, but might encourage Partnerships to propose less stretching targets, or to focus more of their attention on the targets that would attract a financial reward. They might also be tempted to propose targets for areas in which their performance is strong, rather than targets to improve areas of weakness.

If financial rewards are linked to targets, this would need to take account of timing issues. For example, in the first few years some Partnerships may choose to give priority to work with pupils in years 8 to 11, as a preventive measure. This might be the most effective approach in their area. However, in the short term they could be penalised if financial incentives apply to the achievement of targets for older age groups.

(iii) **Rewarding Quality in Business Planning and Delivery**

One further option would be to reward partnerships which can demonstrate very high quality provision. This could include acting on feedback from young people, achieving good inspection results, meeting quality standards or showing overall year on year improvement in a range of business indicators.

118. We will consider whether to develop any performance incentives in the light of the views expressed during consultation, and will involve external partners in any detailed work to develop a suitable mechanism. One possible mechanism would be to introduce flexibility for Business Managers to adjust allocations, which would be exercised according to set criteria (e.g. year on year progress towards headline targets). A similar flexibility (5%) is currently available to Government Offices under the Careers Service allocations methodology.

119. If performance incentives are introduced, we recognise the need to build them into the funding system gradually. The service will be progressively introduced from April 2001, and it will be important that all areas make the best possible start. It will take time to establish and develop the new service throughout the country. It would not be right to introduce incentives which give an unfair advantage to areas that start to deliver the service first, or which do not take account of the more complex and challenging task which is faced in some parts of the country.

**Question 18: Do you think that funding should be linked to performance?**

**Question 19: If so, which approach, or combination of approaches, do you support and why?**

# Part 2 - Quality and Innovation

## An Innovation Fund

120. Part of our strategy for continuous improvement is to encourage the development of innovative ways of service delivery. To support this, we propose to create an Innovation Fund that will provide a focus for such activity and resources with which Partnerships could take risks in developing new approaches. Funding for the Innovation Fund would be topsliced from the overall budget held by the National Unit.

121. Projects could be considered if they fell within the key priorities for the service. These priorities might include developing innovative ways of:

- identifying and re-engaging those lost to the service;
- achieving equality of outcome for black and ethnic minority young people and for young people with additional needs;
- getting feedback from young people with additional needs; and
- involving young people in the development of the service.

122. Each year, the bidding guidance could reflect the changing priorities for the service. This would enable the National Unit to focus on particular areas that are likely to benefit from innovation, for example issues identified through inspection or monitoring of business plans. It would be essential for projects to have measurable outcomes and to be capable of being replicated elsewhere. The projects would be subject to thorough evaluation, to look at how effective the innovation has been and whether it should be disseminated further. There could be scope for projects to be undertaken jointly by two or more Connexions Partnerships, to help Partnerships to learn from each other in order to improve performance.

123. This would be similar to the Innovation Fund that is already operated by the Employment Service and to the LSC Local Initiatives Fund.

**Question 20: Do you support the development of an Innovation Fund?**

**Question 21: Are the priorities suggested the right ones?**

## Beacon Status

124.One further way of rewarding excellence and innovation would be through developing "Beacon" status amongst Partnerships.[19] This would involve the setting of a quality threshold that Partnerships would have to reach in order to become a "Beacon". This threshold could take account of:

- inspection results;
- progress towards meeting the standards set out in the quality framework;
- acting on feedback, whether as a result of satisfaction surveys or outcomes of formal evaluation;
- what the management information is telling us about the business; and
- where a Partnership has achieved public acclaim for its work or aspects of it, particularly from young people themselves.

125.A small amount of funding could be made available from a central development budget to reward those achieving the status, to disseminate best practice. An existing model is Beacon Schools, who can receive around £30,000 per year to work closely with failing schools or those in special measures. The money can be spent on any activity that disseminates and shares good practice. A school achieves beacon status through consistently high performance over 3-4 years, and if the Chief Inspector of Schools considers them to be high performing.

126.The idea of beacon Partnerships could be linked to public acknowledgement of high achievement through an awards scheme. This could involve an awards ceremony, certification and publicity.

127.If there is widespread support for the idea of beacon Partnerships, the National Unit will consider the scope to develop a scheme in future years. However, it would not be possible to introduce a scheme before 2003-04 at the earliest. This is because good evidence on performance, including inspection results, would need to be available for all Partnerships.

**Question 22: Do you support the idea of 'Beacon' status?**

19 Beacon status models already exist for schools and colleges.



# CONNEXIONS SERVICE FUNDING

## CONSULTATION QUESTIONNAIRE RESPONSE FORM

Please complete the questionnaire and return:

preferably by e-mail to **connexions.funding@dfee.gov.uk**
An electronic form is available at **www.connexions.gov.uk**

or by post to
**Bob Williams**
**Connexions Service National Unit**
**Department for Education and Employment**
**Room E4a**
**Moorfoot**
**Sheffield**
**S1 4PQ**

To arrive no later than **6 April 2001**

Telephone enquiries to **0114 259 3208**

# QUESTIONNAIRE - CONNEXIONS SERVICE FUNDING

**Name:**

**Organisation :**

**Position/Role :**

**Address :**

**Tel No :**

**e-mail :**

To help us analyse the responses it would be helpful to know a little about you. Please tick which-ever applies to you.

| | |
|---|---|
| Local Education Authority ☐ | School ☐ |
| Social services ☐ | National Training Organisation ☐ |
| Voluntary sector ☐ | Learning and Skills Council ☐ |
| Trades Union ☐ | Health Service ☐ |
| Careers Service ☐ | Training Provider ☐ |
| Youth Service ☐ | Higher education ☐ |
| Further education ☐ | Youth Offending Team ☐ |
| Drug Action Team ☐ | Other - please specify |
| Probation Service ☐ | |

Your response may be made public unless you otherwise indicate:

Yes ☐ No ☐



Connexions Service Funding

# SUMMARY OF QUESTIONS

We welcome your views on the following questions:

## Developing a Funding Formula (Page 6)

**Question 1: Which of the structures for the funding formula would you support?**

Option 1 ☐

Option 2 ☐

Please say why you support option 1 or option 2.

## The Size of the 13-19 year old Population (Page 7)

**Question 2: What data do you think should be used to estimate the size of the 13-19 year old population?**

**Question 3: Would you support a combination of school census data and population estimates?**

Yes ☐ No ☐

Please give your reasons.

## Weightings for Young People with Additional Needs (Page 8)

**Question 4: If option 1 is adopted, what would be the appropriate balance between funding allocated on the number of young people and funding allocated using proxies for their needs?**

**Question 5: If option 2 is adopted, what funding differentials would most effectively capture the needs of the three priority groups?**





## Geographical Factors (Page 10)

**Question 6: Do you agree that Partnerships working in high cost areas should be compensated through the funding system?**

Yes ☐ No ☐

**Question 7: Should the area cost weighting apply to any areas besides London?**

Yes ☐ No ☐

Please give reasons

## Proxies for young people's needs (Page 14)

**Question 8: Do you agree that GCSE results, the number of 16 and 17 year olds who are not in education and training and unemployment rates should be the key indicators of need within the funding formula?**

Yes ☐ No ☐

**Question 9: If yes, what data on GCSE results do you think the funding formula should include:**

☐ (a) the number of 15 year olds who do not achieve any GCSEs (including those who are not entered) or

☐ (b) the number of 15 year olds who achieve between 1 and 5 GCSEs grades A*- G or

☐ (c) both?

Please give your reasons for questions 8 and 9

**Question 10: Do you think that any of the following should also be included in the funding formula?**

☐ a) the number of young people in public care;
☐ b) the number of young offenders; or
☐ c) any alternative indicators

Please give your reasons.

## Method for Securing Local Resources (Page 24)

**Question 11: Do you agree that the level of local resources should be agreed through the grant negotiation process, rather than a system of financial incentives?**

Yes ☐ No ☐

Please give your reasons.



## Resources for Schools (Page 28)

**Question 12: Do you agree that Connexions Partnerships should be asked to spend at least 35-40% of their grant funding on work with the 13-16 age group?**

Yes ☐ No ☐

Please give your reasons.

**Question 13: Should there be (a) local flexibility in allocating resources to schools or (b) national arrangements, such as a national formula or criteria?**

a ☐ b ☐

Please give your reasons.

**Question 14: What are the key factors which should influence the allocation of resources to schools?**

## Resources for Post-16 Learning Routes (Page 29)

**Question 16: Do you think that Connexions Partnerships should spend a minimum proportion of their budget on the post-16 routes?**

Yes ☐ No ☐

If yes, what proportion would you support?

## Sub-contracting (Page 31)

**Question 16: Do you agree that Connexions Partnerships should be able to make awards of up to £30,000 in the circumstances described in paragraphs 91-95, subject to a 5% limit on the proportion of their budget which can be allocated in this way?**

Yes ☐ No ☐

Please give your reasons.





## Capital and Administration Expenditure (Page 32)

**Question 18: Do you agree that there should not be separate budgets for capital and administration expenditure, but that such expenditure should be separately identified in business plans and monitored by the National Unit?**

Yes ☐ No ☐

Please give your reasons.

## Performance Incentives (Page 36)

**Question 18: Do you think that funding should be linked to performance?**

Yes ☐ No ☐

Please give your reasons.

**Question 19: If so, which approach, or combination of approaches, do you support and why?**

## Innovation Fund (Page 39)

**Question 20: Do you support the development of an Innovation Fund?**

Yes ☐ No ☐

Please give your reasons.

**Question 21: Are the priorities suggested the right ones?**

Yes ☐ No ☐

Please give your reasons.

## Beacon Status (Page 40)

**Question 22: Do you support the idea of 'Beacon' status?**

Yes ☐ No ☐

Please give your reasons.





## Any Other Comments

## Notes

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