

LSDA responds



Connexions service funding

A consultation paper

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Note

The Learning and Skills Development Agency
was formerly known as FEDA.

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This publication sets out the Learning and Skills Development Agency's response to a consultation paper published by the DfEE, Connexions service funding – a consultation paper – January 2001. The full text of the DfEE consultation paper is at www.connexions.gov.uk/funding_consultation.htm

Introduction

1. The Learning and Skills Development Agency (LSDA) welcomes the opportunity to respond to the Connexions Unit consultation document on funding the Connexions Service. We welcome the explicit objectives that funding of the new service will:
 - enable a universal service to be delivered to all young people according to their individual needs, which promotes equality of opportunity
 - encourage partners to contribute appropriate levels of their resources to the Partnership
 - reward excellence and encourage innovation
 - maximise European Social Fund money
 - not damage existing provision
 - be objective and transparent, based on high quality, reliable information which is available to all parties
 - be as simple as possible
 - be compatible with funding mechanisms for related initiatives such as Excellence in Cities and Youth Offending Teams
 - enable the use of information technology to deliver a more modern and effective system.

The following comments on the proposals fall outside the specific questions.

Meeting the needs of all young people

2. We have endeavoured throughout our response to ensure that we take account of the needs of all young people aged 13–19. They fall into the following categories:
 - in full-time education in school (or alternative curriculum)
 - in full-time education in college
 - in work-based training under a government scheme
 - in work with the right to time off for study
 - in work with no right to time off (ie above baseline level achievement)
 - registered unemployed
 - not in education (pre- and post-16), employment or training.
3. It is important that Connexions is able to provide an appropriate service to young people in these settings, while recognising that their individual levels of need will differ.

Funding mechanism

4. In responding to the consultation questions LSDA is particularly concerned to ensure that learners of all types are supported through appropriate arrangements with different providers – schools, colleges, training providers and voluntary and community providers.
5. The funding mechanism to determine Partnership levels of funding needs to encourage:
 - a fair national system with local flexibility
 - responsiveness to changing needs
 - a focus on strategic priorities
 - improved service performance
 - effective partnership performance.

Response to consultation questions

QUESTION 1

Which of the structures for the funding formula would you support?

6. LSDA strongly supports the proposal to allocate resources to Partnerships through a formula that reflects the size and the broad characteristics of local client groups. We see strengths in both the options proposed but our experience of funding systems over the past decade leads us to suggest a further option for consideration.
7. There does not seem to be a great deal of difference in practice between options a) and b). In the illustrative examples both models involve identifying three subsets of the client group and allocating a different level of resources to each. In presentational terms we prefer the use of the term 'core' as in option a), since this may underline a universal entitlement to a minimum level of service.
8. We have three concerns about both of the proposed approaches, which leads us to suggest a further variation.
 - The consultation document proposes a model in which a decision is taken about the overall percentage of resources to be linked in the formula to each client group. To determine such a figure requires knowing both the relative costs associated with that group and its relative size. While the former might be expected to have a degree of stability year on year the latter might well vary. A category linked to unemployment for example could vary as a result of changes in the economy.

It would be simpler and more sensitive to follow the practice adopted by the LSC and others and focus initially on the relative costs associated with different groups. These could be expressed as cost weighting factors and resources allocated each year proportional to each Partnership's share of weighted client numbers.
 - While recognising the need for simplicity we do not see why the Connexions Service needs to restrict itself to three categories of client as set out in the examples. The LSC proposes to use a much more fine grained approach to allocate resources across a much larger number of providers; the experience of the FE sector similarly suggests that it is possible to operate with a greater degree of detail. We suggest that up to 10 categories might initially be used without significantly increasing complexity or diminishing transparency.

One reason for advocating more categories is that the scale of variation in costs between client groups is very substantial in respect of Connexions clients, far greater for example than the range of costs associated with different types of course in school or FE.
 - A final concern relates to the way in which the service might identify the categories of client with which different levels of resourcing are to be associated. We believe that the categories should grow out of practice in the Partnerships, reflecting the relative needs of clients as they emerge on the ground, and that they should be capable of revision as the Partnerships develop. This approach would result in a better matching of resources to client needs than starting with a set of predetermined categories.

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?

9. LSDA believes that estimates of the size of the relevant client groups are best developed locally. We would see evidence from school census data as capable of greater accuracy than population estimates. In respect of post-16 education, it is vital to use institutionally derived statistics because of the extent to which young people living in one area receive education and training in another. Since the service will in general be delivered, and therefore funded, where young people are learning, to do otherwise risks serious distortion. The FEFC and LSC are already aware of the extent of cross border movement and will be capable of providing increasingly accurate measures.
10. Reliable roll data should be available from the following sectors as part of normal data gathering:
 - schools
 - colleges
 - private training providers
 - government-approved schemes and programmes
 - employment services
 - the Connexions Partnership–Careers Service.
11. The funding of post-16 education institutions is, in general, based on local estimates of the number and types of learners to be recruited, with subsequent adjustments in respect of variations from the plan. The data is of course subject to audit. Consideration should be given to how far this model might be applicable to Connexions Partnerships.
12. The number of young people not in education, employment or training is a category that ought to be capable of accurate estimation. An important performance indicator for the Partnerships should perhaps be their capacity to identify with accuracy individuals not in employment, education or training.

QUESTION 4

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

QUESTION 5

If option 2 were adopted, what funding differentials would most effectively capture the needs of the three priority groups?

13. We strongly support the intention of the government to carry out further work to identify the extra costs of catering for young people with additional needs. Without data rooted firmly in the practices of Partnerships it is difficult to answer questions 4 and 5. The experience of FE and the LSC will be helpful in suggesting approaches to the issue, but great care needs to be taken in comparing relative values. The values applied in FE to, for example, the disadvantage factor are an unreliable guide to the values in the very different context of Connexions. FE cost weightings for example are heavily driven by assumptions about class size, which is only of marginal relevance to guidance.
14. The paper talks throughout about proxies. A funding model might in part be based on proxies and in part on accurate counts of particular groups. The LSC model for example uses an accurate count of students on different programmes, but takes postcodes as a proxy for those deemed to be disadvantaged. In the Connexions context it might be useful to use a precise count of care leavers and young offenders, whereas GCSE scores could be used as a proxy for more general need. As a rule it would be better to try to identify accurately those to whom a very high uplift should apply.

15. An example would be in relation to those with specific learning difficulties and disabilities. We disagree with the proposed use of the GCSE proxy for the following reasons.
- The numbers of stated young people is well documented and easy to access.
 - The population of residential colleges is relatively stable over a number of years, which helps to assure accuracy of data.
 - Low achievement in GCSEs, in the case of these students, does not directly correlate with expected support needs likely to be provided by the Service.
 - There is a statutory obligation on the Connexions Partnerships and earmarked funds for the purpose of assessment. Therefore, a direct transfer using accurate data would seem easier and more transparent.
16. We suggest that the funding of young people with learning difficulties and disabilities should be based on a count of numbers of young people with statements, rather than a proxy of low GCSE achievement.
17. The costs associated with the categories to be funded will of course depend on the categories chosen. For the reasons outlined in response to Q1 we would see it as preferable to focus on cost relativities, rather than proportions of total funding; and we would prefer to see more categories used, some of which serve as proxies and some of which are based on accurate estimates.
18. As an indication of the relative weights that might be applied one might consider hypothetical caseloading. For those who only need the minimum service a caseload of 300–1 might be feasible; for those requiring in-depth sustained support 20–1 might be more sensible. This would give a scale of the order of 15–1. If using a more general proxy it was felt that, say, 50% of those not achieving any GCSEs A–G would require caseloading at 30–1 then a relative value of 5–1 might be applied. The figures here would of course need to be refined in the light of experience but they illustrate the nature of the exercise and the approximate range of values to be considered.

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?

19. There is a robust body of evidence from the FE sector that providers operating in London necessarily incur additional costs. The extra costs are essentially higher wages and salaries, and despite a series of investigations there is little evidence of a similar pattern elsewhere. We would therefore support an area costs element for London, and would also agree that from time to time costs across the country should be reviewed.
20. There is no robust evidence in FE regarding the extra costs of provision in rural areas. There are extra costs associated with student transport, but not with the provision of education. Whether a rural factor ought to apply for Connexions would appear to rest heavily on whether population sparsity was, in practice, reflected in lower caseloads.
21. We therefore recommend that cost differentials be monitored in the early stages of Partnership work across the country to inform future reviews and refinements to the funding formula.

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?

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?

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.
22. LSDA supports the principles put forward in the consultation document for the creation of a funding formula based on a combination of proxies and of accurate figures at Partnership level.
23. We have already made the case for considering some indicators as proxies and others as direct measures. Of the proposals listed in Q10, care leavers and young offenders would seem to us examples where resourcing could be made on the basis of a potentially accurate count. It might be possible to identify other similar groups such as travellers and, as indicated earlier (paragraph 15 above), young people with learning difficulties and disabilities. In respect of proxies, we agree that GCSE performance and unemployment rates are appropriate indicators that correlate broadly with needs for additional funding.
24. While we agree that in the short term the Connexions Service will need to use robust data that is already available, consideration should be given to longer-term information needs and gathering other information that can better inform the planning arrangements for the service.

25. With regard to attainment, an earlier indicator could be SATS performance at Key Stages 2 and 3. We would recommend further investigation and modelling of a formula using SATS as one of the proxies. This approach:

- correlates more closely with the start of the Connexions Service to young people at age 13
- may be a better way of focusing on prevention rather than cure
- may in the longer term be a more reliable proxy if:
 - GCSEs start to be taken on a when-ready basis
 - a range of other qualifications are recorded and reported
 - graduation at the age of 19 is introduced thus blurring the divide at 16.

26. The difficulties identified in establishing a disadvantage factor based on the DETR index of deprivation are not in our view insuperable. We understand that the LSC has carried out a similar exercise as the basis for funding the disadvantage factor of work-based learning for young people.

27. We suggest that truancy and exclusion figures (referred to in paragraph 38 of the consultation paper) might have a role to play in establishing proxies for need. It is agreed that these figures do not indicate numbers of pupils involved. However they do indicate that there is a problem with regard to student engagement.

28. Although, as already stated, research on the FE sector shows no clear evidence of increased costs in rural areas, we have suggested that further work needs to be carried out in the early stages of Partnership developments to check whether this applies in the context of the Connexions Service. For example, the travel requirements in rural areas may affect costs through reducing viable caseloads.

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?

29. We strongly agree that local resources are best secured through the grant negotiation process rather than a system of financial incentives.

We do so for three reasons.

- It would be difficult to construct a system of incentives that did not have perverse effects. One would not wish, for example, to penalise those areas that historically made a high local contribution, nor to disadvantage a poor but needy area.
- One of the principal benefits of formula-based funding from the perspective of providers is that they are able to plan in a predictable environment. They are able to take a longer-term view, which enables them to focus on quality.
- The use of mechanistic incentives could lead to a disproportionate amount of time being spent on manipulating funding incentive opportunities, which is to be avoided.

30. We further support the opportunity to supplement national funding with local and other funding without reduction in national funding. However, the complexity of the task for Partnership Business Managers to achieve suitable levels of funding from other sources should not be underestimated. Partnership development is difficult and complex and we would recommend that consideration be given to public recognition of success by Partnerships in establishing well-coordinated and effectively deployed funding.

31. The proposal for co-financing (discussed in paragraphs 63–65 of the consultation paper) is welcomed. This will enable payments to providers in a single funding stream of both ESF money and the required domestic matched funding. It allows for careful coordination, coherence and targeting of monies. It is to be hoped also that it would help rationalise the audit monitoring requirements that are frequently cited by users as the most burdensome and restrictive element in managing and benefiting from such financial sources.

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

- local flexibility in allocating resources to schools or**
- 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?

QUESTION 15

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

32. We do not agree that there should be national formulae that allocate a fixed proportion of resources to institutions or to phases of education. We would see the major driver of allocations at a local level being the needs of the learner. Local practice should inform the future development of a funding model. At this stage in the development of a new service maximum flexibility at Partnership level is required.
33. In due course the most effective method of suggesting appropriate proportions to be allocated to various institutional contexts would be through a national benchmarking scheme. This would not constrain Partnerships but would enable them to reflect on their practice as compared with others.
34. We do however support the provision of national good practice principles or criteria against which Partnerships can gauge their performance in the early stages of development of Connexions. The criteria would however be replaced by effective benchmark practice over time.
35. In this context therefore we would support a guide on the minimum proportion of their grant fund that they should be dedicating to working with the 13–16 age group. A minimum allocation of 35–40% would appear to reflect current practice but, given the stated increases in budget, would allow for the greater levels of entitled support (including assessment of need) as part of the universal service. However, in order that local flexibility according to need can develop, Partnerships should not be held to this minimum if their business plans justify the allocation of a lower percentage.

36. The proposed criterion of a minimum of at least one day per week of personal adviser time per school may be open to misinterpretation as a norm rather than a minimum. We would therefore prefer to see guidance on the interrelationship between the per capita size of school, assessment of need and manageable personal adviser caseload.
37. In allocating funds to schools, Connexions Partnerships could take account of the following factors:
- calculation of caseload time based on assessment of need using the Connexions Assessment Framework
 - improvement indicators such as school performance at Level 2 (including qualifications other than GCSEs)
 - any change in cohort balance (changes in catchment area, influx of refugees or travellers, which might indicate greater support needs)
 - any significant curricular change for which learners at risk would benefit from extra support
 - the introduction of strategies devised to prevent disengagement and maximise potential.
38. These factors reflect real operational needs and should be devised at local management committee level for onward submission to the Partnership for consideration and allocation.
39. With regard to the post-16 phase, we would draw attention to the fact that for the next 3–6 years young people will be coming through the system who have not had the early opportunity in year 9 for assessment and support. The effect is two-fold.
- Their needs have not been clearly identified and detailed assessments therefore need to be carried out.
 - They may have suffered levels of unnecessary failure which have to be recouped.
40. It therefore could be argued that the demands of post-16 learners over this initial period to, say, 2007 is at least the same if not greater than those of the 13–16 year old. Depending on local Partnership flexibility, these extra demands may be reflected in funding allocations.
41. There is an added responsibility that is placed on post-16 providers to manage the transition for each learner into the post-16 phase. This is a well-documented period of high wastage. The resource implications of ensuring effective management of transition need further investigation.

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?

42. The opportunity for the Connexions Partnerships to make discretionary awards up to £30,000 per body per annum is welcomed, as is the assurance that such bodies would have to fulfil quality assurance criteria in order to be eligible. This proposal adds another facet of accountable flexibility, which LSDA strongly supports.

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?

43. We agree that there should be no separate or ring-fenced budgets for capital or administration. This will enable local Partnerships to judge how best to meet local needs.

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?

44. Linking funding to performance sounds straightforward but in practice can be complex and, as the paper suggests, can lead to adverse outcomes. Some examples are given below.
- Reducing funding to Partnerships that are under-performing runs the risk of leading to lower levels of performance.
 - If there are financial rewards for achieving targets, this could discourage Partnerships from setting demanding targets.
 - Partnerships could be discouraged from taking experimental and innovative approaches to engaging young people if they risk financial sanctions.
45. On balance we would support an approach where funding is based on:
- an assessment of the need in the area
 - clear target-setting processes (which could include elements such as customer satisfaction)
 - systems of active support and intervention to raise quality where there is cause for concern – the FE standards fund could provide a useful model.

QUESTION 20

Do you support the development of an Innovation Fund?

QUESTION 21

Are the priorities suggested the right ones?

46. LSDA fully supports the development of an innovation fund and agrees that the examples identified seem appropriate. There is a need for the service to innovate, but innovation involves risk and it is right that the service should share the risks as it will share the benefits. It is also worth noting that access to an innovation fund, which can be exciting and motivating for staff, is one way of rewarding good performance without giving more resources to an organisation than it needs.
47. An innovations fund that is bid for, risk assessed and selected on merit – possibly only from those Partnerships who are already performing above benchmark – would be a positive step.

QUESTION 22

Do you support the idea of 'Beacon' status?

48. We support the idea of Beacon status if it is an award for performance in a number of predetermined and transparent aspects that are clearly above a benchmark.
49. We also wholeheartedly support the value of disseminating best practice to help other Partnerships to improve. However, our experience has also shown that it is important to support effective transfer of that practice to different contexts.
50. There are a number of issues that remain unclear and which may need further investigation.
- How will Beacon status be awarded? Will it be through the inspection process or will it have its own selection and celebration process?
 - How long will the status last?
 - At the other end of the spectrum, are there likely to be Connexions Partnerships 'in special measures'?
51. We agree that it would be unfair for such an opportunity to come on line before all Partnerships were in place. This lead-in time would give time for the development of criteria and systems for awarding Beacon status that may, for example, be derived from the school or college sector or be based on the Business Excellence model.

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