



Changes to 16-19 education funding

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This note gives an overview of recent changes to the funding of education and training for 16-19 year olds. It provides general background and also covers the roles of the new funding agencies, the funding formula used to determine allocations and issues emerging from the transfer of planning and funding responsibilities from the Learning and Skills Council to local authorities.

Information in this note applies to England only.

Library Research Paper 09/15 [Apprenticeships, Skills, Children and Learning Bill: provisions for children, education and learners](#) (18 February 2009) provides background on the legislative basis for the funding transfer.

Library Research Paper 09/33 [Apprenticeships, Skills, Children and Learning Bill: Committee Stage Report](#) (22 April 2009) is also of relevance.

Library Standard Note SN/SP/04581 [School funding](#) (21 May 2009) gives information on pre-16 funding.

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1 Introduction

1.1 Key changes

From April 2001 to March 2010, the Learning and Skills Council (LSC) was responsible for commissioning and funding provision for 16-19 year olds. This included funding for schools, sixth-form colleges and general further education colleges, work-based learning and apprenticeships. The LSC was also responsible for commissioning and funding adult provision.

In April 2010, following the enactment of the relevant parts of *The Apprenticeships, Skills, Children and Learners Act 2009*, responsibility for commissioning and funding all 16-19 education and training was transferred to England's 150 local authorities.¹ At the same time, a new body, the Skills Funding Agency (SFA), assumed responsibility for funding adult provision. The transfer amounts to around £7 billion of funding annually. Local authorities are supported by the new Young People's Learning Agency (YPLA), Regional Planning Groups (RPGs) and 43 Sub-Regional Groups (SRGs). These new bodies will also be expected to work closely with a new National Apprenticeship Service.

The changes to funding and commissioning take place in the context of reforms to other aspects of 14-19 policy, including: the raising of the education and training participation age to 17 by 2013 and 18 by 2015; the roll-out of new types of qualifications and pathways such as diplomas; and the reform of information, advice and guidance services.

¹ Local authorities also assume funding responsibility for those up to the age of 25 with a learning needs assessment.

At the time of writing, the new system is in its very early stages of operation. Potential issues repeatedly identified by commentators during the run-up to the introduction of the new system include:

- Local authorities' capacity to make the transition from working primarily with schools to working with many different types of providers, including colleges.
- The complexity of the planning process – particularly in areas where travel-to-study patterns are diverse.
- The number and complexity of bodies overseeing planning and funding.

2 Policy and legislative background

In March 2008, the former Department for Children, Schools and Families (DCSF) and the former Department for Innovation, Universities and Skills (DIUS) published a white paper, *Raising expectations: enabling the system to deliver*.² Key proposals included:

- Raising the participation age for education and training to 17 by 2012 and then to 18 by 2015, a measure subsequently brought forward in The *Education and Skills Act 2008*.
- Confirmation that 16-19 funding would transfer from the LSC to local authorities, and an undertaking to consider a unified 14-19 funding system in due course.
- The creation of the YPLA to support local authorities in this role.
- The creation of the SFA to take over the funding functions in relation to adult (19+) skills.

The White Paper was accompanied by a consultation document, the responses to which were published as a [report](#) in July 2008.³

The legislative framework for the new 16-19 funding system is the *Apprenticeships, Skills, Children and Learning Act 2009*, which received royal assent in November 2009. Part 2 of the 2009 Act outlines local authorities' new functions; Part 3 establishes the YPLA; and Part 5 provides for the dissolution of the LSC. For more details on the background to the 2009 Act, please see Library Research Papers 09/15 [Apprenticeships, Skills, Children and Learning Bill: provisions for children, education and learners](#) (18 February 2009) and the subsequent Library Research Paper 09/33 [Apprenticeships, Skills, Children and Learning Bill: Committee Stage Report](#) (22 April 2009).

In anticipation of the funding transfer, the former DCSF provided funding for the *Raising Expectations Action Programme*, known as React. React's role is to support local authorities as they take on responsibility for the commissioning and funding of 16-19 education.

In February 2010, React published its final version of *Commissioning and funding 16-19 education and training: a high-level guide*, which outlines the responsibilities of local authorities and other key agencies.⁴

² DCSF and DIUS, *Raising expectations: enabling the system to deliver*, March 2008, CM 7348,

³ DCSF and DIUS, *Raising expectations: enabling the system to deliver. Summary of the events and written responses.*, July 2008

More information about the React programme can be found on the Local Government Association's [website](#).

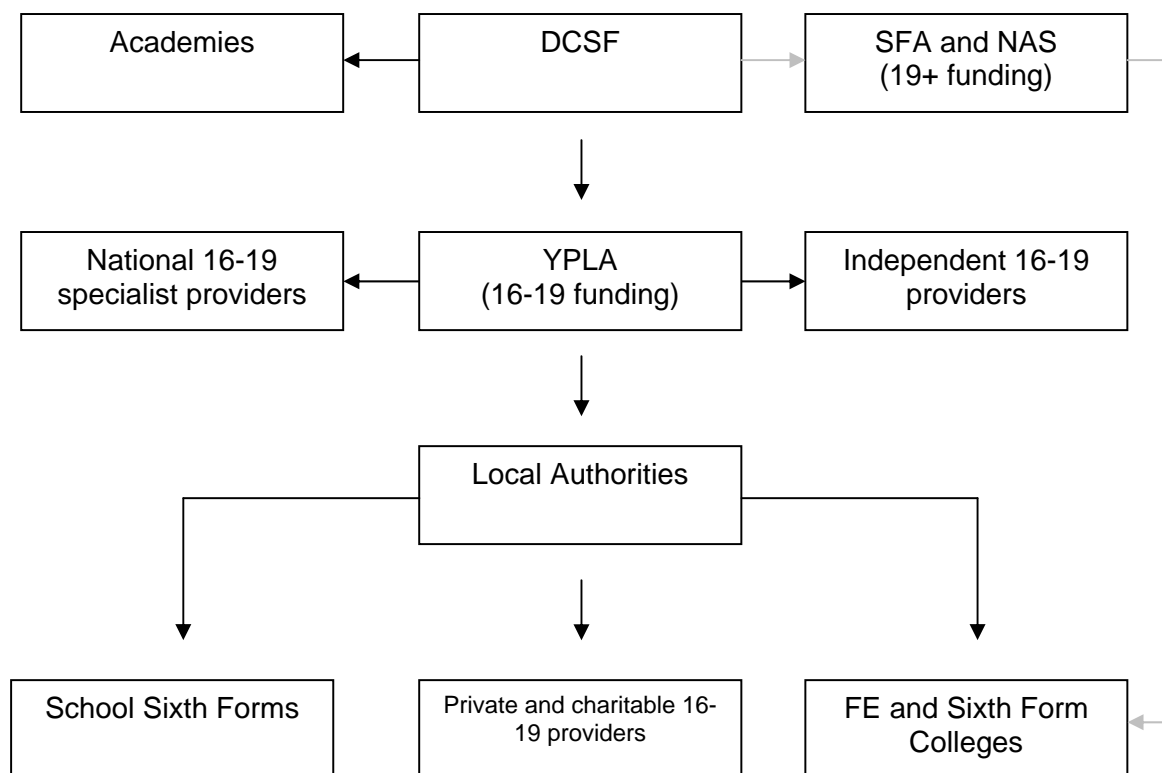
3 The New System

3.1 Funding and planning

Details of the commissioning arrangements are set out in a document called the *National Commissioning Framework* (NCF), the [final version](#) of which was published in April 2010.⁵ It is important to note that local authorities do not take full control of the end-to-end commissioning and funding process until the 2011/12 financial year. Allocations for the year 2010-11 were substantially agreed by the LSC prior to its dissolution; local authorities, however, assumed responsibility in April 2010 for the delivery of payment to providers. The YPLA, working with individual local authorities, will introduce a system of 'in-year' funding adjustment for 2010/11 to deal with situations in which providers have significantly under-or over-performed in terms of student recruitment.

At first glance, the new funding and planning mechanisms appear fairly complex. The following diagram is an attempt to show the *main* 16-19 funding flows under the new system:⁶

Diagram 1 – funding flows



⁴ React, *Commissioning and funding 16-19 education and training. April 2010 – March 2011*, February 2010

⁵ YPLA, *National Commissioning Framework*, April 2010

⁶ The diagram gives an overview only. Some funding flows are omitted – for example, the diagram does not show those relating to provision for those in youth custody.

As the above diagram indicates, the Young People's Learning Agency (YPLA) will directly fund existing academies. Whilst it will be the job of local authorities to assess local need for apprenticeship places, actual commissioning and disbursement of apprenticeship funds will be undertaken by the National Apprenticeship Service (NAS).

The 16-19 planning and commissioning process will involve liaison between a significant number of new and existing bodies, including (but not limited to):

- *Regional planning groups*

These include representation from local authorities, the Regional Development Agency, the YPLA, the National Apprenticeship Service, the Skills Funding Agency, and learning providers. There are nine RPGs, one for each Government Office region. They will provide oversight of the planning process and ensure that commissioning decisions meet regional needs.

- *Sub-regional groupings*

Sub-regional groupings are comprised of multiple local authorities and are intended to provide a mechanism for ensuring coherent planning in situations where post-16 learners travel across local authority boundaries to learn. The 32 London local authorities have formed one sub-regional grouping; some areas are effectively in a sub-regional grouping of one – for example, Cumbria local authority.

- *Government offices*

- *Local authorities*

- *Children's trusts*

Established by The *Children Act 2006*, and legally must include strategic health authorities, primary care trusts (PCTs), police authorities, local probation boards, Youth Offending Teams, Connexions partnerships, and district councils. They are charged with developing a Children and Young People's Plan to improve outcomes in the local area.

- *Local 14-19 partnerships*

Members can include schools, colleges and other providers, representatives from the Connexions service, local employers, and HEIs

- *Individual providers*

- *The YPLA*

- *The SFA and the NAS*

The intention is for each school, college or other provider to have one single point of contact (usually, at the local authority level) for 16-19 commissioning, planning and funding discussions. The *National Commissioning Framework* provides a proposed timetable for the commissioning process - which gives an indication of how the different bodies will relate to

each other, and at what point, during the commissioning process.⁷ This timetable is included as **Annex A** to this note.

3.2 Disputes

In the first instance, it is expected that provider disputes or complaints about funding allocations (or other issues) will be dealt with through discussion at the local authority level. Where this fails, the complaint will then be subject to an independent internal review within the authority. Should this fail to resolve the complaint, the issue is then passed to a sub-committee of the Regional Planning Group (see section 3.1 above). The sub-committee should be chaired by either the YPLA or by another local authority. Section 9.4 of the React *High Level Guide* document contains further details of the dispute resolution procedure and of the timescales that should be adhered to.⁸

3.3 16 -19 funding formula

In common with previous years under the LSC regime, funding allocations for 16-19 year-olds will be calculated using a common national funding formula which takes into account a wide number of factors. The outline formula is given below:

$$\begin{aligned} & \text{Standard Learner Number (SLN)} \\ & \quad \times \\ & \quad \text{National Funding Unit (NU)} \\ & \quad \quad \times \\ & \quad \quad \text{Provider Factor (PF)} \\ & \quad \quad \quad + \\ & \quad \quad \quad \text{Additional Learning Support (ALS)} \end{aligned}$$

The Standard Learner Number is a measure of the volume of learning or intensity of study being undertaken by an individual – e.g., someone taking three 'A' Levels would generate a higher SLN than someone taking only one 'A' level.

The National Funding unit – sometimes known as the national rate - is an amount of funding per full-time student equivalent. It is important to note that the NU rate is different for school and college provision. For 2010-11 the national rate per learner for schools is £3007. For colleges, it is £2920.

The provider factor is a complex part of the equation, and, as the name suggests, is provider-specific. Among other things, it takes into account success rates, the relative cost of delivering different learning programmes, students' deprivation level, and any additional area costs (for example, providers in London and the South East qualify for area cost uplifts on account of the higher wage, capital, and other costs).

Additional learning support is intended to reflect the higher cost of supporting those with additional learning needs.

⁷ YPLA, *National Commissioning Framework*, April 2010
⁸ React, *Commissioning and funding 16-19 education and training. April 2010 – March 2011. High-level guide for local authorities*, February 2010

Documents providing more detailed information on the current funding formula, and additional funding streams, include:

- The LSC's [16 to 18 Funding Guidance 2010/11. Funding Rates](#), published in March 2010
- The YPLA's [Technical Annexes: National Commissioning Framework](#), published in April 2010

There has been a long-standing debate about the funding 'gap' between school sixth forms and 16-19 provision in colleges. It is widely expected that the change to local authority control and the continued use of a national funding formula may lead to greater equity between schools and other providers. However, some have contended that this is likely to be achieved by bringing school funding closer to the level of colleges, rather than by raising college spending to the level of schools.⁹

In its *Raising Expectations* White Paper consultation, the former DCSF tabled the idea of a single funding formula for all 14-19 provision; 70% of respondents were broadly in favour of this option. In a journal article for the Institute for Public Policy Research (IPPR), Julian Gravatt of the Association of Colleges (AoC) assesses the likelihood of a move to a single pre-19 funding formula:

Councils have more than 20 years' experience in funding schools and in running local funding systems to do so. National government has taken an increasingly interventionist approach to the design of these formulae but has let councils come to local decisions about how to interpret national rules. An obvious reaction from councils to their new 16-19 responsibilities will be to seek a convergence in funding systems between schools and sixth forms. This will not be an easy task because secondary schools are largely funded at fixed rates per student while sixth form education is funded by qualification taken. But technical difficulties are unlikely to stand in the way of ambitious councillors, particularly if they can make a case about efficiency.¹⁰

4 Issues

4.1 Local authority – capacity

In July 2009, the National Foundation for Educational Research (NFER) published [Mapping the terrain: 16-19 funding transfer](#). The report concluded that the level of preparation for (and likely success of) the funding transfer was highly dependent on the strength of existing relationships between local authorities, Learning and Skills Councils (LSCs) and providers in the area.

In January 2010, the Association of Learning Providers (ALP) released findings of a survey of members' perceptions of local authorities' preparations for the funding transfer. Those surveyed expressed low levels of confidence about local authorities' knowledge of private training providers.¹¹ Elsewhere, organisations representing colleges have expressed concern that local authorities may not be sufficiently familiar with the work of their member institutions. For example, in evidence to the former Business, Innovation and Skills (BIS) Select Committee, the 157 Group of Colleges stated:

⁹ See for example [report to Walsall schools forum](#), June 2009

¹⁰ Gravatt, J., "Trends and funding", in Dolphin, T., and Clifton, J. (eds) *Colleges 2020*, April 2010, IPPR, Pp 16

¹¹ See "[Private training providers fear ignorance will cost them contracts](#)", *TES*, 12 March 2010

The 157 Group remains concerned over Local Authorities' understanding of the FE offer. The use of FfE [Framework for Excellence]¹² by Local Authorities for commissioning high quality learning places is a much repeated but major concern. The arguments are well rehearsed; there are concerns over 'like for like' measurements and difficulties in measuring across diverse provision. In addition, we would argue that LAs do not yet fully understand the role and work of the FE sector. We would welcome further discussion on this area.¹³

4.2 Organisational complexity

Concerns about potential complexity in the commissioning process have been apparent since consultation on the funding transfer began in 2008. In particular, some are concerned about the involvement of multiple bodies in the commissioning process, and the burden this may place on both commissioners and providers. The report of consultation responses to the *Raising expectations* White Paper noted:

Respondents concerns over the level of complexity and bureaucracy that the reforms might bring to the system was a strong theme in the responses.

Those who disagreed with the proposal to move the responsibility for pre-19 funding for education and training from the LSC to local authorities thought the system proposed would increase bureaucracy and delay a demand-led approach. Respondents believed there was a danger, even with the creation of the YPLA, that provision would become fragmented. There is a need for further detail on how bureaucracy will be managed to avoid adding extra administration costs and possibly taking resources away from delivery.

Respondents were also concerned that providers might encounter a more bureaucratic process when being commissioned to provide education and training. They thought that providers might have to have many more planning and commissioning conversations than they have now and asked for further reassurance around the single commissioning conversation.

They were also concerned that all the levels in the system (local, sub regional, regional, and national) might lead to delays in the decision making process. They asked whether decisions will be passed between boards before being made and communicated to providers.¹⁴

In their response to draft versions of the *National Commissioning Framework*, the AoC warned that the complexity of the system may exacerbate the delays in payments to providers that existed under the LSC system:

It has proved very difficult for the LSC to make allocations on time. The LSC has been late in making allocation in most years since 2004. The introduction of a common 16-18 funding approach in 2008 has improved things somewhat because of a perceived need to make school sixth form allocations by 31st March and the decision to make other allocations in tandem with this. Delays are unacceptable for reasons set out above (in paragraph 7). The reasons for the delay are explained by the pressure points in the existing system:

¹² Framework for Excellence is the performance assessment tool used to assess the quality of providers receiving public funds for training. For more information, see the [SFA website](#).

¹³ 157 Group, *BIS Select Committee Inquiry: Skills Funding Agency and Government policy in respect of Further Education funding, Evidence from the 157 Group*, January 2010

¹⁴ DCSF and DIUS, *Raising expectations: enabling the system to deliver. Summary of the events and written responses*, July 2008, paras 134 -137

- Late confirmation of the overall budget by the Treasury and DCSF.
- The gap between available funds and demand from institutions which creates conflict and which often causes delay.
- The difficulties involved in getting comprehensive and reliable information on current year demand (i.e. from autumn term enrolments) and ensuring that these are used in funding decisions.
- The short gap between GCSE results in August and the start of the next academic year, which makes it difficult to forecast demand from 16 year olds. Common Application Processes provide more data about demand but do not solve this problem.
- The uncertainty about demand created by changes in local organisation (e.g. new academy sixth forms), new buildings, curriculum change (e.g. Diplomas) and changes in wider society.

These pressure points will continue and, in addition, there will be new ones:

- The involvement of Councils in the process, some of whom will require several layers of consultation and approval before decisions are made.
- The complex chain of command involved in regional planning groups and sub-regional groups.
- The division between the YPLA and SFA which could entrench existing conflicts over budgets for apprenticeships and students with learning difficulties.

College leaders remain extremely concerned that the Key Deliverables timescale is an estimate only and that slippage will result in hasty decisions to meet the 31st March deadlines for confirming school and college budgets.¹⁵

It is intended that providers should have access to a single 'lead commissioner' (usually, a particular local authority) to ensure the 16-19 funding process is as streamlined as possible.¹⁶ Nevertheless, further education colleges and other organisations offering provision across the 14-19 and adult age range will need to negotiate with at least two bodies (the local authority and the new SFA) and very possibly more, in order to secure funding.

4.3 Commissioning - planning for pupil movement

As discussed above, the new commissioning arrangements require neighbouring local authorities, where appropriate, to form 'sub-regional' groupings in order to plan effectively for the movement of students across local authority boundaries. The geographical size of the sub-regional groupings, and the number of authorities involved, varies greatly across the country. For example, all 32 London boroughs have formed one sub-regional grouping, whereas some local authorities covering large geographical areas are effectively in a sub-regional 'group' of one. Some commentators have observed that even these arrangements risk not being flexible enough to take into consideration extremely complex patterns of learner movement across local authority boundaries.

¹⁵ AoC, *National Commissioning Framework, response from the Association of Colleges*, February 2010

¹⁶ For more information about lead commissioners, see paragraphs 61-68 of the *National Commissioning Framework*

There have also been concerns raised about whether the new system is sufficiently flexible to accommodate movement across the Wales – England border. In a report in March 2010, the Welsh Affairs Select Committee recognised that steps were being taken to address this issue, but concluded that the situation would need monitoring:

From April 2010, following the abolition of the Learning and Skills Council, England's colleges will be funded by local authorities for the education and training they provide to 16-19 year olds. The Young People's Learning Agency will assist local authorities with this task, and will publish guidance in the form of a National Commissioning Framework, setting out the core requirements for planning, commissioning, procuring, funding and accountability of education and training for 16-19 year olds. John Landeryou, Director, Further Education, Department for Business, Innovation and Skills said that the current arrangements in England did enable further education learners to cross the border if that was more convenient for them or if they wanted to attend a specialist course, and that although new guidance was being prepared, the intention was to continue to enable that freedom of movement.

...

Further education cross-border arrangements must enable learners to benefit from the most appropriate education for them and prevent the border from acting as a barrier. We welcome the publication of revised guidance by the Welsh Assembly Government and the undertaking of the Department for Children, Schools and Families to reconsider its guidance on reciprocal arrangements in border areas. We also welcome the intention of the Welsh Local Government Association to liaise with the English sub-regional groups which have been established to plan the local provision of education and training. We believe that these measures, if properly implemented, will support colleges in their recruitment and students in their search for the right course. We recommend that our successors in the next Parliament check that the arrangements are fully in place and are delivering effectively.¹⁷

4.4 Implications for capital programmes

In March 2009, following an internal LSC review, it became apparent that there were very serious problems with the funding body's extensive FE college re-building programme. A report from the former Innovation, Universities, Science and Skills Select Committee summarised the situation:

[I]n December 2008, after three years of considerable and welcome expansion, the LSC suddenly froze consideration of applications which were due for decision. On 16 January 2009 colleges which had expected to receive multi-million pound contributions for their projects, having received so-called 'Approval in Principle', were told that "a small number of applications that were due for decision—both in-principle and in-detail—have been deferred from December to March." It began to become clear that as the Rt Hon John Denham MP, the former DIUS Secretary of State, told the House of Commons on 3 February, "many more schemes [were] currently in preparation than [could] be funded in this spending round." On 27 January 2009 Sir Andrew Foster, former Chief Executive of the Audit Commission and author of the major 2005 report on FE, *Realising the Potential*, was appointed to review the capital programme by John Denham and the Chairman of the LSC, Chris Banks CBE. Mark Haysom CBE, the Chief Executive of the LSC, resigned on 23 March, shortly before Sir Andrew Foster's

¹⁷ Welsh Affairs Committee, *Cross-border provision of public services for Wales: follow-up*, 2 March 2010, HC 26, paras 10-12

review, *A Review of the Capital Programme in Further Education*, was published on 1 April 2009.¹⁸

On 6 April 2010, the Business, Innovation and Skills Select Committee published a further critical report, *The Skills Funding Agency and further education funding*.¹⁹ On the issue of capital projects, it concluded:

The previous mismanagement of the capital fund by the LSC resulted in significant damage and disruption to colleges. Although the Government is confident that it has strengthened oversight of the capital budget, it has also introduced a more complex system, with many more stakeholders. It is vital that the various funding streams which make up a college's capital budget do not affect a college's ability to expand or enhance its estate. While we welcome the close working between the YPLA and the SFA we remain deeply concerned that capital funding streams from both organisations, together with Local Authority involvement, just cannot deliver a simplified or efficient system of capital investment for colleges. Indeed, the management of capital budgets at college level has been made significantly more complex.²⁰

Giving evidence to the Committee, the Labour Government said that it intended to publish an overarching single capital strategy for post-16 education in England, and that it was currently consulting key agencies on this issue.²¹

5 Party proposals on funding system and administration

On 16 April 2010, the *TES* reported that, should the Conservatives win the election they would press for 'early legislation' to reform the funding mechanisms for FE:

Shadow skills minister David Willetts will press for early legislation to establish a further education funding council to replace the recently created skills and young people's agencies, should the Conservatives win the general election.

Mr. Willetts, who took part in a live webchat with FE Focus readers last Thursday, said he would hope to move fast before the new Skills Funding Agency and the Young People's Learning Agency, launched on April 1, had a chance to "put down roots".

In response to a question on waste in funding systems, Mr. Willetts said: "I believe the funding system for FE is far too complex and can be made far simpler with a single funding agency and a per capita funding formula (with the obvious weightings) and flexibility for in-year virement (transfer) of funds."²²

In an online interview with the *TES* on 29 March 2010, the then Liberal Democrat education spokesman Stephen Williams said that his party would also institute change, and favoured the creation of funding council for further and higher education, to be called Council for Adult Skills and Higher Education (CASHE).²³

¹⁸ Innovation, Universities, Science and Skills Select Committee, *Spend, spend, spend? – the mismanagement of the Learning and Skills Council's capital programme in further education colleges*, 6 July 2009, para 2, HC 530

¹⁹ Business, Innovation and Skills Select Committee, *The Skills Funding Agency and further education funding*, 30 March 2010, HC 347.

²⁰ *Ibid*, para 66

²¹ *Ibid*, Ev. 44

²² "Tories would move fast to legislate for funding council", *TES*, 16 April 2010

²³ See "'Enhanced future' for FE is a must, say Lib Dems", *TES*, 2 April 2010

At the time of writing, there has been some limited further information from the coalition Government about its plans for the 16-19 funding system – but little detail about any reform of the new planning and funding structure. The [Coalition: our programme for government](#) document, published on 20 May 2010, said the intention was to “set colleges free from direct state control and abolish many of the further education quangos. Public funding should be fair and follow the choices of students.”²⁴

On Monday 24th May 2010, the Chancellor George Osborne gave further details of the savings individual Government departments and their agencies would be expected to make in order to tackle the budget deficit. These included £600 m from cutting the cost of quangos, including £80 million from closing the British Educational Communications and Technology Agency (BECTA) and other savings in Department for Education quangos. A HM Treasury [press notice](#) confirmed:

[S]chools, Sure Start and spending on 16-19 year-olds will be protected from any in-year spending cuts.

Efficiency savings made within schools, Sure Start and 16-19 education will be recycled within their respective budgets.

The Department for Education will still make savings of £670m from reducing waste and quango costs elsewhere in its budget.

...

16-19 core participation funding will be maintained in 2010-11.²⁵

²⁴ HM Government, [The Coalition: our programme for government](#), 20 May 2010, p. 31

²⁵ HM Treasury press notice PN 04/10, [Government announces £6.2bn of savings in 2010-11](#), 24 May 2010

Annex A

2010	
Analysis and planning	
May onwards	YPLA supplies data and analysis to local authorities
May-July	Local authority uses data from YPLA and other local data (including intended destinations from Connexions) to provide analysis of likely local need
June/July	Local authority, working with 14-19 partnerships and SRGs, reviews its 14-19 plan to identify local priorities and develop an interim local commissioning statement Early dialogue with providers to discuss performance and future plans
July onwards	Local authorities share early information on planning, in the form of an interim local commissioning statement, with SRGs and RPGs.
National and local commissioning statements	
July-October	Work to develop local plans
October-November	Grant letter issued by DCSF YPLA issues national commissioning statement
November	YPLA provides local authorities with an initial funding position, based on 2010.11 allocations data. RPG produces a regional commissioning statement Local authorities confirm local commissioning statements Apprenticeship, independent specialist providers and specialist provider places aggregated across the SRG
November-December	YPLA confirms the national funding rate YPLA provides local authorities with an updated funding position
October-December	Dialogue between lead commissioners and providers on allocations
December	Indicative distribution of funds from YPLA

2011	
Finalising allocations	
January	Lead commissioner establishes baseline position for each provider
By February	Local authorities complete local commissioning plans and agree with SRGs RPGs moderate reports from SRGs and submit proposed regional commissioning plans to YPLA
February-March	YPLA considers and agrees regional commissioning plan
March	YPLA informs lead commissioners of each local authority's funding position Lead commissioners inform providers of final allocations
Contracting and funding	
May-June	Lead commissioner finalises local commissioning plan
May-August	Local authorities issue contracts to providers, who sign and return them
August	Payments to providers begin

Adapted from Table 1 in the YPLA's *National Commissioning Framework* document.²⁶

²⁶ YPLA, *National Commissioning Framework*, April 2010, p 11-12