LSDA responds

Agenda for change: funding reform – technical proposals

LSDA's mission is to improve the quality of post-16 education and training in England, Wales and Northern Ireland. We do this through research to inform policy and practice, through helping to shape and communicate education policy and through improvement and support programmes for organisations that deliver post-16 education and training.

Further information

Introduction

1 The Learning and Skills Development Agency (LSDA) welcomes the chance to respond to the Learning and Skills Council (LSC) *Agenda for change: funding reform – technical proposals.* We base our response on a wide range of contacts with the LSC and providers over several years and an extensive set of research projects on aspects of funding that we have managed or delivered.

2 Before responding to the specific questions raised we would make some general points.

3 We welcome the way in which the LSC has worked in partnership with the sector to develop proposals for reform. It is encouraging that this participative approach is continuing to guide the arrangements for implementation.

4 We also welcome the general thrust of the proposals and particularly the move towards funding simplification. The attenuation of the link between the detail of learners' programmes and the detail of college funding not only allows simplification but also removes some incentives to perverse behaviour.

5 We also strongly support steps to harmonise arrangements for determining funding across all the sectors for which the Learning and Skills Council (LSC) has responsibility.[1] The direction of change should make it easier to achieve the overall aim of a single funding system for all post-16 learning covered by the LSC and contribute to the creation of a common approach to funding all post-16 learning.

6 In the light of the above we believe that it would have been possible to make more rapid progress towards adopting a common funding system for school sixth forms and colleges and closing the funding gap we have shown to exist.[2] In technical terms it is far easier to reconcile school sixth form funding with further education than to incorporate either adult and community learning (ACL) or work-based learning (WBL).

7 The arrangements for the National Employer Training Programme also do not appear to be well integrated with the developing approach to funding mainstream provision. This could cause confusion for employers and others at a time when simplification and consistency should be guiding action.

8 We welcome the assurances given about stability and agree that stability of college funding is important in helping to ensure quality. The proposal that up to 10% of college budgets can be redirected each year may, however, be more destabilising than it appears because any reduction is likely to be concentrated on the small proportion of college budgets that represents individually driven adult learning.

9 We are also concerned at the increased capacity for central direction of college programmes in these proposals. This sits uneasily with more recent thinking about the importance of localism and the principle of public service reform which promise greater flexibility, delegation and devolution. The capacity of LSC to redirect some provision towards priorities ought perhaps to be counterbalanced by explicit recognition that some provision will be reserved for purely local assessments of need.

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[1] Further education, work-based learning, adult and community learning, school sixth forms and offender learning.

[2] Fletcher M and Owens G (2005). *The funding gap: funding in schools and colleges for full-time students aged 16–18.* LSDA.

10 Finally, we would underline the need for LSC to continue to sponsor independent and authoritative research on the costs of provision to underpin decisions about rates. The transparency of the process overseen by the National Rates Advisory Group (NRAG), the involvement of provider representatives, and the independence of its chair have done a great deal to maintain the confidence of the sector and it would be damaging were this to be lost.

Responses to questions

Question 1. Do you think Standard Learner Numbers (SLN) should be calculated using bands or a divisor? Or do you wish to suggest an alternative method of calculation?

11 On balance we would prefer funding to be allocated on the basis of bands rather than using a divisor. Of the two approaches the use of bands is most likely to encourage moves towards personalised learning and support the spirit of the 14–19 reform agenda. It will be argued by many that the use of divisors more accurately captures the full variety and complexity of the programmes offered by colleges; but if progress is to be made towards real simplification then an element of 'rough justice' is a price that must be paid.

12 One of the defects of the current FE funding model, where funding follows qualifications rather than the learner, is that additional resources are most readily acquired by increasing the size of learners' programmes. This gives a perverse incentive to institutions to add to students' programmes and has the adverse outcome that the most able students attract much more funding than the least able. Also, increased funding is available from increasing teaching but not normally from increasing other forms of learning support.[3] Using broad bands for funding would help institutions to plan how best to use all resources to support learners.

Question 2. If calculating using bands, do you think the number of bands suggested in Table 1 is right? If not, how many bands should there be?

13 We favour, for the reasons given above, a limited number of bands and the number proposed seems broadly right. We feel that it is inevitable that providers will review their programmes to take best advantage of the new arrangements and will tend to set guided learner hours (GLH) values towards the lower GLH values in each range. This should be anticipated and the precise band boundaries should be established at levels consistent with good practice.

Question 3. If using a divisor to calculate SLN values, do you agree with the suggestion that the divisor should be 450 GLH, with a cap at 650 GLH?

14 Yes.

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[3] The exception is additional learning support and the nature of qualification-led funding in part accounts for pressure to distort the ALS mechanism.

15 Although we prefer banding, if a divisor were to be used 450 GLH seems appropriate as the basic definition of a full-time learner since it aligns with current practice and definitions. It is not clear why 650 is proposed as an upper limit in this model, though we agree that there should be an upper limit. The level should be set to encourage the inclusion of enrichment activity in the higher banding and to reflect the fact that there is a clear role for intensive programmes of study. In setting the upper band regard needs to be had to the future application of these arrangements to school sixth forms, and the need to move towards a level playing field pending the introduction of a unified system.

Question 4. Do you agree that there should be an enhanced SLN factor for those learners on significantly larger full-time programmes?

16 Yes.

17 We agree with this if it means that there should be two funding bands for full-time learners; a 'standard rate' of 450–649 GLH and an enhanced rate for those at or over 650 GLH. This should help cope equitably with the fact that 16–18 year olds on full-time programmes often benefit from extended opportunities for enrichment activities and the development of key skills, whereas most adults prefer to focus on a more streamlined main programme. However, we would not wish to see this distinction limiting the opportunities of either young people or adults. As indicated in our answer to Question 3 the level of the enhanced factor should be set with explicit regard to comparability with practice in schools.

Question 5. Do you support the suggestions for measuring classroom-based and distance/electronic learning activity? Do you have any additional or different suggestions?

18 We do not support suggestions for measuring classroom-based and distance/electronic learning activity.

19 On balance we would prefer to see the measures of classroom activity based on the average practice of providers rather than the views of curriculum designers. There are clear advantages in drawing on the experience of a wide range of practitioners rather than a small number of curriculum designers. The present LSC system, which monitors practice and seeks to reflect changes in practice with changed funding, should not be dispensed with lightly.

20 We have strong reservations about the use of credit as a basis for funding. If credit is based on notional (or indeed real) learning time, as we have advocated, then it is very suitable for describing learners' achievements but not suitable for reflecting costs. An LSDA analysis, which is the only work we have seen on the subject, suggests that there is no correlation between learning time and GLH.[4]

21 We also have reservations about always using the standard GLH as a basis for funding distance or electronic learning. For example, if distance or electronic learning offered a more cost-effective way of delivering some programmes to some learners it could lead to a distortion in resource allocation and some inequity.[5]

Question 6. We would welcome your views on the initial suggestions for measuring the size of NVQs, as outlined in paragraph 24. Do you support these? Do you have any further/different suggestions?

22 We do not support the initial suggestions for measuring the size of NVQs.

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[4] Analysis carried out as part of the unitisation shadow pilot project for FEFC 1999 (unpublished).

[5] If, of course, it proved more cost effective for **all** learners it ought to become the standard approach.

23 We recognise the difficulties identified in applying formulaic approaches to funding NVQs but feel that the differences between NVQs and classroom-based learning can be exaggerated. Individuals following a classroom-based programme are just as likely to need varying amounts of support or varying lengths of time to complete a programme as NVQ learners. The difference is, as we commented in answer to Question 1, that the funding system has made it difficult to recognise such variation in the needs of learners as opposed to the average demands of qualifications. A move towards more personalised learning will mean that more attention will need to be paid to whether some individuals need to be fast tracked and others require extra support.

24 For this reason we support the view that funding should reflect an overall average cost of delivering a programme rather than trying to track individual learners' needs. It clearly ought to vary according to broad patterns of delivery and also by different subject areas and probably levels. It is not clear, however, how the values quoted in paragraph 24 are derived and what relationship they bear to observed differences in cost and any relativity with classroom costs.

Question 7. Do you support the view that SLNs should be counted based on starts and most recently available historic success rates, by incorporating the success rates into the provider factor?

25 Yes.

26 We agree that SLNs should be counted based on starts and that success rates should be included in the calculation of the provider factor. This will reduce bureaucracy and also make it easier to reconcile the different approaches to funding schools and colleges.

Question 8. Do you support the notion that the funding approach should include the possibility of having more than one co-funded rate?

27 Yes.

28 We believe that as individuals and employers are asked to assume a greater share of the responsibility for funding learning there may need to be greater differentiation in the rates of such contributions for different sorts of provision. There is a need for care, however, not to confuse the messages given to individuals and employers and for this reason the number of rates should be limited and set at national level only.

Question 9. Do you agree that these elements should be included in the provider factor? Should there be others?

29 We agree that the elements quoted should be included in the provider factor since research by LSDA and others has consistently shown that four of them have an impact on programme costs[6]. The exception is the success rate factor, and we acknowledge the political imperative to reflect this in funding, even though it has the effect of reducing the resources available to low achievers. We also agree that the specialist colleges uplift should not be included. LSDA research[7] has shown that there is no logical case for continuation of the uplift that was inherited by LSC. We wonder in the longer term whether an efficiency factor might be introduced to reflect the fact that some providers can operate more cost effectively than others.

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[6] The four elements quoted are average subject weighting, area cost adjustment, disadvantage and additional learning support.

[7] Fletcher M (2004). *LSC funding and specialist colleges.* LSDA.

30 While combining these elements in a single rate makes for a simplified presentation of the funding model we would note that the underlying complexity of calculation remains exactly the same, and that there is an additional risk of a loss of transparency about the process. LSC should find a way to address concerns that the nature of the provider factor allows scope for local idiosyncrasies to affect the process.

Question 10. We would welcome your views on the suggestions in paragraphs 48 (a) and (b) for calculating the values for disadvantage and additional learning support. Do you support the notion that they should be combined?

31 Yes.

32 We agree that there is a case for combining a large part of additional learner support (ALS) funding with the disadvantage uplift. In many cases in the past colleges developed imaginative interpretations of the ALS rules to help groups of learners who were simply struggling to cope and needed some extra general help. Sometimes the resulting expenditure was disallowed by auditors, which led to financial claw back and instability; and the system always required a substantial administrative overhead.

33 It is our view that this behaviour reflects an understandable response to the underdevelopment of the academic curriculum below Level 2, combined with the perverse effect of funding following qualifications. The move to fund learners on the basis of broad programmes through bands, rather than being tied closely to qualifications should help address this issue. In our view it should be possible to develop a formulaic approach that reflects, for example, the fact that ALS is much more likely to be needed by learners on lower level programmes.

34 We do not agree that prior attainment should be the basis for the disadvantage uplift. In further education, unlike schools and universities, there is the potential to calibrate the offer to a learner to their general level of prior attainment. Those with good GCSEs can proceed to Level 3; those who at the same age have not achieved any qualifications can be placed on Entry or Level 1 programmes. There is, however, a need to ensure that the resourcing of those programmes is commensurate with the needs of the learners on them; for some Entry-level programmes, for example, this may include the systematic provision of in-class learning assistants.

35 There remains a need for there to be a separate source of funding for those individuals who need very expensive support, normally because of serious physical disabilities or sensory impairment. We welcome the fact that there will be separate arrangements for these cases but need to know what the threshold will be. A figure no higher than the current £4500 threshold for reporting ALS costs would be appropriate rather than the £19,000 threshold that currently triggers additional funding.

Question 11. We are proposing to use a 50% proportion of the success rate in the provider factor. Do you agree that this gives the right balance between starts and success?

36 No.

37 We believe that the proportion of funding based on the success rate of colleges should be kept low. There is no evidence that it results in improved performance, and good reason for believing that it directs resources away from those who need them most. It is clear that the least able students and those facing serious disadvantages are less likely to succeed, whereas those with the highest levels of prior attainment are most likely to succeed. Institutions that elect to work with low achievers are therefore penalised to the ultimate detriment of their students.

38 Moreover the success rates for different types and levels of qualifications differ markedly. There is therefore a strong case for only using curriculum-adjusted rates. It is not clear how other measures of success, such as Entry to Employment or achievements monitored through the RARPA process, might be included in this approach.

Question 12. Do you agree that for larger providers, elements of the provider factor should be reviewed on a 3-year cycle? Which elements should be reviewed on a 3-year cycle and which annually?

39 In general we agree that a year review is a worthy aspiration for large providers though the significance of the factor suggests that there will inevitably be some annual negotiation. It is probable that success rates will need to be recalculated each year, particularly for those providers showing significant changes in performance. While the level of the disadvantage factor is unlikely to need frequent recalculation the proportion of the student body to which it applies could well do.

40 We would see the area cost factor as a relatively constant feature of the calculation. It should only change when the LSC changes the value or the scope of the factor, which ideally should be every 5 years. However, if in any one year there is a step-change in the factor for any institution then there is a case for phasing the change in over 2–3 years meaning that even this element could be subject to annual review.

41 It is perhaps more important that the calculation of the factor is clear and transparent so that discussions about it can be based on evidence. In this connection the continuation of arrangements for an independent and authoritative source of such evidence is considered to be vital.