

Department for Employment and Learning
Evaluation of Further Education Funding
Final report

August 2003

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Executive summary

Background and terms of reference

The Department for Employment and Learning is currently undertaking a strategic review of the role of further education in Northern Ireland. As part of this review, PricewaterhouseCoopers LLP were commissioned in October 2002 to undertake an evaluation of the way in which funding is allocated to FE colleges in Northern Ireland. The main aim of the evaluation is to assess the extent to which the funding mechanisms assist the Department in achieving its aims and objectives in an effective and efficient manner.

The main focus of the evaluation is on the funding formula, which allocates mainstream FE funding on the basis of the 'Student Powered Unit of Resource' (SPUR). The number of SPURs for each college are estimated on the basis of student and course profiles during three phases of activity, namely the recruitment phase (5% of funding allocated on this basis), the learning phase (85%) and the outcome phase (5-10%).

In addition, the evaluation is required to assess seven of the Department's key earmarked funds. These funds have been set aside in order to address a number of specific issues facing the sector, and the criteria for allocation is varied, depending on the particular fund. The earmarked funds which have been included in the evaluation are: Access Initiatives; Partnership Fund; Strategic Alliance Fund; Strategic Restructuring Fund; Support Funds; Skills Fund; and the Additional Support Fund.

In order to conduct the evaluation the PricewaterhouseCoopers LLP team undertook a research programme which included:

- Review of relevant policy and funding documents in NI and GB;*
- Review and analysis of existing statistical data relating to SPURs and, more specifically, course and student profile across all colleges in NI;*
- Interviews with officials in DEL and other 'sister' departments in GB;*
- Workshops with colleges, one set at the beginning of the assignment and one towards the end; and*
- A Baseline Information Return survey of all colleges.*

This Report presents the main findings from the evaluation.

Key findings in relation to the funding formula

Amongst the key findings to emerge from the research in relation to the funding formula are the following:

- **FE colleges have developed in line with the sector's strategic objectives;** colleges have generally been quite successful at responding to the strategic imperatives articulated by the Department. In terms of economic development, for example, FE provision in the Department's priority skills areas has steadily increased since the late 1990s. In some sectors, growth has been particularly marked, e.g. IT, in which enrolments increased by almost 170% between 1998 and 2001, and manufacturing engineering in which enrolments increased by nearly 125% over the same period);
- **Funding formula as a policy lever;** colleges have been developing in line with the sector's strategic priorities. However, there is little 'hard' evidence to indicate the extent to which the formula has influenced this. The views of the colleges in relation to the impact of the funding formula are mixed and have been summarised in the Table below.

Objective (i.e. strategic objective of FE sector)	Impact of funding formula (i.e. extent to which funding formula has helped colleges achieving objectives)
Supporting economic development	✘
Widening access to and increasing participation in FE	✓
Enhancing the quality of FE provision and raising standards of achievement	●
Promoting an effective and efficient sector	✘✘

Note: illustrative and based on the results of the Baseline Information Return survey of colleges in NI. As such it represents the views of the colleges only.

✘ indicates a negative impact; ✘✘ indicates a significant negative impact; ● indicates a neutral impact; ✓ indicates a positive impact; and ✓✓ indicates a significantly positive impact.

- **Key feature which may limit its effectiveness;** the colleges reported that many students come to the colleges having already formed an idea about the subjects they wish to study. It may not be possible to change their minds if they wish to undertake a course which is not in a priority skills area – nor would it necessarily be right to try to do so;
- **Positive impact on encouraging delivery of particular qualifications;** the survey of colleges suggests that the funding formula had successfully encouraged colleges to alter their behaviour to deliver particular types of qualification (e.g. AVCE);
- **Positive impact on widening access;** the funding formula has had a reasonably positive impact in relation to widening access to learning amongst various groups of non-traditional learners (e.g. those from TSN areas and those with SLDD). Feedback from colleges suggested that the formula's

weightings in relation to such learners had, to some extent, encouraged colleges to provide for them;

- ***Key features of the formula which limit its efficiency;*** *the specification of the funding formula causes a number of planning related difficulties which adversely impact on the efficiency of colleges and the sector in general:*
 - *The relative system of funding, in which the value of the unit of resource (the SPUR) depends on the amount and type of activity across all colleges;*
 - *The competitive nature of the sector encourages colleges to ensure that they maintain their share of total SPURS and consequently their share of available funding. This leads all to seek to expand and therefore reduce the per capita unit of resource, perhaps unsustainably; and*
 - *The retrospective nature of the funding in effect over-funds colleges in decline (or more precisely relative decline), while penalising growing Colleges. This conflicts with the Department for Employment and Learning's strategy of increasing participation in Further Education.*

Key findings in relation to Earmarked funds

Given the lack of quantified monitoring information, our assessment of the EMF was based on the college views as expressed in the BIR. These should be treated with caution as they may contain an element of bias. Nevertheless, one of the interesting findings from our research was that, in relation to a number of key issues, different colleges often had different views about different earmarked funds. This reflects the fact that not all colleges received funding from all earmarked funds, and some funds were more relevant for some colleges than for others. Nevertheless, a number of broad findings emerged from our research in relation to the earmarked funds are summarised as follows:

- **Links between clear objectives, effective levers and positive outcomes;** *one of the positive features of the earmarked funds is that the Department has clearly articulated what each of them is trying to achieve. This clarity in relation to the objectives of each of the funds means that they have generally acted as effective policy levers, i.e. the existence of the funds has generally resulted in colleges undertaking the kinds of activities and generating the kinds of outcomes, which the Department has been trying to encourage. This is reflected in the survey returns from colleges in which colleges generally thought that most Funds had been at least ‘quite successful’ in terms of achieving their objectives;*
- **Unfavourable cost-benefit ratio;** *perhaps the most important difficulty with the earmarked funds is that too much resource is required to administer them. This relates mainly to the application process, which colleges generally viewed as being overly burdensome. It also relates to the audit / scrutiny process which was burdensome on colleges and, in addition, requires direct payments by the Department to auditors. Given the relatively modest amounts of funding actually made available through the earmarked funds, the administrative resource input is too high;*
- **‘Strong on effectiveness, weak on efficiency’;** *combining the previous two points, our research suggests that the earmarked funds are quite ‘effective’, in that they generally impact well on their objectives, but are not ‘efficient’, because the inputs required to generate the outcomes are too high;*
- **Mainstreaming most earmarked funds;** *related to the previous point, a strong case can be made for ‘mainstreaming’ earmarked funding within the main funding process. Evidence from our survey of colleges shows that the overwhelming majority of colleges would favour a more mainstreamed approach to earmarked funding; and*
- **Rationalising the Department’s portfolio of earmarked funds;** *looking across each of the seven funds, there is some evidence to suggest that those which are focused on college-specific factors (e.g. the Restructuring Fund which focuses on staff restructuring within colleges) and learner-specific factors (e.g. the Support Funds and the Additional Support Fund which focus on widening participation amongst non-traditional groups of learners) are generally quite successful. This is in contrast to other funds which, in the views of many*

colleges, focus on activities and outcomes which colleges should be engaged in anyway as part of their day-to-day business (e.g. the Skills Fund which tries to promote NVQ 2 and 3 provision amongst adults, and the Strategic Alliance Fund which promotes collaboration between FE institutions). Within this context there is a clear case for the rationalisation of the Department's portfolio of earmarked funds, i.e. removing some of the funds (especially the Skills Fund and the Strategic Alliance Fund), and combining some of the others (e.g. Support Fund, and Additional Support Fund). The combination of these funds should yield cost savings in relation to application and administration.

Summary of key survey findings in relation to individual earmarked funds

	Success	Costs	Mainstreaming
	<i>Extent to which colleges viewed Fund as having been successful</i>	<i>Extent to which colleges thought that the costs of administering the Fund outweighed the benefits</i>	<i>Extent to which colleges thought Fund should become part of block grant</i>
<i>Access Initiative</i>	✓✓	xx	✓✓
<i>Partnership Fund</i>	✓	xx	✓✓
<i>Strategic Alliance Fund</i>	✓	xx	✓✓
<i>Strategic Restructuring Fund</i>	✓✓	x	✓
<i>Support Funds</i>	✓✓	x	✓
<i>Skills Fund</i>	✓	xx	✓✓
<i>Additional Support Fund</i>	✓✓	x	✓

Note: the Table illustrates the key findings emerging from the quantitative data gathered as part of the Baseline Information Return survey of college. As such it represents the views of the colleges only.

x indicates a negative impact; xx indicates a significant negative impact; ● indicates a neutral impact; ✓ indicates a positive impact; and ✓✓ indicates a significantly positive impact

I Introduction

Strategic and policy background

- 1.1 The Further Education (FE) sector in Northern Ireland (NI) is widely recognised as having an increasingly important role to play in ‘re-balancing’ the NI economy away from traditional, declining industries, and towards a range of dynamic, export-led, high value added sectors. The Department for Employment and Learning (DEL) acknowledges this in its latest *Business Plan* commenting that it ‘sees the economic purpose of the further (and higher) education sectors as central to their mission and will continue to promote their role in regional economic development.’¹
- 1.2 It is also widely recognised that FE colleges have a key role to play in relation to a range of equity-related features of current policy including widening participation, targeting social need and promoting social inclusion. This, in turn, is reflected in the latest DEL *Business Plan* which states that ‘widening access for groups under represented in higher and further education remains a key objective for 2002/03.’
- 1.3 These important roles are also reflected in the overall aims of the FE sector which are:
- To support economic development;
 - To widen access to and increase participation in FE;
 - To enhance the quality of provision and raise standards of achievement; and
 - To promote an effective and efficient sector.
- 1.4 To this end, the Department has allocated over £156m to the FE sector for the financial year 2002/03, more than four fifths of which is recurrent, and the remainder capital. The majority of recurrent funding is allocated to the colleges via a funding formula based on student activity. There is also a set of Earmarked Funds (EMFs) that have been ring-fenced for specific purposes.

¹ See Annex A for a list of the sixteen FE colleges in NI.

Terms of Reference

- 1.5 PricewaterhouseCoopers LLP (PwC) were commissioned by DEL in October 2002 to undertake an evaluation of funding for FE colleges in NI. The main aim of the evaluation is to assess the mechanisms by which DEL allocates recurrent and earmarked funding to the FE sector, and to assess the extent to which these assist the Department in achieving its aims and objectives in an efficient and effective manner.²
- 1.6 A key premise underpinning the study is that the specific mechanisms which are used by the Department to allocate funding are, in principle, likely to have an influence on the extent to which the Colleges deliver on their objectives. In a sense, the focus of the evaluation is on the extent to which the funding mechanism has acted as an effective *policy lever*, bringing about positive change in the outputs and outcomes delivered by the FE sector.
- 1.7 The funding mechanisms to be examined include the FE recurrent funding formula, along with the following EMFs:
- Access Initiative Fund;
 - Partnership Fund;
 - Strategic Alliance Fund;
 - Strategic Restructuring Fund;
 - Support Fund (discretionary);
 - Skills Fund; and
 - Additional Support Fund.
- 1.8 Each of the above is to be evaluated against their individual aims. These aims are detailed in Table 1.1.

² See Annex B for the specific issues to be addressed that were identified in the Terms of Reference

Table 1.1: Aims

Funding formula
<ul style="list-style-type: none"> • A distribution methodology to ensure that colleges are funded on an equal basis; and • To promote and target resources towards the strategic goals for the FE sector.
Strategic restructuring fund
<ul style="list-style-type: none"> • To raise standards and improve quality, support economic development, widen access / increase participation and promote an effective sector.
Access initiative fund
<ul style="list-style-type: none"> • Widening access to and increasing participation in FE by disadvantaged groups or individuals in line with the objectives of New TSN.
Partnership fund
<ul style="list-style-type: none"> • To widen access to and increase participation in FE by building partnerships between colleges and other stakeholders in the community in order to drive up demand locally and help provide the infrastructure to meet that demand.
Strategic alliance fund
<ul style="list-style-type: none"> • To enhance quality in colleges through the development of increased collaboration between colleges.
Support funds
<ul style="list-style-type: none"> • To widen access and increase participation in FE of groups under-represented in the sector, including those on low incomes and/or with disabilities or with learning difficulties.
Skills fund
<ul style="list-style-type: none"> • To encourage colleges to develop innovative ways to recruit and deliver courses to adult students (aged 19 and over) to vocational courses, either full-time or part-time, at Levels 2 and 3 in the skills areas identified as important for the regional economy.
Additional support fund
<ul style="list-style-type: none"> • To widen access and increase participation in FE from groups previously underrepresented.

Structure of report

1.9 This report sets out the key findings from the evaluation and is structured as follows:

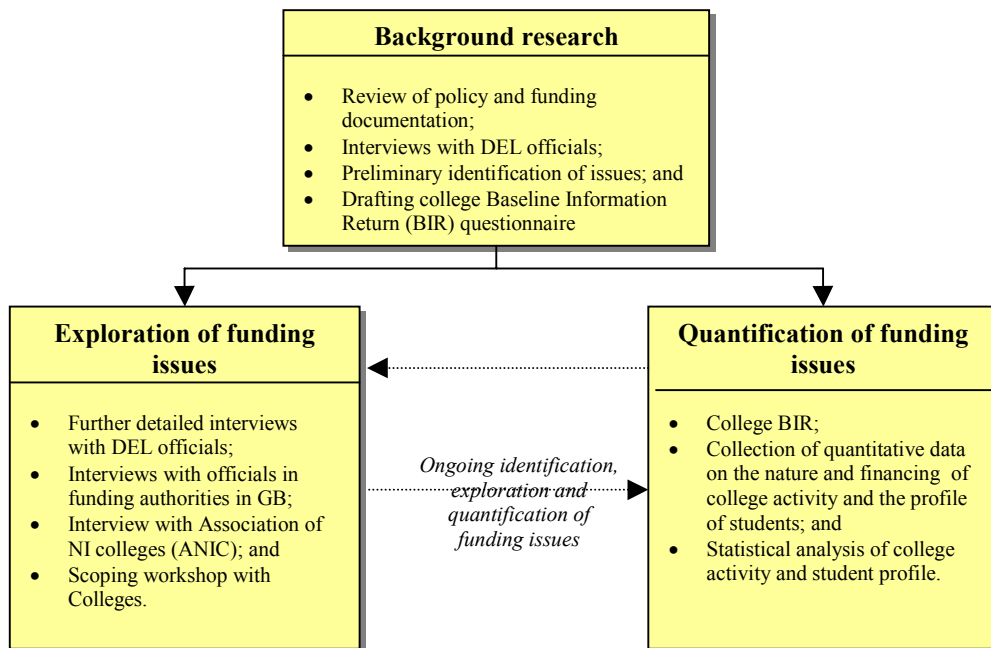
- Section II: Methodological approach;
- Section III: Key findings in relation to the funding formula;
- Section IV: Key findings in relation to the earmarked funds; and
- Section V: Towards new funding arrangement for FE colleges.

II Methodological approach

Overview

2.1 An overview of the methodological approach adopted in the evaluation is provided in Figure 2.1. Each element of our approach is discussed in the subsequent paragraphs.

Figure 2.1: Overview of the methodology



Background research

2.2 In conducting the background research, the evaluation team reviewed key policy documentation (e.g. DEL Business Plan 2002/03) and funding documentation (e.g. SPURS Funding Formula User Guide) and conducted a number of initial key informant interviews with Departmental officials. The main purpose of these research activities was to fully develop our understanding of the funding formula, the EMFs, and the policy priorities of the Department. However, the background research also involved a number of practical considerations associated with evaluation, namely:

- The preliminary identification of the key funding issues that were likely to impact on the activity of the colleges; and
- Producing a draft of the questionnaire to be administered in Baseline Information Return (BIR) survey of colleges.

Exploration of the funding issues

2.3 In order to fully explore the key issues associated with the current funding arrangement we undertook a number of tasks, including:

- **Key informant interviews with departmental officials;** we engaged in ongoing discussions with key informants in the Department in order to fully develop our understanding of the funding formula, the EMFs, and the policy priorities. Furthermore we included a range of officials within ‘sister’ organisations in England and Scotland in our interview programme in order to explore how funding was allocated in those countries;
- **Scoping workshops with the colleges;** the PwC consultancy team facilitated two ‘scoping workshops’ during November 2002. It was widely agreed that the workshops provided a very useful forum for all those who attended. There was a high level of interest in the funding arrangements, and the workshops highlighted a considerable number of issues and areas of concern in relation to the mechanisms by which FE colleges are allocated recurrent funding. We prepared a ‘scoping workshop’ report (included at Annex D) that provided a summary of the key issues discussed at each of the workshops, along with suggestions in relation to the possible alternative funding arrangements discussed. The report was circulated to attendees and comments sought to ensure that the consultancy team accurately represented the views of the colleges in the evaluation; and
- **Key informant interview with ANIC;** in a follow-up to the scoping workshops, the consultancy team met with representatives from the Association of NI Colleges (ANIC).

Quantification of funding issues

2.4 We undertook two main tasks in order to provide some quantification of the funding issues that were identified in order to investigate the nature and extent of these issues. These tasks were:

- **Collection and analysis of SPURs data;** we obtained four databases from the Department containing data for the years 1997/98, 1998/99, 1999/00, and 2000/01. Variables included in the data files were disaggregated by individual courses in each FE college in NI. The information contained in these databases was manipulated to construct a usable unified dataset for analysis by the PwC consultancy team (see Table 2.2 for a list of variables included in the dataset);
- **Review of information in relation to the earmarked funds;** we reviewed financial information held by the Department in relation to the resources allocated to the colleges from each of the earmarked funds; and

- College BIR;** we administered a BIR of colleges in the form of a structured questionnaire, the detailed content of which was agreed by the Department. This was used to generate a range of data across all colleges that was not available from other sources. Quantitative *and* qualitative information was gathered as part of the BIR. The questionnaire was designed to elicit views in related to the key issues identified in the ‘exploration of the funding issues’. A copy of the questionnaire used in included at Annex E, and a summary of the BIR findings is presented at Annex F. These findings could contain an element of bias (e.g. college views as to whether enough funding is provided etc.) and the results of the BIR should be treated with caution.

Table 2.2: Variables contained within the SPURS dataset

Specific variables
College, title, start date, end date, course reference, length of course, qualification level and number of successful students, number of students eligible for funding in recruitment (and learning) phase, number of students aged between 19 and 60 who are eligible to the age weighting in the recruitment (and learning) phase, number of students receiving income benefits who are eligible for targeting social needs weighting in recruitment (and learning) phase, number of students with learning difficulties or disability who are eligible for the special needs SPURS in recruitment (and learning) phase, funding weights, total SPURS figure for recruitment (and learning) stage (including how these were calculated and the grand total of SPURS funding for each course.

The information contained in the unified dataset was subject to a detailed statistical analysis to reveal the profile of courses and enrolments, and any trends that would provide an indication of changing college behaviour.

III Key findings in relation to the funding formula

Overview of the funding formula

3.1 Prior to the introduction of the funding formula, recurrent funding was allocated to colleges on the basis of the number of full-time equivalent (FTE) students at the college. The funding formula was gradually introduced in 1999/00 and 2000/01, and fully implemented from 2001/02 onwards as detailed in Table 3.1.

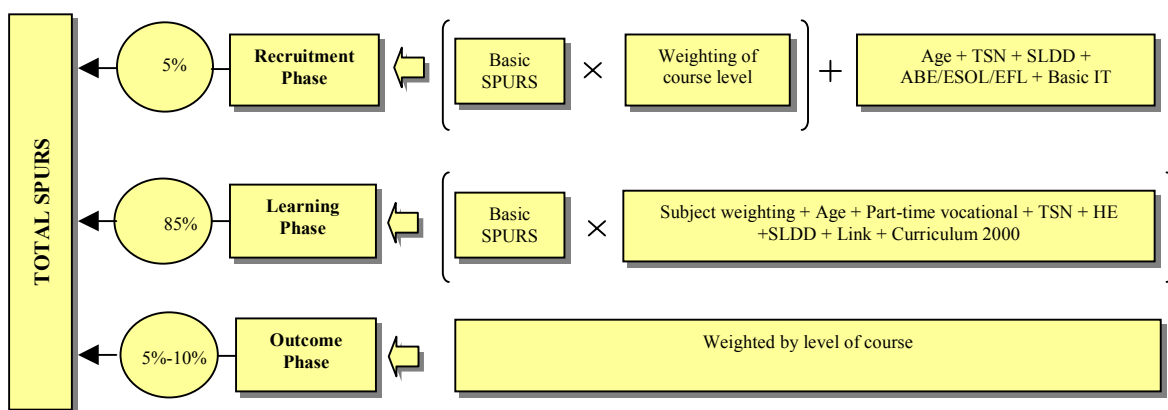
Table 3.1: Introduction of the funding formula

Proportion of resources allocated				
	1998 / 99	1999 / 00	2000 / 01	2001 / 02
Funding formula	0%	20%	50%	100%
FTEs	100%	80%	50%	0%

3.2 The funding formula is based on student activities within the individual colleges during three individual phases: the Recruitment Phase (RP), Learning Phase (LP) and Outcome Phase (OP). The basis of the funding is student activity and achievement. Each student enrolled in a college on a course over 10 hours duration per annum will generate funding units based on a range of factors. The unit of funding is referred to as a SPUR (Student Powered Unit of Resource).

3.3 The guidance³ detailing the operation of the funding formula is complex. A simple overview of the key features is shown in Figure 3.1.

Figure 3.1: Overview of the Funding Formula



³ SPURs Funding Formula used for Distributing the 2002/03 Further Education Budget

Recruitment Phase

- 3.4 Each student recruited to a course over 10 hours duration per annum is allocated 0.2 of a SPUR. The student must attend 20 working days in the case of a full-time course and one-ninth of a part-time course. Students generate RP SPURs in each year of a course. The amount of SPURs awarded for this phase does not generally exceed 5 per cent of total SPURs.
- 3.5 Courses are weighted, based on the level of the course (the higher the level of qualification, the larger the weighting), and this is applied to the basic SPURs generated by the course. SPURs for full-time students are generated in respect of the level of their main programme of study, while part-time students are allocated additional weightings depending on the highest level of part-time course undertaken.
- 3.6 In addition, extra SPURs can be generated in the RP depending on the following factors:
- **Age (Adult participation);** students enrolled on vocational courses and who were aged 19 or over and under 60 on 1st July prior to enrolment;
 - **Targeting Social Need (TSN);** students under 19 where either the parent or the student is in receipt of Income Based Job Seekers Allowance, Income Support or Working Families' Tax Credit or students over 19 and who are, or have a spouse/partner in receipt of the above benefits;
 - **Students with Learning Difficulties and/or Disabilities (SLDD);** students identified as having a learning difficulty and/or disability and who place additional cost on a college;
 - **Students on recognised Adult Basic Education (ABE) / English for Speakers of Other Languages (ESOL) / English as a Foreign Language (EFL);** students enrolled in any ABE (defined as the provision of literacy and numeracy below foundation level 1). Any students enrolled in FT or PT courses at foundation level or above are not eligible; and
 - **Students on recognised Basic Education in Information Technology;** additional SPURs are generated by each student on a basic education courses in IT at level 1 or below.

Learning Phase

- 3.7 Full-time students generate funding based on their attendance at three pre-determined dates over the three terms. Generally speaking one basic SPUR is allocated on the basis of 30 notional teaching / learning hours. A full-time course is considered to be comprised of 720 notional teaching/learning hours per year and will generate 24 SPURs (8 SPURs per term). Where a student has been recorded as withdrawn from a course by a key date in a term, the student would not generate SPURs in that term or future terms.
- 3.8 To calculate the SPURs generated for part-time courses, the actual timetabled hours for the course are divided by 30. In the case of vocational courses, a student's actual timetabled hours are increased by 20 per cent before the divisor of 30 is applied to reflect notional learning hours. Non-vocational courses receive no increase for notional learning hours and attract a maximum of 3 SPURs per student.
- 3.9 Where a student undertakes a part-time vocational course, additional SPURs are generated, calculated at 30 per cent of the unweighted basic SPURs generated in the LP. Subject weightings are applied to reflect the different cost of course provision in these subject areas (weightings are detailed at Annex C). However instead of adding on additional SPURs generated from student characteristics, as in the RP, these extra SPURs are applied to the basic SPURs generated in the LP as follows:
- Students who receive age weighting in the RP also generate an age weighting in the LP. This is calculated as 10 per cent of the basic unweighted SPURs for the course in this Phase;
 - A weighting for students on HE courses of 15 per cent of the unweighted SPURs in LP;
 - A TSN weighting of 10 per cent of the unweighted SPURs in LP;
 - For those students categorised as SLDD in mainstream provision, a weighting of 1.5 is applied, in addition to the subject weighting. For those students categorised as SLDD and in discrete provision, a weighting of 2 is applied instead of the subject weighting;
 - Students enrolled on ABE courses generate a weighting of 1.8 SPURs is applied instead of a subject weighting;
 - Students enrolled on link courses attract basic SPURs and subject weightings in the LP on the same basis as students enrolled on other courses. However, a factor of 0.75 is then applied to the SPURs these students generate. These students do not generate any other SPUR enhancement in the LP, nor SPURs for the RP or OP;
 - Full-time students on Curriculum 2000 courses generate standard SPURs for each qualification; and

- Students undertaking key skills courses in conjunction with any full-time course generate additional funding.

Outcome Phase

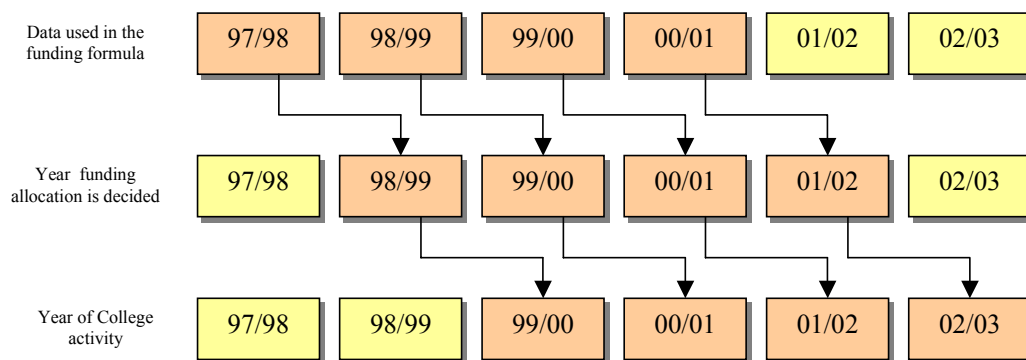
3.10 SPURs are only generated in the OP for vocational courses as follows:

- Entry level and level 1 courses receive 10 per cent of unweighted LP SPURs; and
- Level 2 and above courses receive 15 per cent of unweighted LP SPURs.

Two year payment lag

3.11 The current funding formula was developed with the full co-operation of the sector and in terms of the data used for distributing funding there is a time lag. Data in relation to enrolments in respect of any academic year is only available in the September following that academic year, and data in relation to student achievement is only available in the following January / February. During the period September to end of February the data is subject to audit. Therefore, there is a two-year lag between college activity and funding. Figure 3.2 depicts this lag.

Figure 3.2: Illustration of the two-year payment lag



3.12 College activity in an academic year is recorded, and once the data has been collected, audited and verified in the following academic year, the formula is applied to the data and the SPURs calculated. Individual college budgets are then determined, and allocated in the next academic year, based on their activity two years previous.

Evidence base

3.13 This remainder of this Section provides a summary of the key issues facing the sector in relation to the funding formula that were identified and explored by the consultancy team, particularly during the two workshop sessions with the colleges. Furthermore, in this Section we give some empirical evidence to provide a quantitative indication of the extent of the funding issues identified, and the potential impact that they may have on colleges. A wide range of issues and areas of concern in relation to the funding formula were highlighted and these are discussed under four broad headings of the strategic objectives of the FE sector as follows:

- Support economic development;
- Widen access to and increase participation in FE;
- Enhance the quality of provision and raise standards of achievement; and
- Promote an effective and efficient sector.

3.14 As outlined above, an important element of our approach to the evaluation was to seek the views of the colleges in a structured manner through the use a BIR. In this, we asked Colleges to what extent had the new funding formula assisted or hindered them in delivering each of the strategic objectives of the FE sector. Table 3.2 presents a summary of the colleges' responses to this question.

Table 3.2: Colleges' assessment of the extent to which the new funding formula has assisted or hindered colleges in delivering each of these strategic objectives of the FE sector?

Objective	Proportion of colleges responding (%)				
	It has helped a lot	It has helped a little	It has neither helped nor hindered	It has hindered a little	It has hindered a lot
Supporting economic development	0.0	13.3	46.7	6.7	33.3
Widening access to and increasing participation in FE	20.0	33.3	26.7	13.3	6.7
Enhancing the quality of FE provision and raising standards of achievement	0.0	26.7	46.7	20.0	6.7
Promoting an effective and efficient sector	0.0	13.3	40.0	26.7	20.0

Source: PwC BIR

- 3.15 The responses presented above reveal that the colleges felt that the funding formula had only limited success as a policy lever. Colleges were most positive about the contribution of the formula in widening access to and participation in FE, with over half commenting that it had helped to some degree. However, they were less positive in relation to the contribution of the funding formula to achieving the other three strategic objectives. Around two-fifths of Colleges felt that the formula neither helped nor hindered in achieving these objectives, and a similar proportion were of the opinion that it had actually hindered the promotion of an effective sector and supporting economic development.
- 3.16 Comments made during the course of our discussions with the colleges and ANIC reflected the views expressed in the BIR. A number key issues emerged during these discussions which the colleges felt impacted on the ability of the FE sector to deliver on its objectives. These are discussed in the subsequent paragraphs.

Supporting economic development – course profile

- 3.17 In terms of addressing the objective of supporting economic development, colleges can make a positive contribution by promoting participation in courses in the priority skills areas identified by the Department, which are as follows:
- ICT and computing;
 - Electronics and electrical engineering;
 - Software engineering;
 - Manufacturing engineering;
 - Construction; and
 - Tourism and Hospitality.
- 3.18 The extent to which colleges have skewed participation towards these areas can be assessed by analysing the student data used to generate college SPURs. The SPURs database contains information on the number and characteristics of students on a course-by-course basis in each of the colleges in NI. Individual courses are grouped to correspond with priority skills areas outlined above.⁴

⁴ The course classifications used by DEL do not directly correspond to the priority skills areas detailed. Computing/ICT includes software engineering for instance.

- 3.19 Table 3.3 reveals that the number of student recruitment enrolments⁵ whose highest course of study⁶ was in one of the five subject groupings that correspond to the priority skills areas represented approximately 31 per cent of all recruitment phase enrolments in 2000/01. The remainder, classified as 'other' have enrolled on subjects outside those identified as in priority skills areas.

Table 3.3: Recruitment phase enrolment by subject group (2000/01)

Subject	Enrolments	% of enrolments
Computing/ICT	26634	21.71%
Hospitality, catering & tourism	5339	4.35%
Electronics/Electrical engineering	1415	1.15%
Construction	3032	2.47%
Manufacturing engineering	1784	1.45%
Other (total)	84497	68.86%
Total enrolments	122701	100.00%

Source: SPURS database

- 3.20 Of greater interest however in the context of this evaluation is the extent to which the subject profile of recruitment enrolments has changed since incorporation and the introduction of the funding formula. Table 3.4 presents an index of recruitment phase enrolments over a four-year period 1997/98 to 2000/01. This clearly illustrates that the enrolment of students whose highest course of study is in one of the five 'priority skills' subject groupings, grew by a greater amount than enrolments of students on 'other' courses. In fact the overall growth in 'priority skills' enrolments was 55 per cent over the period, while 'other' enrolments only grew by 8 per cent over the period. In particular, computing and informatics courses experienced the greatest growth over the period. However, it is worth noting, that the growth of 'hospitality, catering & tourism' and 'construction' was not significantly greater than that of 'other' courses. Furthermore, of the priority skills subjects categories, a number have experienced a decline in enrolments over the last year (e.g. 1999/00 – 2000/01).

⁵ Information in the SPURS database is collected in relation to each of the three phases of the college cycle i.e. the recruitment, learning, and outcome phases. The format of the information retained in relation to each phase is different in light of that which is required by the funding formula. For the purpose of our analysis we consider enrolments at the recruitment phase. However Annex F provides a similar analysis of learning phase enrolments and the qualifications achieved at the outcome phase, and outlines how this information should be interpreted.

⁶ Each student generates SPURS in the recruitment phase for each year they are participating in FE. Students enrolled on more than one course only generate SPURS in respect of the highest-level course undertaken. As such the number of recruitment phase enrolments represents a 'head-count' in that it is based on the number of individuals attending the college, and reflects the primary or highest level course studied

Table 3.4: Index of recruitment phase enrolments

	Index of recruitment phase enrolments			
	1997-98	1998-99	1999-00	2000-01
Computing/ICT	100.00	149.64	200.73	269.28
Hospitality, catering & tourism	100.00	121.39	127.88	112.19
Electronics/Electrical Engineering	100.00	122.18	169.25	166.08
Construction	100.00	107.31	137.68	129.68
Manufacturing engineering	100.00	112.88	156.94	225.25
Other (total)	100.00	127.49	118.58	110.28

Source: SPURS database

- 3.21 The evidence presented above demonstrates that college activity in terms of the number of students enrolled has been skewed toward the priority skills areas. The key evaluation question is however, how much of this increase in participation in priority courses is the result of the funding formula. Or in other words, has the funding formula acted as a policy lever in this regard.
- 3.22 In order to gain a better understanding of enrolment trends, table 3.5 provides information from a different data source which enables the analysis of a longer time trend. Enrolments on the 6 priority skills areas have risen year-on-year over the period 1996/97 (22% of total enrolments) to 2001/02 (35% of total enrolments). The main driver of this trend has been the increase in enrolments in ICT related courses. Only one of the 6 priority skill areas, Hospitality, Catering & Tourism, experienced a decline in the proportion of its enrolments over the period. The time series however is not sufficiently long to enable us to draw any firm conclusions as to whether the introduction of the funding formula encouraged the increase in Priority Skill area enrolments.

Table 3.5: Proportion of students undertaking courses in Priority Skill areas and non Priority Skill areas

Year	Priority Skill Area (as % of year total)						Non-Priority Skills	Total
	ICT	Software Engineering	Hospitality, Catering & Tourism	Electronics	Construction	Manufacturing Engineering		
2001/02	20%	0%	4%	2%	7%	1%	65%	100%
2000/01	19%	0%	5%	2%	6%	1%	67%	100%
1999/00	15%	0%	5%	2%	5%	1%	72%	100%
1998/99	12%	0%	5%	2%	5%	1%	76%	100%
1997/98	9%	0%	6%	2%	6%	1%	77%	100%
1996/97	8%	0%	5%	2%	6%	1%	78%	100%

Source: FESR

- 3.23 Many students come to the colleges having already formed an idea about the subjects they wish to study. It may not be possible to change their minds if they wish to undertake a course that is not in a priority skills area – nor would it necessarily be right to try to do so. The point was made during the workshop session that the increase in enrolments in ‘priority skills areas’ could be due to students’ labour market awareness of employment opportunities and future earnings. The workshops also revealed that in some instances, Colleges found it particularly difficult to get students to participate in certain courses (e.g. engineering); and
- 3.24 This was reflected in the BIR which revealed that only 13 per cent colleges felt that the funding formula had made a positive impact in encouraging economic development, albeit by a small amount. On the other hand 40 per cent of colleges felt that the funding formula had actually hindered economic development. However, this most likely reflects the perceived impact that the funding formula has on the overall effectiveness of the sector.
- 3.25 Colleges did tend to agree that the funding formula had successfully encouraged colleges to alter their behaviour to deliver particular types of qualifications (e.g. AVCE). Furthermore, some participants commented that the Colleges already actively promote courses in the priority skills areas, and that a policy lever is not needed to encourage this behaviour.

Widening access to and increase participation in FE - Profile of students

- 3.26 The second of the sector’s strategic objectives is to widen access to and participation in FE. In particular, the focus of this objective is to encourage the participation of those underrepresented among the student population or who face particular barriers to participation in FE. Among the groups that have been specifically targeted through the funding formula are;
- Adults (i.e. Those aged between 19 and 60 years of age);
 - Students meeting the Targeting Social Need (TSN) criteria (i.e. individuals in receipt of particular social services benefits); and
 - Students with Learning Difficulties and/or Disabilities (SLDD).
- 3.27 Interrogation of the SPURS database revealed the information in respect of those individuals identified above was incomplete and / or collected in an inconsistent format since the incorporation of the colleges. This is by no means a criticism of either the colleges or the Department, rather, given the evolutionary nature of the funding formula, the requirements for data collection have changed over time. Consequently, it is not possible to observe with any reliability, the changing profile of the student population since the introduction of the funding formula. The database does permit some analysis of the most recent years data as it has been indicated that the information here is reliable. Table 3.6 shows the growth in student numbers in these groups.

Table 3.6: Change in student profile

	1999-00	2000-01	% growth
RP 19 to 60	54705	58999	7.8
RP TSN	13301	13805	3.8
RP SLDD	1246	1664	33.5
Total	121219	122701	1.22

Source: SPURS database

- 3.28 From the limited information presented it can be seen that the FE sector has had some recent success in widening access and increasing participation. The FE sector has experienced growth of 7.8 per cent (1999/00 to 2000/01) in the recruitment of students in the 19 to 60 age group. Growth of individuals meeting the TSN criteria enrolling at the recruitment phase was 3.8 per cent. In terms of those characterised as SLDD, there was significant growth of 33.5 per cent. However the small numbers of SLDD students means that small increases in actual numbers translates into large rates of growth.
- 3.29 While the information presented above indicates that the FE sector has had some success in Targeting Social Need, it is difficult to ascertain whether or not this has been driven by the funding formula. In general the responses from the BIRs showed that the colleges felt that the funding formula had the most success in terms of its strategic objectives in widening access and increasing participation. Over half of respondents indicated that it had helped to some extent. This view was also reflected in the workshop discussions. Some participants felt that the weightings applied to specific client groups did encourage the colleges to target the enrolment of these individuals. However, colleges' success in this area was constrained to some extent by the fact that ultimately they had to accept 'whoever came through the door.'
- 3.30 In terms of promoting equality of opportunity, the location of the colleges throughout Northern Ireland and their enrolment practices should not discriminate against any one group. Furthermore, earmarked funds (e.g. support funds) are used to tackle some of the barriers to participation in FE of certain groups. These are discussed in the next Section.

Enhancing the quality of provision and raise standards of achievement

- 3.31 In order to encourage the college to further support economic development the funding formula was designed to award more to participation and graduation at higher level qualifications. If this were successful we would expect to see greater growth in the higher level courses /qualifications. Tables 3.7 provides details of enrolments and outcomes by NVQ level, while Table 3.8 details an index of these over the period.

Table 3.7: Level of Enrolment and Outcomes (2000/01)

Level	Recruitment Phase		Learning Phase		Outcome Phase	
	Enrols	%	Enrols	%	Outcomes	%
None	29,586	24.11%	53,074	30.37%	1,222	2.45%
NVQ 1	28,044	22.86%	43,116	24.67%	13,695	27.45%
NVQ 2	29,415	23.97%	38,073	21.79%	18,368	36.81%
NVQ 3	23,407	19.08%	27,012	15.46%	12,098	24.25%
NVQ 4	11,215	9.14%	12,154	6.95%	4,290	8.60%
NVQ 5	1,034	0.84%	1,333	0.76%	220	0.44%
Total	122,701	100.00%	174,762	100.00%	49,893	100.00%

Source: SPURS database

Table 3.8: Index of the level of enrolments and outcomes

Recruitment Phase enrolments							
	NVQ Level						
	None	1	2	3	4	5	Total
1997-98	100.00	100.00	100.00	100.00	100.00	100.00	100.00
1998-99	56.54	261.75	170.73	158.86	196.59	188.21	114.38
1999-00	53.79	274.15	180.14	209.26	318.59	266.67	127.26
2000-01	54.77	294.21	203.41	173.64	332.99	265.13	128.82
Learning Phase enrolments							
	NVQ Level						
	None	1	2	3	4	5	Total
1997-98	100.00	100.00	100.00	100.00	100.00	100.00	100.00
1998-99	34.76	178.93	114.89	91.62	101.32	133.70	70.87
1999-00	57.57	283.87	167.38	139.28	178.16	235.88	111.63
2000-01	60.42	309.21	177.17	115.57	185.98	242.81	113.68
Outcome Phase							
	NVQ Level						
	None	1	2	3	4	5	Total
1997-98	100.00	100.00	100.00	100.00	100.00	100.00	100.00
1998-99	31.49	262.83	266.66	262.85	252.60	130.21	175.96
1999-00	19.44	275.77	294.01	256.31	263.06	140.63	178.99
2000-01	12.31	291.57	324.35	255.07	313.83	229.17	188.33

Source: SPURS database

- 3.32 The information detailed in Tables 3.7 and 3.8 indicates that there has been a general increase in enrolments, both recruitment and learning phase, and outcomes across NVQ levels 1-5. However there is no evidence to suggest that higher level courses have experienced greater growth. Although, it is noteworthy that courses with no associated NVQ level have experienced a significant decline in both enrolments and outcomes.

- 3.33 Again, to gain a fuller picture of enrolment trends and their associated NVQ level, Table 3.9 provides data from the FESR which gives a longer time trend. The table suggests that the proportion of enrolments recorded by NVQ level have increased at each level. However this because the proportion of enrolments classified as 'unknown' has fallen dramatically since the start of the period. The time series however is not sufficiently long to enable us to draw any firm conclusions as to whether the introduction of the funding formula encouraged the increase in priority skill area enrolments.

Table 3.9: Profile of students by course NVQ level

Year	Assigned NVQ Level (as % of year total)						Total
	1	2	3	4	5	Unknown	
2001-02	18%	34%	34%	12%	1%	1%	100%
2000-01	17%	35%	34%	12%	1%	1%	100%
1999-00	15%	35%	36%	11%	1%	2%	100%
1998-99	10%	31%	30%	11%	0%	17%	100%
1997-98	10%	31%	32%	9%	1%	17%	100%
1996-97	11%	33%	32%	8%	1%	15%	100%

Source: FESR

- 3.34 The evidence presented above indicates that there has not been any clear skewing of participation in FE towards higher-level courses. However it must be borne in mind that there is cap on the number of full-time higher education courses that can be offered by colleges. Also, it is possible that the drive to widen access and increase participation in FE, which is likely to be in lower level courses, may mask the increases achieved in the participation in higher-level courses.

Promoting an effective and efficient sector

- 3.35 The specification of the funding formula causes a number of planning related difficulties that adversely impact on the efficiency of colleges and the sector in general. These difficulties are outlined in the subsequent paragraphs.

Complexity of funding formula

- 3.36 The view was generally held by colleges that the funding formula as currently specified is too complex, involving a range of variables associated with course level, subject weighting, and student characteristics such as age, TSN and disability. Consequently, it is difficult for colleges to accurately replicate / run the funding model and undertake a self-assessment of the number of SPURS they generate in any one year. Furthermore, changes to the funding arrangements 'in-year' further add to the complexity of the funding mechanism.
- 3.37 This contrasts to the previous funding arrangements, which did not incorporate the factors outlined above. However, the relativity of the previous funding arrangements, using FTEs rather than SPURs (see following paragraphs) meant that financial planning under the old arrangements was also prone to the problems discussed below.

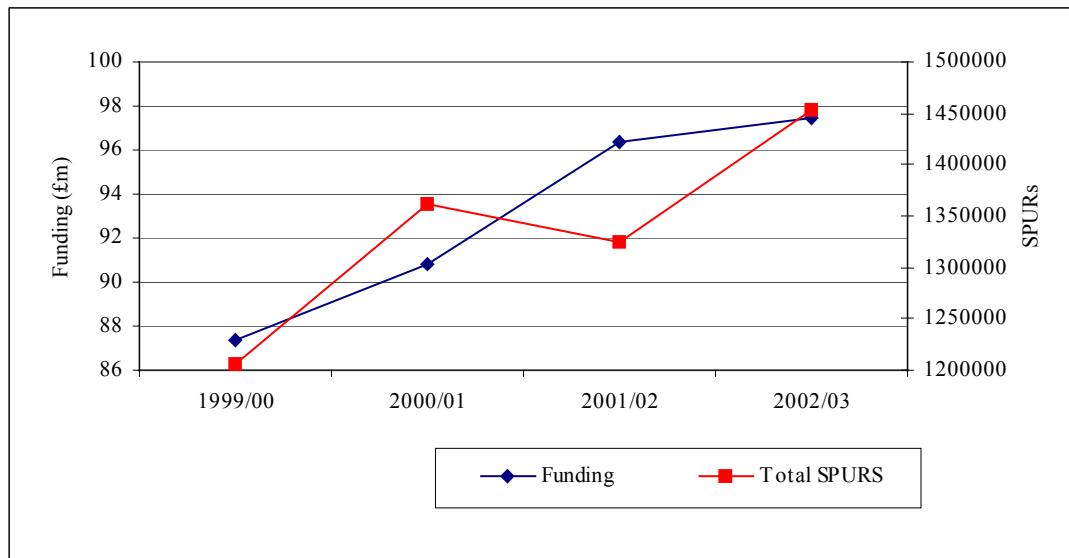
Relativity of funding

3.38 Even if it were possible to replicate the funding model, colleges would still be unable to estimate their future funding allocation due to the relativity of the formula. As discussed above, a college's budget for a particular year is based on the product of the total number of SPURS generated and the monetary value of a SPUR. However, as the value of a SPUR is calculated by dividing the total FE budget by the total number of SPURS generated in the sector, it cannot be known until all of colleges' SPURS have been calculated. This does not permit any form of proper budget planning, and it is not possible to align budgets with a strategic plan for the sector or specific development plans since it is impossible to tell what the value of the individual college budget will be. The relativity of the formula raises a number of specific issues which were highlighted in our discussions, namely:

- **Differential impacts of large and small colleges;** BIFHE is a significant component of the FE sector even though it is only one college. If BIFHE grows to a larger degree this can, in principle, negatively impact on all other colleges because its figures will skew the whole sector and significantly reduce the value of a SPUR. In contrast, if a smaller college has an exceptional year then its increase in SPURS is going to be small relative to the whole sector, and this will not significantly impact on the value of a SPUR; and
- **Inter-dependency of college returns;** if one college is late in submitting its SPURS information it can, potentially, hold up the Department in calculating the funding allocation to the whole sector.

3.39 Figure 3.3, which shows the overall budget and the SPURS generated by the FE sector, illustrates the inherent difficulty on the part of colleges in trying to estimate the their future budget on the basis of the SPURS that they generate.

Figure 3.3: Total funding available and total SPURS generated in the sector



Note: Total SPURs data and total funding data taken from DEL funding allocations.

The number of SPURs generated can be impacted upon by changes within the overall funding mechanism

3.40 While there is a general upward trend in the total funding allocated to the sector, the total number of SPURs generated is slightly erratic. Consequently, the value of a SPUR is also subject to some variation. Our research has also revealed that funding arrangements not only fund behaviour, but they can also influence it. Given that funding is relative and colleges are funded on the basis of their share of the total number of SPURs generated, individual colleges are encouraged by the current formula to ensure that they maintain their share of total SPURs. If a colleges share of total SPURs declines, then its share of total funding will also decline, and it could be faced with a reduction in relative, and potentially in absolute terms, in funding. Consequently, colleges are given the incentive to increase their student numbers in order to avoid such a scenario. In light of this it was suggested that a competitive system incorporating sixteen colleges might not be the most appropriate model for the FE sector.

3.41 Furthermore, the funding formula uses two-year lagged data which over-funds colleges in decline (or more precisely relative decline), while penalising growing colleges. This conflicts with the Department's strategy of increasing participation in FE.

Budget information

3.42 From an accounting point of view, College revenues from the Department are not credited to the accounts in the year in which they are earned, whilst the costs of earning the revenue is (properly) charged in the year it is incurred. This means that there is a sense in which college accounts are not a true and fair view of the colleges' business activities in any one-year. This, in turn, limits the extent to which college accounts can be used by the colleges, or indeed the Department, to inform the strategic development of the sector.

Skewing resources

- 3.43 In the proceeding paragraphs we outlined some of the factors that limit the efficiency of the FE sector. However, it is also important to consider how effective the formula has been in skewing resources vis-à-vis the previous funding arrangements.
- 3.44 The following table illustrate the difference in funding allocations that would have resulted if funding had been allocated on the basis of the previous funding arrangement (i.e. on the basis of FTEs).
- 3.45 In order to assess the extent to which the funding formula has skewed resources, we have constructed a number of counterfactual funding scenarios (i.e. if funding had been allocated over the period entirely via SPURs or entirely via FTEs). For example, in 1999/00, the actual funding allocations used and reported in the table were determined 80% on the FTEs and 20% on SPURs. However if we were to determine the funding allocations based 100% on FTEs, then Armagh would have received 2.69% more funding than it actually did. On the other hand, if we were to use 100% SPURs allocations, then Armagh would have received 89.22% of the actual allocation awarded in 1999/00.

Table 3.10: Variance from actual allocations of hypothetical allocations using either 100% FTEs or 100% SPURs methodology

College	1999 / 00			2000 / 01		
	FTEs	SPURS	Actual	FTEs	SPURS	Actual
Armagh	2.69%	-10.78%	£3,436,742	7.53%	-7.53%	£3,269,835
BIFHE	-0.73%	2.93%	£20,241,312	-2.84%	2.84%	£22,338,727
Castlereagh	-1.55%	6.20%	£2,591,098	-3.34%	3.34%	£2,669,291
Causeway	1.18%	-4.71%	£3,410,534	0.57%	-0.57%	£3,514,233
East Antrim	-0.68%	2.71%	£4,380,230	0.77%	-0.77%	£4,327,830
East Down	-0.29%	1.18%	£3,557,299	-0.26%	0.26%	£3,652,785
East Tyrone	2.57%	-10.29%	£2,921,318	0.06%	-0.06%	£3,250,756
Fermanagh	0.00%	0.00%	£3,704,064	0.34%	-0.34%	£3,866,292
Limavady	1.18%	-4.72%	£2,667,974	2.93%	-2.93%	£2,974,560
Lisburn	0.48%	-1.91%	£3,295,219	2.58%	-2.58%	£3,542,852
Newry	-0.26%	1.02%	£5,465,242	2.19%	-2.19%	£5,263,172
NIHCC	2.74%	-10.96%	£1,403,002	8.05%	-8.05%	£1,236,069
North Down & Ards	-0.56%	2.25%	£6,202,560	0.25%	-0.25%	£6,316,624
NEIFHE	0.40%	-1.62%	£6,482,112	1.23%	-1.23%	£6,561,022
NWIFHE	0.26%	-1.03%	£9,541,459	-0.23%	0.23%	£9,780,433
Omagh	0.44%	-1.76%	£2,774,554	2.43%	-2.43%	£2,767,413
Upper Bann	-1.42%	5.67%	£5,299,258	-2.01%	2.01%	£5,526,195
TOTAL	0.00%	-0.02%	£87,373,978	0.01%	-0.01%	£90,858,088

Note: PwC estimates based on the SPURS database

3.46 The funding scenarios illustrated in Table 3.10 reveal that switching between apportioning funding on the basis of FTE and SPURS in most cases had only a minimal impact on resources allocated to colleges. This is in contrast to the particular difficulties imposed on colleges by the use of the funding formula that were outlined previously.

Summary and overall assessment of the funding formula

3.47 During the workshop, colleges expressed a wide range of concerns in relation to the current funding formula. By way of summary, Table 3.11 details the colleges' rating of their concern in relation to some of these issues, where 1 represents no real concern, and 5 represents significant concern.

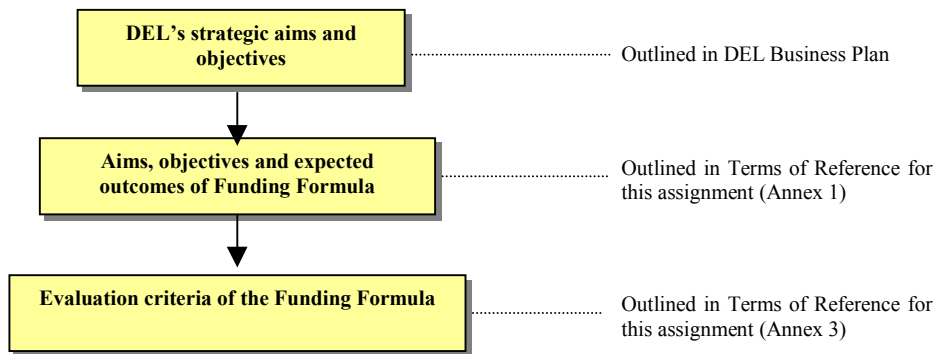
Table 3.11: Areas of concern for the Colleges

Areas of Concern	Proportion of Colleges (Level of concern: 1 = 'no real concern'; and 5 = 'significant concern')					All Colleges
	1	2	3	4	5	
The costs of gathering the information required for the funding formula	0%	7%	13%	33%	47%	100%
The two year lag between submission of information and receipt funding	7%	13%	0%	7%	73%	100%
The allocation of payments between recruitment, learning and outcome phases (around 5%, 85%, and 10% respectively)	7%	7%	33%	20%	33%	100%
Weightings given to: - subjects, levels of study, types of learner	33%	20%	13%	27%	7%	100%
The differential impact which the formula has on large and small colleges	43%	0%	14%	14%	29%	100%
Funding of non-vocational courses	20%	7%	27%	27%	20%	100%

Source: PwC BIR

3.48 The main aim of this assignment is to assess the effectiveness and efficiency of the funding arrangements against the criteria for evaluation specified in the Terms of Reference (see Annex B). As illustrated in Figure 3.4, the evaluation criteria specified flow from the strategic aims and objectives of the Department, and more specifically, the funding formula.

Figure 3.4: Understanding the different dimensions to the evaluation



3.49 Previously, in this Section we have provided a discussion of, and presented evidence in support of, our assessment of the funding formula in regard to the evaluation criteria for the funding formula. Table 3.12 provides an overview of our assessment based on our analysis of the SPURS data and the BIR.

Table 3.12: Evaluation criteria checklist (Funding formula)

Evaluation criteria	Comment
1. What impact has the funding had in terms of stated aims?	<ul style="list-style-type: none"> • A distribution methodology that ensures that colleges are funded on an equal basis; the funding formula is applied to all colleges in the same manner. However, the formula as currently specified does not appropriately fund actual college activity (largely due to the retrospective nature of its specification and the use of 2-year lagged data); and • To promote and target resources towards the strategic goals for the FE sector; colleges have been developing in line with the sector's strategic priorities. However, there is little 'hard' evidence to indicate the extent to which the formula has influenced this.
2. How has the Formula met the stated objectives and expected outcomes?	<ul style="list-style-type: none"> • An equitable funding system for all colleges; see criteria 1 above; • Increased enrolments; expected outcomes of the formula are defined in terms of increased enrolments of: <ul style="list-style-type: none"> ○ 19-60 year olds on vocational courses; ○ SLDD students; ○ Students meeting TSN criteria; ○ Those on ABE and Basic IT courses; ○ Part-time students; Interrogation of the SPURS database revealed that the information in respect of these enrolments was incomplete and /or collected in an inconsistent format since the incorporation of the colleges. However the limited data available suggests that the colleges have widened participation in respect of these enrolments. Furthermore our research also indicates that the formula has had a positive impact to this end. • Alignment with College Development Plan; there is little 'hard' evidence to indicate the extent to which the funding formula impacts on strategic direction of colleges. Where colleges have suggested it has had some success as a policy lever, i.e. widening access, it is consistent with the overarching aims of the FE sector as a whole and as such could be considered to be aligned with the individual College Development Plans in this respect; and • An evaluation process; this evaluation is a key element of an evaluation process.
3. How responsive is the funding formula to the needs of the Department?	<ul style="list-style-type: none"> • As commented previously, the lack of 'hard' evidence in relation to the effectiveness of the funding formula as a policy lever means it is not possible to ascertain how responsive it is in terms of enabling the Department to influence college activity. However, given the relativity of the funding formula, it does enable the Department to control total resources allocated to the sector.
4. Is the funding formula equitable and is it sufficiently well targeted?	<ul style="list-style-type: none"> • See evaluation criteria 1 above.
5. Is the funding formula robust in terms of audit and accountability?	<ul style="list-style-type: none"> • Procedures are in place to ensure the robustness of the data used in determining budget allocations via the funding formula.
6. What problems have FEIs encountered in the operation of the funding formula and in meeting objectives / targets?	<ul style="list-style-type: none"> • The specification of the funding formula causes a number of planning related difficulties which adversely impact on the efficiency of colleges and the sector in general: <ul style="list-style-type: none"> ○ The relativity of the funding; ○ The competitive nature of the sector; ○ The retrospective nature of the funding;

<p>7. Can the operation of the funding formula be made more simple for: (a) Department; and (b) Colleges? For example, does it achieve its objectives operationally or is it too bureaucratic and, if so, why?</p>	<ul style="list-style-type: none"> • In our view, the operation of the funding formula could be simplified which would yield benefits for both the Department and the individual colleges.
<p>8. What changes would FEIs like to see introduced in the operation of the funding formula in terms of: (a) policy objectives; and (b) operation?</p>	<ul style="list-style-type: none"> • Colleges indicated that they were broadly in agreement with the policy objectives of the sector; • Colleges generally felt that it was not desirable to use the funding formula as a policy lever; and • There was broad agreement amongst colleges that the current funding arrangements should be changed in favour of an absolute, current funding regime.

IV Key findings in relation to the earmarked funds

Introduction

4.1 This Section provides a summary of the key issues facing the sector in relation to the EMFs identified for evaluation in the Terms of Reference for this assignment, namely:

- Access Initiatives Fund;
- Partnership Fund;
- Strategic Alliance Fund;
- Strategic Restructuring Fund;
- Support Funds; and
- Additional Support Fund.

4.2 We briefly examine each EMF in turn in the subsequent paragraphs. Drawing on the views of the colleges that were expressed during the workshop sessions and through the BIR we consider the following questions:

- **What is it supposed to achieve?** We consider what the EMF is supposed to achieve and the college behaviour it funds to this end;
- **How appropriate is the method of allocating funding?** We consider the mode by which funding from the EMF is allocated to the colleges and the requirements placed on colleges to secure funding; and
- **How successful has it been?** We consider the success of the EMF in addressing their stated objectives and outline the arguments for either continuing the earmarking of these resources or the incorporation of it into 'mainstream' funding.

4.3 It must be noted that given the lack of any quantified monitoring information, our assessment of these issues is based on the colleges views as expressed in the BIR. These views could contain an element of bias (e.g. views as to whether enough funding is provided etc.) and the results of the BIR should be treated with caution.

4.4 Following the individual review of the individual EMFs, we then provide and summary, or overview of the key cross-cutting themes that emerged.

Access Initiative Fund

What is it supposed to achieve?

- 4.5 This fund is specifically aimed at widening access to FE for disadvantaged groups and individuals in line with the objectives of New TSN. The fund is used to encourage FE colleges to review their access policies and to develop and take forward projects which widen access, increase the skills and knowledge of the disadvantaged and help improve the quality of life in disadvantaged communities.

How appropriate is the method of allocating funding?

- 4.6 The budget available for the Access Initiative Fund was just under £1 million in 2001/02, down from the £1.2 million allocated in 2000/01. The mechanism through which this fund has been allocated to colleges has been modified since its inception. In 2001/02, each college was allocated £30,000 with the remaining balance of the fund allocated on the basis of SPURs (subject to Department approval of action plans). To draw down the funding, colleges were required to complete an Access Initiative Action Plan in line with specific criteria, and expenditure by the colleges were subject to audit by the Department to ensure funding was appropriately spent. A majority of the colleges, 62 per cent felt that the criteria used by the department for allocating the funds were appropriate. It was commented by some that the criteria for assessing the Action Plans were consistent with individual wider strategic plans of the colleges for widening participation. In relation to those colleges who disagreed, the view was expressed that the criteria were somewhat restrictive.
- 4.7 However, while the assessment criteria were generally acceptable, concerns were expressed that a significant amount of funding allocated to individual colleges was based on SPURS rather than local need. Colleges were asked in the BIR whether they felt that the resources set aside for the Access fund were appropriate. As can be seen from Table 4.1 there was a rather mixed response by the colleges. This could indicate that a lack of targeting of the resources towards local needs, whereby some colleges have too much resources, while others have too little.

Table 4.1: Is the resource set aside for the Access Initiative Fund appropriate?

Response	Proportion of respondents
Far too little	23.08%
Marginally too little	23.08%
About right	30.77%
Marginally too much	7.69%
Far too much	15.38%
Total	100%

Source: PwC BIR

- 4.8 When asked if the costs of gathering the information required to draw down resources plus the costs of administering the scheme outweighed the benefits of the fund, the responses from the colleges were mixed. Significantly, while 57 per cent felt that the benefits outweighed the costs, 29 per cent believed that the costs far outweigh the benefits. (See Table 4.2). Again, it could be argued that the lack appropriate targeting of the resources could be a factor here.

Table 4.2: How do the costs of gathering the supporting information and administration of the fund compare with the specific benefits of the fund?

Response	Proportion of respondents
The benefits far outweigh the costs	28.57%
The benefits marginally outweigh the costs	28.57%
The benefits and the costs are in balance	14.29%
The costs marginally outweigh the benefits	0.00%
The costs far outweigh the benefits	28.57%
Total	100%

Source: PwC BIR

How successful has it been?

- 4.9 The results of the BIR showed that 60 per cent of respondents felt that the Access Initiative Fund had been very successful, while 27 per cent felt it had some limited success. Nevertheless, a significant majority of colleges, 71 per cent expressed the view that the Access Initiative Fund should be included within the normal college block grant.

Partnership Fund

What is it supposed to achieve?

- 4.10 The Partnership Fund, which replaced the Collaboration Fund, aims to widen access and increase participation in FE by encouraging colleges to establish local partnerships with stakeholders in the community (including local industry, agencies, community organisation, trade unions and other education providers at all levels) in order to drive up local demand and help to provide the infrastructure to meet that demand.

How appropriate is the method of allocating funding?

- 4.11 In 2001/02 the Partnership Fund had a budget of £400,000. Most of the colleges were allocated a fixed amount, £20,800, from the Fund, while BIFHE and NWIFHE were both given a higher allocation. Allocation of funding is subject to Departmental approval of College action plans. The BIR revealed an even split between colleges on whether this approach to allocating funding was appropriate or not.

- 4.12 A majority of the colleges, 57 per cent, felt that the resources set aside for this fund were too little, while just under a third of colleges felt that the resources set aside were about right. (See Table 4.3). In the context of colleges overall budgets, the amounts allocated to colleges from this fund are particularly small.

Table 4.3: Is the resource set aside for this fund too much or too little?

Response	Proportion of respondents
Far too little	42.86%
Marginally too little	14.29%
About right	28.57%
Marginally too much	0.00%
Far too much	14.29%
Total	100%

Source: PwC BIR

- 4.13 Nevertheless, over one-half of the colleges felt that the benefits outweighed the costs of its administration (see Table 4.4).

Table 4.4: How do the costs of gathering the supporting information and administration of the fund compare with the specific benefits of the fund?

Response	Proportion of respondents
The benefits far outweigh the costs	28.57%
The benefits marginally outweigh the costs	28.57%
The benefits and the costs are in balance	14.29%
The costs marginally outweigh the benefits	0.00%
The costs far outweigh the benefits	28.57%
Total	100%

Source: PwC BIR

How successful has it been?

- 4.14 The BIRs highlighted that, of the responses, 40% felt that the Partnership Fund was very successful, with an additional 27% who felt that there was some limited success. However, it was suggested that the fund has been used to support activities that would have been undertaken in the absence of earmarking. Consequently, a vast majority, 86% of colleges thought that it should be included within the normal college block grant.

Strategic Alliance Fund

What is it supposed to do?

- 4.15 Funding is provided to encourage colleges to identify areas of provision where increased cooperation within the sector would lead to the more efficient use of resources and the pooling of expertise.

How appropriate is the method of allocating funding?

- 4.16 A maximum of £20,000 was provided in 2001/02 to each college on the basis of bids submitted by the colleges. A significant majority of colleges, 70 per cent, were of the opinion that the criteria used by the Department for assessing the bids was not appropriate. Furthermore, Table 4.5 reveals that only a quarter of colleges felt that an appropriate amount of resources were allocated to this fund.

Table 4.5: Is the resource set aside for this fund too much or too little?

Response	Proportion of respondents
Far too little	46.15%
Marginally too little	7.69%
About right	23.08%
Marginally too much	0.00%
Far too much	23.08%
Total	100%

Source: PwC BIR

- 4.17 Table 4.6 reveals that nearly two thirds of colleges thought, to some degree, that the costs associated with applying for the fund outweighed the benefits the fund brings.

Table 4.6: How do the costs of gathering the supporting information and administration of the fund compare with the specific benefits of the fund?

Response	Proportion of respondents
The benefits far outweigh the costs	0.00%
The benefits marginally outweigh the costs	35.71%
The benefits and the costs are in balance	0.00%
The costs marginally outweigh the benefits	35.71%
The costs far outweigh the benefits	28.57%
Total	100%

Source: PwC BIR

How successful has it been?

- 4.18 The results of the BIR indicate that, in general, colleges did not view the Strategic Alliance Fund very favourably. One-third of colleges felt that it was not successful at all, while only 40 per cent commented that Fund has seen only limited success. It was suggested that the only basis for the fund was to create artificial collaborations of a short-term nature only. Furthermore, it was suggested that working collaboratively across the sector is better achieved by other means e.g. sector approach to curriculum and staff development. The vast majority of colleges, 93 per cent, wanted the Strategic Alliance Fund to be included within the normal college block grant.

Strategic Restructuring Fund

What is it supposed to do?

- 4.19 This fund seeks to match current staffing to the key aims of the FE sector. Resources allocated to colleges through this fund are commonly used to fund redundancy schemes so that the staffing profiles of colleges can be refocused on providing the courses in most need.

How appropriate is the method of allocating funding?

- 4.20 A total of £1.6 million was allocated to colleges in 2001/02 on the basis of a bidding process. Overall, 78 per cent of colleges felt that the criteria for allocating funds were appropriate. The colleges were almost evenly split between those that felt that the resources set aside for this fund were either 'far too little' and those who considered them to be 'about right' (see Table 4.7).

Table 4.7: Is the resource set aside for this fund too much or too little?

Response	Proportion of respondents
Far too little	50.00%
Marginally too little	7.14%
About right	42.86%
Marginally too much	0.00%
Far too much	0.00%
Total	100%

Source: PwC BIR

- 4.21 In terms of costs versus benefits of the fund, over 85% of colleges felt that the benefits outweighed the costs to some degree. Only 7% (one college) reported that the costs outweighed any benefits from the fund.

Table 4.8: How do the costs of gathering the supporting information and administration of the fund compare with the specific benefits of the fund?

Response	Proportion of respondents
The benefits far outweigh the costs	66.67%
The benefits marginally outweigh the costs	20.00%
The benefits and the costs are in balance	6.67%
The costs marginally outweigh the benefits	6.67%
The costs far outweigh the benefits	0.00%
Total	100%

Source: PwC BIR

How successful has it been?

- 4.22 The responses from the BIRs were positive in relation to the success of the fund. All of the colleges felt that the fund was successful to some degree, with two thirds of colleges responding that it was very successful. It was generally felt that the fund enabled colleges to be more flexible and responsive to the changing demands placed on them.

- 4.23 Over three-quarters of colleges expressed the view that the Strategic Restructuring Fund should remain an EMF. The workshops highlighted that it was appropriate to ring-fence the Strategic Restructuring Fund. It was felt that in the absence of ring-fencing, some colleges experiencing financial pressures may use these resources for other purposes. Therefore the general feeling was to keep it as an EMF.

Support Funds (Discretionary)

What is it supposed to do?

- 4.24 This fund is used by colleges to provide financial help to students whose access to and participation in FE is inhibited by financial considerations, or who for whatever reasons, including physical or other disabilities, face financial difficulties.

How appropriate is the method of allocating funding?

- 4.25 A total of £1.96 million was allocated to colleges in 2001/02 to assist such students. Funding allocations are made on the basis of FTEs. Overall, the responses were evenly split on whether this was appropriate.
- 4.26 In terms of the amount of resources set aside for the fund, 43% of colleges felt that it was about right. However half of the responses felt that, to some degree, they were too little. (See Table 4.9).

Table 4.9: Is the resource set aside for this fund too much or too little?

Response	Proportion of respondents
Far too little	28.57%
Marginally too little	21.43%
About right	42.86%
Marginally too much	7.14%
Far too much	0.00%
Total	100%

Source: PwC BIR

- 4.27 In terms of costs versus benefits, the results were again positive. Nearly three quarters of responses felt that the benefits of the fund outweighed the costs associated with collecting information and administration. Only 14% of replies expressed the view that the costs outweighed the benefits (See Table 4.10).

Table 4.10: How do the costs of gathering the supporting information and administration of the fund compare with the specific benefits of the fund?

Response	Proportion of respondents
The benefits far outweigh the costs	46.67%
The benefits marginally outweigh the costs	26.67%
The benefits and the costs are in balance	13.33%
The costs marginally outweigh the benefits	6.67%
The costs far outweigh the benefits	6.67%
Total	100%

Source: PwC BIR

How successful has it been?

- 4.28 Findings from the workshops highlighted that the colleges (in general) felt this fund was useful. Results of the BIRs are also positive. Nearly three quarters of responses stated that the fund has been very successful. A further 20% of responses felt that it has had limited success.
- 4.29 Since it is used to provide financial assistance to students it is believed that ring-fencing the monies is appropriate as they are cannot be spent by the colleges themselves. 93 per cent of colleges felt that the fund should remain as an EMF.

Skills Fund

What is it supposed to do?

- 4.30 The purpose of the Skills Fund is to encourage colleges to develop innovative ways to recruit, and deliver courses to adult students (19 years of age and over) on vocational courses at levels 2 and 3, in those skill areas of particular importance to the regional economy.

How appropriate is the method of allocating funding?

- 4.31 Funding is provided to colleges for increased enrolments and courses completed in priority skill areas. Approximately £531,000 was allocated to colleges under this fund in 2001/02. Over half (58 per cent) of the colleges thought that this method of allocating funds was inappropriate. Furthermore, one-third of colleges stated that the resources set aside for this fund were far too much, with a further 8 per cent stating that the resources set aside were marginally too much (See Table 4.11).

Table 4.11: Is the resource set aside for this fund too much or too little?

Response	Proportion of respondents
Far too little	16.67%
Marginally too little	8.33%
About right	33.33%
Marginally too much	8.33%
Far too much	33.33%
Total	100%

Source: PwC BIR

- 4.32 Table 4.12, which shows how colleges responded to costs versus benefits, reflects this finding revealing that a significant proportion of the colleges were of the opinion that the costs of administering the Fund outweigh the benefits.

Table 4.12: How do the costs of gathering the supporting information and administration of the fund compare with the specific benefits of the fund?

Response	Proportion of respondents
The benefits far outweigh the costs	13.33%
The benefits marginally outweigh the costs	20.00%
The benefits and the costs are in balance	20.00%
The costs marginally outweigh the benefits	20.00%
The costs far outweigh the benefits	26.67%
Total	100%

Source: PwC BIR

How successful has it been?

- 4.33 Results from the BIRs were, in general, mixed. Just over half the colleges felt that the fund had had limited success. However 20 per cent felt that it was very successful. The remaining 27 per cent felt that the Fund was not successful at all. Consequently, a significant majority of colleges, 86 per cent, stated that the Fund should be included within the normal college block grant.

Additional Support Fund

What is it supposed to do?

- 4.34 This fund aims to promote the inclusion of students with learning difficulties in mainstream FE provision. It is intended to augment provision already made by colleges, for students with learning difficulties, from their recurrent budget allocations

How appropriate is the method of allocating funding?

- 4.35 The budget for this fund has grown year on year since 1998/99. For the academic year 2000/01, colleges were funded £9.76 for each Net FTE. The following year (2001/02), this had risen to £10.75 per Net FTE. Generally colleges viewed this approach favourably (71% of colleges expressed the view that the criteria used by the Department to allocate the funds was appropriate).

- 4.36 However, over half of colleges, 53 per cent, replied that the resources were too little. (see Table 4.13), while over 85 per cent of respondents stated that, to some degree, the benefits of the fund outweighed the costs associated with it (see Table 4.14).

Table 4.13: Is the resource set aside for this fund too much or too little?

Response	Proportion of respondents
Far too little	40.00%
Marginally too little	13.33%
About right	33.33%
Marginally too much	6.67%
Far too much	6.67%
Total	100%

Source: PwC BIR

Table 4.14: How do the costs of gathering the supporting information and administration of the fund compare with the specific benefits of the fund?

Response	Proportion of respondents
The benefits far outweigh the costs	66.67%
The benefits marginally outweigh the costs	20.00%
The benefits and the costs are in balance	6.67%
The costs marginally outweigh the benefits	6.67%
The costs far outweigh the benefits	0.00%
Total	100%

Source: PwC BIR

How successful has it been?

- 4.37 The responses from the colleges, in relation to this fund, were in general very positive. For example two thirds thought that it had very successful, with an additional 27% replying that it had limited success. Consequently, 71 per cent of colleges felt that the fund should remain as an EMF.

Summary and overall assessment of the EMF

- 4.38 A number of broad findings emerged from research in relation to the earmarked funds. These are summarised as follows:

- **Links between clear objectives, effective levers and positive outcomes;** one of the positive features of the earmarked funds is that the Department has clearly articulated what each of them is trying to achieve. This clarity in relation to the objectives of each of the funds means that they have generally acted as effective policy levers, i.e. the existence of the funds has generally resulted in colleges undertaking the kinds of activities and generating the kinds of outcomes, which the Department has been trying to encourage. This is reflected in the survey returns from colleges in which colleges generally thought that most Funds had been at least 'quite successful' in terms of achieving their objectives;

- **Unfavourable cost-benefit ratio**; perhaps the most important difficulty with the earmarked funds is that too much resource is required to administer them. This relates mainly to the application process, which colleges generally viewed as being overly burdensome. It also relates to the audit / scrutiny process that was burdensome on colleges and, in addition, requires direct payments by the Department to auditors. Given the relatively modest amounts of funding actually made available through the earmarked funds, the administrative resource input is too high;
- **‘Strong on effectiveness, weak on efficiency’**; combining the previous two points, our research suggests that the earmarked funds are quite ‘effective’, in that they generally impact well on their objectives, but are not ‘efficient’, because the inputs required to generate the outcomes are too high;
- **Mainstreaming most earmarked funds**; related to the previous point, a strong case can be made for ‘mainstreaming’ earmarked funding within the main funding process. Evidence from our survey of colleges shows that the overwhelming majority of colleges would favour a more mainstreamed approach to earmarked funding; and
- **Rationalising the Department’s portfolio of earmarked funds**; looking across each of the seven Funds, there is some evidence to suggest that those which are focused on college-specific factors (e.g. the Restructuring Fund which focuses on staff restructuring within colleges) and learner-specific factors (e.g. the Support Funds and the Additional Support Fund which focus on widening participation amongst non-traditional groups of learners) are generally quite successful. This is in contrast to other funds which, in the views of many colleges, focus on activities and outcomes which colleges should be engaged in anyway as part of their day-to-day business (e.g. the Skills Fund which tries to promote NVQ 2 and 3 provision amongst adults, and the Strategic Alliance Fund which promotes collaboration between FE institutions). Within this context there is a clear case for the rationalisation of the Department’s portfolio of earmarked funds, i.e. removing some of the funds (especially the Skills Fund and the Strategic Alliance Fund), and combining some of the others (e.g. the Support Fund, and Additional Support Fund). The combination of these funds should yield cost savings in relation to application and administration.

4.39 Previously, in this Section we have provided a discussion of, and presented evidence in support of, our assessment of the EMFs in regard to the evaluation criteria. Table 4.15 provide an overview of our assessment based on the information provided by the colleges in the BIR.

Table 4.15: Evaluation criteria checklist

Evaluation criteria	Access initiatives	Partnership fund	Strategic alliance fund
1. What impact has the initiative had in terms of stated aims?	<ul style="list-style-type: none"> Broadly considered to have been successful in widening access and increasing participation in FE 	<ul style="list-style-type: none"> Partnership broadly considered successful, however colleges commented that such activities would have been undertaken in the absence of earmarking 	<ul style="list-style-type: none"> Not considered to be particularly successful
2. How has the initiative met the stated objectives and expected outcomes?	<ul style="list-style-type: none"> Has been successful in taking forward projects aimed at widening access and increasing participation in FE It is not possible to provide a robust assessment of the outcomes without an in depth college-by-college review of projects 	<ul style="list-style-type: none"> Has funded projects aimed at building partnerships between colleges and other stakeholders It is not possible to provide a robust assessment of the outcomes without an in depth college-by-college review of projects 	<ul style="list-style-type: none"> Not considered to significantly address its stated aims and objectives Suggested that collaborations were of a short term nature It is not possible to provide a robust assessment of the outcomes without an in depth college-by-college review of projects
3. Does the initiative represent VFM when measured against the counterfactual position?	<ul style="list-style-type: none"> The Fund was generally consider to be effective and as such represent reasonable VFM 	<ul style="list-style-type: none"> While the Fund was considered broadly successful, it was indicated that such activities would have been undertaken in the absence of earmarking 	<ul style="list-style-type: none"> Does not represent good VFM
4. Does the initiative represent VFM considering the necessary management of a discrete fund?	<ul style="list-style-type: none"> Managing the Fund was broadly considered by colleges to be somewhat costly when compared to the benefits of the Fund 	<ul style="list-style-type: none"> Managing the Fund was broadly considered by colleges to be somewhat costly when compared to the benefits of the Fund 	<ul style="list-style-type: none"> The balance of cost and benefits was not considered to represent VFM.
5. How realistic have targets been in light of experiences of FEIs?	<ul style="list-style-type: none"> No overall quantified targets for the Fund in terms of increased access and participation. 	<ul style="list-style-type: none"> No overall quantified targets for the Fund in terms of increased access and participation. 	<ul style="list-style-type: none"> No overall quantified targets for the Fund in terms of increased access and participation.
6. What problems have FEIs encountered in meeting targets?	<ul style="list-style-type: none"> See Annex F for the issues raised by colleges 	<ul style="list-style-type: none"> See Annex F for the issues raised by colleges 	<ul style="list-style-type: none"> See Annex F for the issues raised by colleges
7. Is there clear evidence that FEIs have used funding for the stated purpose of the Initiative?	<ul style="list-style-type: none"> Evidence exists to suggest that the funding was used for the stated purpose does exist. 	<ul style="list-style-type: none"> Evidence exists to suggest that the funding was used for the stated purpose does exist 	<ul style="list-style-type: none"> Evidence exists to suggest that the funding was used for the stated purpose does exist
8. Should support continue as an Earmarked Fund?	<ul style="list-style-type: none"> No – again, it must be emphasised that this assessment is based on the views of the colleges which could contain an element of bias. 	<ul style="list-style-type: none"> No – again, it must be emphasised that this assessment is based on the views of the colleges which could contain an element of bias. 	<ul style="list-style-type: none"> No – again, it must be emphasised that this assessment is based on the views of the colleges which could contain an element of bias.

Table 4.15: Evaluation criteria checklist (cont.)

Evaluation criteria	Strategic restructuring fund	Support funds (discretionary)	Skills fund	Additional support fund
1. What impact has the initiative had in terms of stated aims?	<ul style="list-style-type: none"> All of the colleges felt that the Fund was successful to some degree, with a majority of colleges commenting that it was very successful 	<ul style="list-style-type: none"> The colleges were very positive about the Fund and three-quarters stated that it had been very successful 	<ul style="list-style-type: none"> The views of the colleges were mixed. Most indicated that the Fund was broadly successful in encouraging colleges to develop innovative ways to recruit and deliver courses. Although it must be noted that a significant proportion felt that it had not been successful at all 	<ul style="list-style-type: none"> The colleges were in general very positive and viewed the Fund as successful in meeting its aim.
2. How has the initiative met the stated objectives and expected outcomes?	<ul style="list-style-type: none"> Has been successful in assisting colleges in restructuring in order to meet local and / or regional economic needs It is not possible to provide a robust assessment of the outcomes without an in depth college-by-college review of projects 	<ul style="list-style-type: none"> Has been successful in providing financial assistance to those whose access to and participation in FE is inhibited by financial considerations It is not possible to provide a robust assessment of the outcomes without an in depth college-by-college review of projects 	<ul style="list-style-type: none"> The fund has had some success in encouraging colleges to develop innovative ways to recruit and deliver courses. It is not possible to provide a robust assessment of the outcomes without an in depth college-by-college review of projects 	<ul style="list-style-type: none"> The fund has had success in encouraging colleges to develop innovative ways to recruit and deliver courses. It is not possible to provide a robust assessment of the outcomes without an in depth college-by-college review of projects
3. Does the initiative represent VFM when measured against the counterfactual position?	<ul style="list-style-type: none"> Considered to be effective and represent good VFM 	<ul style="list-style-type: none"> Considered to be effective and represent good VFM 	<ul style="list-style-type: none"> The mixed views of the colleges in regard to the success of the Fund would indicate that it may not offer high VFM 	<ul style="list-style-type: none"> Considered to be effective and represent good VFM
4. Does the initiative represent VFM considering the necessary management of a discrete fund?	<ul style="list-style-type: none"> The benefits were considered to outweigh the costs by over 85 per cent of colleges. 	<ul style="list-style-type: none"> The benefits were considered to outweigh the cost by almost three-quarters of colleges 	<ul style="list-style-type: none"> The views of the colleges were very mixed in relation to the VFM associated with the management required 	<ul style="list-style-type: none"> The benefits were considered to outweigh the costs by over 85 per cent of colleges.
5. How realistic have targets been in light of experiences of FEIs?	<ul style="list-style-type: none"> No overall quantified targets for the Fund in terms of increased access and participation. 	<ul style="list-style-type: none"> No overall quantified targets for the Fund in terms of increased access and participation. 	<ul style="list-style-type: none"> No overall quantified targets for the Fund in terms of increased access and participation 	<ul style="list-style-type: none"> No overall quantified targets for the Fund in terms of increased access and participation.
6. What problems have FEIs encountered in meeting targets?	<ul style="list-style-type: none"> See Annex F for the issues raised by colleges 	<ul style="list-style-type: none"> See Annex F for the issues raised by colleges 	<ul style="list-style-type: none"> See Annex F for the issues raised by colleges 	<ul style="list-style-type: none"> See Annex F for the issues raised by colleges
7. Is there clear evidence that FEIs have used funding for the stated purpose of the Initiative?	<ul style="list-style-type: none"> Evidence exists to suggest that the funding was used for the stated purpose does exist. 	<ul style="list-style-type: none"> Evidence exists to suggest that the funding was used for the stated purpose does exist. 	<ul style="list-style-type: none"> Evidence exists to suggest that the funding was used for the stated purpose does exist. 	<ul style="list-style-type: none"> Evidence exists to suggest that the funding was used for the stated purpose does exist.
8. Should support continue as an Earmarked Fund?	<ul style="list-style-type: none"> Yes – again, it must be emphasised that this assessment is based on the views of the colleges which could contain an element of bias. 	<ul style="list-style-type: none"> Yes – again, it must be emphasised that this assessment is based on the views of the colleges which could contain an element of bias. 	<ul style="list-style-type: none"> No – again, it must be emphasised that this assessment is based on the views of the colleges which could contain an element of bias. 	<ul style="list-style-type: none"> Yes – again, it must be emphasised that this assessment is based on the views of the colleges which could contain an element of bias.

V Summary and conclusions

Introduction

- 5.1 PricewaterhouseCoopers LLP were commissioned in October 2002 to undertake an evaluation of the way in which funding is allocated to FE colleges in Northern Ireland. The main aim of the evaluation is to assess the extent to which the funding mechanisms assist the Department in achieving its aims and objectives in an effective and efficient manner.
- 5.2 The focus of the evaluation is on the funding formula, which allocates mainstream FE funding on the basis of SPURs, and seven of the Department's key earmarked funds. The earmarked funds which have been included in the evaluation are: Access Initiatives; Partnership Fund; Strategic Alliance Fund; Strategic Restructuring Fund; Support Funds; Skills Fund; and the Additional Support Fund.
- 5.3 In order to conduct the evaluation the PricewaterhouseCoopers LLP team undertook a research programme which included:
- Review of relevant policy and funding documents in NI and GB;
 - Review and analysis of existing statistical data relating to SPURs and, more specifically, course and student profile across all colleges in NI;
 - Interviews with officials in DEL and other 'sister' departments in GB;
 - Workshops with colleges, one set at the beginning of the assignment and one towards the end; and
 - A Baseline Information Return survey of all colleges.
- 5.4 The main findings from the evaluation are summarised in the subsequent paragraphs.

Summary of findings

Key findings in relation to the funding formula

- 5.5 Amongst the key findings to emerge from the research in relation to the funding formula are the following:
- FE colleges have **developed in line with the sector's strategic objectives** and they have generally been quite successful at responding to the strategic imperatives articulated by the Department;
 - Although colleges have been developing in line with the sector's strategic priorities, **little 'hard' evidence exists** that would indicate the

extent to which this has been impacted on by the funding formula. The views of the colleges in relation to the impact the funding formula has had are summarised in Table 5.1;

Table 5.1: Summary of key survey findings in relation to the funding formula

Objective <i>(i.e. strategic objective of FE sector)</i>	Impact of funding formula <i>(i.e. extent to which funding formula has helped colleges achieving objectives)</i>
<i>Supporting economic development</i>	✘
<i>Widening access to and increasing participation in FE</i>	✓
<i>Enhancing the quality of FE provision and raising standards of achievement</i>	●
<i>Promoting an effective and efficient sector</i>	✘✘

Note: illustrative and based on the results of the Baseline Information Return survey of colleges in NI. As such it represents the views of the colleges only.

✘ indicates a negative impact; ✘✘ indicates a significant negative impact; ● indicates a neutral impact; ✓ indicates a positive impact; and ✓✓ indicates a significantly positive impact.

- Colleges commented that **many students come to the colleges having already formed an idea about the subjects they wish to study**;
- The colleges suggested that the funding formula had **successfully encouraged colleges to alter their behaviour to deliver particular types of qualification** (e.g. AVCE);
- The funding formula is also reported to have had a **reasonably positive impact in relation to widening access** to learning amongst various groups of non-traditional learners (e.g. those from TSN areas and those with SLDD).
- The specification of the funding formula **causes a number of planning related difficulties** which adversely impact on the efficiency of colleges and the sector in general:
 - The **relative system of funding**, in which the value of the unit of resource (the SPUR) depends on the amount and type of activity across all colleges;
 - The **competitive nature of the sector** encourages colleges to ensure that they maintain their share of total SPURS and consequently their share of available funding. This leads all to seek to expand and therefore reduce the per capita unit of resource, perhaps unsustainably; and
 - The **retrospective nature of the funding** in effect over-funds colleges in decline (or more precisely relative decline), while

penalising growing colleges. This conflicts with the Department for Employment and Learning's strategy of increasing participation in Further Education.

Key findings in relation to Earmarked funds

5.6 Given the lack of quantified monitoring information, our assessment of the EMF was based on the college views as expressed in the BIR. As noted previously, these should be treated with caution as they may contain an element of bias. Nevertheless, some interesting findings did emerge. One such finding was that, in relation to a number of key issues, different colleges often had different views about different earmarked funds. This reflects the fact that not all colleges received funding from all earmarked funds, and some funds were more relevant for some colleges than for others. Nevertheless, a number of broad findings emerged the BIR in relation to the earmarked funds are summarised as follows:

- There is a **clear linkage between the objectives of the funds, effective levers and positive outcomes**. This clarity in relation to the objectives of each of the funds means that they have generally acted as effective policy levers.;
- Perhaps the most important difficulty with the earmarked funds is that **too much resource is required to administer them in some instances**. This relates mainly to the application process, and the audit / scrutiny process which were viewed as burdensome by colleges; and
- However, there is some evidence to suggest that those which are focused on college-specific factors (e.g. the Restructuring Fund which focuses on staff restructuring within colleges) and learner-specific factors (e.g. the Support Funds and the Additional Support Fund which focus on widening participation amongst non-traditional groups of learners) are generally quite successful. This is in contrast to other funds which, in the views of many colleges, focus on activities and outcomes which colleges should be engaged in anyway as part of their day-to-day business (e.g. the Skills Fund which tries to promote NVQ 2 and 3 provision amongst adults, and the Strategic Alliance Fund which promotes collaboration between FE institutions). Within this context there is a clear case for the rationalisation of the Department's portfolio of earmarked funds, i.e. removing some of the funds (especially the Skills Fund and the Strategic Alliance Fund), and combining some of the others (e.g. Support Fund, and Additional Support Fund). The combination of these funds should yield cost savings in relation to application and administration. A summary of the key survey findings is presented in Table 5.2.

Table 5.2: Summary of key survey findings in relation to individual earmarked funds

	<i>Success</i>	<i>Costs</i>	<i>Mainstreaming</i>
	<i>Extent to which colleges viewed Fund as having been successful</i>	<i>Extent to which colleges thought that the costs of administering the Fund outweighed the benefits</i>	<i>Extent to which colleges thought Fund should become part of block grant</i>
<i>Access Initiative</i>	✓✓	××	✓✓
<i>Partnership Fund</i>	✓	××	✓✓
<i>Strategic Alliance Fund</i>	✓	××	✓✓
<i>Strategic Restructuring Fund</i>	✓✓	×	✓
<i>Support Funds</i>	✓✓	×	✓
<i>Skills Fund</i>	✓	××	✓✓
<i>Additional Support Fund</i>	✓✓	×	✓

Note: the Table illustrates the key findings emerging from the quantitative data gathered as part of the Baseline Information Return survey of colleges

× indicates a negative impact; *××* indicates a significant negative impact; *●* indicates a neutral impact; *✓* indicates a positive impact; and *✓✓* indicates a significantly positive impact

Conclusions

- 5.7 Our research has revealed that colleges have been developing in line with the Department's strategic priorities for the sector. However, there is little 'hard' evidence to indicate the extent to which the funding formula has acted as a policy lever. The evidence base in relation to the earmarked funds does suggest that certain earmarked funds have acted as effective levers, i.e. the existence of the fund has generally resulted in colleges undertaking the kinds of activities, and generating the kinds of outcomes that the Department is trying to encourage.
- 5.8 However, in assessing the effectiveness of the funding formula, it is important to consider the overall effectiveness of the mechanisms at an aggregate level. The current funding arrangements have been successful as a mechanism that allocates resources to fund the activities of the colleges. In terms of acting as a policy lever, particular elements of the funding mechanism i.e. certain earmarked funds, have encouraged the colleges to undertake desirable activities.
- 5.9 Our research reveals that certain features of the funding mechanism, which have been outlined above, limit its efficiency. The challenge for the Department is to develop the funding mechanism in a manner which addresses the inefficiencies identified in the current system, and encourages college activity in line with Department objectives.