

## Funding

### Indicative Funding Rates for Further Education in 2002/03

#### Summary

This document provides indicative funding rates for further education in 2002/03, building on the new funding arrangements described in Circular 01/13, *Post-16 Funding Arrangements for 2002/03*.

The circular explains how the indicative rates have been derived, with particular reference to the elements of the new national funding formula and the consequential changes to the calculation of the rates.

To accompany this document, modelling software is available on the Council's website ([www.lscdata.gov.uk/data/software\\_download.html](http://www.lscdata.gov.uk/data/software_download.html)) to enable institutions to gauge the likely impact of the new funding formula, using the indicative rates given in this document.

This is the second in a series of three documents which will cover the transition of funding further education from the Further Education Funding Council methodology to the new formula. The third publication, *Arrangements for Planning and Budgeting for Further Education in 2002/03*, is due to be published in December 2001.

Although primarily for information, the Council would welcome comments on the proposal to extend the funding of partial achievement and the options for revising the approach to claiming for additional learning support needs. Comments should be forwarded to local Councils by Friday 11 January 2002.



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**Further information**

For further information, please contact your local Learning and Skills Council.

# Section One: Introduction and Context

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## Introduction

1.1 This document provides indicative funding rates for further education (FE) in 2002/03, building on the new funding arrangements described in Circular 01/13, *Post - 16 Funding Arrangements for 2002/03*, available on the Learning and Skills Council's (the Council's) website at [www.lsc.gov.uk/circulars](http://www.lsc.gov.uk/circulars). The Council will publish the confirmed funding rates for 2002/03 in early 2002, once notification has been received from the Secretary of State for Education and Skills of the funds available to the Council for 2002/03.

1.2 **Although primarily for information, this document also seeks comments from the sector on:**

- **the proposal to extend the funding of partial achievement (paragraphs 3.27 to 3.31)**
- **options for revising the method of claiming for additional learning support needs for 2002/03 (paragraphs 5.8 to 5.9).**

Comments should be forwarded to local Councils by Friday 11 January 2002.

1.3 The contents of subsequent sections of this document are as follows:

- **Section two** compares the national base rate elements of the new formula with the Further Education Funding Council (FEFC) approach. The principles used by the Council in deriving indicative national base rates for 2002/03 are described together with the key issues impacting on the national rates as a result of the new formula
- **Section three** provides details of the key changes to the calculation of the national rates, including the background to, and the rationale for, these changes
- **Section four** focuses on basic skills provision, describing how the national rates will take account of this type of provision for 2002/03
- **Section five** sets out a number of supplementary issues which will impact on the national rates
- **Section six** provides a commentary on the Council's modelling of the impact on institutions of the new indicative national rates.

1.4 The remainder of this section provides the context within which the funding arrangements for 2002/03 have been established and, consequently, the indicative rates have been calculated.

1.5 In calculating the indicative national rates, the Council has wanted to ensure that the overall impact of any changes on the total funding available is cost neutral. The Council wants to ensure that the volume of provision delivered by FE is not threatened by the introduction of the new formula and that, within a fixed allocation of funding ('the quantum'), affordability issues are fully considered.

## Key Consultations and Communications

1.6 Since the publication of the White Paper, *Learning to Succeed*, in June 1999, Ministers have consulted extensively on future funding arrangements for the post-16 education and training sector with the purpose of establishing a coherent and integrated system across the four learning sectors of work based learning, FE, school sixth forms and adult and community learning.

1.7 In section one of Circular 01/13, *Post-16 Funding Arrangements for 2002/03*, the various stages of consultation between June 1999 and May 2000 are described. In summary, the key stages are indicated below:

June 1999	<i>School Sixth Form Funding: A Consultation Paper</i> – set out the options for the funding of school sixth forms by the Council
December 1999	The Learning and Skills Council Prospectus – set out the Government's conclusions on the White Paper and described how the Council would work at national and local level
January 2000	<i>Post-16 Funding and Allocations: First Technical Consultation Paper</i> – set out the initial thinking on the new funding arrangements
May 2000	<i>Post-16 Funding: Second Technical Consultation Paper</i> – expanded on the January 2000 proposals, taking into account the results of the consultation responses
May 2000	The <i>Learning and Skills Council: Funding Flows and Business Processes</i> – consulted on the Council's operational framework, the planning role of local Councils and their interaction with providers, local education authorities and employers
November 2000	Joint letter from the then Department for Education and Employment and the Council to all post-16 education and training providers – detailed progress on the development of the funding arrangements, provided feedback on the second technical consultation paper and announced a number of decisions on the overall shape of the funding system
December 2000	<i>School Sixth Form Funding: Technical Consultation Paper</i> – consulted on technical details of funding for school sixth forms.

1.8 The funding arrangements for 2002/03, described in Circular 01/13, are based on Ministers' decisions following the consultation exercises outlined above. The calculation of the indicative rates for 2002/03, as detailed in section three of this circular, is based on these arrangements.

1.9 As stated by the then Department for Education and Employment, in developing the new funding approach:

*'we have taken the best elements of the FEFC funding system' (paragraph 2.5, Post-16 Funding: Second Technical Consultation Paper).*

The calculation of the indicative rates for 2002/03 is based on a model similar to that of the FEFC but with a number of adjustments to take account of Ministers' policy steers, to maintain broadly the relativities in funding between different types of provision and to reflect affordability considerations.

## National Rates Advisory Group

1.10 The Council, together with the Employment Service, has established a National Rates Advisory Group (NRAG) to advise both bodies on national funding rates for all the provision funded by these bodies. An interim group was established in March 2001 and has now met on eight occasions.

1.11 The NRAG membership is composed of providers that broadly represent the whole of the provision funded by the Council and the Employment Service. There are observers from sector organisations. Details of the NRAG's members and observers are provided at annex A.

1.12 The advice of the NRAG is essential to the Council's development of a fully integrated funding approach by 2004/05. The group has

been consulted on the key changes to the national rates set out in this document. Where appropriate, reference will be made to recommendations the group has made.

## Key Changes

1.13 Circular 01/13 provided an overview of the key changes to the FEFC's funding approach. For ease of reference, this is reproduced at annex B. These have consequently necessitated some specific changes to the calculation of the national rates, which have been recommended by the NRAG. These changes are described in detail in this circular. Further potential changes are presented in this document as options for comment (see paragraph 1.2) and will be considered by the NRAG.

1.14 The table overleaf summarises the changes, with an indication of the consultation or consideration carried out for each change and the appropriate paragraph references within this circular:

## Key Changes to National Rates

Adjustment	Consultation/Consideration Reference	Main Paragraph References
<p><b>National base rates</b></p> <ul style="list-style-type: none"> <li>- funding of loadbanded individual learning aims above 600 glh to be reduced</li> <li>- the division of the 9-19 guided learning hour (glh) loadband into separate rates for learning aims of 9-13 glh and 14-19 glh</li> <li>- learning aims that are usually only taken in addition to full-time programmes (e.g. A/AS General Studies) <b>not</b> to be uprated to compensate for the absorption of the entry element in basic national rates</li> </ul>	<p>NRAG (29 October 2001)</p> <p>NRAG (25 September 2001)</p> <p>NRAG (25 September 2001)</p>	<p>3.14 – 3.17</p> <p>3.18 – 3.21</p> <p>annex C</p>
<p><b>Fee income</b></p> <ul style="list-style-type: none"> <li>- assumed fee income for all learning aims to be standardised at 25% of the unweighted national base rate</li> </ul>	<p><i>Post-16 Funding: Second Technical Consultation Paper</i>, paragraphs 2.62-2.66</p> <p>Joint letter of 30 November 2000 from DfES and LSC to all post-16 providers, paragraph 6 (i)</p>	<p>2.15 – 2.17</p>
<p><b>Achievement</b></p> <ul style="list-style-type: none"> <li>- the achievement element to represent a higher (10%) proportion of the total funding</li> <li>- consultation on the possibility of increasing the flexibility to claim for partial achievement of learning aims</li> </ul>	<p><i>Post-16 Funding: Second Technical Consultation Paper</i>, paragraphs 2.20-2.24, 3.17 and 4.13-4.15</p> <p>Joint letter of 30 November 2000 from DfES and LSC to all post-16 providers, paragraph 4 (c)</p> <p>Currently under consideration – comments invited</p>	<p>2.18 – 2.19</p> <p>3.27 – 3.31</p>
<p><b>Programme weightings</b></p> <ul style="list-style-type: none"> <li>- adjustments to the levels of programme weightings to minimise funding turbulence between the historic and new funding approaches</li> </ul>	<p>NRAG (25 September 2001)</p>	<p>3.32 – 3.36</p>



Adjustment	Consultation/Consideration Reference	Main Paragraph References
<p><b>Basic skills</b></p> <ul style="list-style-type: none"> <li>- an adjustment of the programme weighting to 1.4, to reflect the new funding approach</li> <li>- basic skills learning aims will be assigned rates not less than previous FEFC rates</li> </ul>	<p>NRAG (25 September 2001)</p> <p>NRAG (25 September 2001)</p>	<p>3.33 &amp; 4.13</p> <p>4.10</p>
<p><b>Census dates</b></p> <ul style="list-style-type: none"> <li>- the first census date to be moved from 1 November to 1 October</li> <li>- an amendment to the funding approach to address the unintended impact of the tri-annual census dates on short courses (of less than 12 weeks)</li> </ul>	<p><i>Funding Flows and Business Processes</i>, paragraph 6.11</p> <p><i>Funding Flows and Business Processes</i>, paragraph 6.10</p>	<p>Not covered in this publication. See Circular 01/13, section 5 for details</p>
<p><b>Additional learning support</b></p> <ul style="list-style-type: none"> <li>- consultation on minor modifications to the existing FEFC arrangements for 2002/03</li> </ul>	<p>Currently under consideration – comments invited</p>	<p>5.8 – 5.9</p>

## Further Developments

1.15 As part of the movement towards a common funding approach in 2003/04 and the Council's integrated funding approach by 2004/05, the NRAG will be reviewing and advising the Council on a number of significant areas of work which will impact on future funding arrangements. Where appropriate these will cover the four learning sectors funded by the Council and will include:

- a review of the national rates for work based learning
- a review of the costs and funding associated with disadvantaged learners
- consideration of rates paid for Employment Service provision
- examination of differential costs of delivery of high cost provision to

inform programme weighting values and relativities, to include consideration of the specialist college factor

- consideration of the costs and funding relating to electronic and distance learning
- a review of the costs and funding uplift associated with geographical areas, to include consideration of the impact of rurality on costs.

1.16 The Council intends to consult widely throughout the development of a common approach to funding the learning and skills sector. It is anticipated that there will be a series of publications and consultation events to afford all stakeholders, partners and providers the opportunity to contribute to this development.

# Section Two: The New Approach

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## Introduction

2.1 This section gives details of the new formula, the principles used to establish the indicative funding rates for FE in 2002/03 and the key differences arising from these.

2.2 The policy context of the changes is summarised in section one and described in more detail in Circular 01/13, *Post-16 Funding Arrangements for 2002/03*.

## The New Formula

2.3 The concept of a national base rate, quoted in cash terms, is at the core of the new formula. The diagram below illustrates the relationship between the main elements of programme funding in the FEFC methodology and the new national base rate. In both cases cost or programme weightings, disadvantage uplifts and area uplifts are applied where appropriate (see paragraphs 3.32 – 3.42).

2.4 The key differences between the FEFC approach and the national base rates used by the new formula are:

- there is no separate entry element in the new national base rate

- the core funding represents 65% of the new national base rate
- assumed fee income/remission is set at 25% of the new national base rate
- the achievement element is set at 10% of the new national base rate
- a national base rate will apply to each learning aim. The total funding available for a learning programme will be made up of cash payable for each component learning aim, subject to the funding taper for large programmes. This differs from the FEFC methodology where the level of entry funding varied with the size of the total learning programme. The impact of this change is explained in paragraphs 2.12 – 2.14.

2.5 The impact of these key differences on the indicative rates for FE for 2002/03 are discussed in section three.

<b>FEFC</b>	Entry	On-programme	Fee remission (if applicable)	Achievement
<b>LSC</b>	National base rate			
	Core funding	Assumed fee income/remission	Achievement	

## Principles

2.6 The Council has taken Ministers' priorities into consideration during the development of the new rates. For example, funding levels for basic skills have been protected and existing uplifts retained. This reflects the importance of addressing basic skills needs at both local and national levels.

2.7 The indicative new national base rates have been derived from the levels of funding which applied under the FEFC methodology. A key principle has been to maintain current relativities between funding for different learning aims as these relativities were evidence-based and have been widely accepted in the sector as broadly reflecting the differences in costs to institutions in delivering the relevant provision.

2.8 Maintaining relativities contributes to another key principle of ensuring stability in funding for FE institutions during the transition to the new formula. Some specific changes to funding levels or approaches have been necessary in order to reduce turbulence for the FE sector as a result of the new approach.

2.9 The Council wishes to ensure that the volume of provision delivered is not adversely affected by the change to the new approach. The need to ensure that institutions are funded appropriately has to be balanced with affordability issues, particularly in respect of unintended consequences of the new formula which may lead to marked changes in funding.

2.10 In conclusion, in establishing the new rates, the Council has taken account of key ministerial priorities, the relativities of rates for different learning aims, the need to minimise the level of unnecessary turbulence for institutions and to ensure the volume of learning provision is maintained. The operation

of these principles in the development of the indicative funding rates for the new approach is described below.

## Key Differences

2.11 The key differences between the FEFC approach and the new formula which impact on national base rates are listed in paragraph 2.4. The implications of these differences for the setting of national base rates are considered in more detail here.

## Incorporation of the entry element

2.12 The incorporation of the FEFC entry element into a national base rate means that this portion of funding will no longer be capped at a maximum level for an individual learner, as occurred in the FEFC methodology. The national base rate for each learning aim will include a portion of funding which, in the FEFC methodology, represented the entry element. Where learners take multiple learning aims, the overall funding associated with the total learning programme is likely to increase under the new formula as the 'incorporated' entry element of funding is included in each national base rate.

2.13 This aspect of the new formula potentially creates an issue of affordability for the Council. There is a specific amount of funding available for the current volume delivered by FE institutions. If the new formula means that more funding is generated by the same level of provision, then the volume of funded provision decreases. The Council has sought, therefore, to minimise any distortion caused by incorporation of the entry element into national base rates, and has also made certain adjustments to the rates to ensure the change is affordable. These approaches are described in section 3.

**2.14 Whilst the Council supports the move towards unitisation of the curriculum, any artificial splitting of courses in order to gain additional funding must be avoided. This will be identified as a high risk area for external audit purposes for 2002/03.**

### **Assumed fee income**

2.15 The new formula includes, as 25% of the national base rate, an assumed level of fee income which institutions should receive from charging learners, or their employers, tuition fees. This reflects Ministers' view that, where it is appropriate, learners (or their employers) should contribute to the costs of their programme<sup>1</sup>. Certain categories of learners, for example 16–18 year olds and basic skills learners, are not expected to contribute to the costs of their learning and are eligible for fee remission.

2.16 Where the national base rate is subject to weighting and/or uplifts for disadvantage or area, it is important to note that the level of assumed fee income remains at 25% of the (unweighted/not uplifted) national base rate. This does not affect the total funding available for the learning aim. The achievement element remains at 10% of the total funding available and the core funding increases from 65% so that the total weighted/uplifted value is generated.

2.17 The final rates for 2002/03 will show the amount payable if fee remission applies (which will be the full national rate, with weightings and uplifts to be applied as appropriate). The rates will also be quoted reflecting the 25% reduction in the national base rate where a contribution from learners to the cost of their learning is appropriate.

### **Achievement**

2.18 The national base rates include, as an integral part of the cash sum available, a 10% achievement element which is triggered when the learner achieves in accordance with the Council's funding guidance. This represents an increase from the achievement element of the FEFC methodology, which was around 7% of total funding, and was increased slightly if the achievement related to a national target.

2.19 This change to the level of funding associated with achievement reflects the importance of achievement in raising educational attainment and skills levels nationally. The Council recognises, however, the potential loss of funding for institutions. The importance of valuing partial achievements, particularly in the context of the development of modularisation of the curriculum, is also relevant in this context. A number of options concerning partial achievement are currently under consideration and these are detailed in paragraphs 3.27 to 3.31.

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<sup>1</sup> *Learning to Succeed: Post-16 Funding: Second Technical Consultation Paper*, paragraph 2.10.

# Section Three: Establishing National Base Rates

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## Introduction

3.1 This section reviews the approaches used to establish national base rates, the main changes and the reasons for these.

## Cash Rates

3.2 National base rates will be expressed solely in terms of a cash value; the FEFC concept of a funding unit will no longer be used.

3.3 There will be two approaches to deriving the national base rates for FE:

- a. many learning aims will have a specific cash value for the national base rate assigned to them. This reflects the FEFC approach of listing unit values for particular qualifications. It is anticipated that, in 2002/03, specific national base rates will be listed for learning aims that represent over 75% of Council-funded provision in FE;
- b. if a learning aim is not assigned a specific value, the national base rate that will apply will derive from the number of guided learning hours (glh) in which the learning aim is delivered. Ranges of glh will be assigned a national base rate in a similar manner to the FEFC loadband approach. Some specific changes from the FEFC loadband approach have been implemented as a result of recommendations from the NRAG. The reasons for these changes and their likely

impact are described in paragraphs 3.9 to 3.22.

**3.4 The indicative rates cited in this document are given at 2001/02 funding levels. This approach enables direct comparisons of funding values to be made between FEFC funding in 2001/02 (when an average level of funding (ALF) per unit of £17.22 applied) and the indicative funding under the new approach, with rates quoted solely in cash terms.**

3.5 The Council anticipates that the Secretary of State will confirm, by early December 2001, the actual level of funding available for FE and the other learning sectors in 2002/03. The indicative level of funding likely to be available for 2002/03 implies an increase of around 1.5%. The final rates for 2002/03 will be published in January 2002 and will include an appropriate adjustment from 2001/02 levels.

## Listed National Base Rates

3.6 The approach to listing national base rates for some learning aims, including National Diplomas and AS/A2 levels, is described in annex C.

3.7 The indicative listed national base rates have been derived from previous FEFC values for the learning aims which have been converted from units to a cash value using the sector ALF for 2001/02 of £17.22. The impact of the incorporation of the entry element into the national base rate (see paragraphs 2.12 – 2.14) has been taken into account in the calculation

of listed rates for certain learning aims. These adjustments reflect the composition of typical learning programmes and are detailed in annex C. For example, the rates for AS and A2 qualifications taken in the evening incorporate the previous entry element funding in full, as such qualifications are typically studied singly by evening class students.

3.8 Examples of indicative listed national base rates (at 2001/02 levels) are given in annex D. A complete list of indicative rates is available as part of the funding modelling software available from the Council's website ([www.lscdata.gov.uk/data/software\\_download.html](http://www.lscdata.gov.uk/data/software_download.html)). The rates are quoted in full, i.e. incorporating both 25% fee remission and 10% achievement components. An illustration of these components, showing how 100% of the indicative national base rate for an AS qualification is made up, is given below:

Core funding	Fee income/ remission	Achievement	Total
(65% of national base rate)	(25%)	(10%)	(100%)
£418	£161	£64	£643

*N.B. cash values given to the nearest pound*

## Loadbanded National Base Rates

3.9 Learning aims which are not listed will be funded at national base rates which reflect the number of glh in which the learning aim is delivered.

3.10 The indicative rates for each range of glh or 'loadband' have been derived from previous FEFC loadband values with specific amendments; the reasons for these are outlined below. The indicative rates are given in annex E.

## Calibration between listed and loadbanded rates

3.11 In order to establish the appropriate loadband and associated national base rate for a typical full-time learner, the Council has analysed 1999/2000 individual student record (ISR) data. This analysis has shown that the median and mean glh values for typical full-time learner programmes<sup>2</sup> are now both close to 570 glh per year. This figure has been used to ensure the rates paid for listed learning aims which make up typical full-time learning programmes are reflected in the national base rates for loadbands which broadly equate to full-time learning programmes. The entitlement, which was introduced as part of Curriculum 2000 for 16-18 full-time learners only, is treated as an extra part of a typical full-time learning programme and additional funds are allocated for this (see examples in annex F).

## Incorporation of the entry element

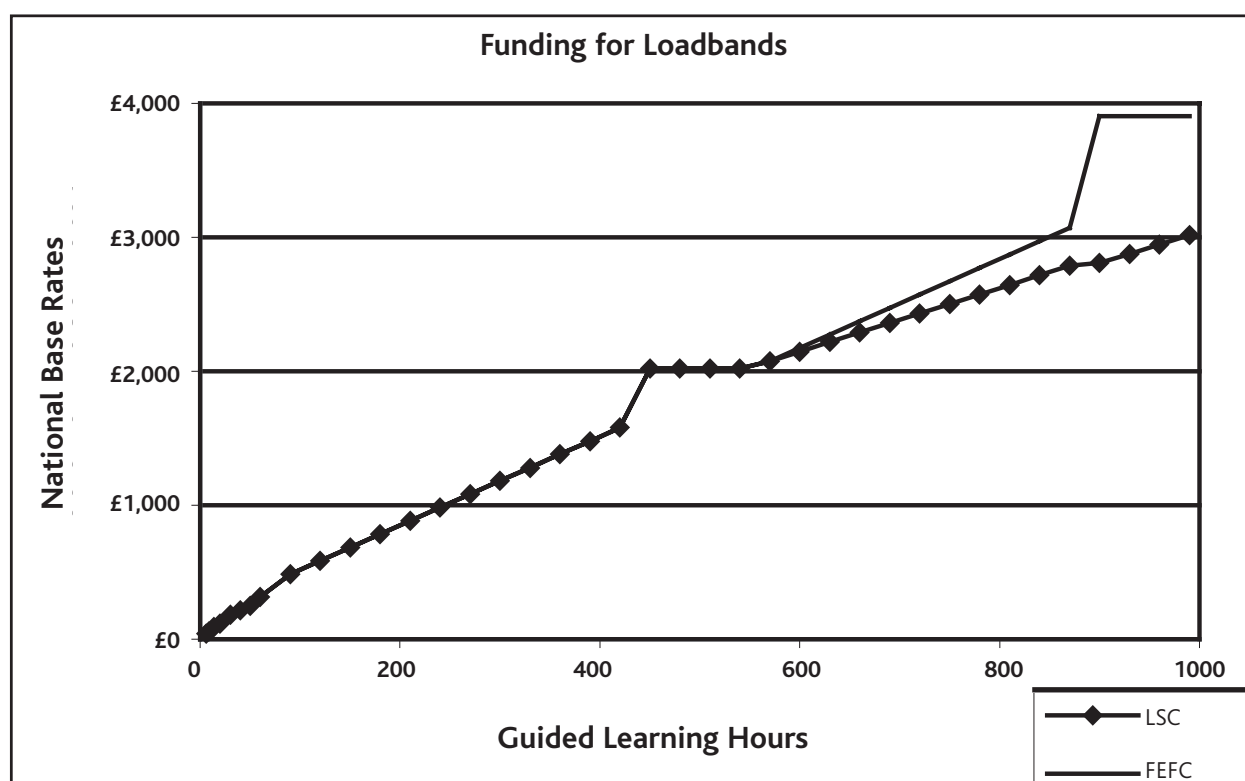
3.12 The incorporation of the FEFC's entry element into the national base rate has particular implications for funding levels established through loadbands. Unlike the listed learning aims, loadbanded learning aims do not form typical or predictable combinations when learners pursue more than one such learning aim.

3.13 If learners take more than one loadbanded learning aim, the funding earned may be higher than that generated through the FEFC methodology because the rate for each learning aim includes the incorporated FEFC entry element of funding. Modelling using ISR data shows that this effect could lead to an increase of more than 1% (approximately £40 million) in funding terms.

<sup>2</sup> For example, three A levels studied over two years; AVCE (6 units) taken over one year.



This could represent a reduction in the volume of provision that the Council is able to support with the available funds. The NRAG has, therefore, considered how funding rates should be adjusted to remain within the total funding available. The NRAG recommendations, which have been accepted by the Council, are detailed below.



Graph 1. Comparison between FEFC and indicative rates for 2002/03 in relation to glh.

### Funding adjustment for longer learning aims

3.14 The NRAG has recommended that funding should be adjusted for individual learning aims which exceed 600 glh in one year. This is based on the premise that the cost of delivery of each glh reduces with the length of the course. The funding taper applied to large learning programmes is based on the same premise (see paragraph 5.26 to 5.31). The adjustment to the funding levels for longer programmes is illustrated above.

3.15 The solid line represents the FEFC funding levels for 2001/02 and the line containing the data points shows the indicative national base rates for 2002/03, (programme weighting 1.0 (A) for both).

3.16 There is a close match between the funding rates of both approaches up to 600 glh. Above 600 glh there is a reduction in indicative rates compared to FEFC rates. It is important to note that the FEFC rates applied to each learning aim irrespective of the number of years in which this was taken. The indicative rates for 2002/03 apply only to individual learning aims taken over one year.

3.17 It is also important to note that this adjustment affects only individual learning aims which exceed 600 glh in one year. It will not impact on the funding for a learner's programme which exceeds 600 glh if this is composed of individual learning aims of less than 600 glh.

### Funding adjustment for short learning aims

3.18 The NRAG has given detailed consideration to funding rates for short courses. Adjustments to the rates are required to incorporate the entry element into national base rates, taking account of affordability considerations where learners pursue more than one learning aim.

3.19 Representations have also been received from institutions concerning the FEFC 9-19 glh loadband. The NRAG has concluded that this loadband is too wide, resulting in the same funding for courses of very different lengths, for example two day and three day programmes. Shorter learning aims are seen as over-funded, while longer learning aims are under-funded.

3.20 The NRAG has, therefore, recommended that the loadband should be split into separate bands of 9-13 glh and 14-19 glh, and the Council has accepted this recommendation. In assigning rates to short learning aims, the Council has been concerned to avoid perverse incentives to artificially split courses. It is also mindful of the effect of incorporating the entry element and the change in fee remission on the overall funding of short courses. The Council has, therefore, increased the rates initially recommended by NRAG, taking account of further modelling of affordability.

### Adjustments

3.21 The specific adjustments to the funding levels of both short and longer learning aims are tabulated in the next column:

Loadband	FEFC rate	Proposed Rate
6 – 8 glh	£48	£50
9 – 13 glh	£87	£75
14 – 19 glh	£87	£95
600+ glh (per year)	£2176 +	£2147 +

### Basic skills

3.22 The loadbands applicable to basic skills are indicated separately (see section four).

## Assumed Fee Income

3.23 The new formula includes, as an integral 25% of the national base rate, an assumed fee income or fee remission element. In the FEFC methodology, the level of assumed fee income or fee remission was 40% of the on-programme element of funding. This gave rise to the unintended consequence that the relationship between fee remission and overall funding for a particular learning aim or programme varied in percentage terms. Establishing a level of 25% of the national base rate for assumed fee income/fee remission has the greatest impact on shorter learning aims, and the degree of impact is variable as a result of the stepped levels of entry funding which were available in the FEFC methodology. Examples of the fee elements for loadbanded provision are provided at annex G.

## Achievement

3.24 The changes to achievement funding as a result of the introduction of the new formula are described in paragraphs 2.18 – 2.19. The Council's approach to defining achievement will be detailed in the funding guidance for 2002/03 to be published in January 2002. It is not anticipated that the approach will change significantly from 2001/02<sup>3</sup>.

<sup>3</sup> See *Guidance on Further Education Funding Eligibility and Rates 2001-02*, paragraph 348.



3.25 The Council has commissioned the Learning and Skills Development Agency (LSDA) with the National Organisation for Adult Learning (NIACE) to develop a national measure for achievement in provision which does not lead to qualifications<sup>4</sup>.

3.26 The results of this study will inform the Council's approach to funding achievement from 2003/04.

### Options for funding partial achievement

3.27 The context for developing the Council's approach to funding partial achievement is described in paragraph 2.19. The options currently being considered by the Council in relation to extending the funding of partial achievement of qualifications are outlined below.

3.28 The FEFC methodology included appropriate funding for achievement if a learner achieved half the total number of units or modules required for the full qualification. The Council wishes to extend this approach for 2002/03 and is considering the following options (which will only apply to externally accredited provision):

#### *Option 1 – one-third/two-thirds/whole qualification*

Option 1 would enable fractional achievement of the whole qualification to be recognised. Partial achievement would be paid for one-third or two-thirds of the units or modules of the qualifications being obtained. The funding paid would be in proportion to the specified fraction of the qualification achieved.

This option has the advantage that, as many qualifications are multiples of three units or modules, it can more accurately reflect the proportions of the

qualifications achieved. It would require several additional codes in an existing field of the individualised learner record (ILR).

#### *Option 2 – each module/unit of qualification*

Option 2 would allow proportionate achievement funding to be paid for any module or unit of the qualification which has been passed.

This option has the advantage of accurately funding the fractions of qualifications achieved and reflects unitisation. However, it will require two additional fields in the ILR, one for units or modules achieved and another for the number of units or modules required to obtain the whole qualification. It is likely to add to the audit burden.

#### *Option 3 – half/whole qualification*

Option 3 is to retain the current approach of partial achievement funding applying to half the qualification only.

3.29 As an example, the following table illustrates the impact on an AVCE 12 unit qualification of the three separate options:

Number of units achieved	Option 1	Option 2	Option 3
0	0	0	0
1	0	1/12	0
2	0	2/12 = 1/6	0
3	0	3/12 = 1/4	0
4	1/3	4/12 = 1/3	0
5	1/3	5/12	0
6	1/3	6/12 = 1/2	1/2
7	1/3	7/12	1/2
8	2/3	8/12 = 2/3	1/2
9	2/3	9/12 = 3/4	1/2
10	2/3	10/12 = 5/6	1/2
11	2/3	11/12	1/2
12	Whole	Whole	Whole

<sup>4</sup> Listed in Sections 96 and 97 of the *Learning and Skills Act 2000*.

3.30 The Council considers that option 2 would be the fairest option but it would involve an additional requirement on institutions in relation to data collection and audit. This could be seen as adding to the burden of bureaucracy experienced by the sector and the Council will not introduce this change unless there is clear support for option 2 from institutions.

**3.31 The Council would welcome institutions' comments on their preferred option for 2002/03. Comments should be forwarded to local Councils by Friday 11 January 2002.**

## Programme Weighting Factors

3.32 Some learning aims are typically more costly for institutions to deliver than others, for example, engineering provision compared with business studies. This is recognised in the new formula by programme weighting factors which are applied to the national base rate where appropriate. The FEFC methodology included cost weighting factors which applied to only a proportion of the total funding available (the on-programme element – see paragraph 2.3). In the new formula, the programme weighting will uplift the total funding available for relevant learning aims.

3.33 In order to maintain relativities in funding levels and to reduce unnecessary turbulence created by the new approach, the FEFC cost weighting factors have to be adjusted to produce programme weighting factors which can be applied to the national base rates. These adjustments are detailed in the table in the next column:

Weight	FEFC Cost Weighting Factors	LSC Programme Weightings
A	1.0	1.0
B	1.2	1.12
C	1.5	1.3
D	2.0	1.6
E	2.2	1.72
Basic Skills	1.5	1.4

3.34 The programme weightings, although numerically lower than the FEFC cost weightings, **do not represent a decrease** in the funding available for particular learning aims. Examples illustrating the operation of the FEFC cost weighting factors and the programme weightings used with the new formula are given in annex F.

3.35 The NRAG will be reviewing the approach to programme weighting factors across the four learning sectors in 2002 (see paragraph 1.15).

3.36 Further details on programme weighting factors are given in Circular 01/13, paragraphs 4.19 – 4.25.

## Disadvantage Uplift

3.37 For 2002/03, a disadvantage uplift to funding will operate in a similar way to the FEFC widening participation factor. The purpose of the disadvantage uplift is to ensure that certain learners attract a funding enhancement which reflects their relative disadvantage and the expected additional costs incurred by institutions in attracting and retaining such learners.

3.38 The disadvantage uplift is applicable to certain groups of learners, including those living in deprived areas and basic skills learners. A comprehensive list of all groups eligible for the uplift is provided in *Guidance on Further Education Eligibility and Rates 2001/02*;

funding guidance published in early 2002 will provide an update.

3.39 The Council has commissioned a study of the costs associated with delivering provision to disadvantaged learners, the results of which will be considered by the NRAG in 2002. The NRAG will wish to consider whether the rates for funding disadvantage should be changed in light of the results of the study. Following receipt of the NRAG's advice, the Council will consider any necessary changes to the funding rates for 2003/04.

## Area Costs Uplift

3.40 For 2002/03, similar arrangements for the area costs uplift to the FEFC approach will apply. The area costs uplift recognises the significantly higher costs of delivering provision in London and related areas.

3.41 The results of the DfES funding consultation indicated a broad acceptance of the current arrangements and supported applying a geographical uplift for 2002/03. However, the NRAG will, as part of its work programme, be reviewing the coverage and level of the area costs uplift. As part of its review, the group will consider rurality and other area issues which relate to the other learning sectors to inform future funding policy. No changes are, however, anticipated before 2003/04.

3.42 The weightings indicated below will, therefore, be applied to FE institutions in 2002/03:

Weighting Band	Weighting
Inner London A	1.18
Inner London B	1.12
Outer London	1.06
Fringe Area	1.03
Rest of England	1

## Section Four: Basic Skills Provision

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### Introduction

4.1 Basic literacy and numeracy provision will be funded within the new formula. The Council is seeking to ensure that this priority area is funded in an effective and flexible way which will facilitate the expansion of basic skills provision necessary in order to meet Ministers' target of improving the basic skills levels of 750,000 adults by 2004. The Council will be the main agency providing funding for basic skills provision and recognises the important task of ensuring that learners are able to access basic skills provision easily and that institutions are motivated to increase and improve their basic skills provision where this is appropriate. The Council will work closely with the Adult Basic Skills Strategy Unit (the Strategy Unit) and institutions, to ensure that the planning and funding of basic skills provision both matches local needs and reflects national policy.

4.2 The Strategy Unit considers basic skills to be:

*'Literacy and numeracy skills provision which caters for the literacy, language (ESOL) and numeracy needs of learners, including those with learning difficulties or disabilities, from pre-Entry Level to Level 2, including, for adults, the key skills of communication and application of number, whether delivered as stand-alone provision or as part of a vocational programme or bolt-on course, and whether delivered full-time, part-time, or through self-study or Information Communication Technology (ICT).'*

4.3 In addition, *Skills for Life: The national strategy for improving adult literacy and numeracy skills* (March 2001) notes the importance of national standards in relation to basic skills, and the 'national core literacy and numeracy curriculum for adults, based on the new national standards, which sets out clearly the specific literacy and numeracy skills that need to be taught and learned at each Level' (paragraph 124).

4.4 The Council is working with the Strategy Unit to identify provision which qualifies for the basic skills funding, weighting and uplifts. Further details will be given in the funding guidance to be published in early 2002.

### Funding Basic Skills

4.5 A primary objective in developing the funding arrangements for basic skills for 2002/03 under the new formula has been to ensure that funding rates for all basic skills programmes at least match the funding available under the FEFC methodology. This has required some specific adjustments which apply only to basic skills provision. These, and the elements carried forward from the FEFC approach, are outlined below.

4.6 *Skills for Life – the national strategy for improving adult literacy and numeracy* (March 2001) states, in paragraph 95:

*'All literacy and numeracy skills education will continue to be free of charge to the learner, no matter who provides it, where it is provided, or in what form'.*

4.7 This has been further emphasised in a letter from Malcolm Wicks (then Parliamentary Under-Secretary of State for Education and Employment) to John Harwood dated 10 May 2001 in which it was reiterated:

*'..... our guarantee of free literacy and numeracy skills provision for learners, with no hidden costs passed on from providers.'*

4.8 Ministers are committed to ensuring all basic skills learning is free and the Council will be seeking to ensure that all providers in receipt of Council funding reflect this national policy.

4.9 The full national base rates will be paid for each basic skills learning aim reflecting the eligibility of all basic skills learners for fee remission. Institutions are expected to offer basic skills programmes which are free to the learner and the Council does not expect institutions to make any other charges in relation to basic skills learning aims, including examination fees, charges for materials, administration and registration fees. In addition, employers are not expected to contribute to basic skills learning.

4.10 Weighted national base rates for basic skills provision, whether listed or loadbanded, are intended to at least match the levels paid in 2001/02 for basic skills learning aims. The implication of this approach is that, where learners take more than one basic skills learning aim, proportionately greater funding may be available compared to the FEFC methodology because of the incorporation of the entry element into each national base rate in the new approach (see paragraphs 2.12 to 2.14 for further explanation). Indicative rates for loadbanded basic skills learning aims that illustrate this approach are given in annex E.

4.11 Three and six hour short courses continue to be available for extended diagnostic assessment and intensive tuition respectively in relation to basic skills<sup>5</sup>.

4.12 Institutions will be able to claim the achievement element of the national base rate when a learner achieves one of the Qualifications and Curriculum Authority (QCA) accredited and Secretary of State approved literacy or numeracy qualifications, or an externally assessed English as a Second Language (ESOL) certificate. Alternatively, they will be able to claim the achievement element if a learner achieves the relevant learning goal which is set within the national standards for basic skills produced by the QCA. This reflects previous guidance in relation to achievement in basic skills provision<sup>6</sup>.

4.13 The programme weighting factor in the new formula for basic skills provision will be 1.4 or will match the funding level applicable under the FEFC approach, whichever is higher. This is higher than the indicative adjustment to the FEFC cost weighting factor C which, for other learning aims, will be 1.3 in the new formula (see paragraph 3.33). This higher level of programme weighting for basic skills reflects the higher entry element of funding for these learning aims in the FEFC methodology.

4.14 Students on basic skills learning aims will continue to attract a disadvantage uplift of 10%.

4.15 In summary, the Council's funding approach to basic skills learning aims in 2002/03 will include:

<sup>5</sup> See *Guidance on Further Education Funding Eligibility and Rates 2000-01*, paragraph 290.

<sup>6</sup> See *Guidance on Further Education Funding Eligibility and Rates 2001-02*, paragraph 348.

- ensuring provision is free to the learner
- paying the full national base rate for basic skills learning aims as these automatically attract fee remission
- weighted national rates for basic skills learning aims will not be less than the rates paid in 2001/02
- a programme weighting factor of 1.4 will be applied to basic skills learning aims (or will match the funding level applicable under the FEFC approach, whichever is higher)
- basic skills learners will attract a disadvantage uplift of 10%.

4.16 Basic skills provision will, therefore, be funded at a level which is more than 40% higher than courses of a comparable size in other curriculum areas, at programme weighting factor 1.0.

## Future Developments

4.17 The Council is reviewing its funding policy in relation to learners who are taking a learning aim which includes embedded basic skills provision. Where learners have been assessed as having basic skills needs and the embedded basic skills provision is mapped to national standards, the Council is considering the possibility that the disadvantage uplift may be applied to the national base rate for this learning aim. This proposal will be considered further in consultation with the Strategy Unit and in the light of funds available for 2002/03.

4.18 The Council is developing its funding approach in other areas in relation to basic skills. The funding of actual costs of outreach work in relation to attracting basic skills learners onto relevant provision is under consideration. In addition, the Strategy Unit and the Council are investigating an approach

to funding, at cost, stand-alone opportunities to take national basic skills tests for relevant learners. Further details on these possible strategies to broaden the funding available for basic skills will also be given in the funding guidance to be published in early 2002.



# Section Five: Supplementary Issues

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## Introduction

5.1 This section provides details of a number of further issues which should be considered alongside the new national rates.

## Additional Learning Support

5.2 The new funding approach will ensure that learners requiring additional learning support are funded according to their individual needs, as occurred in the FEFC funding system.

*Guidance on Further Education Funding Eligibility and Rates 2001/02* defines additional support as follows:

*“any activity that provides direct support for learning to individual learners, over and above that which is normally provided in a standard learning programme which leads to their primary learning goal. The additional support is required to help learners gain access to, progress towards and successfully achieve their learning goals. The need for additional support may arise from a learning difficulty or disability, or from literacy, numeracy or language support requirements.”*

5.3 Additional learning support funding is intended to be for additional activities which provide direct learning support to learners and, therefore, does not include, for example, childcare or transport costs (although it could include transport within the institution). Examples of types of additional learning support may include: additional teaching, other specialist staff such as personal care assistants

or specialist tutors, therapy support, additional assessment and reviews, and personal counselling.

5.4 Under the FEFC system which is in operation for 2001/02, additional funding units may be claimed where an institution provides additional support to a learner and the extra costs of doing so are above a threshold level. Funding is claimed against additional learning support bands. If, for example, the cost of additional support for a learner amounts to £700, the institution would be able to claim against support band 1 (£501-£1000) which represents 44 units, the approximate mid-point of the band (to the nearest unit). At the 2001/02 average level of funding of £17.22, this would represent £758. Further details on the FEFC approach are provided in *Guidance on Further Education Funding Eligibility and Rates 2001-02*.

5.5 The Individualised Student Record (ISR) stores the actual costs incurred by institutions from which the number of units to be claimed may be calculated. The values have been recalibrated each year to reflect the overall average level of funding in the sector.

5.6 Circular 01/13 explains that the Council will be consulting widely on any proposed changes to the current FEFC approach for claiming additional support. It will not, therefore, implement any significant changes to the approach for 2002/03. It is intended that any changes will be implemented from 2003/04.

5.7 Previous consultation by the DfES has demonstrated that there is some support for a 'matrix' approach to funding learners requiring additional learning support, based on the principle that comparable funding should be available for learners engaged in similar provision with similar support needs. The approach will seek to cater for the full range of additional support needs and be sensitive to the fact that the type and level of support will differ depending on each individual's requirements. At the same time, it will be important that the approach is kept as simple as possible to administer.

5.8 For 2002/03 the existing FEFC approach will continue. It will, however, need to be modified to take into account the removal of the concept of units and the move to expressing rates in cash values. The Council is considering two options for modification, as follows:

- *option one – broadly similar to FEFC approach*

The actual costs incurred for each learner are matched against the table of additional support bands and funding may be claimed for the mid-point of the band, which is expressed as a cash value rather than a number of units.

This is very close to the existing FEFC approach; the only modification is that the value of the mid-point may vary slightly as it is being expressed as a standard cash value, rather than a number of units. This approach requires a table of additional support bands to be retained.

- *option two - modification*

The actual costs incurred for each learner are recorded in the ILR as in

option one. However, the funding that is claimed is the same as the actual costs incurred.

This option does not require a table of additional support bands. It also avoids any perverse effects where the costs incurred are near the top or bottom of the bands.

**5.9 The Council would welcome institutions' comments on their preferred option for 2002/03 which should be forwarded to local Councils by Friday 11 January 2002.**

## **Distributed and Electronic Learning, and learndirect**

5.10 The Council is committed to encouraging and supporting innovation in learning delivery and it expects distributed and electronic learning (e-learning) to make important contributions to improving the flexibility and accessibility of learning opportunities.

5.11 The Council has established the Distributed and Electronic Learning Group (DELG), under the chairmanship of Professor Bob Fryer CBE, to advise on these matters. The DELG began work in September 2001 and is expecting to report in spring 2002.

5.12 As part of its work programme, the DELG will consider how distributed and e-learning might be funded in the future. The evidence base available on the costs of distributed and e-learning is not very substantial and the Council has, therefore, commissioned a costing study jointly with Ufi and Education and Learning for Wales (ELWA). The study is on the point of publishing its final report which will be available to the DELG.

5.13 There have been some concerns that the funding approach developed by the FEFC does not match the cost profile of distributed and e-learning and, therefore, the Council will



wish to review this. The Council will not finalise its view on the appropriate funding model until it has had the opportunity to consider DELG's advice. It will, however, expect the funding model applied to distributed and e-learning to be consistent with the overall arrangements.

5.14 All **learndirect** programmes had listed values in the FEFC's qualifications database and LSC is working with Ufi to ensure that these values are appropriately listed as part of the new approach.

5.15 Preliminary indications from the costing study are that the existing levels of funding for **learndirect** provision are broadly appropriate for many curriculum areas but that disparities exist for other areas, particularly basic skills. The Council is working with Ufi to review the rates and to make adjustments as required. The final rates for **learndirect** provision will be published in early 2002.

5.16 The Council recognises that **learndirect** provision will be subject to the same potential effects of the new approach as any other provision. The particular nature of **learndirect** provision will mean that the impacts, both positive and negative, may be more marked. Safety netting arrangements similar to those available for institutions are envisaged for **learndirect** hubs (see paragraphs 6.13 to 6.14).

## Entitlement for 16–18 year old Learners

5.17 Curriculum 2000 was introduced in 2000/01 for full-time 16–18 year old learners who commenced their programmes of study in or after 2000/01. The initiative includes an 'entitlement' for full-time 16–18 year old learners consisting of tutorial provision, enrichment activities and key skills (application of number, communications and information technology) which form a part of their learning programme.

5.18 The FEFC methodology was adapted for 2000/01 to accommodate the introduction of Curriculum 2000. The entitlement element was funded by the FEFC at a rate which was equal to the on-programme and fee remission funding for an AS (or A2) level studied in the day. However, the achievement element of funding for the entitlement was lower than the equivalent level for an AS (or A2) level.

5.19 The FEFC approach to funding achievement in the entitlement related to achievement in each of the three key skills areas. Institutions could claim an element of achievement funding when a student achieved in one or more of the key skill areas. If a student achieved all three key skills, the level of achievement funding available was approximately half that of an AS or A2 level. This was based on the premise that approximately half the entitlement element related to key skills, the other half (tutorial and enrichment) being derived from the funding formerly incorporated into the rates for A/AS levels. In 2000/01, the FEFC required that 16–18 full-time learners should be taking key skills qualifications at an appropriate level in order to attract funding for their entitlement.

5.20 The Secretary of State wrote to the Council on 27 July 2001 as a result of a review of Curriculum 2000 and confirmed that she did not wish 16–18 year old learners to be potentially overburdened by a requirement for external registration and assessment for key skills.

5.21 The Council responded to this request from the Secretary of State by revising its guidance in relation to the funding of the entitlement. A letter was issued in August 2001 which confirmed the Council's intention to fund 16–18 full-time learners' entitlement whether or not key skills qualifications were being pursued. However, in

the 27 July 2001 letter the Secretary of State confirmed her expectation that key skills programmes should be offered to all post-16 learners. The Council is working jointly with the DfES and the QCA to produce further guidance on this issue for providers. Further details will be included in the funding guidance for 2002/03 to be published in early 2002 and a joint question and answer briefing is currently in preparation.

5.22 The national base rate for the entitlement will, for 2002/03, be based on the rate paid for a daytime AS or A2, excluding the achievement element. This follows existing practice and reflects the nature of the tutorial and enrichment part of the entitlement which are not normally directly linked to the achievement of a qualification.

5.23 However, the Council will provide funding to recognise achievement of key skills. For students who are being funded for the entitlement, an additional achievement element will be triggered when the learner achieves a national qualification at the appropriate level in any of the three key skills areas (communications, application of number, information technology). This achievement element will be 10% of the national base rate for the relevant key skills qualification. This will raise the funding available for achievement in key skills as part of the entitlement from, typically, around £8 per key skill in the FEFC methodology to £18 per key skill in the new approach. This increase provides a greater funding incentive for achieving key skills.

5.24 The relevant rates for the entitlement and related key skills achievement are given in annex D.

5.25 Students who are being funded for the entitlement will not be eligible for separate funding for the three key skills funded within

the entitlement. Other learners, who are not being funded for the entitlement, will be eligible for key skills funding through the relevant national base rates.

## Funding Taper

5.26 A funding taper will apply to larger programmes in 2002/03 in a similar way to the FEFC approach in 2001/02. The taper will apply to whole learning programmes which may consist of listed and/or loadbanded learning aims.

5.27 Through the funding taper, the Council aims to fund programmes on the basis of costs incurred. Where a learner's programme comprises a large number of individual learning aims, there is evidence that the cost of the guided learning hours delivered does not increase in the same way as costs incurred if each learning aim was being taken separately. In recognition of this, the funding taper, therefore, reduces and then limits the funding that can be claimed for large programmes.

5.28 The funding taper applies to all Council-funded FE learners and to all programmes except those where the Council has provided written confirmation to the institution that the taper should not apply. Further details of the operation of the taper, including examples where the Council would consider exemption from the taper, are provided in *Guidance on Further Education Funding Eligibility and Rates 2001/02*.

5.29 As in 2001/02, the funding taper will apply to programmes that are equivalent to over five AS qualifications studied in one year. The equivalent of the sixth AS will be funded at 50% of the national base rate and any learning aims beyond this will not be funded at all. Funding for the entitlement is excluded from the effects of the taper and should, therefore, be removed before the calculation is made. It

is also important to note that the effects of the taper are calculated before any programme weightings and uplifts are applied and before any discount for franchised or dedicated employer provision is applied.

5.30 The taper will, therefore, apply as follows in relation to the indicative rates (that is, 2001/02 levels) given in this document:

- programmes attracting indicative national base rates of up to £3,219 per year (excluding £579 for the 16–18 entitlement) will not be subject to the taper, calculated on a tri-annual period basis
- programmes attracting indicative national base rates between £3,219 and £3,864 per year will be subject to a 50% discount above £3,219
- £3,864 will be the maximum indicative funding (before weightings and uplifts are applied) per year that may be claimed per learner. Institutions should discuss any learning programme which exceeds £3,864 in one year (before weightings and uplifts are applied) with their local Council if full funding for the learners on programmes is sought. There should not be a presumption that funding of an individual learner can exceed £3,864 (excluding entitlement and before weightings and uplifts have been applied) in one year unless the Council has confirmed its agreement in writing to the institution concerned. This agreement could apply to an individual or a group of learners.

5.31 The above figures apply to learning programmes which may consist of listed and/or loadbanded learning aims. The precise cash values indicated above will be confirmed when the rates are finalised in early 2002.

## Trades Union Congress Courses

5.32 The DfES provides additional funding for Trades Union Congress (TUC) courses. This funding is intended to pay the tuition fee element for learners on these courses who would not otherwise be eligible to claim fee remission.

5.33 Consultations have taken place between the Council, the DfES and the TUC and it has been agreed that the national base rates for TUC courses will include the standard tuition fee element.

5.34 Learners on these courses will not be expected to pay tuition fees as that element is already built into the national base rate. Similarly, to avoid double funding, institutions will not be able to claim fee remission for learners on these courses, even if they would otherwise be eligible for it.

# Section Six: Modelling the Impact on Institutions of the New Rates

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## Transition to the New Formula

6.1 A consequence of implementing a new funding formula is that some institutions will experience changes in their income levels directly as a result of this. A number of small changes, acting cumulatively, could have a significant impact on overall levels of funding for individual institutions. This effect is referred to as 'turbulence'.

6.2 In establishing the new rates, the Council has taken account of key ministerial priorities, the relativities of rates for different learning aims and the need to minimise the level of unnecessary turbulence to institutions. Throughout the development of the new funding arrangements, extensive modelling work has been undertaken to gauge the impact of any changes on institutions.

6.3 Indicative modelling work undertaken by the Council has shown that the majority of providers previously funded by the FEFC would not be significantly adversely affected by the introduction of the new approach. However, in recognition of the fact that even a small amount of negative turbulence can be problematic for institutions, the Council will implement safety netting arrangements in 2002/03. The aim of safety netting will be to allow providers who lose under the new arrangements time to adjust to the new funding approach. Further details will be given in *Arrangements for Planning and Budgeting for Further Education in 2002/03*.

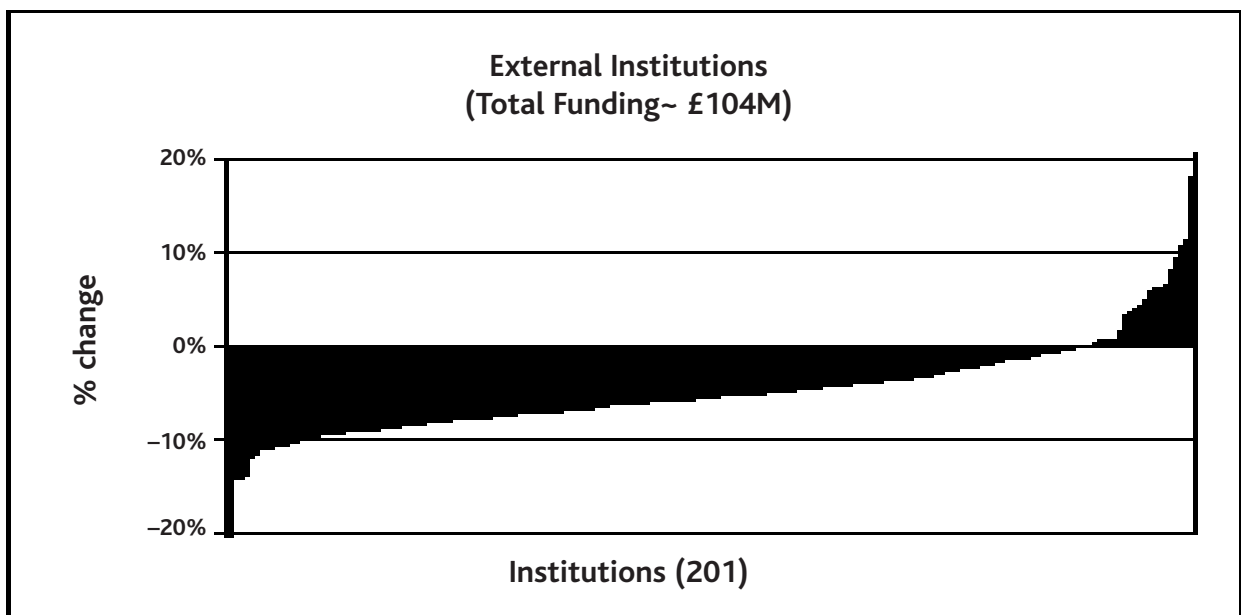
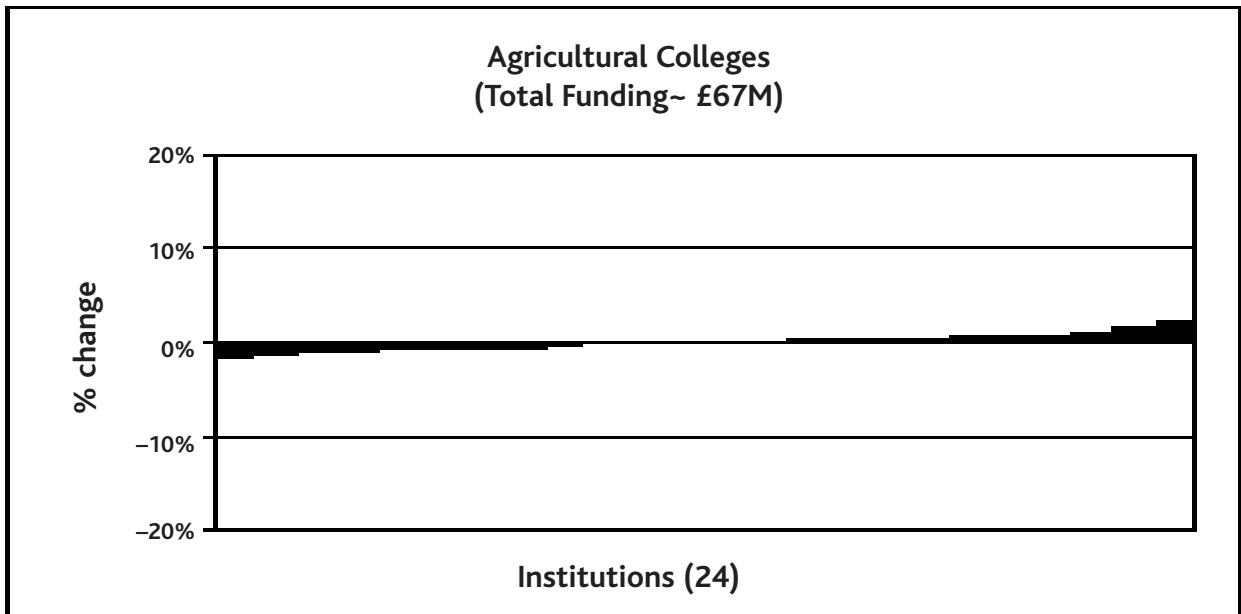
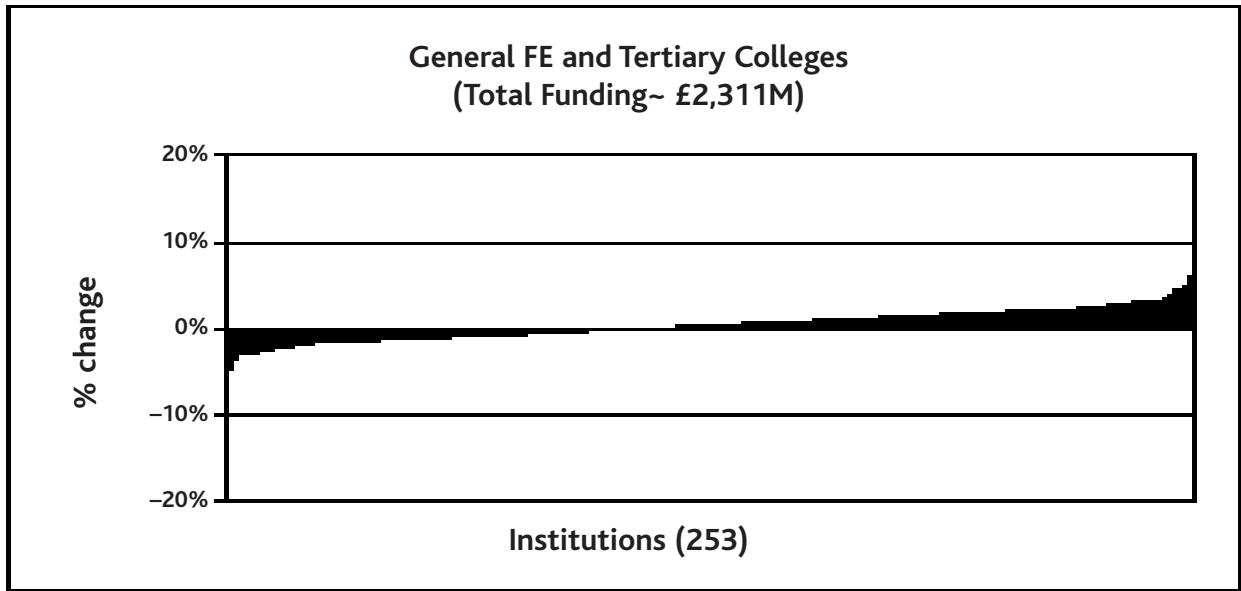
## Modelling the Impact of the Rates

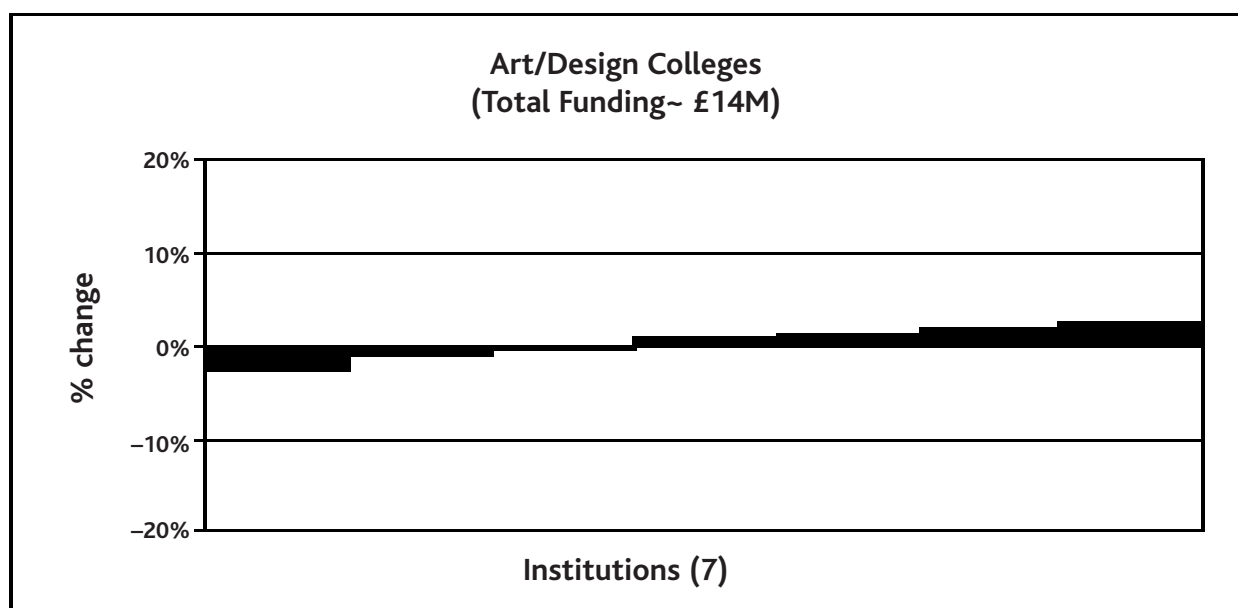
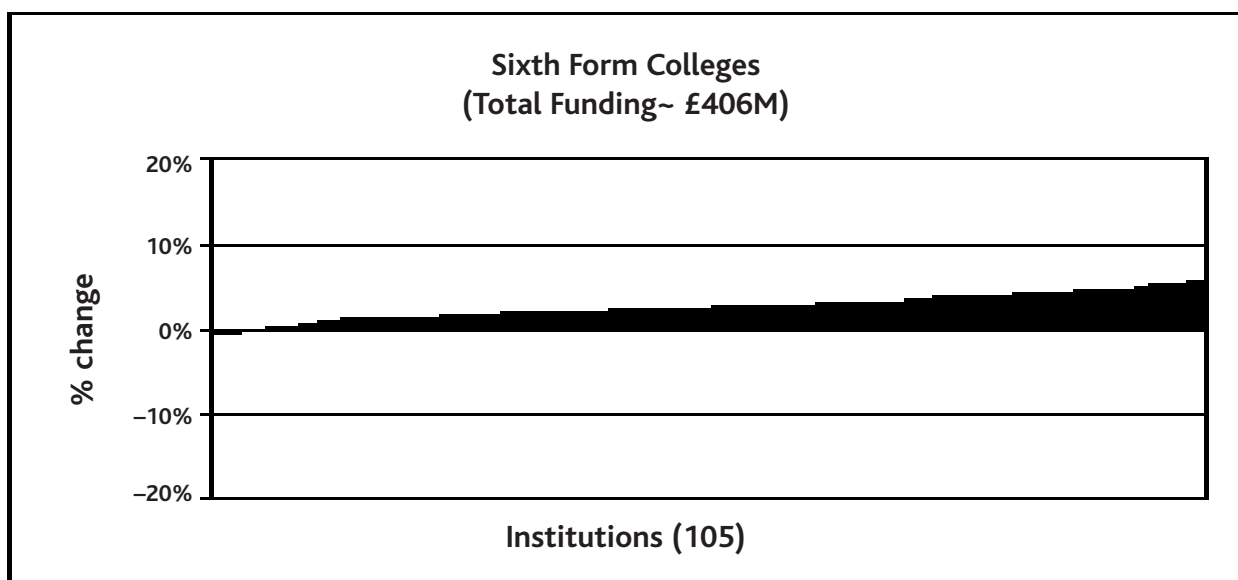
### Step One

6.4 For the base year, the modelling work undertaken has used 1999/2000 ISR data (the most recent data set available). To provide a more up-to-date comparison with the new approach, this data has been applied to the FEFC funding formula for 2001/02. This provides institutions' indicative funding levels in 2001/02 based on their patterns of provision in 1999/2000. It is acknowledged, however, that using 1999/2000 data does not take into account significant changes in patterns of provision between 2000 and 2002. Consideration of the likely impact of Curriculum 2000 has been incorporated into the modelling approach, although the actual effect will obviously vary between institutions. The modelling results have, therefore, been treated as indicative only.

### Step Two

6.5 To gauge institutions' funding levels under the new approach in 2002/03, the 1999/2000 ISR data has been applied to the new funding formula. Using this data, new indicative funding levels have been calculated for all institutions. The results, by type of institution, are shown below:





## Results of the modelling

6.6 The indicative modelling suggests that, in total, only a small number of general FE/tertiary, sixth form, agricultural and art and design colleges are likely to experience a decrease in funding levels as a result of the new funding approach. The Council's safety netting arrangements, (see paragraphs 6.13 to 6.14) will operate in relation to these colleges, where volumes of learning activity do not fall.

6.7 Providers that deliver a particularly limited volume and range of provision are likely to

show the greatest level of variation in funding between the historic and the new approach. This is the case particularly for former external institutions (EIs) and the following considerations may apply:

- typically, former EIs have a limited range and scale of provision, so a 'balancing' of gains and losses experienced as a result of the new formula is less likely to occur in a former EI's provision compared to, for example, a large general FE college

- the level of funding for a learning aim under the new formula relates to retention and achievement; there is no separate entry element. In effect, the entry element of the funding is incorporated into the national base rate. Institutions with poorer levels of retention are, therefore, likely to experience a loss of funding compared to that received under the FEFC methodology. The amount of funding available for achievement has increased under the new formula compared to the FEFC methodology. In cases where learners do not achieve, proportionately more funding will be lost than previously. Any FE institution with relatively low or declining retention and/or achievement levels is, therefore, likely to experience a relative loss in funding
- some EIs offer a high proportion of short courses and will tend to experience an increase in indicative funding generated where learners study more than one learning aim. This is a result of the incorporation of entry units into the national base rate for each learning aim
- the assumed fee income level for short courses will increase in the new funding formula relative to historic levels under the FEFC methodology. Where learners are typically eligible for fee remission, this will have little impact; however, if learners have usually paid tuition fees, the impact is likely to be marked.

6.8 The Council is working with representatives of former EIs to develop an approach which will build on the links between the FE and the adult and community learning provision made by many of these institutions.

6.9 Analysis of the modelling undertaken has not demonstrated any relationship between an institution's widening participation factor and a decrease in funding as a result of the new formula.

6.10 **Learndirect** provision may also experience significant changes under the new formula. The Council is modelling the potential impact of the new formula on **learndirect** provision and will be developing its approach in consultation with the Ufi and **learndirect** hubs.

## Modelling Software

6.11 To coincide with the publication of this document, the Council has made available modelling software to enable institutions to develop a greater understanding of the likely impact of the new funding arrangements at individual institution level. The software is available on the Council's website (at [www.lscdata.gov.uk/data/software\\_download.html](http://www.lscdata.gov.uk/data/software_download.html)), together with an accompanying user's guide.

6.12 Institutions may wish to discuss the results of their modelling with their local Council in the context of discussions about the 2002/03 funding allocations and, if necessary, the safety netting arrangements.

## Safety Netting Arrangements

6.13 For 2002/03, the Council will put in place safety netting arrangements to provide protection for those institutions that lose funding overall as a result of the introduction of the new funding formula and revised rates.

6.14 Further details of the safety netting arrangements will be set out in *Arrangements for Planning and Budgeting for Further Education in 2002/03*.

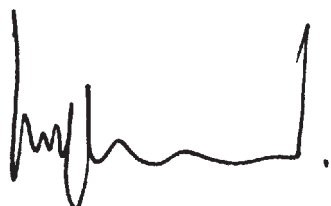


## Next Steps

**6.15 Comments are invited on the two areas where options are currently under consideration: the arrangements for claiming additional learning support funds and the arrangements for funding partial achievements. These should be forwarded to local Councils by 11 January 2002.**

6.16 The third document in this series, *Planning and Budgeting for Further Education in 2002/03*, is due to be published in December 2001.

6.17 The Council is currently establishing further consultative groups to ensure a dialogue with stakeholders and local Councils can inform funding policy development. The interim NRAG is active in providing recommendations to the Council on funding rates across the four learning sectors. A task group of FE providers has been formed to consider, at an early stage, issues of funding policy and operational implementation. It is also intended to establish a panel to propose listed national base rates for learning aims to be considered by the NRAG. The Council's development of a common approach to funding the learning and skills sector will be subject to wide consultation via the local Councils in advance of any major changes, to afford all stakeholders, partners and providers a full opportunity to contribute to this development.

A handwritten signature in black ink, appearing to read 'John Harwood', with a stylized flourish at the end.

*John Harwood, Chief Executive*



# Annex A: National Rates Advisory Group Membership

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The members of the interim NRAG are as follows.

Provider Type	Name	Organisation	Recommendation
Chair	Steve Broomhead	Warrington Borough Council	LSC and Employment Service (ES)
School sixth form	Roger Owen	Samuel Whitbread Community College, Bedfordshire	Local Government Association (LGA)
School sixth form	Lynn Gadd	Copthall School, Barnet	LGA
School sixth form	George Bateman	North Yorkshire County Council	LSC
Sixth form college	John Guy	Farnborough Sixth Form College	LSC
Work based learning	Jeff Cowburn	Training 2000 Ltd	Association of Learning Providers (ALP)
General FE college	Gordon Hopkins	Dudley College of Technology	Former Tariff Advisory Committee (TAC)
General FE college	Douglas Boynton	Telford College	Former TAC
Specialist FE college	Vic Croxson	Reaseheath College	Former TAC
Adult and Community Learning	Donald Rae	Derbyshire Local Education Authority	LEAFEA
Basic skills provider	Wally Brown	Liverpool Community College	LSC
Employer	Vacant		
Employment Service	Graham Finegold	Workforce	ES
Employment Service	Chris Frost	Rathbone	ES
Work based learning	John Hyde	Hospitality Plus	LSC

Observers of interim NRAG	Organisation
John Brennan	Association of Colleges
Mick Fletcher	Learning and Skills Development Agency
Adrian Anderson	NTO National Council
Sue Cara	NIACE
Alan Greig	Qualifications and Curriculum Authority

## Annex A: National Rates Advisory Group Membership

<b>Assessor of interim NRAG</b>	<b>Organisation</b>
Russell Blackwell	Department of Employment and Skills

<b>Officers of interim NRAG</b>	<b>Organisation</b>
Jane Thornley	Employment Service
Geoff Daniels	LSC
John Bolt	LSC

# Annex B: Key Changes to the FEFC Funding Approach

(Extract from Circular 01/13, Post-16 Funding Arrangements for 2002/03)

Key Changes	Main DfES Consultation/Progress Report References
<p><b>Entry element</b></p> <ul style="list-style-type: none"> <li>– the removal of the entry element, with entry funding being incorporated into the national base rate</li> <li>– learning aims that are usually only taken in addition to full-time programmes (e.g. A/AS General Studies) <b>not</b> to be uprated to compensate for the absorption of the entry element in basic national rates</li> </ul>	<p><i>Post-16 Funding and Allocations: First Technical Consultation Paper</i>, paragraphs 2.3-2.7</p> <p><i>Post-16 Funding: Second Technical Consultation Paper</i>, paragraphs 2.34-2.35</p> <p><i>Joint letter of 30 November 2000 from DfES and LSC to all post-16 providers</i>, paragraphs 4 and 5 (d)</p>
<p><b>Fee income</b></p> <ul style="list-style-type: none"> <li>– assumed fee income for short learning aims to be increased to 25% of unweighted national base rate</li> </ul>	<p><i>Post-16 Funding: Second Technical Consultation Paper</i>, paragraphs 2.62-2.66</p> <p><i>Joint letter of 30 November 2000 from DfES and LSC to all post-16 providers</i>, paragraph 6 (i)</p>
<p><b>Achievement</b></p> <ul style="list-style-type: none"> <li>– the achievement element to apply to the total programme funding, i.e. programme weighting and uplifts to be included</li> <li>– the achievement element to represent a higher proportion (10%) of the total funding</li> </ul>	<p><i>Post-16 Funding: Second Technical Consultation Paper</i>, paragraphs 2.20-2.24, 3.17 and 4.13-4.15</p> <p><i>Joint letter of 30 November 2000 from DfES and LSC to all post-16 providers</i>, paragraph 4 (c)</p>
<p><b>Disadvantage</b></p> <ul style="list-style-type: none"> <li>– a study to be carried out to look at the costs of disadvantage, to impact on 2002/03 national rates</li> </ul>	<p><i>Post-16 Funding: Second Technical Consultation Paper</i>, paragraphs 2.27-2.32, 3.18 and 4.16</p>

<b>Key Changes</b>	<b>Main DfES Consultation/Progress Report References</b>
<p><b>Census dates</b></p> <ul style="list-style-type: none"> <li>– the first census date to be moved from 1 November to 1 October</li> <li>– an amendment to the funding approach to address the unintended impact of the tri-annual census dates on short courses (of less than 12 weeks)</li> </ul>	<p><i>Funding Flows and Business Processes</i>, paragraph 6.11</p> <p><i>Funding Flows and Business Processes</i>, paragraph 6.10</p>
<p><b>The planning and allocations process</b></p> <ul style="list-style-type: none"> <li>– the introduction of a revised process and timetable</li> </ul>	<p><i>Post-16 Funding and Allocations: First Technical Consultation Paper</i>, paragraphs 2.17-2.20</p>
<p><b>Cash-based allocations</b></p> <ul style="list-style-type: none"> <li>– the removal of the concept of units of funding and introduction of funding allocations based on cash values and learner numbers</li> </ul>	<p><i>Funding Flows and Business Processes</i>, chapter 5</p> <p><i>Post-16 Funding: Second Technical Consultation Paper</i>, paragraph 2.5, 3.18, 4.7 and 4.9</p> <p><i>Funding Flows and Business Processes</i>, paragraphs 1.6 and 5.14-5.18</p>

# Annex C: Calculation of the Listed National Base Rates

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## National Diplomas

1 The Council has received representations from institutions concerning the effect of the introduction of Curriculum 2000 on the funding for National Diplomas.

2 The adjustments made to the FEFC funding approach when Curriculum 2000 was introduced included reductions in funding for programmes which included key skills. The funding for key skills was incorporated into the funding for the entitlement part of a learner's programme which includes key skills, tutorial and enrichment activities. This change to the approach to funding key skills has had a disproportionate effect on National Diplomas because:

- National Diplomas include common skills rather than key skills
- National Diplomas offered by colleges are often in curriculum areas with cost weighting factors above 1. The entitlement is weighted at 1.

3 The Council has reviewed the issues raised by colleges and has conducted research into the impacts of this change. The following points have been taken into consideration:

- the QCA has confirmed to the Council that although there is some overlap, common skills and key skills are not identical

- analysis of ISR data from 2000/01 has shown that the number of guided learning hours for National Diplomas has not decreased since 1999/2000 to the same extent as those for AVCEs, indicating that institutions are continuing to teach common skills within the National Diploma, whereas in AVCEs some guided learning hours have been re-allocated to the entitlement provision, reflecting delivery of key skills in this part of the learning programme.

4 This issue has been considered by the NRAG which has recommended to the Council that the indicative national base rates for National Diplomas should be increased by £103<sup>1</sup> (at 2001/02 levels).

5 This change is included in the indicative rates given in annex D. This increase in funding will, as part of the national base rate, be subject to any relevant programme weighting.

## AS/A2s and GCSEs

6 For AS and A2 provision studied in the day (other than General Studies), it is assumed that a typical learner will be a full-time 16–18 year old. The typical learner will study four AS qualifications in year 1 together with entitlement, followed by three A2 qualifications in year 2 together with

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<sup>1</sup> This is the equivalent of six basic on-programme units, in the FEFC funding approach, multiplied by the national ALF of £17.22 for 2001/02.

entitlement. Hence, there are nine elements in the learning programme. Under FEFC funding arrangements, eight entry units could be claimed for this programme. For 2002/03, the rate for each of these qualifications includes eight ninths of an entry unit absorbed within each AS and A2.

7 For AS or A2 General Studies studied in the day or evening, no entry funding is included within the new rate as it is these qualifications which are normally studied within larger programmes that already have the entry funding absorbed into them.

8 For AS and A2 qualifications (other than General Studies) studied in the evening, the full entry funding is included in the new rates as typically only one such qualification is studied.

9 For GCSEs studied in the day, in a similar way to AS and A2 programmes, eight entry units were available under the FEFC approach for full-time GCSE students who typically take five GCSEs. The indicative rate for each daytime GCSE, therefore, includes funding equivalent to 1.6 entry units. For GCSEs studied in the evening the full entry funding is included in the 2002/03 rates.

# Annex D: Examples of Indicative Rates for Listed Qualifications

Qualification	A (1.0)	B (1.12)	C (1.3)	D (1.6)	E (1.72)
EDEXCEL National Diploma	£4,221	£4,727	£5,487	£6,754	£7,260
EDEXCEL National Certificate	£1,852	£2,074	£2,408	£2,963	£3,186
EDEXCEL First Diploma	£2,179	£2,441	£2,833	£3,487	£3,748
EDEXCEL First Certificate	£1,062	£1,189	£1,380	£1,699	£1,826
Vocational GCSE	tbc				
Vocational A level (12 unit) - (previously, full award GNVQ)	£3,907	£4,376	£5,079	£6,251	£6,720
Vocational A level (6 unit) - (previously, single award GNVQ)	£2,022	£2,265	£2,629	£3,236	£3,478
Vocational A level (3 unit) - (previously, part award GNVQ)	£1,080	£1,210	£1,404	£1,728	£1,858
Each additional NVQ or GNVQ unit	£99	£111	£129	£159	£171
GCE AS level or A2 studied during the day (except General Studies)	£643	£721			
Key skills qualifications (Application of Number, Communications and ICT)	£181	£203			
GCE AS or A2 in General Studies (day or evening)	£312	£349			
GCE AS or A2 studied during the evening (excluding General Studies)	£453	£507			
GCSE studied during the day	£467	£523			
GCSE studied during the evening	£331	£370			
Short-course GCSE studied during the day	£289	£323			
Short-course GCSE studied during the evening	£200	£224			
Access to Higher Education (schedule 2(c)) qualification studied at a rate of over 150 glh per tri-annual period for three or more periods)	£2,336	£2,617	£3,037	£3,738	£4,018

## Comments

The above table shows a selection of the indicative new rates (rounded to the nearest £).

The complete list of indicative rates will be supplied with the funding modelling software issued to accompany this circular.

All calculations are based on an implied ALF of £17.22.

The figures for 2002/03 include an element for entry funding that is now incorporated into the national rate.

In 2002/03 approved basic skills courses will have a weight of 1.4.

Entitlement for 16–18 year old learners will be funded at £579 which includes core funding and fee remission.

Achievement funding for the key skills element in entitlement will be funded at 10% of the appropriate key skills national base rate.

# Annex E: Indicative Loadbanded Rates

## Indicative National Base Rates 2002/03

GLH Range		Programme Weightings				E (1.72)	Basic Skills
		A (1.0)	B (1.12)	C (1.3)	D (1.6)		
6	8	£50	£56	£65	£80	£86	£70
9	13	£75	£84	£98	£120	£129	£139
14	19	£95	£106	£124	£152	£163	£139
20	29	£114	£128	£148	£182	£196	£176
30	39	£181	£203	£235	£290	£311	£290
40	49	£214	£240	£278	£342	£368	£333
50	59	£247	£277	£321	£395	£425	£378
60	89	£312	£349	£406	£499	£537	£466
90	119	£479	£536	£623	£766	£824	£671
120	149	£576	£645	£749	£922	£991	£806
150	179	£674	£755	£876	£1,078	£1,159	£944
180	209	£772	£865	£1,004	£1,235	£1,328	£1,081
210	239	£870	£974	£1,131	£1,392	£1,496	£1,218
240	269	£968	£1,084	£1,258	£1,549	£1,665	£1,355
270	299	£1,066	£1,194	£1,386	£1,706	£1,834	£1,492
300	329	£1,164	£1,304	£1,513	£1,862	£2,002	£1,630
330	359	£1,261	£1,412	£1,639	£2,018	£2,169	£1,765
360	389	£1,359	£1,522	£1,767	£2,174	£2,337	£1,903
390	419	£1,457	£1,632	£1,894	£2,331	£2,506	£2,040
420	449	£1,555	£1,742	£2,022	£2,488	£2,675	£2,177
450	479	£2,022	£2,265	£2,629	£3,235	£3,478	£2,831
480	509	£2,022	£2,265	£2,629	£3,235	£3,478	£2,831
510	539	£2,022	£2,265	£2,629	£3,235	£3,478	£2,831
540	569	£2,022	£2,265	£2,629	£3,235	£3,478	£2,831
570	599	£2,044	£2,289	£2,657	£3,270	£3,516	£2,862
600	629	£2,114	£2,368	£2,748	£3,382	£3,636	£2,960
630	659	£2,183	£2,445	£2,838	£3,493	£3,755	£3,056
660	689	£2,253	£2,523	£2,929	£3,605	£3,875	£3,154
690	719	£2,322	£2,601	£3,019	£3,715	£3,994	£3,251
720	749	£2,391	£2,678	£3,108	£3,826	£4,113	£3,375
750	779	£2,461	£2,756	£3,199	£3,938	£4,233	£3,507
780	809	£2,530	£2,834	£3,289	£4,048	£4,352	£3,639
810	839	£2,600	£2,912	£3,380	£4,160	£4,472	£3,772
840	869	£2,669	£2,989	£3,470	£4,270	£4,591	£3,903
870	899	£2,739	£3,068	£3,561	£4,382	£4,711	£4,036
900	929	£2,808	£3,145	£3,650	£4,493	£4,830	£4,168
930	959	£2,877	£3,222	£3,740	£4,603	£4,948	£4,301
960	989	£2,947	£3,301	£3,831	£4,715	£5,069	£4,432
990	1019	£3,016	£3,378	£3,921	£4,826	£5,188	£4,564

National rates for learning aims of more than 1,019 guided learning hours may be found in the accompanying funding modelling software.



# Annex F: Examples of the Indicative Rates

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## Example 1

### Examples of the new funding rates

Uses notional ALF of £17.22 for both years

16–18 year old full-time learner

Studying AVCE (6 unit) at cost weighting (CWF) A and entitlement in one year

FEFC Approach			New Approach	
2001/02 @ £17.22	Units	Funding	2002/03 @ £17.22	Funding
Entry	8.0	£138	AVCE (6 unit)	
<i>Main Programme</i>			Base Rate (100%)	£2,022
On programme	72.0	£1,240	Core Funding (65%)	£1,314
Fee Remission	28.8	£496	Fee Remission (25%)	£506
Achievement	8.6	£148	Achievement (10%)	£202
<i>Entitlement</i>			<i>Entitlement</i>	
On programme	24.0	£413	Core funding	£418
Fee Remission	9.6	£165	Fee remission	£161
Achievement	1.2	£21	Achievement	£56
<b>Total</b>	<b>15.2</b>	<b>£2,621</b>	<b>Total</b>	<b>£2,658</b>

In both cases, the achievement funding for entitlement is based on the learner achieving three key skills qualifications.

## Example 2

### Examples of the new funding rates

Uses notional ALF of £17.22 for both years

**16–18 year old full-time learner studying AVCE (12 unit) at CWF C and entitlement over two years**

#### Year 1

FEFC Approach			New Approach		
2001/02 @ £17.22	Units	Funding	2002/03 @ £17.22		Funding
			AVCE (12 unit)		
			Base Rate (a)	£3,907	
Entry	8.0	£138	Weighting (b) (1.3)		
			Weighted base rate (c)	£5,079	a x b
			<i>Made up of these elements</i>		
			Core Funding (total) (d)	£3,594	c - e - f
			Fee remission (total) (e)	£977	a x 0.25
<i>Main Programme</i>			Achievement (total) (f)	£508	c x 0.1
On Programme	108.0	£1,860	Core funding (yr 1)	d/2	£1,797
Fee Remission	28.8	£496	Fee remission (yr 1)	e/2	£488
Achievement	0.0	£0	Achievement (yr 1)		£0
<i>Entitlement</i>			<i>Entitlement</i>		
On programme	24.0	£413	Core Funding		£418
Fee Remission	9.6	£165	Fee Remission		£161
Achievement	1.2	£21	Achievement		£56
<b>Total</b>	<b>179.6</b>	<b>£3,093</b>	<b>Total</b>		<b>£2,920</b>

#### Year 2

FEFC Approach			New Approach		
2001/02 @ £17.22	Units	Funding	2002/03 @ £17.22		Funding
Entry	0	£0	AVCE (12 unit)		
<i>Main Programme</i>					
On Programme	108.0	£1,860	Core funding (yr 2)	d/2	£1,797
Fee Remission	28.8	£496	Fee remission (yr 2)	e/2	£488
Achievement	17.3	£298	Achievement (yr 2)	f	£508
<i>Entitlement</i>		£0	<i>Entitlement</i>		
On programme	24.0	£413	Core Funding		£418
Fee Remission	9.6	£165	Fee Remission		£161
Achievement	1.2	£21	Achievement		£56
Total	188.9	£3,253	Total		£3,428
<b>Student Totals</b>		<b>£6,346</b>			<b>£6,348</b>

### Example 3

#### Examples of the new funding rates

Uses notional ALF of £17.22 for both years

#### 16–18 year old full-time learner

#### Year 1 studying 4 AS levels (2 at CWF A and 2 at CWF B) and entitlement

FEFC Approach			New Approach		
2001/02 @ £17.22	Units	Funding	2002/03 @ £17.22		Funding
Entry	8.0	£138	National base rate per AS	£643	
<i>Main Programme</i>			2 x AS at 1.0	£1,287	
On programme @ 1.0	48.0	£827	Core funding		£836
On programme @ 1.2	57.6	£992	Fee Remission		£322
Fee Remission	38.4	£661	Achievement		£129
Achievement	11.6	£200	2 x AS at 1.12	£1,440	
			Core funding		£975
			Fee Remission		£322
			Achievement		£144
<i>Entitlement</i>			<i>Entitlement</i>		
On programme	24.0	£413	Core Funding		£418
Fee Remission	9.6	£165	Fee Remission		£161
Achievement	1.2	£21	Achievement		£56
<b>Total</b>	<b>198.4</b>	<b>£3,416</b>	<b>Total</b>		<b>£3,363</b>

#### Year 2 studying 3 A2s (1 at weight A and 2 at weight B) and entitlement

FEFC Approach			New Approach		
2001/02 @ £17.22	Units	Funding	2002/03 @ £17.22		Funding
Entry	0.0	£0	National base rate per A2	£643	
<i>Main Programme</i>			1 x AS at 1.0	£643	
On Programme @ 1.0	24.0	£413	Core funding		£418
On programme @ 1.2	57.6	£992	Fee Remission		£161
Fee Remission	28.8	£496	Achievement		£64
Achievement	8.7	£150	2 x AS at 1.12	£1,441	
			Core funding		£975
			Fee Remission		£322
			Achievement		£144
<i>Entitlement</i>			<i>Entitlement</i>		
On programme	24.0	£413	Core Funding		£418
Fee Remission	9.6	£165	Fee Remission		£161
Achievement	1.2	£21	Achievement		£56
<b>Total</b>	<b>153.9</b>	<b>£2,650</b>	<b>Total</b>		<b>£2,719</b>
<b>Student Totals</b>		<b>£6,066</b>			<b>£6,082</b>

## Example 4

### Examples of the new funding rates

Uses notional ALF of £17.22 for both years

### Adult learner receiving fee remission

### 60 glh loadbanded course at CWF A

FEFC Approach			New Approach		
2001/02 @ £17.22	Units	Funding	2002/03 @ £17.22		Funding
Entry	4.0	£69	Base rate	£312	
On programme	9.4	£162	Core funding (65%)		£203
Fee Remission	3.8	£65	Fee Remission (25%)		£78
Achievement	0.9	£15	Achievement (10%)		£31
<b>Total</b>	<b>18.1</b>	<b>£311</b>	<b>Total</b>		<b>£312</b>

### 60 glh loadbanded course at CWF B

FEFC Approach			New Approach		
2001/02 @ £17.22	Units	Funding	2002/03		Funding
			Base rate	£312	
Entry	4.0	£69	Weighting 1.12		
			Weighted base rate	£349	
On programme	11.3	£194	Core funding		£236
Fee Remission	3.8	£65	Fee Remission		£78
Achievement	0.9	£15	Achievement		£35
<b>Total</b>	<b>19.9</b>	<b>£343</b>	<b>Total</b>		<b>£349</b>

### 60 glh loadbanded course at CWF C

FEFC Approach			New Approach		
2001/02 @ £17.22	Units	Funding	2002/03		Funding
			Base rate	£312	
Entry	4.0	£69	Weighting 1.3		
			Weighted base rate	£406	
On programme	14.1	£243	Core funding		£287
Fee Remission	3.8	£65	Fee Remission		£78
Achievement	0.9	£15	Achievement		£41
<b>Total</b>	<b>22.8</b>	<b>£393</b>	<b>Total</b>		<b>£406</b>

Note the changes in the proportion of core funding, fee element and achievement making up the national base rates.

## Example 5

### Examples of the new funding rates

Uses notional ALF of £17.22 for both years

#### Adult full-time learner paying own tuition fees

#### 60 glh loadbanded course at CWF A

FEFC Approach			New Approach		
2001/02 @ £17.22	Units	Funding	2002/03 @ £17.22		Funding
Entry	4.0	£69	Base rate	£312	
On programme	9.4	£162	Core funding		£203
Fee Remission	0	£0	Fee Remission		0
Achievement	0.9	£15	Achievement		£31
<b>Total</b>	<b>14.3</b>	<b>£246</b>	<b>Total</b>		<b>£234</b>

#### 60 glh loadbanded course at CWF B

FEFC Approach			New Approach		
2001/02 @ £17.22	Units	Funding	2002/03		Funding
			Base rate	£312	
Entry	4.0	£69	Weighting 1.12		
			Weighted base rate	£349	
On programme	11.3	£194	Core funding		£236
Fee Remission	0	£0	Fee Remission		0
Achievement	0.9	£15	Achievement		£35
<b>Total</b>	<b>16.2</b>	<b>£279</b>	<b>Total</b>		<b>£271</b>

#### 60 glh loadbanded course at CWF C

FEFC Approach			New Approach		
2001/02 @ £17.22	Units	Funding	2002/03		Funding
			Base rate	£312	
Entry	4.0	£69	Weighting 1.3		
			Weighted base rate	£406	
On programme	14.1	£243	Core funding		£287
Fee Remission	0	£0	Fee Remission		0
Achievement	0.9	£15	Achievement		£41
<b>Total</b>	<b>19.0</b>	<b>£327</b>	<b>Total</b>		<b>£328</b>

## Annex G: Examples of Fee Elements in Loadbanded Provision

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Guided Learning Hours	Fee Element	Fee per glh
60	£79	£1.32
89	£79	£0.89
120	£146	£1.22
210	£220	£1.05
450	£505	£1.06
570	£519	£0.91
660	£572	£0.87

# Glossary

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16–18 learner	For statistical and monitoring purposes, a learner is counted as 16–18 if aged between 16 and 18 on 31 August in the current academic year  For funding eligibility purposes (that is, for calculating eligibility for fee remission), a learner is counted as 16–18 if aged between 16 and 18 on 31 August in the calendar year in which the learner commences the programme of study
Additional learning support	Activity that provides direct support for learning to individual learners, support over and above that which is normally provided in a standard learning programme which leads to their primary learning goal. The additional learning support is required to help learners gain access to, progress towards and successfully achieve their learning goals. The need for additional support may arise from a learning difficulty or disability, or from literacy, numeracy or language support requirements
Adult learner	Any learner over compulsory school age who does not fall within the definition of a 16-18 learner (see above)
Achievement	The successful completion of a learning aim as defined in the Council's funding guidance
Achievement element	A part of the weighted national base rate, uplifted where appropriate, which is paid if the learner achieves
Adult and Community Learning (ACL)	Learning provision for adults previously funded by Local Education Authorities
ALF (average level of funding)	Under the FEFC funding formula, which is in operation for 2001/02, allocations to providers have been calculated by multiplying the number of funding units a provider is to be funded for by the provider's ALF (adjusted where appropriate by London weighting, specialist college uplift factor and the provider's widening participation factor). Convergence of funding has led to a standard ALF of £17.22 in 2001/02 for all providers. As a result of exceptional circumstances, some providers may have an ALF above £17.22
Area costs uplift	An enhancement to funding based on the geographical location of the provider and the higher costs associated with the delivery of provision in that area

## Glossary

Base rate	See national base rate
Census dates	The census dates for FE provision are 1 October, 1 February and 15 May. Where a census date falls on a weekend or public holiday, the next working day is used
Core funding	A proportion of the national base rate paid for a learning aim. Core funding represents 65% of the national base rate before programme weighting, disadvantage or area uplift have been applied
Council	The Learning and Skills Council
DELG	Distance and Electronic Learning Group
DfES	Department for Education and Skills (formerly the Department for Education and Employment (DfEE))
Disadvantage	An enhancement to funding intended to promote wider participation in learning by individuals experiencing disadvantage. A percentage uplift is applied to formula funding, based on the postcodes of individual learners or other characteristics of the learner
Distance Learning	Where learners study with specially prepared learning materials for their private study and are provided with active learner support, by suitably qualified staff, to enable them to successfully achieve the outcome identified in their learning agreement. This definition is intended to cover situations in which study is essentially home or work-based and there is only occasional contact with the institution
Entry element	<p>A portion of funding in the FEFC methodology which reflected the costs of all activities associated with enrolling a learner. This element of funding was paid in full once the first census date was crossed</p> <p>Under the 2002/03 funding formula the entry element funding is incorporated into the national base rate</p>
External Institutions	Former External Institutions (EIs) are neither incorporated colleges nor organisations formally 'designated' by legislation as falling within the corporate further education (FE) sector. The term was introduced by the <i>Further and Higher Education (F and HE) 1992 Act</i> to describe organisations outside the FE sector which were eligible to receive Council funding indirectly under section 6(5) of the F and HE Act. Section 6(5) was repealed by the <i>Learning and Skills Act 2000</i> . Former EIs remain eligible to receive funding. An alternative description of the group of organisations funded as former EIs is 'local adult learning providers'
Fee income	Certain categories of learners, such as 16–18 year olds, basic skills learners or those who meet the Council's criteria as eligible for fee remission, are not expected to pay a tuition fee. In such cases the full national base rate will be payable by the Council. In other cases



	learners (or their employers) are expected to make a 25% contribution to the cost of their learning aim. This assumed contribution will be reflected in a reduction of the funding paid by the Council for the learning aim
FEFC	Funding Education Funding Council. The responsibilities of the FEFC transferred to the Learning and Skills Council on 1 April 2001
Funding taper	A proportional reduction in additional funding and eventual cap on the level of funding which may be claimed for an individual learner. The funding taper starts to apply when a learner's programme is unusually large
Funding unit	The FEFC's currency for determining a provider's funding allocation. A provider earned units for each enrolled learner. The number of units for a learner varied depending on a number of factors, including the entry, on-programme and achievement elements, tuition fee remission, additional support and widening participation
Guided learning hour	All time when a member of staff is present to give specific guidance towards the learning aim being studied on a programme. This includes lectures, tutorials, and supervised studying, for example, open learning centres and learning workshops. It also includes time spent by staff assessing learners' achievements, for example in the assessment of competence for NVQs. It does not include time spent by staff in the day-to-day marking of assignments or homework where the learner is not present. It does not include hours where supervision or assistance is of a general nature and is not specific to the study of the learners
ISR (individualised student record)	The FEFC's data collection system used by Council-funded providers to record comprehensive data about learners and to make regular data returns. This data was used to establish whether providers' funding targets have been met. It is intended that the ISR will be replaced by the Individual Learner Record (ILR) for 2002/03
Learndirect	The brand name for provision delivered by Ufi learning centres
Learning aim	A single element of learning which attracts a national base rate at either a listed value or a value reflecting guided learning hours
Learning programme	All of a learner's activities towards their learning goals which involve the use of the resources of the provider at which the learner is enrolled. AS and A levels taken in subsequent years are considered to constitute a single learning programme. A learning programme may be composed of one or several learning aims
LLSC	Local Learning and Skills Council
Loadbands	Ranges of guided learning hours to which specific national base rates are allocated

## Glossary

LSC	Learning and Skills Council
LSDA	Learning and Skills Development Agency
National base rate	Represents the basic costs of delivering a programme, excluding the programme weighting element and any uplift for disadvantage or area costs
National Rates Advisory Group (NRAG)	An independent group of provider representatives which advises the Council on the national funding rates and programme weightings for all provision funded by the Council
NIACE	National Organisation for Adult Learning
Programme weighting	Multiplication factors reflecting the relative costs of delivering courses in different curriculum areas
QCA	Qualifications and Curriculum Authority
Safety netting	Protection made available by the Council to institutions which lose funding as a result of the new formula
Specialist college factor	The FEFC introduced an increase to the rate of funding per unit, to recognise the costs of specialist colleges. This was implemented in two steps: 5% in 2000/01, increasing to 10% in 2001/02
Turbulence	Changes to the level of funding generated for the same provision which result from a change in the funding approach.
Ufi	Ufi Limited – <b>Learndirect</b> is the brand name for provision delivered by Ufi learning centres
Unitised provision	Programmes which can be divided into discrete units or modules which enable learners to gain recognition for achievement of individual units.

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