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# CIRCULAR

**THE  
FURTHER  
EDUCATION  
FUNDING  
COUNCIL**

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## **Monitoring Growth 1998-99**

Cheylesmore House  
Quinton Road  
Coventry CV1 2WT

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To

College principals  
Chief education officers  
Heads of external institutions  
Heads of higher education  
institutions receiving Council funds

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Circular type

Guidance

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Summary

Guidance on the monitoring of  
growth for 16 to 18 year olds and  
for widening participation

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Reference number: 99/47

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Enquiries:  
Regional directors  
Website [www.fefc.ac.uk](http://www.fefc.ac.uk)

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**99/47**

# Monitoring Growth 1998-99

## Introduction

1 This circular describes how the Council proposes to assess an institution's performance against its funding agreement for 1998-99.

## Background

2 Before 1998-99, an institution received a block allocation of funding units each year, which included any growth units. There were no conditions on how funding units should be generated; in particular there were no conditions attached to growth units. The only exception was where the institution had received inspection grades of 4 or 5.

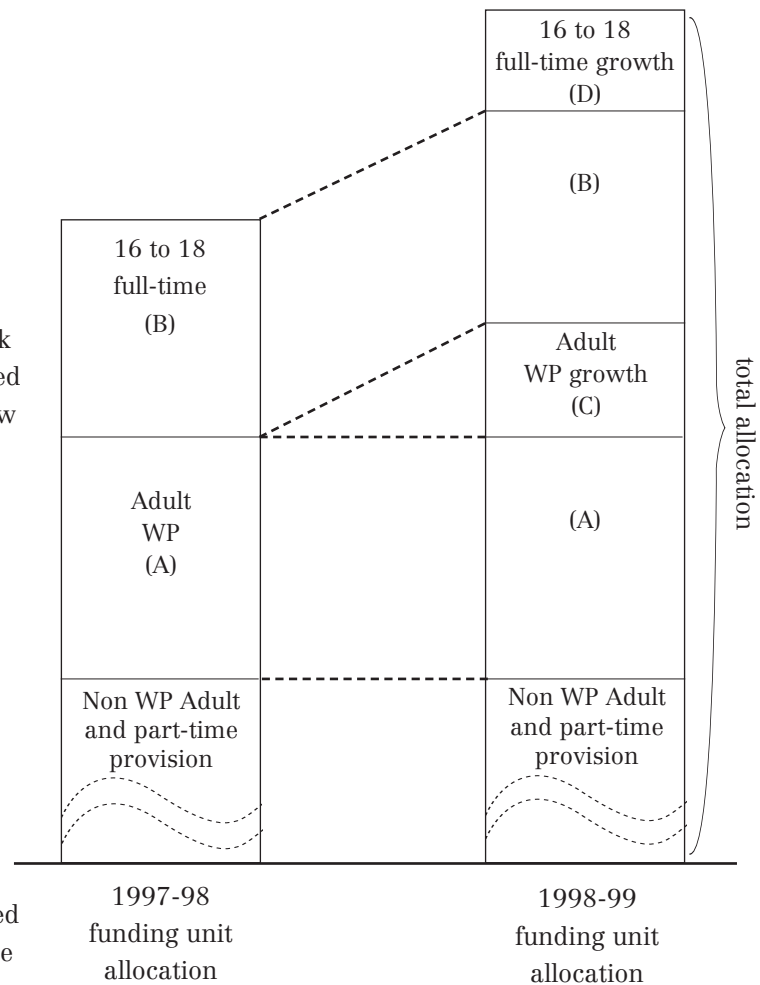
3 In 1998-99 the system of allocating units changed, as described in *Funding Guidance 1998-99*. The main allocation was based on the 1997-98 unit allocation, adjusted to reflect the introduction of widening participation (WP) units into the tariff. On top of this the institution was invited to apply for growth funding and to indicate the increase in student numbers that the growth funding would support. Applications were restricted to two areas — growth in 16 to 18 year-old full-time student numbers and growth in adult and part-time widening participation (WP) student numbers (including 16 to 18 part-time). There were no growth units available for increasing non-WP adult student numbers.

4 Separate applications were requested for each of the two growth categories. Each application was required to show the number of funding units requested and the planned increase in student numbers associated with the unit application.

5 Nationally applications in total exceeded the funding units available, so funding unit applications were scaled down accordingly. From this the Council was able to derive the number of students in each growth category that each institution expected to deliver for the units allocated.

6 Figure 1 illustrates how the 1998-99 allocation was built up.

**Figure 1. Composition of 1998-99 funding allocation**



## Criteria for assessing performance

7 The three key criteria for assessing an institution's performance against its 1998-99 funding agreement are that the institution should have achieved:

- the total number of units (as shown on its funding allocation)
- the units allocated for growth between 1997-98 and 1998-99 in the number of 16 to 18 year-old full-time students (block D in figure 1)
- the units allocated for growth between 1997-98 and 1998-99 in the number of adult and part-time students eligible for a widening participation uplift (block C in figure 1).

8 If these criteria are not met, the institution may be liable to recovery of funds.

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9 The growth target will be based on student numbers for the 16 to 18 full-time category and on full-time equivalents (FTEs) for the adult and part-time WP category, as recorded in the institution's ISR. However, some institutions may have over-achieved their unit target in 1997-98 with no additional funding. To avoid treating these institutions unfairly, the Council proposes to reduce their student number baseline in proportion to the over-achievement.

10 At the time that the growth allocations for 1998-99 were made, neither the Council nor the institutions had out-turn data to calculate the student numbers associated with their 1997-98 allocation. Accordingly, institutions were asked to apply for growth in units and student numbers without knowing the precise baseline from which they were working.

11 The Council recognises that in the first year of targeted funding, the application of these criteria needs to be flexible to avoid institutions being subject to recovery of funds despite responding positively to the spirit of the targeted growth allocation. In particular it recognises:

- this was the first year that institutions will have to deliver separate targeted growth
- that an institution would have to plan to over-deliver in each of three areas (16 to 18, WP and main allocation) to give reasonable assurance of meeting the criteria
- that for 1998-99 institutions did not have a baseline from which to calculate planned increases in student numbers
- that the WP factor was only partly funded, leading to some uncertainty about which WP units would count towards achievement of funding agreement.

12 In view of these factors, some of which are particular to 1998-99, the Council proposes to allow some flexibility regarding achievement of targeted growth. A threshold of 75% before recovery of funds takes place, will be used. Achievement falling below this threshold will result in full recovery of funds for any shortfall in units.

13 Descriptions of the method the Council will use to monitor growth for 1998-99 are provided in the annexes to this circular:

Annex A schematic summary

Annex B descriptive summary

Annex C detailed description

Annex D example.

14 A spreadsheet is also available on the Council's website ([www.fefc.ac.uk](http://www.fefc.ac.uk)).

## **Additional Funding for 1998-99**

15 A number of institutions that were predicted to deliver growth above their funding agreement, based on their ISR12 (1 November 1998; 1998-99) received additional funding during the year.

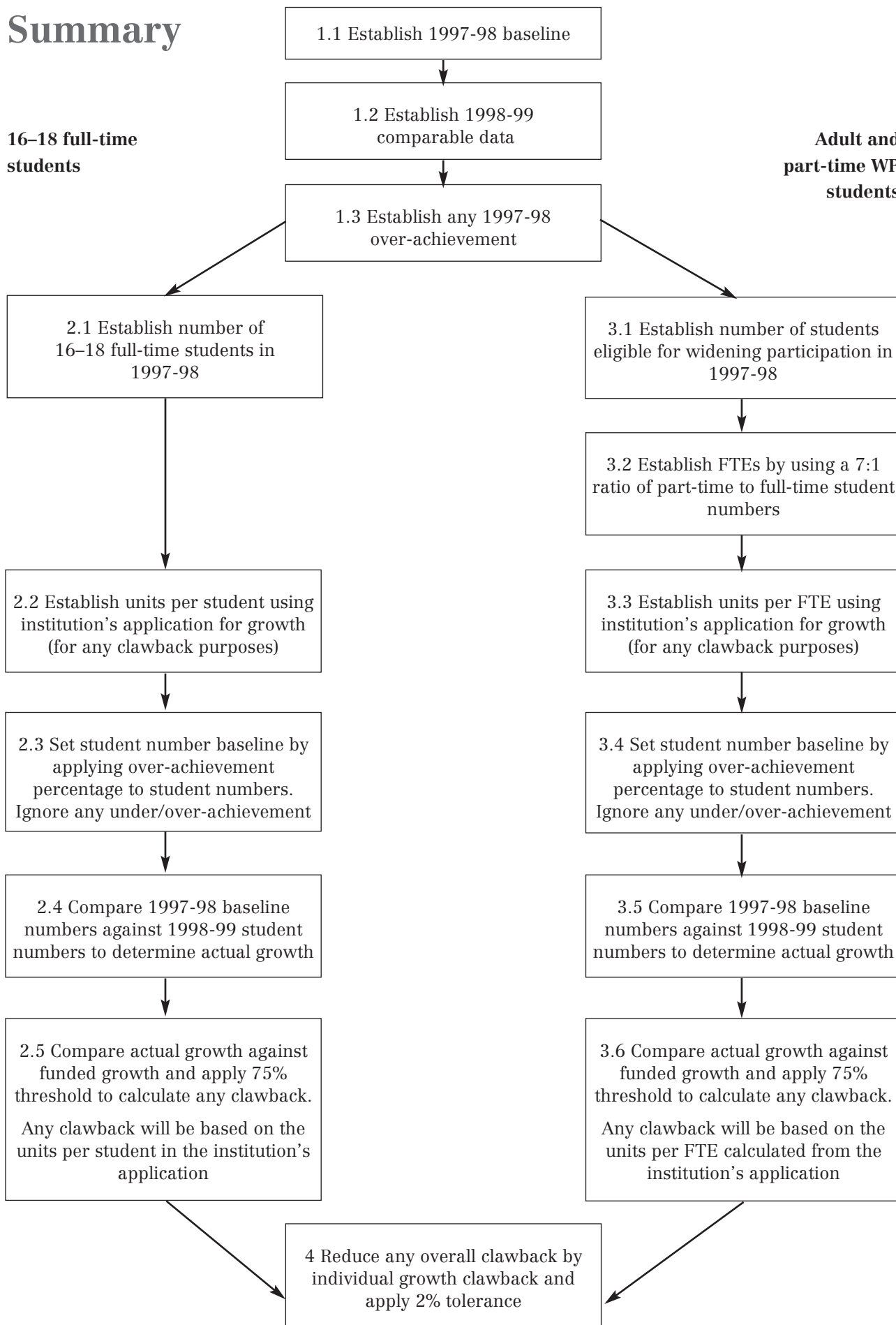
16 For the purpose of recovery of funds, this additional funding will be treated separately to the funding allocation and will not be subject to the 2% tolerance. Full recovery of funds will be applied to any shortfall in additional units associated with additional funding.



# Schematic Summary

16–18 full-time students

Adult and part-time WP students



# Summary of Proposed Assessment Method

1 The proposed assessment method consists of the following steps:

## 16 to 18 year-old growth element

- step 1: estimate the institution's 1997-98 baseline student numbers, derived from 1997-98 out-turn data, in respect of 16 to 18 full-time students (component B in figure 1)
- step 2: if the institution generated more funding units in 1997-98 than required by its funding agreement then reduce the baseline student numbers in step 1 in proportion. If the institution generated fewer funding units in 1997-98 than required by its funding agreement then it will have suffered recovery of funds in respect of this and therefore the baseline should be the out-turn data. Call this B\*
- step 3: compare the baseline student numbers (B\*) with the student numbers actually provided in 1998-99 (B<sub>out</sub>); the difference is the 16 to 18 student growth delivered;  $G_{16-18} = B_{out} - B^*$
- step 4: compare actual 16 to 18 growth (G<sub>16-18</sub>) with the expected growth calculated from the allocation (D). If G<sub>16-18</sub> is at least 75% of D then there will be no recovery of funds. Otherwise recovery of funds for units is calculated by multiplying the number of units per student in the institution's original application by the shortfall in the number of students,  $D - G_{16-18}$ .

## WP growth element

2 The above steps are repeated for WP adult targeted growth with some adjustments to the way in which student numbers are calculated.

# Combining Recovery of Funds Calculations

3 Only those institutions that fail to meet their total funding agreement or substantially fail to meet either of their growth allocations will be subject to recovery of funds.

4 Any recovery of funds for the total allocation will be reduced by the amount of any recovery of funds from either of the growth elements.

## Recovery of funds and the 2% tolerance

5 The 2% tolerance will operate on the total of any units below an institution's funding agreement. This is more generous than stated in the 1998-99 funding agreement and is simpler in operation.

6 Any over-achievement will be credited towards an institution's 2% tolerance account up to a maximum even if there is any recovery of funds for under-achievement in either or both of the growth categories.

7 If an institution underachieves so significantly that it delivers below its protected level (90% of its previous year's allocation), the 2% tolerance will be applied such that the maximum recovery of funds will be to the level of protection.

8 The Council reserves the right to review individual cases where the proposed approach appears to produce anomalies.

# Proposed Assessment Method

## Monitoring 16 to 18 Full-time Growth

1 The method the Council will use for monitoring 16 to 18 full-time growth for a college<sup>1</sup> will be to:

- i. set a 1997-98 baseline for 16 to 18 full-time students for the institution based on its 1997-98 all-year ISR returns, ISR13 (31 December 1998; 1997-98) taking account of unfunded units as described in paragraph 12;
- ii. derive a comparable 1998-99 out-turn figure from its 1998-99 all-year ISR return, ISR16 (31 December 1999; 1998-99);
- iii. calculate the growth in 16–18 full-time student numbers as the difference between these two numbers;
- iv. compare this actual growth with the growth in student numbers offered by the institution in support of its application for growth funds.

2 Provided actual growth is at least 75% of the planned student number growth, the Council will not clawback funds in respect of the institution's 16 to 18 year-old full-time growth allocation.

3 If actual growth is less than 75% of planned student number growth, then funding will be clawed back for the total shortfall.

4 The institution's 16 to 18 growth funding unit allocation will be reduced in proportion to the underachievement of the planned student numbers

5 Funds equivalent to these units will be clawed back using the average level of funding at which funds were allocated.

### Widening participation factor

6 In the first year of widening participation, 1998-99, it was necessary to add additional widening participation units to an institution's main allocation, to reflect the previously unfunded additional costs of making provision for widening participation students. This was done by:

- estimating, from historical data, the number of students in 1998-99 expected to be eligible for widening participation additional funding
- estimating the average percentage uplift in units these students would generate
- multiplying the two to give the estimated number of additional widening participation funding units to be added to an institution's main funding allocation.

7 In practice this was shown as a factor to be applied to the main allocation to give the appropriate number of additional widening participation units in respect of historical widening participation costs.

8 For 1998-99 widening participation historical costs were only partially funded, with institutions typically receiving half the funding units implied by their factor. However, the funding program will calculate the number of units generated by an institution's provision including the unfunded element of the widening participation factor.

9 For the purposes of recovery of funds, the Council will assume that an institution has met its target if the units generated by the funding program are equal to or greater than its allocation.

10 Within the 2% tolerance system there is the facility to accumulate credit by overachieving in any one year. For 1998-99, the funding program does not take into account the unfunded element for widening participation and an institution may therefore appear to be overachieving when this is not the case. Therefore no additional credit within the 2% tolerance will be allocated to an institution unless and until the units generated exceed its allocation plus the unfunded element for widening participation.

11 After 1998-99 additional widening participation units to reflect historical costs will be fully funded and will be part of the main allocation.

<sup>1</sup> For higher education institutions the Council will use the equivalent Higher Education Statistical Agency (HESA) return in place of ISR data

### Setting the baseline

12 The student number baseline will take account of units delivered by the institution in 1997-98 over and above its allocation and for which it has not been funded<sup>2</sup>. The 16 to 18 year-old student number baseline will be reduced by the percentage of unfunded units.

13 The 75% threshold for recovery of funds has been set to recognise the difficulty for a institution of delivering exact growth and the fact that the institution was requested to specify growth for 1998-99 in advance of out-turn data for 1997-98. This threshold provides the institution with the flexibility to partially offset underachievement of planned growth in numbers of 16 to 18 full-time students against over achievement of planned growth in the main allocation or for widening participation.

### Monitoring Widening Participation Growth

14 The approach to monitoring widening participation growth is essentially the same as for 16 to 18 full-time growth

15 Institutions were asked to indicate how many additional full- and part-time students they planned to enrol in 1998-99 and the total number of growth units. In order to calculate recovery of funds for under achievement of units based on the proportion of the full-time and part-time student number growth achieved the Council intends to use a 7:1 ratio for part-time compared to full-time. This is based on statistical evidence using guided learning hours. Using this ratio the Council will calculate the overall percentage of student number growth in 1998-99 and hence the proportion of unit growth delivered.

16 The same approach as used for monitoring 16 to 18 full-time growth will then be applied to widening participation growth monitoring.

### Funding Unit Target and 2% Tolerance

17 Each institution's 1998-99 funding agreement specified the minimum number of funding units that the institution agreed to generate. This is box 2 of the annex to the final allocation letter. If an institution delivers fewer units than agreed then it becomes subject to recovery of funds. This is irrespective of whether the institution has delivered targeted growth in 16 to 18 full-time and widening participation student numbers. The amount of funding to be clawed back in respect of 1998-99 may be abated by the operation of the 2% year-on-year carry over mechanism, which is described in Circular 99/07, *Funding Guidance 1999-2000*.

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<sup>2</sup> The baseline will not take account of units outside the main allocation, that is, New Deal precursor or Basic Skills Summer Schools.

# Example

## Baseline

### 1.1 1997-98 Unit allocation and achievement

1997-98 unit allocation	273,000
90% of 1997-98 unit allocation	245,700
1997-98 audited out-turn units	297,570

### 1.2 1998-99 Unit allocation and achievement

Total main allocation (including growth)	300,000
Growth for 16 to 18 year-old full-time students	20,000
Growth for widening participation	22,000
Existing widening participation	450
Percentage of existing widening participation funded	45%
Unfunded widening participation units	550
Audited out-turn units	310,000
Under/over achievement taking account of unfunded WP for credit purposes	9,450

### 1.3 Establish 1997-98 over achievement to moderate 1998-99 student number baseline

Under/over achievement in 1997-98	24,570
Percentage achievement in 1997-98	109%

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## 2 16–18 year-old full-time students

### 2.1 Establish number of 16–18 full-time students in 1997-98

Number of 16 to 18 year-old full-time students from ISR13	550
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### 2.2 Establish funded growth and units per student

Growth in student numbers applied for by institution	150
Units requested by institution	27,000
Units per student	180
Percentage funded by Council	74%
Growth in number of students funded by Council	111

### 2.3 Set student number baseline

Funded growth in 16 to 18 year-old full-time student numbers incorporating reduction to take account of actual achievement	505
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**2.4 Compare 1997-98 baseline against 1998-99 student numbers**

Number of 16 to 18 year-old full-time students from ISR16	580
Growth achieved in numbers of 16 to 18 year-old full-time students	75

**2.5 Compare actual growth against funded growth**

Growth in number of students achieved compared to number funded as a percentage	68%
Under/overachievement in student numbers	-36

**Recovery of funds for 16 to 18 year-old full-time student growth**

If the achievement is less than 75% then there will possibly be recovery of funds	6,480
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**3 Adults and part-time widening participation****3.1 Establish number of students eligible for widening participation in 1997-98**

Number of part-time WP students from ISR13	7,140
Number of full-time adult WP students from ISR13	300

**3.2 Calculate FTEs**

Number of FTEs using 7:1 ratio	1,320
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**3.3 Establish funded growth and units per FTE**

Number of full-time adult WP students applied for by institution	100
Number of part-time WP students applied for by institution	500
Units requested by institution	30,000
Number of FTEs using 7:1 ratio	171
Units per FTE	175
Percentage funded by Council	73%
Number of FTEs funded by Council	125

**3.4 Set student number baseline**

Funded growth in part-time and adult WP FTEs incorporating reduction to take account of any under/over achievement	1,211
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**3.5 Compare 1997-98 baseline against 1998-99 student numbers**

Number of FTEs associated with part-time and adult students from ISR16	1,500
Growth in number of FTEs compared to number funded	289

**3.6 Compare actual growth against funded growth**

Percentage of FTEs achieved compared to FTEs funded	231%
Number of FTEs over/under achieved	164
<b>Recovery of funds for adult/part-time student growth</b>	
If the achievement is less than 75% then there will possibly be recovery of funds	0

**4 Total recovery of funds position****4.1 2% Tolerance account in 1998-99**

1996-97 unit allocation	246,000
1997-98 2% tolerance 'account' position	4,920
1998-99 2% tolerance maximum	5,460
1998-99 2% tolerance 'account' position	5,460

**4.2 Calculate underachievement**

Units underachieved in growth for 16 to 18 year-old full-time students.	6,480
Units underachieved in growth for widening participation adult students	0
Units underachieved in main allocation (moderated by underachievement for growth items)	0

**4.3 Total impact**

Total units subject to recovery of funds before 2% tolerance	6,480
Total units subject to recovery of funds after 2% tolerance and protection at 90% of 1997-98 allocation	1,020

**4.4 2% tolerance account for 1999-2000**

1999-2000 2% tolerance maximum	6,000
1999-2000 2% tolerance 'account' position	6,000

