Circular 03/01

Success for All-
Implementation of the framework for quality and success

Consultation on development planning and development plans; headline targets, performance assessment, three-year funding agreements, funding rates linked to performance, floor targets, and implementation of *Trust in FE*, including the identification of pilot and pathfinder colleges.

Outline of action that colleges and other providers need to take between February and August 2003.

Summary

Success for All, published in November 2002, set out the Government's agenda for reforming further education and training in England and establishing a new framework for quality and success. In the light of policy commitments set out in that document, the Learning and Skills Council is now consulting on proposals for implementing this new framework.

This circular is addressed to further education colleges, specialist designated institutions, higher education institutions with further education provision, local authorities (former external institutions, adult and community learning provision and, where relevant, work-based learning), University for industry hubs and specialist colleges for learners with learning difficulties and/or disabilities.
The document does not apply to school sixth forms,
nor to providers of work-based learning only,
for whom there is a separate circular.

January 2003

successforall

Learning+Skills Council

Foreword

In *Success for All* the Government signalled its commitment to the reform of further education and training. The Learning and Skills Council shares this commitment. We intend to work closely with all colleges and other providers to implement the Government's exciting agenda for reform. We are determined to increase participation and attainment, to raise skills levels in the workforce and to improve quality. To do this we must develop new ways of working with our partners. This new approach is set out in the framework for quality and success detailed here. This consultation seeks your views on our proposed new arrangements for planning, funding and accountability.
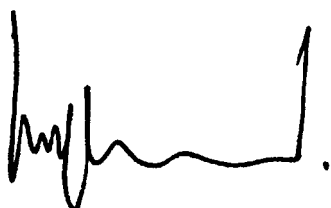
There is a great deal of good practice across our sector but there are some areas where improvements are needed. Together we need to ensure that standards are consistently high. Attention needs to be given to improving teaching and training, to the effectiveness of learning and to engaging the education sector with local and regional businesses and employers. We intend to tackle these issues. Our proposed framework of action aims to recognise and reward success, promote improvement and provide support where it is needed.

This drive for improvement is being underpinned by unprecedented levels of investment. The challenge for the Council and for our partners is to harness our collective resources and expertise successfully to bring about improvement. None of this can be achieved unless we all work together in partnership. I recognise how essential it is for the Council to secure and retain the support, trust and commitment of colleges and other providers. We will implement the policies set out in *Success for All* in the context of our commitment to meeting the recommendations of *Trust in the Future*, the report of the Bureaucracy Task Force, and our response, *Trust in FE – Working in partnership*.

I want the principles and values of *Trust in FE* to underpin the Council's relationships with all our providers. Representative colleges and providers, as well as partner organisations, have worked with us to develop and agree the consultation process and the structure and content of this consultation circular. We are grateful for their help.

We will continue to work with our partners in an open and transparent way to achieve the improvements we seek. The potential prizes are well worth having. They are: funding stability; local planning to address local needs; support and resources to improve quality; and real partnership working in the best interests of learners. For the Council, and for colleges and providers, this process of consultation is vitally important. We hope that the reforms that will spring from it and that these will fundamentally change for the better, perceptions and practice across the sector.

I hope you will join us in making this project a success. Your views will help us to build a framework for quality and success which puts the needs of learners first, whilst taking due account of the circumstances and challenges you face.

John Harwood, Chief Executive

Further information

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Responses to this document

Responses to this document are requested by 25 April 2003.

Contents

Annexes

Executive Summary

Date: January 2003

Subject: This consultation focuses on the development of a framework for quality and success as part of the implementation of *Success for All*. At its core is a new planning, funding and accountability system, based on greater partnership and trust. This new framework for quality and success is the fourth theme of *Success for All*.

Intended recipients: This circular is addressed to further education colleges, specialist designated institutions, higher education institutions with further education provision, local authorities (former external institutions, adult and community learning provision and, where relevant, work-based learning) and University for industry/**learndirect** hubs and specialist colleges for learners with learning difficulties and/or disabilities. The document does not apply to school sixth forms.

There is a parallel circular for providers who offer only work-based learning, Circular 03/02.

Status: For information and response by 25 April 2003.

Content: Following the publication of *Success for All, Reforming Further Education and Training*, the Learning and Skills Council has developed proposals for creating a framework for quality and success through a new planning, funding and accountability system. Key proposals relate to: three-year development plans; the setting and agreeing of headline improvement targets; performance assessment; different funding rates linked to performance; three-year funding agreements; floor targets for success rates; and the development of partnership and trust as described in *Trust in the Future* and *Trust in FE*, including ways to identify pilot and pathfinder colleges to carry that agenda forward.

Actions that colleges and other providers need to take between February and August 2003 are outlined.

A proforma for responding to this Consultation Circular is at Annex A.

Consultation on Development Planning and Development Plans

Section 1 - Introduction

1   This circular invites comments on proposals for implementing the framework for quality and success outlined in *Success for All, Reforming Further Education and Training* (Department for Education and Skills, November 2002).

2   It is addressed to further education colleges, specialist designated institutions, higher education institutions with further education provision, local authorities (former external institutions, adult and community learning provision and, where relevant, work-based learning) and University for industry/**learndirect** hubs and specialist colleges for learners with learning difficulties and/or disabilities. There is a parallel circular for providers who only offer work-based learning; Circular 03/02.

3   The changes discussed in this document do not apply to school sixth forms. The principles of the *Success for All* reforms apply equally to school sixth forms but are covered by whole school arrangements. The Learning and Skills Council (hereafter referred to as the Council in this document) will work in partnership with local authorities and the Local Government Association to develop appropriate arrangements for school sixth forms.

4   The Council will also work with the specialist colleges for learners with learning difficulties and/or disabilities and their membership bodies to develop appropriate arrangements for them.

5   Table 1 below shows the different types of provider covered by proposals in this circular, and the Council's main funding streams.

Table 1 Type of provider and Council funding stream

Type of provider	Type of provision and funding stream		
	Further education	Work-based learning	Adult and community learning
Further education colleges	✔	If relevant	If relevant
Sixth form colleges	✔	If relevant	If relevant
Specialist colleges (art and design, agricultural)	✔	If relevant	If relevant
Specialist designated institutions	✔	If relevant	✔
Higher education institutions	✔	If relevant	If relevant
Local authorities (former external institutions, adult and community learning provision and, where relevant with work-based learning)	✔	If relevant	✔
Non-local authority external institutions	✔	If relevant	If relevant
Ufi/**learndirect** hubs	✔		
Provider of work-based learning only[1]		✔	

[1] Arrangements for providers of work-based learning only are dealt with in Circular 03/02 – *Success for All, Implementation of the framework for quality and success for providers of work-based learning only*.

6   Throughout this circular, the phrase 'colleges and other providers of further education' refers to all providers in receipt of further education funding specifically for their further education provision. Proposals set out in *Success for All*, for headline improvement targets and funding linked to performance apply only to further education provision.

7   The term 'colleges and other providers' is used in its generic sense to cover all colleges and providers in receipt of Council funding for provision.

8   The Council is working towards establishing a more unified learning and skills sector and a simpler system for funding learning. Funding streams will be reduced to cut bureaucracy and devolve decision-making. Table 1 on the previous page indicates the current position.

Background

9   *Success for All*, states a commitment to investment and to reforms designed to raise standards, increase responsiveness and participation, and improve outcomes for learners and employers.

10   *Success for All* makes it clear that provision of further education and training of excellence is essential in order to meet the Government's priority for an educated and skilled workforce, and for achieving the four key objectives of:

   •   providing education and training of excellence for all young people through the new 14 -19 phase;

   •   increasing progression into higher education;

   •   helping people improve their basic skills and widening participation for adults; and

   •   helping employers invest in the skills of its staff.

11   The Council's Quality Improvement Strategy 2002 to 2003 and its new strategy for 2003 to 2006, will further the Government's aims for reform, set out in

Success for All. The Council believes that all learners, wherever and however they learn, are entitled to provision of excellence in order that they may learn effectively and succeed. We will work with colleges and providers, as well as our partner organisations, to drive up standards for learners.

12   The reform programme set out in *Success for All* affects every college and provider in the learning and skills sector. It recognises that diversity is a key strength of the sector and does not assume that one approach fits all circumstances.

13   The agenda for reform set out in *Success for All* has four key themes:

   •   Theme 1: Widening choice and improving responsiveness in each local area[2].

   •   Theme 2: Prioritising teaching and learning.

   •   Theme 3: Furthering the professional development of leaders, teachers, lecturers, trainers and support staff.

   •   Theme 4: Developing a framework for quality and success.

14   This consultation focuses on developing the fourth theme of *Success for All* – creating a framework for quality and success through a new planning, funding and accountability system, based on greater partnership and trust.

Funding the strategy for reform

15   The reforms outlined in *Success for All* are underpinned by the largest ever financial investment in further education and training. The majority of colleges and providers will benefit from a shift to a three-year funding cycle. Additionally, planned funding for further education will increase overall by 19% in real terms by 2005/06. In 2003/04, all colleges and other providers of further education will receive a 3.5% increase through consolidation of separate funding streams into core funding. They will receive a further 2% increase in real terms in return for agreeing a plan with targets with their local LSC. Consolidation of separate

[2]See Circular 02/21, *Strategic Area Reviews*.

funding streams, plus new funding, means that colleges and other providers of further education will receive a 10% increase in funding rates in 2003/04. This is summarised in table 2 below.

Table 2 Further education funding rates 2003/04

Type of funding	Increase
Consolidation	3.5%
Inflation	2.5%
Teachers' pensions	2%
Success for All real terms increase	2%

16   Subsequent funding increases for colleges and other further education providers will be linked to performance. Most colleges and other providers of further education who deliver their plans and achieve targets will receive a 2.5% increase above inflation in 2004/05 and 2005/06. Colleges and providers of further education who demonstrate excellence will receive more. Poorly performing colleges and other providers of further education will receive less but will benefit from intervention and support to help them to improve, or other appropriate action.

17   By 2005/06 capital funding for the learning and skills sector will increase in real terms by over 60% and funding to support the teaching and learning strategy will increase to over £100 million.

18   The remainder of the former learning and skills standards fund has been subsumed within the local intervention and development fund. The fund will be used to meet the priorities set out in *Success for All*, including improving choice and responsiveness, investing in excellence, remedying weakness and changing patterns of provision where needed. Further information about the local intervention and development fund will be provided by the Council shortly.

19   Adult and community learning provision will benefit from increases in funding linked to specific initiatives such as family learning and neighbourhood learning, and a 3% uprate for inflation on core grant.

The framework for quality and success

20   For the implementation of the quality and success framework to be successful, there must be good planning of the use of funding. The key elements in this implementation are as follows.

- The local LSC agrees with each college or provider their development plan, which in the case of providers of further education, must have four clear headline improvement targets.

- The local LSC enters into a three-year funding agreement with the college or provider to support the development plan.

21   The Council will determine the performance assessment criteria for different funding rates for colleges and providers of further education. The Council will also establish floor targets for minimum performance.

Trust in the Future

22   We want to establish a true partnership with colleges and providers, in the spirit of the Council's response to *Trust in the Future – Working in Partnership Framework*. We aim to reduce bureaucracy. The Council sees the establishment of a positive and mutually beneficial relationship with colleges and providers as absolutely crucial to implementing the reforms set out in *Success for All*.

23   Colleges and providers play a pivotal role in identifying and meeting the needs of employers and individuals in their area. We look to colleges and providers to be innovative in developing ideas on how national priorities for education and training can be met and how we can ensure all learners benefit from provision of excellence.

24 *Success for All* presents great challenges to all of us. In meeting these challenges and in helping colleges and providers to do so, we are committed to implementing the recommendations of the Bureaucracy Task Force. We pledge to be more open and transparent in our dealings with colleges and providers, to reduce the amount of data and administrative chores required of them, and to simplify the funding methodology.

25 In section 7, we outline how we can develop our trust relationship with colleges and providers. We want to move to an approach in which all colleges and providers will be more involved with their local LSCs in the planning of provision. The Council will place greater trust in colleges and providers to implement their agreed developments fully. We wish to introduce this new approach as soon as possible and to this end, aspects of it will be piloted with a small number of colleges in 2002/03 and a larger group of pathfinder colleges will be involved more fully in the approach from 2003/04.

26 In the spirit of *Trust in FE* we will observe five key principles when implementing the framework for quality and success. We will:

- work in partnership and share information with colleges and providers;

- aim to achieve simplicity rather than complexity;

- make the development plan and the planning process central to implementation;

- use existing data and information wherever possible; and

- make decisions based on the professional judgements of the local LSC, supported by quantitative and qualitative evidence and data.

> **Q1 Do you agree with the five key principles to support the implementation of the quality and success framework?**

27 Implementing these changes will be challenging for the Council and the sector. It will require new skills to support a new way of working. The Council gives a high priority to the professional development of its own staff. We are keen to work with colleges, providers and other agencies to strengthen our capacity to serve the sector. We are also planning an extensive range of Council staff development programmes.

28 Colleges and providers will need to take some actions between now and August 2003 in order to be eligible for three-year funding agreements, and to have access to increased funding in 2003/04 for their further education provision. Table 3 on page 5 outlines these actions.

Table 3 Actions for colleges and providers to take February to August 2003

Date or time period	Activity
Jan – Feb	Colleges and providers discuss 2003/04 allocation with the local LSC.
Feb – May	The Council runs consultation events on this circular. Colleges and providers build on their existing strategic plan and other plans, taking account of the proposals in this circular, to begin work on their three-year development plan and the identification of headline improvement targets. They should engage in discussion with the local LSC.
25th April	Closing date for responses to this consultation circular.
31st May	The Council publishes responses to this consultation circular and further guidance for colleges and providers, and also for staff in local LSCs.
May - July	Colleges and providers continue discussions with their local LSC to arrive at agreement about their development plan and headline improvement targets. Funding allocations for 2003/04 agreed by May.
May – June	Local LSCs report on performance review assessments. These will be used to identify those colleges and providers who are eligible for three-year funding.
June or July	The three-year development plan needs to be agreed by colleges' governors, or providers' boards of management, as appropriate, and the local LSC.
31st July	Deadline for having formally agreed the three-year development plan with the local LSC.

Consultation timetable

29   The consultation will be conducted in accordance with the Cabinet Office's code of practice on written consultations. The timetable for consultation is shown in table 4 below. Responses to the consultation should be received by 25th April 2003.

Table 4 Timetable for consultation

Activity	Date
Publication of consultation circular	31st January 2003
Responses to consultation required by	25th April 2003
Publication of results of consultation	31st May 2003

30   The Council intends to arrange a series of consultation and discussion events for colleges and providers between February to April 2003. We will also work closely with partner organisations to ensure that such events meet their particular needs. In addition, members of the Council's advisory groups for further education, local authority adult learning and work-based learning, will advise us on data issues between February and April 2003. Membership of the advisory groups is set out at Annex B.

Subsequent sections

31   The summary contents of subsequent sections of this document are outlined below.

Section two

32   This covers proposals for the process whereby colleges and providers agree their three-year development plans with their local LSC.

Section three

33   This outlines the procedures for identifying headline improvement targets and agreeing these with the local LSC.

Section four

34   This sets out performance assessment criteria and processes for the funding allocations made under three-year agreements, and, for colleges and providers of further education, funding rates linked to their performance.

Section five

35   This sets out our approach to three-year funding agreements relating funding allocations to the implementation and achievement of colleges' and providers' development plans.

Section six

36   This sets out our proposals for floor targets for minimum performance.

Section seven

37   This details our proposals for piloting aspects of our new 'trust relationship' with a small number of colleges in 2002/03. A larger group of pathfinder colleges will be partners in this relationship in 2003/04.

Section 2 - Development Planning and Development Plans

38   This section sets out our proposals for each college or provider to agree a three-year development plan with their local LSC. This will inform and underpin the three-year funding agreements to be introduced in 2003.

39   Section 3 sets out proposals for each college or provider to include a number of headline improvement targets and milestones for improvement in their development plan and to agree these with their local LSC.

Working in partnership to plan local provision

40   Colleges' and providers' three-year development plans will be of paramount importance. They will draw on current strategic plans, financial forecasts, self-assessment reports, post-inspection plans, human resources plans and other key documents.

41   The contents of colleges' and providers' initial development plans for 2003/04 are set out in Annex C. Development plans will align with the strategic plans, and annual plans, produced by the local LSC. Colleges and providers will agree their development plans with the local LSC. The development plan will reflect the resources needed from the local LSC. The Council will allocate funds to enable the college or provider to deliver its development plan.

42   Colleges and providers will review their three-year development plan during spring each year and agree it with their local LSC. Significant changes to the plan may be necessitated by factors such as the outcomes of strategic area reviews[3], changes in provision, unforeseen enrolment patterns or post-inspection action plans. Amendments should be agreed in discussion with the local LSC and take account of the requirements of external bodies, such as those of the inspectorates.

43   The development plan produced by each college and provider will have three main goals:

- Increasing customer focus.

- Ensuring provision of excellent teaching and effective learning.

- Enhancing the capability of the college's or provider's staff.

An outline for the development plan is set out at Annex C.

> **Q2   Do you support the concept of a single, high-level development plan t be agreed with the local LSC?**

Increasing customer focus

44   Development plans will explain how colleges or providers will increase their customer focus, including building closer relationships with employers and other stakeholders. Strategic area reviews will engage colleges and providers in working with the local LSC to ensure that provision meets the learning and skills needs of local learners, communities and employers. Local strategic partnerships and other partnership working with different agencies will influence the focus for an individual college's or provider's development plan.

45   Colleges and providers of further education are required to seek the views of learners and act upon them. The Council is publishing the core questions and methodology for its national learner survey in February 2003 so that colleges and providers can replicate the approach. This will enable them to compare findings with national and regional benchmarking data.

46   For colleges and other providers of further education, two customer focus headline improvement targets will be included in the development plan. These will be for 2005/06, with annual milestones.

Headline improvement targets

- learner numbers; and

- employer engagement.

[3] See Circular 02/21 – *Strategic Area Reviews*

47   Colleges and providers of further education will set and work towards their headline improvement targets for employer engagement in the context of wider regional skills priorities and their local LSC's plans to meet skills needs in partnership with Regional Development Agencies. Colleges' and providers' development plans should reflect how they will seek and act on feedback from employers, gained, for example through evaluation exercises, employer forums or surveys.

48   Strategy documents on working with employers and engaging with local economic and community regeneration strategies may be referred to as supporting documents to the development plan.

Ensuring provision of excellent teaching and effective learning

49   Improving the quality of teaching and the effectiveness of learning should be at the heart of what colleges and providers do, and so be central to their development plans. All colleges and providers should set out their three-year plan for raising standards. The plan should include key actions for improvement and be informed by self-assessment and inspection findings, and a strong commitment to continuous improvement.

50   The plan should indicate proposed collaboration with other colleges and providers, including those with Beacon status and Centres of Vocational Excellence (CoVEs), to share and learn from good practice. It should refer to engagement with regional and local networks on ways of improving curriculum and teaching and learning. Plans should take account of the work of the Department for Education and Skills' (DfES's) new Standards Unit. Local collaboration will also include a focus on delivering excellent training for employers in the area.

51   Colleges and other providers of further education should include one teaching and learning headline improvement target in their development plan. This will be for 2005/06, with annual milestones.

Headline improvement target

- success rates.

52   For that minority of colleges and providers of further education who fail to reach the national floor target, their three-year development plan should include clear targets, with annual milestones, for exceeding the floor target as early as possible and by no later than 2006.

Developing the capability of the college or provider staff

53   Development plans for colleges and other providers should show how the skills of managers, teachers and support staff will be developed and enhanced and rewarded over a three-year period. In line with the requirements specified in *Success for All*, the development plan should cover:

- the provision of incentives for individual performance;

- rewarding staff who help learners to succeed[4]; and

- increasing staff diversity[5], including any targets that the college or provider may wish to set itself.

54   Colleges and other providers of further education should include in their development plan a headline improvement target, with annual milestones, relating to the acquisition of professional qualifications by teachers and lecturers.

Headline improvement target

- professional qualifications for teachers and lecturers.

55   Plans for professional development for staff should include plans to improve their vocational skills and knowledge, and links to development programmes organised by the DfES's Standards Unit.

[4]Separate guidance will be made available for the provision of incentives and rewarding staff.
[5]See the Commission for Black Staff in Further Education, *Challenging racism: Further education leading the way*, October 2002.

Reviewing and refining the development plans

56   Development plans will be subject to review and refinement. The local LSC will discuss with colleges and providers the progress they have made in implementing their development plans and will assess their proposals for provision in 2004/05 and beyond. The outcomes of strategic area reviews and any significant changes in local circumstances will have to be taken into account.

57   The Council's performance review process will be the main means by which the local LSC, working in partnership with colleges and providers, will assess the effectiveness of the implementation of the development plan.

> **Q3   Do you agree that in due course colleges and providers should have a single development plan covering all Council-funded provision?**
>
> **Q4   Do you think there should be more targets and milestones for:**
>
> - **customer focus?**
>
> - **provision of excellent teaching and effective learning?**
>
> - **enhancing the capability of the college or provider's staff?**

Agreement of the development plan

58   The development plan will become the key element of colleges' and providers' strategic planning. It will be approved by the governors of colleges and management boards of other providers as their key strategic document. It will be agreed with the local LSC with the objective of delivering excellent quality for learners, employers and local communities. The Council's funding agreements with colleges and providers are being reviewed and will take account of the implications of *Success for All*.

59   In return for agreeing a development plan, every college and other provider of further education will move to a higher funding rate in 2003/04. This additional 2% has already been incorporated in the funding rates. Funding allocations will be made in March/April 2003 for 2003/04, on the basis that each college and provider will agree volume targets for the year with the local LSC and undertake to agree a three-year development plan by 31 July 2003.

60   Colleges or providers who fail to agree a development plan with their local LSC by 31 July 2003 will not be eligible to receive the additional 2% of funding in their funding allocation for 2003/04.

61   We recognise that there are significant issues to consider in relation to the development plan framework, and how it will link to other current planning activity (for example, post inspection action plans, self-assessment reports, strategic plans, financial forecasts, accommodation strategies). There are also actions to consider about how best to interpret the planning requirements for different funding streams (including further education, work-based learning and adult and community learning) to achieve the aim of a single high-level development plan. These issues require detailed development work. Initial views are invited in this circular. However, we require that colleges and providers agree an initial development plan with their local LSC by 31 July 2003 to provide a basis for three-year funding and to justify the 2% real terms increase in funding allocations for further education for 2003/04. This means that the plan will probably have to be approved by governors or boards of management in June or July 2003. In order to do so, colleges and providers will wish to start work on their development plans immediately.

62   We have set out in Annex C an outline of the minimum information for this first development plan. Colleges and providers should use this outline to start preparing development plans for 2003/04 to 2005/06 in consultation with local LSCs.

63   We are making no assumptions about changes to other planning activities at this stage – so, for example, the annual self-assessment reports, and post-inspection action plans should continue in their current form.

Similarly, UFI/**learndirect** hubs continue to provide their business plans and local education authorities continue to provide their annual adult learning plan for 2003/04 as set out in the guidance published in December 2002, as well as their annual business plan for adult and community learning. The initial three-year development plan will draw on the key documents that the college or provider has for planning.

64   We propose, to undertake further consultation on how the development planning arrangements will be taken forward in the future, taking account of the views expressed in response to this current consultation, and when the advisory groups described at Annex B have had an opportunity to consider this analysis and make recommendations.

65   This second phase of consultation will feed into the arrangements for the second round of development plans, which will be prepared in time to link with the outcomes of strategic area reviews in spring 2005 and the Government's new spending review which will establish budgets for 2005/06 to 2007/08.

66   We envisage that the second development plans will be agreed on the basis of this revised framework by May 2005, at the same time as funding allocations for 2005/06 are confirmed. An indicative timetable for the agreement of three-year development plans for 2003/04 to 2005/06 by the end of July 2003, is set out in table 5 below.

Table 5 Timetable for agreement of development plans

Date or time period	Activity
End Jan 03	Framework for 2003/04 development plans issued.
Feb – May 03	Colleges and providers work on development plans in consultation with local LSCs.
May – end July 03	Colleges and providers agree development plans 2003/04 – 2005/06 with local LSCs.
Autumn 03	Further development of planning framework taking account of responses to consultation.
Jan/Feb 04	Consultation on framework for development plans 2005/06 to 2007/08.
End May 04	Guidance on framework for development plans 2005/06 – 2007/08.
By spring 05	Colleges and providers prepare development plans – taking account of outcomes of strategic area reviews and funding settlement for 2005/06 – 2007/08.
End May 05	Agreement of development plans 2005/06 – 2007/08 and confirmation of 2005/06 funding allocations.
By Aug 05	Three-year agreements covering 2005/06 to 2007/08.

67 Further development work and guidance for colleges and providers and for local LSCs on the development plan and planning process will build on experience gained from this first round, but always with the watch-words from *Trust in FE* – 'keep it simple'.

68 The Council will strengthen its systems for moderation to ensure rigour and reasonable national consistency in our approach to agreeing development plans. The Council's internal staff development programmes will also help strengthen consistency of professional judgements.

Agreement of learner numbers and success rate improvement targets within the development plan

69 Colleges' and providers' improvement targets contribute towards their local LSC's targets. Local LSC targets in turn reflect and contribute towards the achievement of the Council's published corporate targets. These cover participation and attainment, as well as the quality of learning provision. A college's or provider's improvement targets will be discussed with the local LSC, in the context of making a strong contribution towards local LSC targets.

70 The proposed process for agreeing improvement targets for success rates is based on a negotiation between the college or provider and the local LSC. Initially, colleges and former external institutions will be able to discuss the baseline position for their headline success rates for 2000/01 and 2001/02, where available, together with:

- the overall position within the range of success rates for the college type;

- the college's or former external institution's trend in success rates; and

- disaggregation of the college's success rates by age and NVQ level and into retention and achievement compared with benchmarks for the relevant type of provision.

71 The above information together with details of past levels of improvement for the sector as a whole will enable the college or the former external institution and the local LSC to agree:

- areas for focussing improvement for inclusion in the development plan; and

- challenging but realistic headline improvement targets for success rates.

72 The headline measure for improvement in success rates will be supplemented by a negotiated agreement between the local LSC and the college or provider, recorded in the development plan, of the more specific areas for improvement, for example increasing success rates for level 2 engineering qualifications for young people and basic skills qualifications for adults.

73 A college, local authority or other provider offering work-based learning will have separate improvement targets for successful completion rates for its work-based learning provision, based on a similar process to that described above.

Section 3 - Headline Improvement Targets

74   This section sets out our proposals for colleges and providers of further education to include four overall headline improvement targets and milestones for their achievement in their development plans. These should be agreed with their local LSC. The headline improvement targets are:

- Two headline improvement targets, with annual milestones, for increasing customer focus: one for learner numbers and one for employer engagement.

- A headline improvement target, with annual milestones, for success rates.

- A headline improvement target, with annual milestones, for professional qualifications for teachers and lecturers.

75   Section 4 proposes performance assessment criteria and processes for funding allocations under three-year agreements. It also sets out our proposals for funding rates linked to colleges' and providers' performance. Section 6 sets out arrangements for floor targets for success rates.

Setting challenging targets

76   We believe that the process of setting targets and developing robust strategies to deliver them help to set our sights higher and to raise our ambitions for improving the quality and responsiveness of provision. The processes of setting targets and working towards achieving them are valuable in themselves and help to accelerate improvements.

77   The four targets in the development plan for improvement of provision will be negotiated and agreed between the college or provider end the local LSC. Targets should be achievable but demanding. When setting targets, the following findings and issues will need to be considered by the college or provider and the local LSC:

- findings from strategic area review;

- the mission of the college or provider;

- inspection findings;

- local skills and provision gaps;

- the potential of and need for new providers;

- targets set by the Council to match provision to local needs or to contribute to achievement of the Council's corporate targets;

- progression rates from schools through to further and higher education and employment;

- headline improvement targets set by the college or provider; and

- floor targets and targets for recruitment and success rates.

Demography and widening participation

78   Targets set will need to take account of local demography and objectives to widen participation and issues such as:

- the proportion of the local community not engaged in learning/training;

- the extent to which proposed provision meets local needs regarding access and curriculum;

- the capacity of the college or provider to deliver;

- the attendance modes to be offered to learners;

- the college's or provider's past performance and capacity for change/growth; and

- the practical implications for existing colleges and providers extending their provision.

Availability of data to support the setting of targets

79 To assist negotiations between local LSCs and colleges and providers it will be necessary to ensure that all parties have timely access to data on learners' performance, including success rates and completion rates on work-based learning programmes. Such data should be broken down by age, level, achievement and retention components and work-based learning successful completion rates. In addition, benchmarking success rates data broken down by college type (including colleges with high levels of widening participation as a group), age, level and achievement/retention benchmarks will be made available. National benchmarking data will also be made available for former external institutions.

80 Most of the further education benchmarking information is already available, in a slightly different form, as the 'benchmarking data' **http://www.lscdata.gov.uk/benchmarking**.

81 The Council will also be developing guidance material for local LSCs and colleges to assist in the interpretation and use of the data.

First headline improvement target - learner numbers

82 *Success for All* confirms that three-year funding agreements will include assumptions about learner numbers. These assumptions are necessary to inform decisions about how much growth to build into three-year funding agreements. *Success for All* also expects that learner numbers would be one of the headline improvement targets in the college's or provider's development plan.

83 There are two main options when setting 'headline' targets for learner numbers.

Option one

84 Targets could be based on a 'headcount' measure of learners on programmes. There is,

however, considerable variation in the length of programmes undertaken by learners and consequently in the amount of funding for particular programmes. In 2001/02 84% of learners studied on part-time courses; there were some 760,000 learners on courses of fewer than 15 hours and 639,000 on courses of more than 450 hours. There could also be an incentive for colleges or providers to increase short course provision to meet a headline improvement target at the expense of offering longer programmes that may be more suited to the needs of learners and to meeting skills priorities.

Option two

85 Alternatively, targets could be based on both the number of learners and the length of their programmes.

86 We propose that calculations should be based on 'full-time' equivalent learner numbers (FTEs). The 'FTE' has a long history in further education, and is currently used by the Council and colleges and providers in the development of 'learner profiles' for planning purposes. The definition and method of calculation of the 'FTE' is set out in Annex I.

87 For the purposes of determining the headline improvement target in the development plan, we propose that FTEs should be subdivided into FTEs for learners aged 16 to 18 and over 19, respectively. These measures will also be used in the calculation of three-year funding agreements (see Section 5).

88 There are, however, potential disadvantages in the use of FTE measures, in that they could encourage colleges or providers to increase teaching hours on part-time courses to maximise FTEs (though this would involve the institution in additional cost). We will continue to work with the advisory group to address issues associated with the calculation of FTEs.

> **Q5   Do you agree that FTEs for learners aged 16 to 18 and over 19, respectively, are reasonable headline measures of learner numbers?**

89   FTEs for learners aged 16 to 18 and over 19, respectively, will be headline numbers only and more detailed information will need to be shared in the discussions between the local LSC and colleges and providers. We envisage that the 'learner profile' developed for planning purposes will continue to provide a common framework for this information.

90   For work-based learning provision, we propose that the headline improvement target for learner numbers is based on the average number of learners aged 16 to 18 and over 19 on programmes (ie the average in learning).

> **Q6   Do you agree that the headline improvement target for learner numbers on work-based learning programmes should be based on the average number of learners aged 16 to 18 and over 19 on programmes?**

91   Colleges and providers will also contribute to local LSCs' achievement of equality and diversity impact measures and, as a result, more detailed information about learner numbers will need to be shared between the college or provider and the local LSC. This will include, for example, proportions of male and female learners and those from ethnic minorities. This dialogue will enable agreement on how the projected learner numbers will be achieved, and the participation of different groups, especially those often under represented in post-16 learning.

Second headline improvement target - employer engagement

92   Many colleges and providers are already working successfully with employers and developing provision which is responsive to the needs of both employees and employers. Strengthening our work with employers, and responsiveness to their needs is now a key priority.

93   It is recognised that there is no easy or single way of measuring the extent of colleges' or providers' involvement with employers. Colleges and providers should determine one headline improvement target relating to their

involvement with employers and agree this with their local LSC. This target should reflect the college's or provider's mission and local priorities. The headline improvement target might relate to:

- increasing financial contributions from employers;

- increasing the range of employers with whom the college or provider is involved, especially small and medium-size enterprises;

- greater involvement with particular employment sectors, linked for example to Centres of Vocational Excellence (CoVEs);

- improving access to enterprise education;

- working with learners to prepare them to enter, or re-enter, the labour market after periods outside of employment;

- producing more relevant programmes, including tailor-made provision for employers; or

- greater involvement in work-based learning.

94   Implementation of the reforms to the further education and training sector set out in *Success for All* should mean that:

- employers are confident that their local colleges and other providers of post-16 education and training can meet their needs; and

- individual members of the workforce have appropriate basic, vocational and higher level skills, and skills shortages are significantly reduced.

95   The Council published its workforce development strategy in November 2002[6]. The Government will be publishing its Skills Strategy by summer 2003 which will incorporate the outcomes of the review of funding of adult learning announced in the spending review. These key documents will shape the Council's approach.

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[6] *Skills and Workforce Development – National Policy Framework to 2005: Summary (LSC workforce development strategy), November 2002.*

96 We recognise that significant development work with employers will help the learning and skills sector to meet the nation's future skills needs. Colleges and providers need to engage with employers in innovative ways, and have a much broader view of employer engagement driven by the skills needs of employees and employers in their local area, regionally and nationally.

97 Local LSCs will work with colleges and providers to help them determine a headline improvement target for their involvement with employers. This headline improvement target that is agreed should reflect the individual college's or provider's mission and the nature of their provision. For example, the 14-19 strategy published by DfES on 21 January 2003 emphasises the importance of a vocational element to education for all 16-19 year olds and, as suggested in *Success for All*, a sixth form college might base its target on the number of work experience placements or enterprise opportunities it provides for its students. A range of possible headline improvement targets and measures is proposed for different types of college and provider (see Annex D).

Q7 Do you think that the Council should agree one or more headline improvement target(s) with each college or provider for employer engagement?

Q8 Are there other important employer engagement targets for colleges and providers that should also be considered?

Third headline improvement target – success rates

98 The Council has given careful consideration to what measures could be used to determine targets for the achievement of success rates of learners, including those on work-based learning programmes.

99 We are conscious that a range of different measures are used by colleges and providers, as well as the Council and other agencies, to evaluate different types of provision. The Council began work a few months ago,

together with Ofsted, the Adult Learning Inspectorate and the DfES, to consider what range of measures of learner success would be appropriate for the post-16 sector as a whole in the medium term. The aim is to develop comprehensive and coherent measures for the learning and skills sector by 2005/06. The changes being considered require long-term development and detailed consultation with all colleges and providers. A summary of the thinking to date is shown in Annex E. Early comments from colleges and other providers on the proposed measures would be welcome.

Q9 What are your views of the early thinking on future measures for evaluating learner success as set out in Annex E?

100 In the short-term, and for the first three-year development plan for the period 2003/04 to 2005/06, the Council proposes to use measures:

- that are already familiar to colleges, providers, inspectorates, the LSC and the DfES; and

- for which the requisite data is available.

101 This means that the measures used in the short term for further education colleges and former external institutions (for their further education provision) will be different from those used for work-based learning provision (including work-based learning provision in further education colleges). The measures will be reviewed in the light of progress made by the Council, the inspectorates and DfES to create a set of common data at the individual learner level and a common way of interpreting the data across the learning and skills sector.

Proposed measures for success rates

102 Success rates for 2003/04 to 2005/06 will be used in three ways:

- To estimate the success rate for each college or provider, and thus the individual baseline or starting point for improvement.

- To agree improvement rates, and thus headline improvement targets for success rates in each college's or provider's development plan.

- To define national floor targets, which indicate the national minimum level of acceptable performance, for provision across the sector as a whole.

Summary information about the headline targets for success rates for different types of colleges and providers is given at Annex C.

Further education colleges and former external institutions

103 For colleges and the former external institutions, it is proposed that success rates are calculated for all qualifications, based on the 'benchmarking' methodology with which colleges and external institutions are familiar, by taking the existing measures of retention and achievement on qualifications, and combining them to create a success rate. Further details are provided in Annex F.

> **Q10 Do you agree with the proposed way   the success rate for learners in colleges and former external institutions will be calculated? If not, what alternative would you like to see?**

Work-based learning provision in further education colleges, local authorities or higher education institutions

104 For work-based learning provision, it is proposed that learners' success rates are calculated using data that are already available to work-based learning providers and the LSC, based on the proportion of learners who complete programmes successfully. Programmes for modern apprenticeships and learners working towards National Vocational Qualifications (NVQs) account for 97% of work-based learning provision nationally. Success rates for learners on these programmes will be determined as follows:

- For modern apprenticeships:

  1   The number of learners who either meet all of the requirements of their apprenticeship framework, or achieve an NVQ required by the framework, divided by the number of learners who have either left training or successfully completed their programme.

  2   In addition to the above, a similar calculation based solely upon framework completion.

- For NVQ training – the number of learners achieving an NVQ divided by the number of learners who have left training or successfully completed their programme.

> **Q11 Do you agree with the proposal that work-based learning provision success rates should be calculated as (1) the combined number of modern apprenticeships completed and NVQs achieved expressed as a percentage of the number of learners who have either left or successfully completed their programme and (2) a similar calculation based solely upon framework completion? If no, what alternative would you like to see?**

105 The Council recognises that a significant minority of work-based learning trainees change employers or take up a relevant full-time job without completing their training and achieving a qualification. The Council will give consideration to ways of acknowledging learners' success in obtaining appropriate employment and will consult providers accordingly. We will also need to consider further how to measure success in the new Entry to Employment (E2E) programme, where NVQ achievement rates are not an appropriate measure.

Further education in higher education institutions

106 Unlike other institutions with further education provision funded by the Council, higher education institutions do not return individualised learner record (ILR) data to the Council. Instead, they send individual learner

data to the Higher Education Statistics Agency (HESA), under a reciprocal agreement whereby, in a similar way, colleges send information on higher education provision to the Council in their ILR returns, rather than returning data directly to HESA. In both cases, the data are then converted into the required format - so HESA will produce a file of data on further education provision in higher education institutions in ILR-like format to send to the Council.

107 There are some differences in content between the data collected through HESA and that returned by other institutions in the ILR, mainly as a result of the different development timescales for the two records. These differences can have an impact on funding calculations, and the Council and HESA are investigating ways of making the data more consistent.

108 However, one of the key differences is in the timing of the returns - there is only one HESA return, equivalent to the July ILR return, compared to the three main ILR returns for colleges - the additional ILR returns being an in-year return in the autumn and a further return after the year-end to collect achievement data. This means that for higher education institutions:

- there is no detailed information available in-year to allow the calculation of performance; and

- it is not always possible to include information on achievement of some further education qualifications (particularly vocational qualifications such as NVQs), as the results of these are not available at the time of the return.

109 The following factors will have an impact on the application of elements of *Success for All* to higher education institutions:

- the absence of data on in-year performance will affect the in-year monitoring of learner numbers and the calculation and confirmation of three-year funding;

- the incompleteness of achievement data will affect the measurement of success rates, which has an impact on development and floor targets; and

- the different data collection arrangements will have an impact on the data as arrangements for reviewing the performance of higher education institutions are considered.

110 We aim to apply all elements of *Success for All* to higher education institutions, but recognise that the differences in the data collection arrangements mean that there will be some differences in the detailed approach and timescales from those for colleges and other providers of further education. We will be looking in detail in partnership with higher education institutions at the implications over the next few months and would welcome responses to the following questions:

Q12 What are your views on the application of *Success for All* to higher education institutions in the light of the different data collection arrangements?

Q13 What are your views, as higher education institutions, of the current arrangements for data collection on further education provision in higher education institutions, and how (if at all) would you see these changing to accommodate the requirements of *Success for All*?

Ufi/learndirect hubs, specialist designated institutions and adult and community learning

111 Differences in data collection arrangements and definitions of measures used within Ufi/**learndirect** hubs, specialist designated institutions and adult and community learning restrict the immediate use of available data. The Council will work in partnership with these different providers to build on their existing measures and data and agree suitable measures where they do not exist already.

Disaggregation of success rates and floor targets

112 The Council has looked carefully at the key factors that differentiate success rates, both in the context of setting national floor targets and success rate targets for colleges and providers, in order to determine the most appropriate level of disaggregation for both measures. Section 5 covers the Council's proposed levels for floor targets, drawing on the proposed data groupings set out in this section.

113 The Council proposes that both individual college or provider success rate targets and national floor targets should be set at as high a level as possible of aggregation, while adequately representing the actual extent of learners' success. Disaggregation of the success rates (that is utilisation of more than one success rate measure) should only occur if it is necessary to take special account of factors that have had a marked influence on provision or the performance of a particular group of learners.

> **Q14 Do you agree that success rate targets and national floor targets should be set at a high level of aggregation?**

Further education colleges

114 An analysis of further education college success rates for 2000/01 and a full discussion of the findings are presented in Annex F. A summary of findings and the resulting recommendations are shown below:

115 Floor targets only:

- There are significant differences in success rates between colleges of different types, reflecting variations in college missions, the abilities and aptitudes of learners, and the range and scope of the curriculum offered. Success rates in sixth form colleges are usually higher than those in general further education and specialist colleges (agricultural colleges and specialist art and design colleges).

- Success rates for colleges with high widening participation factors are broadly in line with those of other colleges of a similar type, at the lower end of the range of college success rates (the 10th percentile).

116 It is therefore proposed that the national floor targets for minimum performance in colleges should be differentiated by college type (general further education colleges, sixth form colleges and specialist colleges) but not for colleges with high widening participation factors.

117 This proposal for floor targets does not preclude the use of appropriate benchmarking data for colleges with high widening participation factors as part of the process for setting individual college improvement targets for success rates.

> **Q15 Do you agree with the proposal that national floor targets for success rates should be set at different levels for general further education, sixth form and specialist colleges, respectively, with no separate differentiation for colleges with high widening participation factors?**

Floor targets and success rates

118 Success rates for short qualifications, particularly those worked towards by adults, are markedly higher than for long qualifications, in all types of colleges. (Long qualifications are those for which the expected period of study is more than 24 weeks. In practice, short qualifications relate to courses of less than 12 weeks duration.) The high success rates for short qualifications can boost the overall success rates of general further education colleges and specialist colleges. This effect is not usually replicated in sixth form colleges where the volume of short courses is much smaller.

119 Without a disaggregation by length of qualification, there would be an incentive for colleges to achieve their improvement targets by offering a disproportionate amount of short-course provision even though this might not be appropriate for local needs or reflect the priorities of the local LSC.

120 The other key factor for consideration is the age group of learners. The data suggests that it would be feasible (and straight-forward) to set headline improvement targets for the success rates of learners in different types of institution.

121 Success rates of learners aged 16-18 and adults for long qualifications are usually similar in general further education colleges. The same is true in specialist colleges. This does not hold true for sixth form colleges, though since 16-18 year olds predominate in sixth form colleges, their success rates for all ages is, in general, not very different from that for the 16-18 year old cohorts.

122 It is therefore proposed that both national sector-wide floor targets and individual college or provider headline success rates should:

- be differentiated by length of qualification for general further education colleges and specialist colleges but not for sixth form colleges (this would enable separate targets to be set for long and short qualifications in general further education and specialist colleges but not for sixth form colleges); and

- not be differentiated by age (targets should be set for all ages for both long and short qualifications).

123 Agreement to the proposal not to differentiate headline success rates by age group does not preclude the discussion of success rates by age group as part of the development plan and for setting individual college or provider of further education improvement targets for success rates.

Q16 Do you agree with the proposal that national floor targets and headline success rates should be disaggregated into long and short qualifications for general further education and specialist colleges but not for sixth form colleges?

Q17 Do you agree with the proposal that national floor targets and individual institution headline success rates should not be differentiated by age for both long and short qualifications?

Differentiation of success rates by curriculum area

124 It would be possible to differentiate success rates by programme areas or more specific curriculum areas, since these can vary. However, since higher and lower performing areas tend to balance out for an individual college or provider, we propose to focus on a single target for each college or provider. However, within the development plan, the Council and the college or provider will want to consider identifying particular curriculum areas for improvement on which the college or provider should focus to achieve the target improvement.

Former external institutions

125 It is proposed that the same approach to the disaggregation of sector-wide floor targets and individual institution success rates is used for the further education funded provision in former external institutions as for colleges.

126 An analysis of data from former external institutions is presented in Annex F. The conclusions are summarised below:

- 95% of the provision is for adults so there is no need to differentiate success rates by age group;

- 40% of provision is on short qualifications and results for short qualifications are significantly better than for long qualifications; and

- in a separate analysis of individual institutions, no particular institution type was disproportionately represented in the higher or lower ranges of success rate outcomes.

127 It is proposed, therefore, that national targets and headline success rates for the further education provision in former external institutions should be disaggregated by length

of qualification but not by type of institution or by age group.

Q18 Do you agree with the proposal to set targets for individual success rates and sector-wide floor targets for the further education funded provision in former external institutions using the same approach as for further education colleges?

Work-based learning provision

128 2001/02 is the first year during which data on learners' achievements has been collected on a consistent basis for all work-based learning providers. During 2001/02 it was clear that the quality of data on achievements was steadily improving. However, the successful completion data for work-based learning providers is not yet entirely reliable.

129 To date, little work has been carried out to differentiate successful completion rates for work-based learning by type of provider (for example, further education college-based, voluntary charitable, private, employer based, or by the vocational areas of provision). The Council is conscious of the need to carry out such differentiation and would welcome comments on how this might be done.

Q19 What should be the focus of the Council's work to disaggregate work-based learning completion rates?

130 It is proposed that, at this stage, there should be no dissagregation of the national floor target for work-based learning provision (on modern apprenticeships and NVQs), or for individual college's or provider's completion rates for learners in work-based learning programmes.

131 Agreement to the proposal not to differentiate headline completion rates by age group, does not preclude the discussion of completion rates by age group or by sectoral group as part of the development plan and for setting individual college or provider improvement targets for success rates.

Q20 Do you agree with the proposals for headline success rates for work-based learning provision in relation to colleges' or providers' development plans?

Fourth headline improvement target – teacher qualifications

132 *Success for All* confirms that all learners must be taught by teachers with appropriate skills and qualifications. By 2010, it is expected that all further education college teachers should be qualified to teach, except for new entrants, who would be expected to achieve appropriate qualifications within two years of entry for full-time staff and four years of entry for part-time staff.

133 The national interim target for further education colleges requires that 90% of full-time and 60% of part-time teachers should be qualified to teach or enrolled on an appropriate course by the end of July 2006. At this stage, no national target has been set for qualifications of teaching staff for other providers of further education or for work-based and adult and community learning provision. However, it is envisaged that, in future, targets similar to those for the further education colleges will be introduced. These will take into account the distinctive needs and characteristics of the types of provider and provision.

134 Every college and other provider of further education will be expected to set headline improvement targets for teacher qualifications within its development plan. The targets should indicate the number of teachers who will be qualified to teach or enrolled on appropriate courses to become qualified by the end of July 2006. For further education colleges, these should normally be set in line with the national interim targets. For other providers, they should be challenging but achievable.

135 Where national targets are already met or exceeded, colleges and other providers should set challenging, but achievable targets, which will help them to move towards a fully

qualfied workforce by 2005/06. Colleges and providers which already have a fully qualified workforce, both full-time and part-time, will be expected to set targets for continuing professional development for their teachers, including involvement in programmes organised by the DfES's Standards Unit for teaching and learning.

136 Each college and other provider of further education should also set annual milestones for teacher qualification targets for 2003/04 and for 2004/05. Exceptionally, colleges where few staff are qualified may be allowed a longer period to reach the national target level. We will encourage colleges and other providers to also set targets for the proportion of work-based learning staff with appropriate qualifications.

137 Progress against colleges' and other providers' targets for teachers' qualifications set out in their development plans will be reviewed as part of the local LSC's monitoring process and taken into account in the Council's spring performance review reporting. Where colleges or other providers of further education do not set sufficiently challenging targets or do not make progress towards the achievement of targets, this will contribute towards performance review judgements and contribute to the determination of the rate of funding for colleges or other providers of further education. We will ensure that appropriate arrangements are in place for collecting data on teachers' qualifications. To assist discussions between colleges and local LSCs, analysis of the latest data from the Staff Individual Record (SIR) will be made available.

Q21 How do you think colleges and other providers of further education can best contribute to the achievement of the interim national target for teachers' qualifications?

Q22 How should agency staff or staff provided by third party providers be included in headline improvement targets for teachers' qualifications?

Q23 How do you think work-based learning and adult and community learning providers can best set targets in their three-year development plan, to help accelerate progress towards a fully qualified teaching and training workforce?

138 More information about qualifications for teachers is given at Annex G. Further information about qualifications for work-based learning staff is set out at Annex H.

Section 4 - Assessing Performance to Determine Progress and Funding Rates

139 This section sets out our proposals for performance assessment criteria and processes for funding allocations made under three-year agreements. It presents our proposals on funding rates linked to colleges' performance and the performance of providers of further education.

140 Section 5 sets out our approach to three-year funding agreements relating to the implementation of colleges' and providers' development plans.

Different rates of funding linked to levels of performance

141 In line with Government policy set out in *Success for All*, from 2004/05 the total Council funding received by colleges and other providers of further education will be linked to their performance.

142 The effectiveness of the implementation of colleges' or providers' development plans, including the achievement of headline improvement targets will be through the Council's performance review arrangements. Performance review assessments will be the basis for determining whether or not to enter into three-year funding agreements with colleges and other providers and for different rates of funding linked to performance for colleges and other providers of further education. Performance review is a familiar system for colleges and providers based on a framework and an approach developed in consultation with colleges and providers, and is informed by the commitment to minimise bureaucracy advocated in *Trust in the Future*.

143 Currently, performance review applies to further education colleges, work-based learning providers, Ufi/**learndirect** hubs, non-local authority external institutions and specialist designated institutions. By the end of 2003, local authorities (as former external institutions and providers of adult and community learning) will also come into scope of performance reviews. Development work will be undertaken, in liaison with key stakeholders, to extend the scope of reviews to cover further education in higher education institutions during this year. Those providers involved in performance review should not be disadvantaged as interim arrangements will allow evidence about providers' performance to be normally considered by the local LSC when drawing up their three-year funding agreements.

144 In autumn 2002, revised arrangements for performance review were introduced. Performance is now assessed in three key areas using five performance categories. Assessment focuses on whether or not targets are being met and how effectively the development plan is being implemented. Details of the performance review framework can be found in Circular 02/19 *Reviewing Performance: Arrangements for Colleges and Providers from October 2002*. Local LSCs undertake and report on performance reviews twice a year in autumn and spring. Assessments are comprehensive and draw on information supplied through normal data gathering, monitoring and partnership working. Bureaucracy is minimised by using existing data and information.

Making judgements

145 Local LSCs will assess the college's or provider's progress towards the headline improvement targets, and progress in particular areas of provision, as set out in the development plan. Performance review assessments have to be substantiated by clear evidence, and staff in local LSCs strive to ensure that judgements are rigorous but fair. Assessments are based on a combination of quantitative data derived from the individualised learner record (ILR) and the judgement of the local LSC. For example, if a college and local LSC agree a 5% increase in success rates for long qualifications, and agree this should be delivered mostly by improving the success rate in long level 2 qualifications and if the college expands level 1 provision and improves the success rates on level 1

provision rather than level 2, then the local LSC will make a judgement about whether the target has been met or not.

146 Similarly, if a college or provider is achieving its annual milestones for success rates, but has diluted its commitments to widen participation this will impact adversely on the assessment made by the local LSC on progress.

147 The Council will issue guidance for local LSCs and have systems for moderation to ensure rigour and reasonable national consistency. Staff development programmes will also help us to strengthen consistency of practice when exercising local professional judgements.

148 The Council continues to prioritise the development of the necessary skills and expertise of its staff involved in performance review. We are aware of the crucial need to maintain and improve our professional working relationships with colleges and providers. The Council has arrangements in place for moderation of performance review and will strengthen these further.

149 Data used to inform judgements made in performance reviews will be the most up-to-date data available. However, some data only become available one year later. It is proposed therefore, that for the 2004/05 funding year, in-year data for 2003/04 showing progress towards meeting headline improvement targets and implementing the development plan be used in performance reviews, together with data on learners' achievements from 2002/03. Therefore, use of these data in performance reviews in spring 2004 performance review will enable decisions about funding rates for colleges and providers of further education to be made in good time and before the confirmation of the 2004/05 budgets. Where colleges or providers do not have timely or accurate data, this is, of itself, a concern and will be considered as part of the performance review assessments.

Standard funding from 2003/04

150 In return for agreeing their development plans with their local LSC, all colleges and other providers of further education will benefit from the standard funding rate. For 2003/04, this will represent an increase in real terms on levels of funding for 2002/03 levels.

151 To remain eligible for the standard funding rate in future years, the college or provider of further education must make progress in implementing its agreed development plan and the meeting the headline improvement targets specified in it. The unit of funding for 2004/05 and 2005/06 will increase on average by 2.5% in real terms.

152 We expect all colleges and providers of further education to agree a development plan for 2003/04 with their local LSC, and therefore receive the standard funding in that year. If the college or provider of further education fails to agree its plan with the local LSC, its funding allocation for 2003/04 will be reviewed.

153 We will work in partnership with colleges and providers of further education to improve the quality and responsiveness of their provision. We expect a growing proportion of colleges and other providers in receipt of the standard funding rate to improve year by year from having some concerns or being judged acceptable through in performance review, to becoming assessed as strong or excellent.

Premium funding from 2004/05

154 Colleges and other providers of further education which have been judged as consistently excellent through performance review, will be funded at the premium funding rate from 2004/05. In 2004/05 and 2005/06 the premium rate is likely to be an average of 3.5% higher in real terms. We envisage that some 10% of colleges and other providers of further education are likely to be eligible for the premium rate.

155 Following the policy set in *Success for All*, the Council believes that rewarding excellence in this way through the premium rate will provide an incentive for colleges and other

providers of further education to strive to achieve excellence. By rewarding colleges and providers for excellence, the Council can also help them to sustain good practice and share this with others.

Proposed criteria for award of premium funding

156 For 2004/05, premium level funding will be allocated to those colleges and providers of further education judged as excellent through performance review. Such colleges and providers will:

- be making excellent progress towards the achievement of demanding targets (as defined in Section 3);

- embrace the widening participation agenda;

- have high overall success rates for their type of college or provider;

- be implementing their agreed development plan with particular effectiveness;

- be judged as strong or excellent overall in the review in autumn 2003, and excellent in spring 2004. Thereafter, these colleges and providers will be expected to continue to demonstrate excellence across their work; and

- in any inspection carried out by the ALI or OFSTED, including inspections carried out in 2003/04, to have their leadership and management graded as outstanding or good, most of their curriculum areas graded as good or better and none graded less than satisfactory.

157 It is anticipated that colleges and providers of further education recognised as Beacons will feature strongly among colleges in receipt of the premium funding rate.

> **Q24 Do you agree with the characteristics required for an excellent college or provider of further education in order to receive premium funding?**

158 The Council recognises that excellence takes time to build and that sustaining excellent performance is equally challenging. The Council will identify annually, in the spring, those colleges and other providers of further education which have met the requirements for premium funding.

159 There may be a small number of colleges and other providers of further education that do not sustain their excellence and who may have to revert to the standard funding rate. Any college or other provider of further education which is at risk of losing premium funding will almost certainly be made aware of this through the performance review process.

Inflation-only funding rate from 2004/05

160 A college or provider of further education which has poor performance, and/or is failing to deliver against the development plan as a whole and whose performance is significantly below each of its milestones and targets will be regarded as having serious concerns. A college or provider of further education assessed through performance review in spring 2004 as giving serious cause for concern will be funded at the inflation-only rate for 2004/05.

161 Similarly, a college or provider of further education assessed as giving cause for serious concerns in spring 2005 will receive the inflation-only funding rate for 2005/06. The Council will work with colleges and providers where there are serious concerns, drawing on the local intervention and development fund as needed, to help them bring about rapid improvements. Such colleges or providers may need to be involved in reorganisation or merger. See Council Circular 02/06 *'Quality Improvement – Intervention to improve the performance of providers'*.

162 We expect about 10% of colleges and other providers of further education to receive the inflation-only funding rate.

Arrangements for dealing with disagreements

163 Performance review assessments are carried out in accordance with an agreed national policy framework[7]. When conducting performance reviews, local offices take account of all relevant evidence and involve senior members of staff in the moderation of judgements. Local LSCs provide opportunities for colleges and providers to discuss assessment decisions and, if appropriate, ask for them to be reviewed and provide supplementary evidence.

164 In a small number of cases, there may be disagreements between colleges and providers and the local LSC about a decision. Some review or appeals procedure is likely to be necessary. Views are invited on the possible frameworks for such a procedure.

Q25 Do you think a procedure for dealing with disagreements is necessary? If so, please suggest what frameworks might be adopted.

[7]*Circular 02/19 – Quality and Standards, Reviewing Performance: Refined Arrangements for Colleges and Providers from October 2002.*

25

Section 5 - Three-Year Funding

165 This section sets out our proposals for implementation of three-year funding agreements linked to agreement and achievement of colleges' and providers' development plans.

166 In Section 6, we then present our proposals for floor targets for minimum performance.

Three-year funding agreements

167 Three-year funding agreements are designed to support the goals in development plans. *Success for All* states that provided an institution 'delivers agreed volumes each year, funding for the next year will be guaranteed at the previously agreed level for that year'. This principle is reflected in the proposed arrangements set out below. It must be made clear, however, that the purpose of the three-year funding agreement is to support the development plan as a whole. Although learner numbers are the headline measure of progress for funding allocations, colleges and providers are expected to deliver the broad pattern of provision agreed with the local LSC that meets local strategic priorities.

168 The status of three-year funding agreements must also be viewed in the context of the overall funding relationship between the DfES and the Council. The three-year funding profile determined by the DfES for the Council includes a figure for the 2005/06 financial year. Funding for this year will be subject to the spending review that will take place in 2004. It should also be noted that the latter part of the 2005/06 funding year falls into the 2006/07 financial year, for which no figures are yet determined. Furthermore, the DfES can vary its funding for the Council, for example, in the event of underspends, or exceptional circumstances requiring significant changes in the Department's own budgets.

169 It is proposed that the three-year funding agreement for 2003/04 to 2005/06 for colleges and providers will operate as follows:

- 2003/04 allocations will be finalised by May 2003.

- By August 2003 colleges and providers within the scope of the new three-year funding arrangements will receive a firm allocation for 2004/05 and 2005/06, which will take account of any growth targets.

- Each college or provider can expect that its allocation will be confirmed provided that it delivers its planned learner numbers and the broad pattern of provision agreed with the local LSC, and that it stays within the scope of the three-year agreement.

Q26 Are the features of the three-year funding agreement acceptable?

Scope of funding agreements

170 *Success for All* indicates that three-year funding agreements will apply to the vast majority of learning and skills sector providers. In the context of this document this means: colleges; local authority providers (that is former external institutions, and, where relevant, work-based learning), higher education institutions with further education; and Ufi/**learndirect** hubs will be eligible for three-year funding.

171 Three-year funding for adult and community learning provision will not be available in 2003/04. We will be piloting approaches for formula funding for adult and community learning in 2003/04, and will continue to work with local authorities to develop the information systems so that the learner data necessary to support formula funding can be provided. It would not be sensible to offer three-year funding agreements until we have a better understanding of the disparities in levels of funding as a result of this work. Three-year funding agreements at this stage would reduce

flexibility to address disparities. Local authorities providing adult and community learning will be offered at least 90% of their 2002/03 funding in 2003/04.

172 In line with Government policy set out in *Success for All*, we propose that all colleges and providers will be eligible for a three-year funding agreement unless they are assessed as giving cause for serious concerns through performance review by the local LSC. If a college or provider is categorised overall as giving cause for serious concerns in the spring 2003 performance review, it will not normally be offered a three-year funding agreement.

173 Performance review provides the best all-round assessment of an institution's capacity to plan and manage its activity effectively. Colleges or providers giving us cause for serious concern are offered a programme of support which may lead to significant changes in provision and funding. It would not be appropriate to offer such colleges or providers three-year funding arrangements. For those providers not yet covered fully by performance review, for example LEAs' adult learning services, the Council will develop interim arrangements.

174 An improvement in a college's or provider's position will enable it to receive a longer term funding agreement. Any college or provider which moves out of the category of giving cause for serious concerns by the spring 2004 review, will become eligible for an agreement covering years 2004/05 and 2005/06 of the three-year cycle. If however, a college or provider with which a three-year funding agreement has been reached moves into the category giving cause for serious concerns, we will consider whether it is appropriate to continue with the agreement for 2004/05 and 2005/06. We would normally expect to maintain the agreement if the college or provider has moved out of 'serious concerns' by the spring 2004 review.

175 In the case of higher education institutions receiving funding for further education provision, we will seek advice from the Higher Education Funding Council for

England (HEFCE) to ensure that our approach is consistent with that of the funding arrangements of HEFCE.

> **Q27 Do you accept the proposal that colleges and providers should be offered a three-year funding agreement, other than those assessed as giving cause for serious concerns through performance review?**
>
> **Q28 Are the proposals for dealing with colleges or providers moving into or out of 'serious concerns', reasonable?**

Calculation of three-year funding

176 *Success for All* states that the three-year funding agreement for colleges and providers must be linked to learner volumes, which also form part of the headline improvement targets in the development plan. We proposed in Section 3 that learner numbers should be measured through the FTEs for learners aged 16-18 and over 19. The use of FTEs is a key part of the process of calculating three-year funding allocations, and provide a basis for reviewing progress over the period.

177 The method of calculation set out below is only for the purposes of creating allocation figures for 2004/05 and 2005/06, and the subsequent confirmation of those allocations. It does not replace the Council's funding system which was devised after consultation with the DfES and set out in detail in the Further Education Funding Guidance 2002/03. The main features of this guidance are still relevant and are carried forward in 2003/04. The Council funding formula will be used to calculate the cash generated by the institution's learning activity in 2003/04 and subsequent years, and the current process of reconciliation will apply, other than for the 'pathfinder' colleges as described in *Trust in FE* (see Section 7).

178 The process for calculating funding allocations may be summarised as follows (full details are in Annex I):

- The planning and budgeting process for 2003/04 will establish for each college's or provider's planned FTEs for 16-18s and 19+, together with a total funding allocation subdivided into 16-18/19+ blocks.

- This process will enable a £/FTE ratio to be calculated for 16-18/19+ provision for each institution – this is an individually determined figure which will vary between institutions.

- Local LSCs will agree headline 16-18/19+ FTEs with each institution for 2004/05 and 2005/06.

- By applying the £/FTE ratios calculated for 2003/04 to the headline FTEs, funding by allocations for 2004/05 and 2005/06 respectively, at 2003/04 rates will be determined. These allocations will be uplifted for the inflation figures built into the Council's grant and adjusted for any phased change to funding rates. The potential premium funding for higher performance (2.5% standard rate or 3.5% premium rate) will be calculated as supplementary figures. These will be added to the 2004/05 and 2005/06 allocations when budgets for these years are confirmed, based on the outcomes of the review process set out in Section 4. The steps in this process are outlined in more detail in Annex I and an example calculation is provided.

> **Q29 Do you agree with the proposed calculation method for three-year funding?**

Work-based learning for young people

179 For colleges and providers receiving funding through both further education and work-based learning for young people funding streams, a parallel calculation will be undertaken to calculate a three-year funding profile for provision of work-based learning for young people and a consequent whole-

institution profile. The close planning relationship envisaged in *Trust in FE* between colleges and providers and their local LSC will ensure that significant variations in planned numbers have been discussed beforehand. Colleges and providers will have maximum flexibility to use their funds to meet local priorities, including, in agreement with the local LSC, varying the number of places for work-based learning for young people and further education consistent with the Council's corporate targets and the governments' Public Service Agreement targets. We envisage that in many cases this will involve an increase in work-based learning provision to reflect market needs and skill demands.

Confirmation of funding for 2004/05 and 2005/06

180 We envisage that arrangements for allocations for 2004/05 will follow a broadly similar timetable as for 2003/04, which means that allocations should be confirmed by May 2004. As the 2003/04 year will still be running its course, progress towards agreed learner volumes will have to be assessed using a combination of data relating to the autumn 2003 period and performance in previous years.

181 The information we will consider with colleges and providers in the period from December 2003 to March 2004 during discussions on the progress of the development plan will include:

- October 2003 learner profile return and November ILR data;

- 2002/03 estimated outturns based on July 2003 ILR data, updated as final funding claims are completed by February 2004; and

- outturn learner profile for 2002/03 compared with planned profile agreed at the start of the 2002/03-year.

These requirements underline the importance of colleges and other providers returning management information on time, and that it is accurate.

182 After comparing autumn 2003 in-year data for 2003/04 with autumn 2002 data for 2002/03 and the subsequent all year data for 2002/03, we will calculate estimated 16-18 and 19+ FTEs for 2003/04 for each college or provider. This calculation will provide a basis for discussion between the college or provider and local LSC. Where there appear to be significant differences from the expected numbers, further analysis using an extended time-frame series of data may be required.

183 We recognise that the 16-18 and 19+ FTEs calculated for 2003/04 will be estimates only, and that the development of learner profiles is relatively recent. Nevertheless, these estimated FTEs are important to the college or provider as they not only influence future allocations, but also contribute to the assessment of overall performance for determining rates linked to performance for colleges and other providers of further education. We need to take account of the estimated data when determining future funding.

184 For the purposes of 2004/05 allocations we propose to regard estimated 16-18 and 19+ FTEs that are within ±3% of the agreed 2003/04 target as having met that target. This is a reasonable margin but, arguably, could be either wider or narrower. Colleges and providers are invited to propose alternative ranges. The consequences of this proposal would be that the institution could expect its 2004/05 allocation to be confirmed (subject to not being assessed through performance review as giving cause for serious concerns). For colleges and providers that are falling short of their target, within this 3% range, there will be an opportunity to reach the agreed learner number target for 2004/05. If they do not do so in 2004/05, we expect that an adjustment will be made to the allocations for 2005/06.

185 The allocation cycle for 2004/05 will also provide an opportunity for colleges and providers and local LSCs to discuss any significant agreed changes in the pattern of programme weightings or other factors that may affect the £/FTE ratios on which the 2004/05 allocation was originally based.

Where significant changes occur, it may be necessary to recalculate the allocations for 2004/05 and 2005/06. We expect this to happen in a small number of cases only, for example where the pattern of provision has changed radically as a result of a major rationalisation of provision or merger of providers.

Q30 Do you agree that it is reasonable to regard estimated FTEs which come to within ±3% of target as meeting the target for allocations?

Q31 Do you think that the margin range should be wider/narrower? If so, what should it be and why.

Growth targets

186 Growth funding is built into three-year funding allocations through the process of agreeing overall headline 16-18/19+ FTEs targets between local LSCs and colleges and providers. We envisage that this process will produce realistic and achievable growth targets, but there will always be variations against plans – both up and down.

187 We considered above how we would assess progress towards learner volume targets for 2003/04 and proposed that, where estimates of FTEs were within ±3% of target, the target should be regarded as having been met for the purposes of confirming the funding allocation for 2004/05. However, it is likely that there will be at least some colleges or providers outside the range. Where a college or provider is below the range, reduction to its allocation for 2004/05 and 2005/06 may be made. This will release some funds to re-allocate to colleges or providers that are exceeding their expected learner volumes. As reductions in planned allocations will only be made for those colleges or providers whose estimates indicate a shortfall in learner volumes of 3% or more, we expect that priority will be given to those colleges and providers indicating additional FTEs greater than 3% above their targets.

188 Local LSCs will be able to reallocate funds within their overall budgets to meet national and local priorities. We expect colleges and providers to give priority in their plans to meeting the national guarantees of places for 16-18 year olds and adult basic skills learners. The Council will ensure that funds are available to meet these guarantees and, where necessary, will provide additional funds to local LSCs. We envisage that this will be on an exceptional basis and that usually these guarantees will be able to be met through the three-year allocations.

Section 6 - Floor Targets for Success Rates

189 This section sets out our proposals for floor targets for minimum performance.

Introduction of floor targets

190 *Success for All* states that floor targets should be introduced by the Council. National floor targets make clear the expectations of national minimum acceptable performance levels for success rates. The Council will work with colleges and providers to help them to increase their success rates over the period 2003/04 to 2005/06 so that **all** colleges and providers have rates above the current national floor target within the next three-years.

191 National floor targets will be introduced in the 2003/04 planning year, but colleges and providers will have until the end of the current planning period in 2006 to meet and, wherever feasible, exceed these targets. Floor targets will be set to suit different kinds of college or provider and different circumstances. See Section 3 for detailed proposals of measures to use for the national floor targets.

192 The national floor targets set in 2003/04 will not be revised annually. Once set they will apply until 2005/06. As they are a statement of minimal acceptable performance levels they will be of no concern to colleges or providers who already have success rates above these levels and can sustain them.

193 Colleges and other providers who are below the minimum performance level defined by a floor target will be required to identify actions for improvement and agree these with the local LSC. Colleges and providers should ensure that the floor target is reached within the agreed timescale, as part of their development plan.

Colleges

194. The national further education college floor targets for the period up to 2005/06 will be based on data for 2000/01, the most recent full year of data. In view of the length of time between the baseline 2000/01 data and 2005/06, it is proposed that sector floor targets are set five percentage points above the 10th percentile for success rates in 2000/01 (see Annex F).

195 If our proposals for the disaggregation of floor targets are supported, then floor targets for further education college success rates would be as shown in table 6 below.

Table 6 Proposed floor targets for further education colleges

Type of College	Long qualifications	Short qualifications	All qualifications
General Further Education (and Tertiary) Colleges	45%	55%	50%
Specialist Colleges	45%	55%	50%
Sixth Form Colleges			55%

Former external institutions

196 It is proposed that floor targets for the further education funding stream for former external institutions are set in the same way as for colleges. There are some data quality issues within some of the former external institutions and because of these it is felt that the 10th percentile figure of 29% is unrealistically low. More aspirational figures are proposed as a floor target for former external institutions, in keeping with the challenge for general further education colleges. Table 7 below set out the proposed floor targets.

Table 7 Proposed floor targets for further education in former external institutions

Type of qualifications	Floor target
Further education funded provision in former external institutions	
Long qualifications	40%
Short qualifications	45%

Q32 Do you agree with the suggested level for the setting of floor targets for external institutions? Are they achievable? If not, why not?

Work-based learning provision

197 It is proposed that floor targets for work-based learning provision for 2005/06 are set taking account of an overall sector-wide successful completion rate for all work-based learning providers. As explained in section 3 on success rates, this overall success rate cannot apply in the short-term to the new Entry to Employment (E2E) programme.

198 2001/02 is the first year in which achievement data has been collected on a consistent basis for all work-based learning

During 2001/02, although it was clear that the quality of data on achievements improved, some data were still not sufficiently robust and reliable.

199 At this stage it is proposed to set the national floor target for work based learning provision in relation to the modern apprenticeship success rate as a whole (successful completion of frameworks or NVQs within frameworks), along with that for NVQ training (successful NVQ achievements). As part of the subsequent *Success for All* development programme the Council will develop a separate floor target relating solely to framework completion.

200 The national floor target is thus set initially with great caution at 40%. This reflects a balance between the spirit of *Success for All* and the drive for high success rates, the level of improvement in success rates over the next three-years which would be required by some providers.

Q33 Do you agree with the proposal to set a single national floor target for work-based learning?

Q34 Do you agree with the proposal to set the floor target for work-based learning for 2005/06 at 40%? Is this achievable? If not, why not?

Further education in higher educational institutions, Ufi/learndirect hubs, specialist designated institutions and adult and community learning

201 As set out in Section 3, the Council will work with the range of other providers to build on their existing measures and data and agree suitable measures where they do not already exist.

Making assessments on achievement of floor targets

202 Colleges or providers who are not achieving the minimum performance levels defined in the floor targets will be expected to commit to decisive actions for improvement, fully owned by their governors or boards, and agreed with the local LSC to ensure they meet the target within an acceptable timetable, and certainly by 2005/06.

203 If a general further education college or other provider is above one floor target but below another, the local LSC, in negotiation, will take a view depending on the amount and importance of the long and short provision of further education and the work-based learning. The Council will make arrangements to ensure fair treatment across local areas including guidance for local LSCs.

204 In discussions about plans to reach the necessary floor targets, the college or provider and the local LSC may consider:

- reviewing provision to ensure that it meets the needs of current and future learners;

- identifying and focussing more strongly on the current strengths of the college or provider;

- improving performance in areas of weak provision or phasing such provision;

- reconfiguring provision based on the outcomes of strategic area reviews; and

- collaborating with colleges or other providers to improve performance and/or to exchange elements of provision.

Failure to meet floor targets

205 The failure to meet floor targets is a serious issue, however, at this stage, this in isolation should not automatically trigger a categorisation of serious concerns in performance review. Depending on how poor the performance is, it is likely that the local LSC would assess the college or provider as giving cause for some concerns through performance review and work with them on actions to improve. If a college or provider does not make sufficient progress in raising performance to move closer to the floor target, it may lead to assessing the college or provider as giving cause for serious concerns. If the floor target is not reached by the dates agreed by the local LSC and the college or provider, this is likely to lead to assessing the college or provider as giving cause for serious concerns.

Section 7 - Trust in FE

'In order for the Council to discharge its remit it has to engineer cultural and relationship change through the development, at national and local levels, of genuine partnership working'

Sir George Sweeney, Task Force Chairman, November 2002[8]

206 In this section we present our proposals to build a relationship with colleges and providers based on trust and our plan to develop this relationship during 2002/03 and 2003/04.

Bureaucracy Task Force

207 The Bureaucracy Task Force, led by Sir George Sweeney, has focused, since December 2001 on the issue of unnecessary bureaucracy in further education colleges. The Task Force's report, *Trust in the Future*, published in November 2002, made a number of far-reaching recommendations to reduce the bureaucratic burden on further education colleges. Sir George is leading a second review that will consider bureaucracy affecting the other learning sectors (work-based learning, adult and community learning and school sixth forms). This work and the Council's response to *Trust in the Future* will both result in further developments that will impact on all Council-funded providers.

208 *Success for All* confirms Ministers' and the DfES's commitment to reducing bureaucracy and developing trust relationships:

' …by implementing the strategy set out in the report of the Bureaucracy Task Force, led by Sir George Sweeney … . The reforms will depend on a new relationship between the LSC and providers based on partnership and trust, underpinned by clear accountability.'

Executive Summary, *Success for All*, November 2002

209 The Secretary of State's Council grant letter, 5 December 2002, also confirms his wish for the Council to implement in full the recommendations in the Bureaucracy Task Force report, and extend its work to other providers.

210 The Council's initial response to *Trust in the Future* was given in a pamphlet, *Trust in FE – Working in Partnership*, which is available at **http://www.lsc.gov.uk/documents/othercouncildocuments**.

211 In *Trust in FE* the Council confirmed its commitment to responding fully to the Bureaucracy Task Force's recommendations, particularly in the development of a planning-led approach based on trust and shared responsibility.

212 The proposals for the implementation of *Success for All* have therefore been developed in the context of establishing greater trust relationships with colleges and providers as an important aspect of minimising unnecessary bureaucracy and enabling front-line staff to focus on teaching and learning. In addition, this circular contains specific proposals for the active development of trust relationships, in the first instance with further education colleges.

Trust relationships

213 A key recommendation of the Bureaucracy Task Force is for the Council to develop a trust relationship with further education colleges that will obviate the need for many of the monitoring and checking processes currently in place. The Council wishes to develop this approach as quickly as possible. The Bureaucracy Task Force has developed a relationship matrix that can be used by further education colleges (and other providers) and the local LSC to assess the nature of the relationship between them (Annex 3, *Trust in the Future*). This framework may be a useful tool to use to reach an understanding of the current position and identify areas where further development of the relationship is needed. A shared understanding, between local LSCs and further education colleges, will be an important starting point from which a trust relationship can be further developed, with actions and behavioural changes agreed on both sides which will lead to stronger trust developing. Both local LSCs and colleges and providers will be able to assess against the matrix how mutual trust is developing.

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[8]*Trust in the Future, Bureaucracy Busting Task Force Report:* November 2002.

214 The differences for colleges operating within a trust relationship with the local LSC will include an end to retrospective financial penalties (clawback) and less frequent funding audits.

215 Local LSCs will work with colleges and providers in the spirit of *Trust in FE*. They will share their understanding of learner demand and how development plans will meet this with frequent sharing of management information.

216 Colleges will commit to using their best endeavours to deliver the plan and any agreed adjustments to it. The Council will commit to the agreed resourcing to support the plan and will not seek retrospective adjustment through the recovery of funds. Colleges will be trusted to maintain and return accurate and timely information on their provision and other activities.

217 The existence of a trust relationship implies that the college will share management information and other data on a more regular basis during the year, which will show how the planned delivery is progressing. Greater openness between institutions and local LSCs is essential. Unexpected shifts in demand and in-year changes to planned provision will be discussed with the local LSC to ensure appropriate adjustments are made to the plan consonant with local patterns of need and provision.

> **Q35 Do you agree that where a trust relationship has been developed (and the risk of retrospective clawback removed), then colleges and their local LSCs should exchange data and information more openly and frequently?**

218 This approach will enable the college to be confident that its funding for the year is stable and that there will not be a financial penalty at a later stage if the volume of planned provision is not actually delivered. The advance commitments made by the college in terms of employing staff and providing the infrastructure for delivering learning will be recognised and reflected in funding allocations.

219 Any incentive to optimise funding without regard to the appropriateness of some provision will be reduced because of the stability of the funding level agreed. In addition, colleges should feel more confident to plan and develop innovative provision, matched to local needs, which might otherwise represent a financial risk.

220 Where a trust relationship exists, the college will be trusted to maintain and return accurate and timely information on its provision and other activities so annual funding audits involving the Individual Learner Record (ILR) will not be required. Although the funding audit will be less frequent, colleges will still be expected to return accurate and valid funding statements and ILRs.

Pilots and pathfinders

221 Aspects of the trust relationship will be piloted with a small number of colleges in 2002/03. A larger group of pathfinder colleges will be involved more fully in the new approach from 2003/04 and the vast majority of colleges will be involved by 2005/06.

222 All colleges invited to become part of the pilot or pathfinder phases in the development of a trust relationship will be expected to demonstrate:

- commitment of the college to the relationship;

- agreement of the local LSC that the development of the trust relationship is appropriate at this stage;

- robust management information systems (MIS) which support their funding claims and individual learner record (ILR) returns; and

- submitted funding claims which do not have significant eligibility errors or under-performance against targets.

223 In addition it is suggested that other performance criteria (listed in Annex J) should be used in agreeing pathfinder and pilot status.

224 The implementation strategy, including how the pilot and pathfinder approaches will begin to deliver the new relationship in 2002/03 and 2003/04, is described in detail in Annex J.

> **Q36 Are the informative criteria reasonable and comprehensive?**

225 Pilot and pathfinder colleges will also participate in other funding policy developments, including those described in other sections of this circular as part of the implementation of *Success for All*. The funded plans will be the development plans described in Section 2 and differential funding rates will apply where appropriate. Pilot or pathfinder colleges receiving three-year funding will be subject to the same review and adjustment process in relation to future funding allocations as other institutions. The Council will rely, for this purpose, on the integrity of pilot and pathfinder colleges' data returns, which will not be subject to the annual funding audit.

Annex A: Proforma for Responding to the Consultation Circular

(Reference: Circular 03/01 consultation on floor targets; headline improvement targets and funding rates; three-year funding; development planning and development plans.)

Please complete and mail this proforma to the address above (or fax on 024 7682 3334) by no later than **25 April 2003**. A copy of your response will also be forwarded to your local LSC for information. A Microsoft Word version of this response proforma is available on the LSC website (www.lsc.gov.uk) and can be completed and emailed back to S4A.implementation@lsc.gov.uk if preferred.

Early responses would be greatly appreciated.
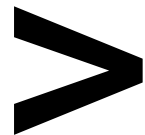
Learning+Skills Council

Name *(please print)*
Role/title
Organisation
Address
Postcode

The Learning and Skills Council may in accordance with the Code of Practice on Access to Government Information, make available on public request, individual consultation responses. This will extend to your comments unless you inform us that you wish them to remain confidential.

Please respond below by ticking the appropriate box/deleting as appropriate and entering your comments in the space provided.

Do you wish your response to remain confidential?	Yes ☐	No ☐

Which of the following organisations do you work in/represent

Further education college (including representative body) ☐

LEA ☐

Other public sector provider (including representative body) ☐

Sixth form college ☐

Employer ☐

Voluntary sector provider (including representative body) ☐

Specialist college (agriculture or art and design) ☐

Private training provider ☐

Ufi/**learndirect** hub ☐

Higher education institution with further education provision ☐

Specialist designated institution ☐

Specialist college for learners with learning difficulties and/or disabilities

Other (please specify) _____

Comments are invited on the following questions:

Q1 Do you agree with the five key principles to support the implementation of the quality and success framework? Yes ☐ No ☐

Comments

Q2 Do you support the concept of a single, high-level development plan to be agreed with the local LSC? Yes ☐ No ☐

Comments

Q3 Do you agree that in due course colleges and providers should have a single development plan covering all Council-funded provision? Yes ☐ No ☐

Comments

Q4 Do you think there should be more targets and milestones for:

- customer focus? Yes ☐ No ☐

- provision of excellent teaching and effective learning? Yes ☐ No ☐

- enhancing the capability of the college or provider's staff? Yes ☐ No ☐

Comments

Q5   Do you agree that FTEs for learners aged 16 to 18 and over 19,   Yes ☐   No ☐
respectively, are reasonable headline measures of learner numbers?

Comments

Q6   Do you agree that the headline improvement target for learner   Yes ☐   No ☐
numbers on work-based learning programmes should be based on
the average number of learners aged 16 to 18 and over 19 on programmes?

Comments

Q7   Do you think that the Council should agree one or more   Yes ☐   No ☐
headline improvement target(s) with each college or provider for employer engagement?

Comments

Q8   Are there other important employer engagement targets for   Yes ☐   No ☐
colleges and providers that should also be considered?

Comments

Q9   What are your views of the early thinking on future measures for evaluating learner
success as set out in Annex E?

Comments

Q10 Do you agree with the proposed way the success rate
for learners in colleges and former external institutions will
be calculated?

Yes ☐   No ☐

If not, what alternative would you like to see?

Comments

Q11 Do you agree with the proposal that work-based learning
provision success rates should be calculated as the combined
number of modern apprenticeships completed and NVQs achieved expressed as a
percentage of the number of learners who have either left or successfully completed their
programme? If no, what alternative would you like to see?

Yes ☐   No ☐

Comments

Q12 What are your views on the application of *Success for All* to higher education
institutions in the light of the different data collection arrangements?

Comments

Q13 What are your views, as higher education institutions, of the current arrangements
for data collection on further education provision in higher education institutions, and
how (if at all) would you see these changing to accommodate the requirements of
Success for All?

Comments

Q14 Do you agree that success rate targets and national floor targets should be set at a high level of aggregation?

Yes ☐   No ☐

Comments

Q15 Do you agree with the proposal that national floor targets for success rates should be set at different levels for general further education, sixth form and specialist colleges, respectively, with no separate differentiation for colleges with high widening participation factors?

Yes ☐   No ☐

Comments

Q16 Do you agree with the proposal that national floor targets and headline success rates should be disaggregated into long and short qualifications for general further education and specialist colleges but not for sixth form colleges?

Yes ☐   No ☐

Comments

Q17 Do you agree with the proposal that national floor targets and individual institution headline success rates should not be differentiated by age for both long and short qualifications?

Yes ☐   No ☐

Comments

Q18 Do you agree with the proposal to set targets for individual   Yes ☐   No ☐
success rates and sector-wide floor targets for the further education
funded provision in former external institutions using the same approach as for further
education colleges?

Comments

Q19 What should be the focus of the Council's work to disaggregate work-based learning
completion rates?

Comments

Q20 Do you agree with the proposals for headline success rates   Yes ☐   No ☐
for work-based learning provision in relation to colleges' or
providers' development plans?

Comments

Q21 How do you think colleges and other providers of further education can best
contribute to the achievement of the interim national target for teachers' qualifications?

Comments

Q22 How should agency staff or staff provided by third party providers be included in
headline improvement targets for teachers' qualifications?

Comments

Q23 How do you think work-based learning and adult and community learning providers can best set targets in their three year development plan, to help accelerate progress towards a fully qualified teaching and training workforce?

Comments

Q24 Do you agree with the characteristics required for an excellent college or provider of further education in order to receive premium funding?   Yes ☐   No ☐

Comments

Q25 Do you think a procedure for dealing with disagreements   Yes ☐   No ☐
is necessary? If so, please suggest what frameworks might be adopted.

Comments

Q26 Are the features of the three-year funding agreement   Yes ☐   No ☐
acceptable?

Comments

Q27 Do you accept the proposal that colleges and providers   Yes ☐   No ☐
should be offered a three-year funding agreement, other than
those assessed as giving cause for 'serious concerns' through performance review?

Comments

Q28 Are the proposals for dealing with colleges or providers   Yes ☐   No ☐
moving into or out of 'serious concerns' reasonable?

Comments

Q29 Do you agree with the proposed calculation method for   Yes ☐   No ☐
three-year funding?

Comments

Q30 Do you agree that it is reasonable to regard estimated   Yes ☐   No ☐
FTEs which come to within ±3% of target as meeting the
target for allocations?

Comments

Q31 Do you think that the margin range should be wider/narrower? If so, what should it
be and why.

Comments

Q32 Do you agree with the suggested level for the setting of floor targets for external institutions?   Yes ☐   No ☐

Are they achievable?   Yes ☐   No ☐

If not, why not?

Comments

_____

_____

Q33 Do you agree with the proposal to set a single national floor target for work-based learning?   Yes ☐   No ☐

Comments

_____

_____

Q34 Do you agree with the proposal to set floor targets for work-based learning for 2005/06 at 40%? Are these achievable?   Yes ☐   No ☐

If not, why not?

Comments

_____

_____

Q35 Do you agree that where a trust relationship has been developed (and the risk of retrospective clawback removed), then colleges and their local LSCs should exchange data and information more openly and frequently?   Yes ☐   No ☐

Comments

_____

_____

Q36 Are the informative criteria reasonable and comprehensive?   Yes ☐   No ☐

Comments

_____

_____

Annex B: Advisory Groups and Terms of Reference

Further education, adult and community learning and work-based learning funding streams advisory groups

Role

226 The advisory groups were formed to advise the Council on the development of this framework. Their first task was to consider the draft circulars for consultation. Subsequently, the groups will be asked to consider the outcome of the consultation and to advise on the development of proposals and guidance to be issued to the sector in May 2003. The advisory groups will then meet to review the implementation of theme four.

Table 8 Further education advisory group membership

Name	Organisation
Lynne Sedgmore (Chair)	Guildford College of Further and Higher Education
Dr Roger Bennett	North Lindsey College
Russell Blackwell	Department for Education and Skills (DfES)
Dr John Brennan	Association of Colleges (AoC)
Dr David Collins	South Cheshire College
Carol Gibson	Waltham Forest College
Julian Gravatt	City Literary Institute
John Guy	Farnborough Sixth Form College
Geoff Hall	New College Nottingham
David Igoe	Sixth Form Colleges' Employers' Forum, Cadbury College
Graham Jones	Sutton Coldfield College
Geoff Kerr	Bishop Burton College
Alan Tuckett/ Dr Peter Lavender	National Institute of Adult Continuing Education (NIACE)
Fiona McMillan	Bridgwater College

Name	Organisation
Judith Norrington	Association of Colleges (AoC)
Bob Powell	HOLEX
Ian Pryce	Bedford College
Sheila Soul-Gray	The London Institute
Ian Todd	City of Sunderland College
Paula Webber	Ufi/**learndirect** Ltd

Table 9 Adult and community learning advisory group membership

Name	Organisation
Donald Rae (Chair)	Derbyshire County Council/LEAFEA
Anne Armstrong	London Borough of Hounslow
Russell Blackwell	Department for Education and Skills (DfES)
Michael Bowes/ Christine Bradshaw	Essex County Council
Sue Cara/Annie Merton	National Institute of Adult Continuing Education (NIACE)
Peter Elliott	Manygates Education Centre
Peter Garrod	The Adult College Lancaster
Anna Gorton	Devon County Council
Dr Maureen Green	Waltham Forest Community Learning and Skills Service
Ian Hart	Wolverhampton LEA
Richard Hooper	Lancashire County Council
Marc Mason	Stockton-on-Tees Borough Council
Alan Noble MBE	Bucks County Council
Dr Paul Olver	Herefordshire Council
Bob Powell	HOLEX

Table 10 Work-based learning (Strategic Forum of the Association of Learning Providers) advisory group membership

Name	Organisation
Graham Hoyle (Chair)	Association of Learning Providers
Mike Allmond	ReMIT
Stephanie Baslington	Rathbone
Russell Blackwell	Department for Education and Skills (DfES)
Margaret Brown	York Training Centre
Martin Dunford BSc MBA	Training & Business Group
Ruth Exelby	British Printing Industries Federation
Sue Fiddies	Options HBS, representing Lincolnshire Training Association
Catherine Fogg	The British Chambers of Commerce
Stephen Glassock	Protocol Skills
John Hyde	VT Plus Training plc
Peter Little	Birmingham Rathbone
Robert McDonald	Confederation of Group Training Schemes (COGS)
Jo North	In Touch Care
Hugh Pitman	JHP Group Limited
Dave Rogers	JTL
Nick Rowe	HCTC
Glyn Williams	NTP Ltd

Terms of reference

227 The terms of reference of advisory groups are to:

- Provide comment on the draft circulars, in particular advising on practical implementation matters, as well as the overall strategy.

- Consider the collated outcomes of consultation, following completion of the consultation exercise in May 2003.

- Advise on the revision of proposals, in the light of consultation and comments from stakeholders.

- Provide comment on the draft guidance to be issued May 2003.

- Support introduction and monitoring of revised arrangements through the first year of operation.

- Help drive forward development of theme four of the *Success for All* programme.

Annex C: Outline for the Initial 2003/04 to 2005/06 Development Plan for Colleges and Providers

228 Because of the tight timescale that applies in 2003, colleges and providers will have to begin work on initial development plans for 2003/04 to 2005/06 before the end of the consultation period. The Council proposes the first issue of each college's or provider's three-year development plan should follow the simple outline model illustrated below. This will allow further work and consultation with colleges and providers to be carried out before a statement about the expected content of development plans in the future is published later in the year.

229 The development plan is seen as a high-level strategic document. It will draw on elements of existing plans (for example strategic plans, self-assessment reports, post-inspection action reports and human resources plans). The initial three-year development plan will be a slim document setting out the key elements for discussion and agreement with the local LSC.

230 For colleges and other providers of further education the mandatory elements of the development plan for 2003/04 to 2005/06 will be:

- an initial review of mission;

- a summary of needs analysis, covering employer and skill requirements;

- key objectives – to include:

  - increasing customer focus, including specifying arrangements for surveying the views of learners, and for seeking views from employers;

  - provision of excellent teaching and highly effective learning;

  - developing the capability of the college's or provider's staff;

  - headline improvement targets and annual milestones as appropriate to the college or provider and applicable funding stream(s), as detailed in table 11 adjacent;

- planned provision (linked to learner profile) including provision to meet employers' demands for skills; and

- for those below national floor targets – an improvement plan showing how they will move above the floor targets during the timescale of the plan.

231 For other provision, that is, work-based learning or adult and community learning, the plan should cover aspects of the above points, as indicated in the table adjacent.

Table 11 Targets and milestones to be included in initial development plans covering the period 2003/04 to 2005/06

All targets are required as set out in the table below, unless it is indicated that they are encouraged or currently not applicable.

Targets	Type of provision and funding stream		
	Further education	Work-based learning	Adult and community learning
Increasing customer focus	Target 1 – Learner numbers Target 2 – Employer engagement	Learner numbers Employer engagement (encouraged)	Learner numbers Employer engagement as appropriate (encouraged))
Delivery of excellent teaching and highly effective learning	Target 3 – Success rates For each college or provider type, development plans should show success rates as indicated*[9] General further education colleges, local authority former external institutions, non local authority external institutions and specialist colleges (art and design, agricultural) and some specialist designated institutions – long and short qualifications, all ages (and comparison with relevant further education floor targets) • Sixth form colleges– all qualifications, all ages • Higher education institutions, Ufi/**learndirect** hubs, specialist designated institutions and specialist colleges for learners with learning difficulties and or disabilities – success measures t be agreed and developed (currently not applicable)	Successful completion rates (and comparison with work-based learning floor targets)	Success measures to be agreed and developed (currently not applicable)
Developing the capability of the college or provider's staff	Target 4 – Teacher qualifications (required)	Trainer qualifications (encouraged))	Teacher qualifications (encouraged))

[9] Additional disaggregations may be shown in the development plan where this adds clarity and useful key supporting information.

Annex D: Targets for Employer Engagement

232 The guiding principle adopted is that agreement of headline improvement targets for employer engagement should assist colleges and providers to assess local and regional skills needs, to identify their role in meeting these needs, and to set a headline improvement target that supports this. The employer engagement target can also link to the Public Service Agreement target to reduce by at least 40% the number of adults in the workforce who lack NVQ Level 2 or equivalent qualification by 2010.

233 One million adults in the workforce need to achieve level 2 qualifications between 2003 and 2006, which presents a key challenge for colleges and providers of further education across the learning and skills sector.

234 Many of the measures for, and evidence used for employer engagement can relate to many aspects of a college or provider's work. The measures and supporting evidence can have multi-use. Table 12 below is intended to be informative rather than prescriptive – it is for local LSCs and colleges and providers to agree appropriate measures.

235 The Council is working with the DfES and other agencies to develop further guidance and support to strengthen colleges' and providers' employer engagement.

Table 12 Headline improvement targets on employer engagement

Headline improvement target[10]	Performance measures	Supporting evidence
1. Improve work readiness and employability of learners	Destination data Work-experience placements Education-business links Enterprise opportunities Employer Days/Careers Fairs Work readiness programmes Employer involvement in the design, development and assessment of curriculum	Customer feedback from both employers and learners (i.e. evaluation exercises) Increase in activity – e.g. number of extra placements, events etc Focus on local skill and employer priorities – e.g. placements to key industries, etc Feedback from inspection findings
2. Increase fee income generation from employers	Amount of funding generated % of overall college funding from employers Diversity of employer contributions (i.e. number and/or type of firms Capital investment from employers (including in-kind contributions) Payment for tutor expertise The college delivers a range of business solutions to employers	% increases in funding gained from employers Customer feedback (did the employer get value for money?) Repeat business Focus on local skill and employer priorities

[10] These might be differentiated based on local skill needs e.g. setting targets for different employment sectors, SMEs, employers relocating, etc.

Headline improvement target[10]	Performance measures	Supporting evidence
3. Increase employer satisfaction	Employer satisfaction surveys Industrial secondments Identifying sector needs and developing courses appropriately Revamping existing courses to meet employer needs Specific tailored business solutions to the needs of employers Training needs analysis	Flexible delivery of the curriculum Work with intermediaries such as Business Link, Chambers, SSCs, Trade Organisations College business promotion activities – information and marketing, business breakfasts, etc Involvement in employer forums/networks New (and type) of college activities delivered to meet employer needs
4. Increase number of employers using college provision	Number of employer sponsored learners/employed individuals taking part in learning No. of employers engaged Sector penetration Differential targets (e.g. x large employers and y SMEs taking part in staff development). Employer involvement in the design, development and assessment of curriculum Identifying sector needs and developing courses appropriately The college delivers a range of business solution to employers College partnership working in order to increase their responsiveness to the needs of employers	Number of employers as a percentage of the total in the local area Sector specific employers Focus on local skill and employer priorities

Annex E: Development of Future Measures of Success

236 The interests of the individual learner lie at the heart of the Council's activities. The logical consequence of this is that outcomes should be reported in relation to individual learners whilst recognising that there will still be a need (e.g. from the Inspectorates) for analyses based on qualifications at several levels of aggregation.

237 Measurement of success has several purposes. It is important in the context of monitoring the impact of policy, comparing performance of providers and enabling learners' to make the right choices. The Council recognises that more than one measure of success may be needed to serve these different purposes.

238 Some measures of success are more appropriate for some types of provision than others. Consequently:

- there may be important success measures that are less relevant to certain types of provision; and

- even where two types of provision have success measures defined using the same principles, comparative success may give little information about real differential levels of performance.

239 The range of measures which might be used to evaluate learner success includes:

- completion of programmes;

- achievement of qualifications;

- learner destinations, including progression to another programme of learning;

- learner satisfaction; and

- value added by the institution (or distance travelled) calculated by comparing their final level of attainment with their level of prior achievement when they started their programme.

240 Much of the above would ideally need to be qualified by an understanding of the profile of learners supported by any provider to pick up issues of equality, diversity and widening participation.

Learner destinations

241 The Council is currently undertaking a feasibility study on the collection of information about learner destinations, including the requirements of different stakeholders, and this will be published during 2003.

Learner satisfaction

242 Learner satisfaction is a broad, but key, measure of success. The views of learners are extremely important. Learners indicate whether they feel they have been successful and what has contributed to their success. Irrespective of other outcomes or judgements, the learner who reports satisfaction represents an important measure of success.

243 The one disadvantage of learner satisfaction as a success measure is that it lacks an objective scale, although useful comparisons can be made with benchmarking data, if comparable survey methods are used.

Progression and value added

244 One way in which we extend qualification success in order to say something more about the success of policy or delivery mechanisms is progression or distance travelled. The concept of progression relies upon the idea that knowledge or skills can be represented on a linear scale, that knowledge can be measured using qualifications and that the scale can be calibrated using qualification levels and 'grades' awarded for individual qualifications where these exist.

245 There is an implicit assumption that learning progresses to higher levels. Progression is implicit in Government targets for attainment at ages 19 and 21. Its wider application to adults in the labour force presents challenges to these underlying assumptions. Lateral progression is also important, for example helping to re-skill in a different occupational area, or to broaden ones learning, for example in art and design to include skills in specialist stained glass work.

246 The Council is developing a range of options for measuring learner success and progression for further detailed discussion with colleges and other providers. These are summarised below. It is likely that a mix of options will be required.

Accredited provision

Option A – National Qualifications Framework

247 The simplest approach is to record the National Qualifications Framework (NQF) level a learner achieves as a result of a programme of learning. This would be appropriate for all accredited qualifications and would show the number of learners who achieve each defined NQF level.

Option B – Progression from one level to the next

248 At its simplest this measures the number of learners who progress from one NQF level to the next. This is similar to Option A except that level of prior learning is now taken into account. This option would be appropriate

where the prior attainment of the learner is available, at an aggregate level.

Option C –Value added

249 Assessing the difference between the learner's level of achievement before and after a programme of learning is probably the most desirable of the options as it recognises the distance the learner has travelled.

250 There are a number of existing widely used systems for doing this where the programme of learning is AS/A level, AVCEs or GNVQs but not for other vocational qualifications with either no differentiation or limited differentiation (grading) in the output.

251 The Council will be working with the Qualifications Curriculum Authority (QCA) to explore whether a system under development by QCA, where the outcome of every qualification aim is given a points score, could be of benefit in assessing value added for vocational qualifications.

Non-accredited provision

252 Professional assessment by teachers of whether the learner has achieved the rigorous learning objectives as set at the outset of their learning, with amendments possibly being included during the period of learning.

Annex F: Analysis of Success Rates

253 This annex provides additional information and analysis on the success rates presented in the main body of the circular.

Measures of success - further education funding streams

254 The analyses and discussions in this section refer to General further education and Tertiary colleges, Sixth Form colleges, Agricultural and Horticultural colleges and Art, Design and Performing Arts colleges.

Success rates

255 Success rates for 2000/01 are calculated from college benchmarking data which in turn are derived from ISRs 22,19 and 16 relating to teaching years 2000/01,1999/2000 and 1998/99 respectively. The calculation takes into account the success of individual learners across the whole length of their learning programme, consequently the previous year's ISRs are necessary to identify all learners who embarked on a learning programmes with two or three-year durations and that were expected to end in 2000/01.

$$\text{Success rate} = \frac{\text{Number of qualifications aims achieved}}{\text{(Number of qualifications expected to end in 2000/01) - (Number of transfers)}}$$

256 The success rate for an institution is defined as the number of qualifications aims achieved as a percentage of the number of qualification aims expected to end in 2000/01, excluding transfers to other learning aims, as shown below. Where appropriate, this calculation is based on long and short qualification aims separately, where short qualifications are defined as having a duration of 24 weeks or less.

257 Key Skills qualifications have not been included in the benchmarking data owing to inconsistencies in how they were recorded on the ISR; consequently, Key Skills are not included in the calculation of success rates, floor targets or improvement targets. The Council intends to include Key Skills in the calculation of success rates when the current data issues have been resolved.

258 A consequence of Curriculum 2000 is that 'two-year' A level programmes have been replaced by AS level qualifications in year 1 and the full A level component (known as 'A2') in year 2. Success rates for 2000/01 contain year 1 AS level qualifications for the first time and the final occurrence of 'two year' A levels in significant volumes. Success rates for 2001/02 will contain the first cohort of 'A2' qualifications and the Council will monitor any impact on aggregated success rates.

259 The national averages for retention and achievement rates together with their definitions can be found on the Council's web site; **http://www.lscdata.gov.uk/benchmarking**.

Calculating success rates

260 Although success rates are not shown in benchmarking data, they can be derived by multiplying achievement rate (all completers) by retention rate (completers).

261 The following example report shows how success, achievement and retention rates can be presented in a single report for an individual college. In this way, it is possible to review the extent to which success rates are determined by retention and achievement.

Figure1 Example report of success rates by level, and age and into component achievement and retention rates for a General Further Education College, 2000/01

Headline success rates: Long 62%, top quartile; Short 79%, top quartile

Success Rates–Long Qualifications

Level	All Ages	
	No. of quals	%
1	2,022	55
2	2,750	63
3	4,940	64
4	222	48
Total	9,934	62

	16-18		19 plus	
	No. of quals	%	No. of quals	%
1	318	61	1,704	55
2	1,328	59	1,422	67
3	3,524	66	1,416	60
4	15	73	207	46
Total	5,185	64	4,749	59

Achievement rates–Long Qualifications

Level	16-18		19 plus
	No. of quals	%	No. of quals
1	318	77	1,704
2	1,328	77	1,422
3	3,524	86	1,416
4	15	100	207
Total	5,185	83	4,749

Retention rates–Long Qualifications

Level	16-18		19 plus
	No. of quals	%	No. of quals
1	318	79	1,704
2	1,328	76	1,422
3	3,524	77	1,416
4	15	73	207
Total	5,185	77	4,749

Success Rates–Short Qualifications

Level	All Ages	
	No. of quals	%
1	4,827	83
2	840	61
3	221	63
4	1	0
Total	5,889	79

	16-18		19 plus	
	No. of quals	%	No. of quals	%
1	1,216	88	3,611	82
2	143	56	697	62
3	7	57	214	64
4	0	-	1	0
Total	1,366	84	4,523	78

Achievement rates–Short Qualifications

Level	16-18		19 plus
	No. of quals	%	No. of quals
1	1,216	89	3,611
2	143	65	697
3	7	57	214
4	0	-	1
Total	1,366	86	4,523

Retention rates–Short Qualifications

Level	16-18		19 plus
	No. of quals	%	No. of quals
1	1,216	99	3,611
2	143	86	697
3	7	100	214
4	0	-	1
Total	1,366	97	4,523

Notes: 1. Achievement rate is for all completers
2. Retention rate is for completers only

Work-based learning funding stream

262 As indicated in Section 3 – Headline improvement targets, the Council proposes to use measures that are familiar to providers and other bodies and for which the requisite data is available. There is recognition that in the short term, success measures are not comparable between further education and work-based learning funding streams. There has been much focus on the differences between how start dates are recorded in further education and work-based provision. In particular, the success rate calculation within further education excludes those qualifications where learners have withdrawn from their programme of learning at an early stage in the autumn term; whereas in work-based learning, all qualifications are included in the calculations.

263 Analysis to assess the impact of these differences in methodology have proved to be complex and the outcomes dependent for example on the proportion of qualifications affected. This proportion will not be constant from one year to another. At its simplest, analysis shows that 6% of work-based learners who started between 1 August and 31 October 2001 subsequently withdrew before the 31 October 2001. Excluding these early leavers from the calculation increases successful completion rates by one percentage point. Independent research indicates that the equivalent percentage of early leavers in further education is 4%.

264 The description of the proposed method for calculating completion rates given in Section 3 is lengthy and to avoid ambiguity, an example of the calculation for a work-based learning provider is shown below:

Table 13 Example calculation for a work-based learning provider

	No. achieving MA framework	No. achieving an NVQ only	No. with no accredited achievement	Total
Leavers				
A M A	220	70	165	455
F M A	30	60	240	330
N VQ Training	-	10	5	15
Progressed to another programme				
F M A	70	-	-	70
N VQ Training	-	5	-	5
Total	**320**	**145**	**410**	**875**

265 The proposed successful completion rate is for the total number of NVQs achieved to be expressed as a percentage of the number of learners who have either left or successfully completed their programme.

266 The calculation requires the number of MA frameworks achieved to be added to the number of NVQs achieved since learners must achieve an NVQ in order to complete their MA framework.

267 In the example above:

Completion rate = (320 + 145) / 875 = 53%

Disaggregating success rates within further education provision

268 The Council has looked carefully at the key factors that differentiate success rates, both in the context of setting floor targets and improvement targets. The results of this analysis are presented below.

269 Tables 14, 15 and 16 show further education college and former external institution success rates for 2000/01 which have been calculated from benchmarking data. Table 14 provides a percentile analysis of success rates by college type, qualification length and age group. Tables 15 and 16 provide a similar analysis for further education colleges with a high widening participation factor and for former external institutions respectively.

270 Benchmarking data for further education colleges was published in December 2002 and for external institutions it will be published in the near future. The commentary on the data below, applies to consideration of the median (50th percentile) and the 10th percentile of college success rates.

College type

271 Differences in institution type will reflect differences in mission, student population and curriculum offer. Such differences in inputs will need to be considered in relation to any identifiable differences in success rates.

- Success rates for all ages and all qualifications differ markedly by institution type with sixth form college success rates being approximately 7% higher than general further education colleges and 5% higher than specialist colleges. This difference is greatly increased if long qualifications only are considered, with the sixth form college success rates being approximately 15% above general further education colleges. Specialist colleges (a small overall number) exhibit success rates nearer to general further education colleges.

- Success rates for all qualifications in general further education or sixth form colleges (a very small number) identified as having a high widening participation factor, are within approximately 3% of the success rates of colleges of the same type without a high widening participation factor. For long qualifications only, the effect is the same although for short qualifications there is a suggestion that the differences may be slightly larger.

- Analysis of the success rates for individual institutions indicates that the number of general further education colleges identified as having a high widening participation factor are represented within the 10th percentile range in the same proportion as their occurrence in the total number of colleges. i.e. widening participation colleges will not be at any greater risk of falling below floor targets than other sector colleges (see table 15).

Qualification length

272 Long qualifications are those for which the expected period of study is more than 24 weeks. In practice, most short courses are less than 12 weeks duration.

- For adults the success rates for short qualifications are markedly higher (some 10 percentage points or more)

than for long qualifications in all types of colleges. Similarly for 16-18 year old students success rates for short qualifications are also higher in general further education colleges (GFECs) and specialist colleges.

• The relative volume of short qualifications in relation to long qualifications, coupled with higher success rates, has a significant upward impact on the overall success rate for all qualifications for all ages in general further education and specialist colleges. Due to the low volume of short qualifications in sixth form colleges (12% of qualifications compared to 44% in general further education and tertiary colleges) this effect is not replicated in sixth form colleges.

• The performance in long qualifications and short qualifications differs significantly at individual institutional level. A small number of general further education colleges have poor success rates in both long and short qualifications but more typically colleges perform rather better in one type of qualification than the other.

273 It has been suggested that success rates for floor targets, and possible improvement targets, should be based on nationally recognised qualifications that have been accredited and included in the QCA framework. Currently this approach presents some difficulties. The creation of any target has to be based on an analysis and understanding of past performance. Given that the accreditation of qualifications by QCA is a cumulative process and results in both the recognition of existing qualifications plus the replacement of existing qualifications with new qualifications, it would not be possible to construct any historical analysis of previous performance. Targets based on accredited qualifications only are thus not a currently feasible option. This has the disadvantage, however, that for the time being, floor targets

and improvement targets will be more difficult to link to the Council's local and corporate targets.

274 Many short qualifications are not accredited and thus tend not to contribute significantly to national targets. Increasingly, however, many short non-accredited qualifications represent the first rung on a ladder for new learners and can be very important elements in widening participation and particularly contributing to numeracy and literacy strategies. Most colleges would currently feel significantly disadvantaged if these short courses and non-accredited longer courses were not included in the overall consideration of their performance.

Age group

275 Analysis of success rates by two age groups (16–18 year olds and adults) showed:

• Success rates on long qualifications by 16-18 year olds and adults are the same in general further education colleges, similar in specialist colleges (but based on a small number of colleges), but are very different in sixth form colleges. However, given the predominance of 16-18 year olds in sixth form colleges, the success rates of these colleges based on success rates for all ages is, in general, not very different from the view based on their 16-18 cohorts.

• The success rates for all qualifications in specialist colleges is between that for their adult and 16-18 success rates and does not differ markedly from either.

• Age group does not play a significant role in determining the differences in success rates for short qualifications. In sixth form colleges and general further education colleges adults achieve about a 5% higher success rate on short qualifications than long qualifications whilst in specialist colleges the success rates of adults and

16-18 year olds are virtually identical. An all ages view of success rates on short courses, which will lie between the success rates for the two age cohorts, is thus a reasonable approximation of overall success.

276 Thus whilst the disaggregation of success rates by learner age into 16-18 and adult cohorts does make a difference, the overall view of performance derived from an all ages view is sufficiently influenced by the weighting of the dominant age group within the institution type, as to not markedly change the view of that institution type at sector level as derived from evidence based on the split ages analysis. For a few institutions, differences based on age group may be significant and development plans will need to take note of this factor.

NVQ level

277 The data in tables 14, 15 and 16 is not differentiated by level. In the interests of simplicity, it is not considered helpful to disaggregate floor targets to this extent. Whilst within a single institution differences in performance by level will be important, and would certainly need to be considered within a college's development plan, the overall composition of the curriculum should be a reflection of the needs of learners, local communities and employers.

Former external institutions

278 The same approach is proposed for former external institutions as for further education colleges. Success rate data for former external institutions are shown in table 16.

- Where identifiable, no particular 'type' of institution, for example local education authority (LEA) funded or voluntary aided is disproportionately represented in the higher or lower ranges of success rate outcomes.

- Ninety-five percent of the provision is for adults so there is no need to differentiate by age group.

- Forty percent of provision is on short qualifications. There is a significant difference of around 10 percentage points in the median success rate between long and short qualifications, reflecting a similar situation in general further education colleges. At the 10th and 15th percentile point the apparent success rates are extremely low and there is some evidence that the former external institution data may be under-reporting success rates. At these two percentile points there is minimal difference between the outcomes of short and long qualifications but the difference increases towards the median and by the 90th percentile point has risen to 17%.

Table 14 Success rate percentiles 2000/01 by college type, age and qualification length

All qualifications

College type	All ages						Over 19 years old						16-18 years olds						No. of Inst.
	10th	25th	50th	75th	90th	Starts*	10th	25th	50th	75th	90th	Starts*	10th	25th	50th	75th	90th	Starts*	
GFEC	46%	53%	59%	64%	69%	3,792,500	46%	55%	60%	66%	71%	2,801,900	42%	47%	53%	59%	64%	990,600	233
SFC	53%	60%	67%	73%	78%	588,200	35%	46%	57%	70%	79%	95,800	54%	60%	68%	74%	78%	492,300	100
Specialist (AHC, ADPA)	48%	55%	61%	71%	80%	79,700	44%	55%	64%	73%	80%	55,000	50%	53%	60%	69%	75%	24,700	29

Long qual. only

College type	All ages						Over 19 years old						16-18 years olds						No. of Inst.
	10th	25th	50th	75th	90th	Starts*	10th	25th	50th	75th	90th	Starts*	10th	25th	50th	75th	90th	Starts*	
GFEC	40%	46%	50%	55%	60%	2,140,000	37%	44%	50%	54%	59%	1,309,900	40%	45%	50%	56%	62%	830,100	233
SFC	52%	58%	66%	73%	77%	515,800	29%	40%	46%	56%	68%	40,900	54%	60%	68%	74%	78%	474,800	100
Specialist (AHC, ADPA)	41%	49%	55%	62%	66%	40,600	35%	41%	49%	59%	63%	20,800	47%	52%	57%	65%	71%	19,800	29

Short qual. only

College type	All ages						Over 19 years old						16-18 years olds						No. of Inst.
	10th	25th	50th	75th	90th	Starts*	10th	25th	50th	75th	90th	Starts*	10th	25th	50th	75th	90th	Starts*	
GFEC	51%	62%	69%	78%	83%	1,652,500	51%	62%	70%	78%	83%	1,492,000	48%	56%	66%	76%	81%	160,500	233
SFC	38%	50%	69%	79%	84%	72,400	24%	48%	70%	80%	89%	54,900	27%	50%	65%	77%	86%	17,500	99
Specialist (AHC, ADPA)	54%	67%	76%	85%	94%	39,000	50%	65%	76%	87%	95%	34,100	51%	66%	78%	84%	95%	4,900	28

* excluding transfers

63

Table 15 Success rate percentiles 2000/01 by widening participation factor

All ages	Long qualifications						Short qualifications						All qualifications						No. of Inst.
College type	10th	25th	50th	75th	90th	Starts*	10th	25th	50th	75th	90th	Starts*	10th	25th	50th	75th	90th	Starts*	
GFEC–all	40%	46%	50%	55%	60%	2,140,000	51%	62%	69%	78%	83%	1,652,500	46%	53%	59%	64%	69%	3,792,500	233
GFEC–WP	40%	44%	47%	51%	55%	522,200	51%	59%	64%	75%	81%	399,300	46%	51%	56%	60%	63%	921,500	45
SFC–all	52%	58%	66%	73%	77%	515,800	38%	50%	68%	79%	84%	72,400	53%	60%	67%	73%	78%	588,200	100
SFC–WP	51%	53%	62%	70%	73%	62,700	6%	19%	56%	80%	81%	7,000	49%	57%	63%	68%	72%	69,700	14

Table 16 Success rate percentiles 1999/2000 for external institutions by qualification length

All Ages								
External Institutions	10th	15th	25th	50th	75th	90th	Starts*	No. of Inst.
Short + long qualifications	29%	32%	39%	52%	63%	74%	341,400	194
Long qualifications	27%	29%	34%	46%	57%	69%	200,900	191
Short qualifications	25%	32%	40%	57%	72%	86%	140,500	184

* excluding transfers

Identification of learners in further education provision whose programme of learning spans more than one teaching year

279 To date, benchmarking data has been derived from the ISR and in future the data source will be the ILR. Both the ISR and the ILR present a single year view and therefore where learning programmes span more than one teaching year, it is necessary to identify the same learner on the same learning aim in each of the relevant data returns; so ensuring that a complete record is created for each learner, from start to finish.

Table 17 Duration of qualifications

Duration	1998/99	1999/2000	2000/01
Complete within one teaching year	69%	68%	71%
Span two or more teaching years	31%	32%	29%
No. of qualifications	2,509,357	2,473,272	2,698,642

280 The methodology for the identification process is well established with non identification being an issue in only 3% of qualifications – ie identification of learners across teaching years is not an issue for 97% of qualifications.

281 There are three main reasons for non-identification:

- change in learner reference number arising from college mergers;

- change in learner reference number arising from colleges changing their management information system; and

- incorrectly recording at the end of the first year those learners who do not return for the second year of their programme of learning.

282 Non identification of learners across teaching years is a minor issue for the majority of colleges. However, for a few colleges non identification can result in their success rates being understated and where this happens, local LSCs will work with colleges so that a more accurate view of success rates can calculated.

Colleges not included in the benchmarking data calculation

283 The benchmarking data pages on the council's web site indicate that 65 colleges were not included in the 2000/01 benchmarking data calculations and that these colleges are equally divided across the three main reasons for non inclusion:

- the proportion of non identified learners is sufficiently large for the resulting retention and achievement rates to be unreliable;

- other known data issues distort the calculation of retention and achievement rates; and

- late return of data.

284 As indicated above, local LSCs will work with colleges to ensure that it is possible to calculate reliable success rates. It should be stressed here that the objective is to obtain a reliable calculation of success rate and that solutions to data issues will be agreed in the spirit of trust discussed elsewhere in this circular.

Annual changes in success rates in further education colleges

285 The Council recognises the need to build in some elements of tolerance when assessing whether institutions have met their targets because of the year on year volatility of success rates.

286 The Council has reported on several occasions that colleges having a relatively low starting position have generally experienced the greatest rate of growth. This trend was again confirmed in recent analysis of success rates, with colleges who were in the top quartile for success rate in 1999/2000 finding it most difficult to show an increase in 2000/01.

287 Analysis in this area is continuing and more detailed guidance will be provided to assist institutions and local LSCs in their discussions on development plans.

Annex G: Qualifications for Teachers

Qualifications for teachers

288 The Secretary of State will recognise only those further education teaching qualifications awarded by educational organisations that have had their courses endorsed against the Further Education National Training Organisation (FENTO) *Teaching and Supporting Learning Standards*. This requirement is underpinned by the regulations in Statutory Instrument 2001/1209 – *FE Teachers' Qualifications (England) 2001*.

Table 18 Further education teaching qualifications (at level 4)

Qualifications	Teaching (job) role
Post Graduate Certificate of Education (PGCE)	Full professional
Certificate of Education	Full professional
Further Education Teaching Certificate	Introduction (Stage 1) Intermediate (Stage 2) Full professional (Stage 3)

289 The stages set out above are the groupings of skills from the teaching standards defined by FENTO. An up-to-date list of initial teacher-training qualifications which have been endorsed by FENTO is available on their website at **http://www.fento.org.uk/**.

For new full-time teachers

290 To be qualified, a new teacher on a full-time or fractional contract would be expected to obtain a stage 3 full professional qualification, or the equivalent, within 2 to 4 years of the first suitable course start date.

For new part-time teachers

291 To be qualified, a new part-time teacher in a stage 3 role would be expected to obtain a stage 3 full professional qualification, or the equivalent, within four years of the first suitable course start date. A new fractional or part-time teacher in a stage 2 post, would be required to obtain a stage 2 intermediate qualification within four years of the first suitable course date. A fractional or part-time teacher in a stage 1 post, would be required to obtain a stage 1 introductory qualification within two years of the first suitable course date.

Exceptions

292 The following exceptions apply:

- a person who is employed to teach courses of higher education only;

- a person whose primary occupation or profession is not teaching and who is employed by the college on a temporary or occasional basis to provide updating on current industrial, commercial or professional practice. (Temporary basis is regarded as up to one year. A succession of short-term contracts does not provide exemption).

293 The intention behind the latter exception is to allow for visiting specialists who **support** teachers for short periods to provide professional/specific knowledge e.g. solicitors, engineers or scientists. The specialist would cover elements of the course under the supervision of a teacher.

294 In addition the following exceptions also apply:

- a relevant teacher at an institution in England and Wales;

- a teacher at:

    - in England or Wales, a school maintained by a local educational authority, a city technology college, a city college for the technology of the arts or city academy or, before 1 September 1999 a grant-maintained or grant-maintained special school;

    - in Scotland, a grant-aided school or school maintained by an education authority;

    - in Northern Ireland, a controlled school under the authority of a local education and library board, a maintained school, a grant-maintained integrated school or a voluntary grammar school;

- a teacher at:

    - in Scotland, a college of further education;

    - in Northern Ireland, an institution of further education within the meaning of the Further Education (Northern Ireland) Order 1997(d);

    - an institution in the European Economic Area, the Channel Islands or the Isle of Man, providing education which is relevant to secondary or further education and which is part of the public system of education of the state or territory in question.

For existing teachers

295   The continuing professional development of existing teachers is dependent on negotiations between the individual concerned and their college. It is anticipated that unqualified existing teachers will undertake a teaching qualification appropriate to their role. Those teachers with Bachelor of Education (BEd), PGCE and Certificate of Education gained before September 2001 are deemed to be qualified. Those with other qualifications, for example the City and Guilds 730 Series gained before September 2001 are encouraged to take the new qualifications, using Accreditation of Prior Experiential Learning (APEL) as appropriate.

Annex H: Qualifications for Work-Based Learning Staff

Summary of recent developments

296 The 1999 white paper *Learning to Succeed* included a commitment that the Government would "...*lead the development of a range of qualifications for all post-16 teaching and training staff*". The Secretary of State's Remit and Grant letters to the Council subsequently included the need for greater take-up of qualifications by staff of work-based learning providers.

297 Following a DfES project and consultation, a framework of qualifications was developed for work-based learning staff in a training or related support role. These were based on the national occupational standards in learning and development, revised by the Employment National Training Organisation (NTO). The standards and qualifications frameworks were approved by the UK regulatory authorities in December 2001.

298 From the project work, **five** new qualifications were designed specifically for people who deliver Government funded work-based learning programmes - particularly for staff in post-16 training providers who contract with the Council. The five are entitled:

- Management of Learning and Development (NVQ Level 4).

- Co-ordination of Learning and Development (NVQ Level 4).

- Direct Training and Support (NVQ Level 3).

- Review and Assessment of Learning (unit-based certificate at Level 3).

- Initial Assessment of Learners (unit-based certificate at Level 3).

299 More information on the NVQs and certificates is available in the 'Revised Learning and Development Standards' found on the Employment NTO's website: **http://www.empnto.co.uk/**. Full details are published in CD-ROM format and can be purchased on-line, priced £25.

300. The two NVQs at Level 4 are the workplace professional equivalents of the new FE Teaching Certificate. They therefore confer eligibility for all post-16 teachers and trainers into full membership of the Institute for Learning (Post-compulsory Education and Training). The two unit-based certificates at Level 3 allow progression from assessment into training, by supplementing them with other units in the national qualifications framework that make up the full NVQ Level 3.

301 A number of Awarding Bodies (ABs), including City & Guilds, OCR, Edexcel, Pitman, LCCIEB and CIPD, developed the occupational standards into NVQs and unit-based Certificates during 2001/02. They presented them for accreditation in England by the Qualifications and Curriculum Authority (QCA) and first approvals were granted in September 2002, allowing the Awarding Bodies' Centres to begin offering the qualifications nationally from 2003.

302 In 2002, the DfES set up an advisory group on qualifications for work-based learning staff. Members include representatives from the Council, the Association of Learning Providers and other key partners, and the group's recommendations will be published in February 2003.

303 In 2003, the DfES is intending to carry out a sample survey to find out the qualifications held by staff in the work-based learning sector. Following the outcome of this survey the DfES and the Council will be developing guidance on qualifications for the staff of work-based learning providers.

Annex I: Three-Year Funding

Calculation of funding levels

304 Negotiations between local LSCs and institutions are currently taking place on 2003/04 allocations, with a view to issuing final allocations by May. Part of this process involves the agreement of a 'learner profile', which includes expected numbers and FTEs for 16-18 and 19+ learners. By May therefore it should be possible to calculate a £ per FTE ratio for 16-18s and 19+ for each institution.

305 This process will include the application of some validation tests to ensure that the £/FTE ratios are reasonable. These will include comparing the overall £/FTE ratio derived from the 2003/04 allocation with the similar ratio from the 2001/02 final funding claims and associated FTEs, adjusted for the average change in funding rates between the years. Audited final funding claims are scheduled to be completed by early February. We will also compare the 2003/04 £/FTE ratios with the planned funding and FTEs for 2002/03, and consider whether further information on the actual position to date in 2002/03 can be obtained from November 2002 ILR data.
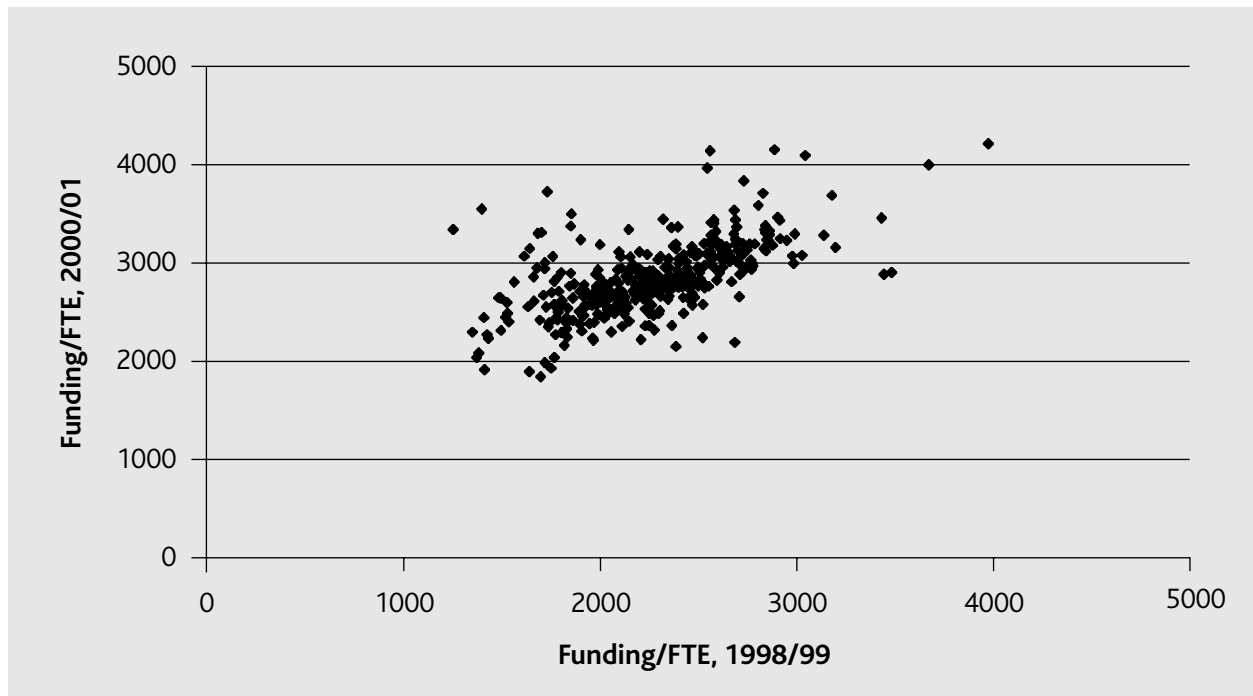
306 We would emphasise that the purpose of this validation is to establish the broad credibility of the 2003/04 £/FTE ratios, which will be critical for the calculation of three-year funding agreements. The validation process will aid judgement and assist in identifying unexpected changes between years. The outcome will be 2003/04 £/FTE ratios agreed as reasonable by both the institution and local LSC.

307 The agreed £/FTE ratios for 2003/04 provide the basis for the calculation of three-year funding projections. We recognise that this assumes that the broad mix of provision that contributes to the average funding per

FTE such as programme weights remains stable for each institution over the three-year period. Significant changes in the overall balance of programme weights, or other factors, may require the re-calculation of allocation for 2004/05 and 2005/06.

308 The figure below compares £/FTE in 1998/99 and 2000/01 for general further education, sixth form colleges and specialist colleges. There is a close relationship between the figures for the two years for the majority of colleges, even though there was an increase in funding per FTE in most colleges because of the implementation of Curriculum 2000. This shows a high degree of stability in the average funding per FTE for each institution over the period. We therefore conclude that the 2003/04 £/FTE ratios for 16-18 and 19+ provision for each institution provide a reasonably robust and simple basis for calculating projected funding for 2004/05 and 2005/06. The actual funding allocations for these years will be subject to review of progress on learner numbers; this review can also take account of any major changes in the mix of provision offered by an institution.

Funding/FTE in colleges, 1998/99 and 2000/01

Scatter plot with vertical axis labelled "Funding/FTE, 2000/01" (0 to 5000) and horizontal axis labelled "Funding/FTE, 1998/99" (0 to 5000).

309 To create three-year funding allocations institutions and local LSCs will need to agree projected 16-18 and 19+ FTEs for 2004/05 and 2005/06. The Council's national office will be working with local Councils to produce projections of numbers for each area, taking account of data on demography and other relevant factors, and known parameters built into the Council's grant. Institutions will need to take account, for example, of the assumptions of growth in the funding allocated to the Council – 5% growth per year in 16-18 provision, 2% growth per year in adult provision. We will want to ensure that the sum total of projected numbers enables us to meet our targets and stays within the total funds available.

310 This information will provide the basis for agreeing projected 16-18 and 19+ FTEs for each institution. Both institutions and local Councils will want these projections to be as realistic as possible. Institutions will be mindful that the agreed 16-18 and 19+ FTEs will be one of the 'headline' targets that contributes to the assessment of performance linked to higher funding in 2004/05 and 2005/06.

However, institutions will want to agree reasonably challenging FTE numbers as those will determine the indicative and provisional allocations for 2004/05 and 2005/06 respectively. Lower numbers will reduce the funding the institution can expect over the three-year period.

311 The agreed £/FTE ratios for 2003/04 and projected 16-18 and 19+ FTEs for 2004/05 and 2005/06 enable each institution's three-year funding allocation to be calculated. An example is given overleaf.

Example (illustrative figures only)

College A

a)   2003/04 allocation £10 m (16-18 £3.5m, 19+ £6.5m)

	2003/04	16-18 FTEs	1000
		19+ FTEs	2000

b)   £/FTE ratios

	£/FTE ratios	16-18	£3500
		19+	£3250

c)   College A agrees FTE number projections

	16 – 18	**19+**
2004/5	1050	2040
2005/6	1105	2100

d)   £/FTE ratios for 2004/05 and 2005/06, including inflation uplift (assuming no adjustments required for rates changes)

	£/FTE **16 – 18**	**£/FTE** **19+**
2004/5	3588	3331
2005/6	3677	3415

e)   Apply £/FTE ratios to FTEs to give projected allocation

	16 – 18 (£000s)	**19+ (£000s)**	**Total (£000s)**
2003/4	3500	6500	10,000
2004/5 (indicative)	3767	6795	10,562
2005/6 (provisional)	4063	7172	11,235

f)   Assuming College A achieves targets in its development plan in 2003/04 it receives 'standard' additional funding of 2.5% in 2004/05; in 2004/05 it performs outstandingly and receives 'premium' additional funding of 3.5% in 2005/06. The additional funds in each year would be

	£
2004/5	264,000
2005/6	684,000

g)   The cumulative effect is to give college A total budgets:

	Total £000s	Increase over 2003/4	Total FTEs
2004/5	10,000	-	3000
2004/5	10,826	+8%	3090
2005/6	11,919	+19%	3205

Calculation of FTEs

312 For each institution, we will calculate FTEs using the same method that is used in the calculation of learner profiles. A learner studying on a programme of 450 or more planned Guided Learning Hours (GLH) in a teaching year will count as one FTE.

313 A learner studying on a programme of less than 450 planned GLH in a teaching year will be converted to a fraction of one FTE by dividing the planned GLH of the learner's programme by 450.

Definition of Age

314 For the purposes of this document, age is based on 31 August in the relevant teaching/funding year. So, for example, learners aged under 19 in 2002/03 are those aged 18 or less on 31 August 2002. In terms of the calculation of success rates for learning aims of more than one year, the relevant age is that at the start of the learning aim.

Annex J: Trust in FE

315 The Council is seeking to enter into trust relationships for the vast majority of colleges as quickly as possible. However, the new approach will require considerable shifts in both relationships and the framework within which funding and planning processes operate. *Trust in the Future* recognises that such a shift probably could not be implemented for the majority of colleges until 2005/06. It will be important for the approach to be trialled with some colleges and for the experiences of both colleges and local LSCs to inform subsequent development. The Council therefore proposes to pilot aspects of the trust relationship with a small number of institutions in 2002/03. A larger group of pathfinder colleges will be involved more fully in the new approach from 2003/04, with the expectation that the vast majority of colleges will be funded within a trust relationship from 2005/06.

Managing risk

316 The Council has a duty to ensure proper use is made of public funds and that value for money is obtained. Ministers, the DfES, the National Audit Office (NAO), the Public Accounts Committee (PAC) and others are responsible for scrutinising the Council's use of public funds and the mechanisms used by the Council to manage the risks involved.

317 The shift away from a detailed audit and reconciliation framework towards a closer relationship based on trust represents substantial risk issues for the Council. If trust-based relationships between colleges and the Council are to be developed and maintained, it will be imperative for the Council to be able to demonstrate adequate control and management of the risks involved.

318 The Council intends to have robust embedded risk management arrangements that will continually address and mitigate the

risk for the Council in the trust relationship. These risk management arrangements will include:

a) national criteria to assess the appropriateness of early development of a trust relationship with individual colleges;

b) continual review by the local LSC, through the performance review process and on-going contact, that the trust relationship is being maintained appropriately;

c) cyclical funding audits of colleges' activities; and

d) appropriate responses where the trust relationship has not been maintained.

319 Some of these arrangements (a. and c.) will be most appropriately developed at a national level to provide agreed parameters for local LSCs to use. Other measures (b. and d.) relate to the nature of the trust relationship, and are a matter of judgement. Local LSCs will use nationally derived indicators flexibly in order to reflect this.

Draft criteria: pilot and pathfinders

320 The colleges invited to be involved in the 2002/03 pilot or as pathfinders in 2003/04 will be identified by means of nationally applied criteria, which are described below.

Threshold criteria

321 All colleges that are invited to become part of the pilot or pathfinder phases in the development of a trust relationship must have:

a) the commitment of the college to the relationship;

b) the agreement of the local LSC that the development of the trust relationship is appropriate at this stage;

c) robust management information systems (MIS) which support their funding claims and individual learner record (ILR) returns; and

d) submitted funding claims which do not have significant eligibility errors or under-performance against target.

322 The criteria in c) and d) above will be evidenced from the funding ISR reports for the two most recent funding years. For pilot colleges in 2002/03, these will be the funding audit reports for 2000/01 and 2001/02; similarly for later years.

Informative criteria

323 Informative criteria will be applied more flexibly than the threshold criteria. These provide the Council with further controls on the risks involved and will inform local LSC's judgements in respect of appropriate pilot and pathfinder colleges. The Council would welcome views form the sector on the suitability of these criteria.

324 The draft informative criteria are:

- good inspection outcomes (comments and grades) particularly in respect of leadership, management, quality assurance and the quality and reliability of the ILR;

- satisfactory or better assessment in the performance review process;

- a stable and low risk provision profile demonstrated for 2001/02 by the college's self assessment and the funding audit assessment of inherent risk;

- a record of timely and accurate data returns and in-year information provided, including a pattern of single accurate returns being made;

- a pattern of achieving at or very close to targets;

- demonstrable success in using in-year data to accurately predict future out-turns;

- experienced and essentially stable senior management team; and

- no outstanding allegations or investigations relating to funding issues.

Implications for pilot colleges

325 Local LSCs will contact colleges that have been identified, using the draft criteria, for an initial discussion regarding participation in the 2002/03 pilots in February or March 2003. The 2002/03 in-year introduction of a trust relationship for pilot colleges means that only a part of the trust relationship can be implemented in 2002/03 although the pilot colleges and local LSC can review and develop their trust relationship during 2003. The pilot colleges will continue to be eligible for responsive growth funding and liable for recovery of funds for under-performance against funding agreement in 2002/03.

326 The initial implications of participating as a pilot are outlined below:

- The college and local LSC will need to develop a more detailed understanding of, and influence on, each others' planning and delivery processes through regular meetings and closer liaison.

- The college will share on a more regular basis, timely and accurate management information on patterns and likely overall volumes of provision.

- The college will be trusted to deliver the planned provision eligible for Council funding and to submit accurate and valid data returns and funding claims without the need for an annual funding audit.

- The local LSC and the college will review and actively develop their trust relationship.

Pathfinder colleges

327 Local LSCs will contact colleges that have been identified, using the draft criteria, for potential participation as part of the 2003/04 pathfinders in February or March 2003 with confirmation a year later. The potential initial involvement of colleges in the pathfinder phase will form a part of the 2003/04 round of discussions with providers on funding. Participation in the 2003/04 pathfinders will be confirmed by February or March 2004, by when the Council will have received the college's 2002/03 final audited funding claim.

328 The implications of participating as a pathfinder are outlined below.

- The college and local LSC will need to develop a more detailed understanding of, and influence on, each others' planning and delivery processes through regular meetings and closer liaison.

- A development plan will be agreed with the local LSC as part of the 2003/04 funding allocation, which focuses on teaching and learning and reflects local needs.

- There is an expectation that funding allocations will reflect the agreed pattern and volume of provision planned and that the college is fully committed to delivering these.

- The college will use its best endeavours, to deliver the development plan and will share more frequently, timely and accurate management information.

- In-year variations in patterns and volumes of provision will be highlighted to the local LSC and appropriate adjustments to the planned delivery agreed.

- Progress towards the achievement of the development plan targets will be regularly reviewed involving close

liaison between the college and the local LSC and appropriate actions agreed.

- The outcomes of the 2002/03 funding audit will be considered (when available in February 2004) in relation to the maintenance of the trust relationship and continued involvement as a pathfinder.

- The Council will not seek to recover funds where planned volumes and patterns of provision have not been delivered provided the trust relationship has been maintained.

- The college is trusted to deliver the planned provision eligible for LSC funding and to submit accurate and valid data returns and funding claims without the need for a funding audit every year.

- The local LSC and the college will review and actively develop their trust relationship.

- The experiences of the pilot and pathfinder colleges and their local LSCs will inform the anticipated future introduction of the trust relationship for the majority of further education colleges in 2004/05.

Maintaining the trust relationship

329 The trust relationship will be reviewed as part of the local LSC's performance review process. The maintenance of the trust relationship will require continued meeting of the threshold and informative criteria and colleges and local LSCs will review these. Such reviews will be particularly important in relation to adequate risk management by the Council.

330 The involvement of the local LSC in-year in the college's monitoring of delivery volumes and patterns of provision (and agreeing variations to this where appropriate) will be an

essential part of developing and maintaining the trust relationship. Any issues which threaten the maintenance of the trust relationship will be considered during the performance review and appropriate action will be agreed. Minor issues could be resolved by requesting specific remedial actions be implemented by the college. More serious breaches of trust, such as failing to notify the local LSC of significant changes in volumes and/or patterns of provision, failing to submit timely and materially accurate data or claiming funding for ineligible activity above very low levels, may result in the college being excluded from the trust relationship, with the re-introduction of annual funding audits and retrospective recovery of funds. Retrospective recovery for ineligible provision (above very low values) will apply to all relevant years of funding.

331 The nature of the trust relationship, and the number of considerations influencing it, make it inappropriate for rigid nationally applied responses to be developed to address breakdowns in trust. Local LSCs involved in the pilots and pathfinders will be exploring the impact of the trust relationships and any failures in this and will, at regional and national level, be sharing and moderating their experiences and responses. The pilots and pathfinders will provide useful experience in dealing with such issues which can be shared and can inform the future development of the approach for widespread introduction in 2004/05.

Next steps

332 Colleges are encouraged to use the criteria described above to self-assess the appropriateness of a trust relationship and any developments or actions which may be required in order to move towards this.

333 Local LSCs will be contacting the colleges that have been identified from the draft criteria as appropriate participants in the pilot and pathfinder phases for an initial discussion in February and March 2003. During the trialling and introductory stages of developing trust relationships, it is unlikely that all of the colleges that fulfil the criteria for participation can be invited to do so. It is recognised that this may be frustrating for some colleges but both the Council and the BTF feel that this approach must be developed steadily to ensure a robust and lasting change is successfully implemented.

Notes