

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

Arrangements for agreeing three-year development plans and three-year funding, including headline improvement and floor targets.

Summary

Circulars 03/01 and 03/02 set out the Learning and Skills Council's proposals for the implementation of the framework for quality and success. Consultation on the proposals ended on the 25th April 2003. This circular has taken account of the responses made to the proposals and sets out the arrangements for agreeing three-year development plans and headline improvement targets. It also outlines other aspects of the new framework including arrangements for three-year funding and national floor targets for success rates.

The circular is addressed to further education colleges; specialist designated institutions; higher education institutions with further education provision; providers of work-based learning; employers delivering Council-funded provision; local authorities (former external institutions, adult and community learning provision and, where relevant, work-based learning); independent former external institutions; Ufi/**learndirect** hubs; and specialist colleges for learners with learning difficulties and/or disabilities.

The document does not apply to school sixth forms.

This circular supersedes Circulars 03/01 and 03/02.

Foreword

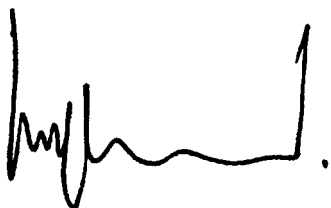
We believe that learning enriches lives, strengthens communities and is a powerful engine for improving the economic prosperity of our nation. Post-16 learning of good quality that reflects the needs of employers and ensures success for learners, is at the heart of the Learning and Skills Council's mission. We believe that colleges, providers and learners will benefit from the greater stability given by the arrangements we set out in this circular for three-year planning and funding.

Success for All is an exciting agenda for reform. The Council will deliver the policy set by Government for a new framework for quality and success by working in partnership with colleges and providers, based on the principles set out in *Trust in the Future*. We look to colleges and providers to help us shape local Learning and Skills Councils' strategic plans in order to meet the needs of communities and employers. In turn, each has a vital role to play in delivering good quality provision to contribute to their local LSC's plan. Planning together in this way will secure the rich range of learning opportunities needed in every local area.

During spring 2003, together with the Department for Education and Skills, we held eighteen regional consultation events on *Success for All* where we explained our proposals for three-year development plans and three-year funding. The events were attended by over 1000 delegates representative of all parts of the sector. Additionally, we received over 400 written responses to the proposals in our consultation circulars 03/01 and 03/02 published in January 2003. This level of involvement has been of immense value to us in shaping the arrangements set out here and helped to identify areas where we can carry out further work together.

We have continued to draw on the guidance and advice of the three advisory groups: for further education, work-based learning, and adult and community learning, who helped shape our initial proposals for implementing the new framework for quality and success. The groups have met on two further occasions to consider the outcomes of consultation and comment on the arrangements set out in this circular. I want to thank the group members for the valuable contributions they have made and particularly, to thank the three chairs: Lynne Sedgmore, Graham Hoyle and Donald Rae, for their commitment, expertise and pragmatism. We will continue to work with our partners to ensure that development plans and three-year funding deliver our shared ambitions for learners.

We look forward to working closely with all parts of the sector to ensure that together we deliver the very best for our learners, employers and local communities.



John Harwood, Chief Executive

Further information

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

Contents

	Paragraph numbers
Foreword	
Executive Summary	
Section 1: Introduction	1
<i>Success for All</i>	5
Trust in the Future	7
Quality improvement	9
Consultation and feedback	15
Section 2: Three-Year Development Plans	
Principles	31
What the three-year development plan will cover	35
Summary of Strategic Issues	37
Headline improvement targets	41
Section 3: Headline Improvement Targets and Floor Targets	
Headline improvement target 1 - learner numbers	47
Headline improvement target 2 - employer engagement	53
Headline improvement target 3 - success rates	60
Headline improvement target 4 - professional qualifications for teachers, lecturers and trainers	72
Floor targets for success rates	79
Section 4: Agreeing the Plan and Monitoring Progress	
Agreeing the plan	88
Criteria for agreeing targets	95
Reviewing progress and refining the plan	97
Arrangements for dealing with disagreements	107
Section 5: Funding Allocations	
Principle	110

Scope and eligibility	111
Calculation of three-year funding	117
Reviewing the funding allocation	119
Section 6: Further Work on the Framework for Quality and Success	
Provider missions	124
Review of planning arrangements and documents	126
Future measures of success	128
Excellence	130
Monitoring and evaluation	132
Annexes	
Annex A: Three-Year Development Plan Guidance and Other Documents	
Other information and documents referred to in the circular	
Annex B: Advisory Groups	
Further education, adult and community learning and work-based learning funding streams advisory groups	
Role	134
Terms of reference	135

Executive Summary

Date: May 2003

Subject: New planning, funding and accountability arrangements, based on greater partnership and trust are at the core of the new framework for quality and success. This new framework forms the fourth theme of *Success for All*. In this circular, the Learning and Skills Council sets out its arrangements for the implementation of this framework through the introduction of three-year development plans and three-year funding agreements.

Intended recipients: The arrangements set out in this circular apply to all providers of Learning and Skills Council-funded education and training for learners beyond the age of 16, other than school sixth forms. In recognition of the diversity of the post-16 learning and skills sector, the circular sets out how, and in what ways, the new arrangements for planning and funding apply to different categories of provider.

Status: For information and action.

Content: The circular explains the Council's requirements for three-year development plans and what they should contain. It outlines the steps which colleges and providers and their local Learning and Skills Councils will need to take in finalising the development plan, and the arrangements for agreeing, reviewing and refining it. Three-year development plans are underpinned by a three-year funding agreement. The circular explains the relationship between funding and the implementation of the development plan. The new arrangements for three-year funding **do not** represent a change in the Council's established funding methodology.

In fully implementing the new framework for quality and success, the Council will undertake further development work in partnership with

the sector. Consultation circulars 03/01 and 03/02 highlighted a number of areas for continued development to secure further benefits for learners, employers and local communities. In this circular, we set out proposals for carrying out some of this work including the recognition of excellence and the introduction of a wider range of measures for evaluating learners' achievements and success.

To supplement this circular, we are publishing on the *Success for All* website at (www.successforall.gov.uk) several guidance documents to help colleges and other providers complete their first three-year development plan. We have included a list of relevant documents in Annex A.

Arrangements for Agreeing Three-Year Development Plans and Three-Year Funding, Including Headline Improvement and Floor Targets

Section 1: Introduction

1 This circular sets out the requirements of the Learning and Skills Council (hereafter referred to as 'the Council') for three-year development plans and the arrangements for three-year funding, which are part of the implementation of the framework for quality and success outlined in *Success for All, Reforming Further Education and Training* (Department for Education and Skills, November 2002).

2 The circular is addressed to all colleges and other providers of Council-funded, post-16 education and training other than in school sixth forms. The learning and skills sector is very diverse; as such not all the arrangements set out here are appropriate to every type of provider. Additionally, as we consolidate the funding and planning requirements which differ from those which have gone before, there will have to be some flexibility in the timescale for the implementation of the new arrangements. Table 1. shows how the arrangements and timescales for planning and funding apply to different categories of provider.

3 We recognise that although strategic planning is not new to the sector, there are challenges for all of us in implementing a new framework for quality and success which will have real benefit for learners. We want to work closely with all providers in the context of *Success for All* to meet these challenges

successfully and develop a post-16 education and training system of excellence which offers a broad choice to individuals, employers and the community.

4 In this circular we refer to the 47 local Learning and Skills Councils (LSCs) and their relationship with colleges and providers. This relationship also includes that between the Council's National Contract Service (NCS) and the providers with whom it works.

Success for All

5 *Success for All* is a major programme of reform for the post-16 education and training sector. It comprises four themes of which the framework for quality and success is the fourth. All four themes are inter-related. For example theme 3, *Developing the leaders, teachers, lecturers, trainers and support staff of the future*, supports the achievement of the target relating to the gaining of professional qualifications by teachers, lecturers and trainers in theme 4. New and innovative teaching materials and methods developed through action related to theme 2, *Putting teaching, training and learning at the heart of what we do*, should enable colleges and providers to ensure teaching and learning activities meet the needs of individual learners more effectively. In turn, better teaching and more effective learning should lead to increased success rates for learners and the achievement of targets for success described in theme 4. Theme 1, *Meeting needs, improving*

choice, will require colleges and providers to review their missions, and take account of their strengths and the needs of their local community, employers and the strategic plan of their local LSC in their three-year development plans.

6 As the programme of strategic area reviews is carried out under theme 1 through 2004 and 2005, the importance of effective planning at college and provider level will be of crucial importance in ensuring that provision is of excellent quality and meets local needs. Three-year development plans underpinned by three-year funding agreements will offer colleges and other providers the stability they need to offer education and training of excellence.

Table 1 How theme 4 arrangements apply to different types of providers

Type of Institution	Headline Improvement Targets				Key Date for Agreement			
	3-year funding	3-year Development Plan	Performance Review	Learner Numbers		Success Rates	Employer Engagement	Teacher/Trainer Qualifications
General FE college	Yes	Yes	Yes	Yes	Yes	Yes	Yes	End July 2003
General FE college with WBL	Yes	Yes – one plan to include WBL	Yes	Yes	Yes	Yes for FE Encouraged for WBL	Yes for FE Encouraged for WBL	End July 2003
Sixth Form college	Yes	Yes	Yes	Yes	Yes	Yes	Yes	End July 2003
Provider of Work-Based Learning only	Yes	Yes	Yes	Yes	Yes	Encouraged – building on existing employer engagement	Encouraged	End June 2003. If provision is large and complex or otherwise difficult by 31 July 2003. End October 2003 where lead arrangements apply
Local Authorities with FE, ACL and if relevant WBL	Yes for FE and WBL (ACL will be brought into scope later)	Yes – one plan to include all provision where appropriate and possible	Yes, being piloted and in frame fully Spring 2004	Yes	Yes for FE and WBL (N/A for ACL)	Yes for FE Encouraged for WBL and ACL	Yes for FE Encouraged for WBL and ACL	End July 2003
Local Authorities with ACL only	No for 2003/04 (will be brought into scope later)	Encouraged	Yes, being piloted and in frame fully Spring 2004	Yes, learner numbers FTEs	N/A	Encouraged	Encouraged	End July 2003

Type of Institution	3-year funding		3-year Development Plan		Performance Review		Headline Improvement Targets				Key Date for Agreement
	Yes	Yes – one plan to include WBL	Yes	Yes – one plan to include WBL	Yes	Yes - arrangements to be determined	Learner Numbers	Success Rates	Employer Engagement	Teacher/Trainer Qualifications	
Independent former External Institution with FE and if relevant WBL	Yes	Yes – one plan to include WBL	Yes	Yes	Yes	Yes - arrangements to be determined	Yes	Yes	Yes for FE Encouraged for WBL	Yes for FE Encouraged for WBL	End July 2003
Higher Education Institution with FE	Yes	Yes	Yes	Yes	Yes - arrangements to be determined	Yes - arrangements to be determined	Yes – learner numbers FTEs	N/A Data not available at this point	Yes	Yes, but more work needed on definitions of qualified	End October 2003
Specialist Designated Institutions	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes for FE, (N/A for ACL)	Yes for FE Encouraged for ACL	Yes for FE Encouraged for ACL	End July 2003
Specialist Colleges for Learners with Learning Difficulties and/or Disabilities	Yes	Yes	Yes	Yes	Yes	Yes	Yes, further work needed to clarify definitions	N/A Data not available at this point	Yes for most provision/learners	Yes, further work needed on definitions of qualified	December 2003

Responsibility for setting headline improvement targets for provision which is subcontracted remains with the main contractor.

We will continue to work with a number of provider groups including Ufi/**learn**direct to resolve data and other issues in order to bring them fully into scope for three-year development planning and three-year funding as soon as possible.

Trust in the Future

7 The implementation of the framework for quality and success is one aspect of the wider development of a more strategic relationship between the Council and its partners. This relationship is based on mutual respect and trust, and also recognises our accountability to Government and the wider community. In *Trust in FE- Working in Partnership* (Learning and Skills Council, 2002), the Council's response to *Trust in the Future*, published in November 2002, we outlined the main principles which underpin this new relationship.

8 Building on *Trust in FE*, we stated in circulars 03/01 and 03/02, five principles which would inform and characterise our approach to implementing the framework for quality and success. We will:

- work in partnership and share information with colleges and providers;
- aim for simplicity and avoid 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.

Responses to the consultation showed unanimous support for the five principles, and also indicated the challenges to be met in putting them into practice.

Quality improvement

9 The Council is committed to supporting continuous improvement in the sector and in summer 2003, will publish its Quality Improvement Strategy for 2003/06. The strategy sets out a series of activities and measures to help improve performance in all colleges and providers of post-16 education and training. These actions will support the

implementation of the new framework for quality and success. Additionally, the strategy outlines how the Council will develop the skills and capacity it needs to make its Quality Improvement Strategy effective.

10 The strategy includes stretching targets for success rates to be achieved in each part of the post-16 education and training sector. The headline improvement targets for success in each three-year development plan will directly contribute to the achievement of our overall targets for success by 2006.

11 We want to encourage the most effective colleges and providers to play a full part in improving quality across the sector. Through the Council's performance review, we will identify excellent colleges and other providers of further education and reward them through premium funding. We expect that around 10% of colleges and other further education providers will be recognised as excellent by 2004/05 enabling them to access premium level funding.

12 We want to secure improvements in all aspects of provision. The commitment of colleges and providers to improve will be demonstrated by the headline improvement targets which they agree as part of their development plan. These targets must be demanding. They must present a real challenge to improve, matched by a commitment to achieve. Through the *Support for Success* programme, we will provide information, advice and support for provider networks and facilitate action research projects to transfer good practice across the sector.

13 Where provision is weak, we will implement a programme of support to improve quality, drawing on, where appropriate, the local intervention and development fund. We will address the underlying causes of poor quality, including poor financial management where this contributes to the weakness of provision. Our aim through the Quality Improvement Strategy is to enable colleges and providers to make rapid improvements to the education and training they offer and for excellent

colleges and providers to maintain high standards and share their practice. Where poor quality provision persists, however, and does not show a reasonable prospect of improving, it will cease to be funded by the Council. Circular 02/06 *Quality Improvement: Intervention to Improve the Performance of Providers* sets out the Council's approach to support and intervention to improve performance.

14 We are determined to develop a more strategic and trusting relationship between the Council and our providers. We want colleges and providers to have confidence in our judgement and decisions. We aim to work with colleges and providers in a transparent way. To help us achieve this aim, we are reviewing our own skills across the Council. We have developed a programme of organisational change and staff development and value the sector's contributions to its implementation.

Consultation and feedback

15 In circulars 03/01 and 03/02, we outlined a range of proposals for the implementation of the new framework for quality and success, and invited comment on these. Jointly with the Department for Education and Skills (DfES), the Council held 18 regional consultation events across England, attended by over 1000 delegates, and received over 400 written responses to the two consultation circulars 03/01 and 03/02. The valuable contributions from the sector, including those from the three advisory groups, have helped shape the arrangements set out here and helped to identify areas where we can carry out further work together. The advisory groups, representing further education, adult and community learning and work-based learning were established to advise the Council on the development of theme four of the *Success for All* programme and implementation matters as well as the overall strategy. Membership and terms of reference for these groups are included at Annex B.

16 This partnership working should enable us all to realise our goal of working productively

together in a spirit of mutual trust for the benefit of learners.

17 A full analysis of the consultation responses will be posted on the *Success for All* website at (www.successforall.gov.uk).

18 Our proposals for a single, high-level development plan for each provider, covering all Council-funded provision, have been widely welcomed throughout the sector. However, many who responded to the consultation pointed out the need to ensure that the three-year development plan replaces some of the current arrangements and does not add an extra layer of bureaucracy. The three-year development plan will draw on a number of existing planning and forecasting activities which colleges and providers currently undertake, including self-assessment.

19 We will no longer require colleges and other providers of further education to submit strategic plans to their local LSC. We do recognise, however, the value and importance of effective strategic planning. Our expectation is that colleges and providers will continue to plan strategically across the full range of the education and training which they deliver, including that funded from sources other than the Council. The three-year development plan will draw on the outcomes of this planning activity for Council-funded provision.

20 We proposed measures for the four headline improvement targets relating to customer focus, good teaching and effective learning, and the capability of the college or provider's staff. We invited comments on the need for additional targets. There was widespread support for just four headline improvement targets, suitably disaggregated. Colleges and providers will continue to set other targets, establish appropriate performance indicators, and review and monitor what they offer and do, through their own quality assurance and management processes. In the spirit of the new strategic relationship between the Council and colleges and providers, it is no longer appropriate or necessary to agree further targets below the

headline improvement targets with the Council. The Council will, however, be interested in supporting information about the college's or provider's own plans and targets as part of planning discussions.

21 The importance of work to engage with employers as part of the emerging skills strategy was widely recognised. There was, however, considerable concern about the lack of a clear definition of the term 'employer engagement', the absence of reliable and valid measures for assessing 'employer engagement' and, consequently, the difficulty of establishing benchmarks. We have given these comments careful consideration and set out in this circular how we propose to act upon them.

22 For the first time, we set out in circulars 03/01 and 03/02 our proposals to set minimum levels of acceptable performance in the form of national floor targets. We gave some indication of the levels at which these should be set. Many in the work-based learning sector noted the lack of reliable historic data on learners' success rates and the range of variation in performance between areas of learning. Setting a single floor target at the proposed level of 40% for all work-based learning was considered to be inappropriate as this fails to reflect the different levels of performance.

23 Following additional work and data modelling, and advice from the work-based learning advisory group, we will set two national floor targets for success rates for work-based learning provision to reflect significant differences in current levels of success between areas of learning. We give more information on floor targets in section 3, paragraph 84.

24 We invited comment on our proposal to keep success rates and national floor targets to a high level of aggregation. The proposal was widely supported. On our specific proposals for disaggregation of success rates and floor targets, many respondents commented on the need for a balance between a small number of headline improvement targets and measures

which allow meaningful discussion between colleges and providers and their local LSC.

25 In circular 03/01 we proposed not to set separate floor targets for colleges with a high number of learners from deprived areas. Many respondents pointed out the additional difficulty of retaining such learners and enabling them to achieve their qualifications. Respondents referred to the need to recognise the challenges to be met in order to stimulate further recruitment of learners from such groups.

26 The Council recognises these concerns and also the diversity of provision and types of learners at most further education colleges. We have given careful consideration to the comments made, carried out further analysis and data modelling, and held discussions with the further education advisory group. We set out in section 3 our approach to disaggregation for success rates and floor targets in the light of this work.

27 Three-year funding agreements underpin implementation of the development plan. Again, our proposals were welcomed, although many respondents commented on the challenging timescale for action. In section 4, we set out our timescale for agreeing development plans and allocating three-year funding.

28 Our proposals for implementing the Government's policy for premium-level funding aim to recognise and reward excellence. The consultation responses clearly indicate that the sector must have confidence in the way in which judgements about excellent performance are made and in the criteria adopted. Many respondents pointed to the need to recognise and reward substantial and sustained improvement made by colleges and providers of further education, taking into account the diverse nature of provision within the sector. We outline in section 6 how we will take forward work on recognition of excellence so that the sector can have confidence in the way premium-level funding is allocated.

Actions required of colleges and providers from June 2003

29 The timescales for agreeing the three-year development plan and implementing new funding arrangements will require the Council and colleges and providers to carry out a number of actions over the first year of the development plan's annual cycle, including agreement of the plan and reviewing and refining it through performance review.

30 In table 1 and section 4, we set out the timescale for agreeing the first three-year development plan with targets so that colleges and providers receive the 2% real terms funding increase which was stated in *Success for All*.

Section 2: Three-Year Development Plans

Principles

31 Central to the successful implementation of the *Success for All* reforms is the establishment of a new relationship with colleges and providers. This is based on principles of partnership, trust and dialogue, rather than the functions of contracting, monitoring and reconciliation. This fundamental change in approach will affect all providers of post-16 education and training in two important respects. First, the strategic plans of local LSCs to meet the needs of learners, employers and local communities will be developed in dialogue with colleges and providers and others with a significant interest in post-16 education and training in the local area. Second, within the context of such dialogue, local LSCs will work with each college or provider to reach agreement on its contribution to the local plan.

32 Three-year development plans give a structure to discussions between local LSCs and colleges and providers about the education and training they offer. In addition, the plans provide a record of the expectations of colleges and providers and of their commitment to provide education and training of excellence. The plan, however, should not just be viewed as a statement of agreed targets but also as the result and confirmation of the valuable dialogue which has taken place.

33 The three-year development plan is an 'executive summary' of dialogue between a college or provider and the local LSC about implementation of the local plan. Ensuring consonance between a college's or provider's future plans and the priorities identified in the local LSC's strategic and annual plans is important and will only be achieved if there is mutual trust between those involved. The local LSC provides information to the college or provider about local priorities and the availability of revenue and capital funding. The college or provider in turn supplies the local LSC with up-to-date information on the

opportunities it offers to learners and its capacity and capability to offer good quality education and training to meet learners' and employers' needs.

34 Three-year funding agreements are designed to help colleges and providers attain the goals in their development plans. *Success for All* states that provided a college or other provider of Council-funded education and training 'delivers agreed volumes each year, funding for the next year will be guaranteed at the previously agreed level for that year'. Although the plan requires a headline target for learner numbers of full-time equivalents (FTEs) or average in learning (AiL) covering learners aged 16-18 and those aged 19 or over, colleges and providers will be expected, in the main, to deliver what they have agreed with their local LSC. Any significant variation to this which develops during the year will be discussed with the local LSC so that its implications for learners and the local LSC's annual plan can be assessed.

What the three-year development plan will cover

35 The three-year development plan is a high-level strategic document. It reflects the Government's priorities to improve the effectiveness of teaching and learning and respond better to the needs of employers.

36 We outlined in Annex C of circulars 03/01 and 03/02 our proposals for what should be included in a three-year development plan. Taking account of the outcomes of consultation and further work on the development plan framework, we can confirm that the short, three-year plan will comprise two sections:

- a summary of strategic issues outlining the main factors which determine the content of the three-year development plan and contribute to the setting of the headline improvement targets; and
- headline improvement targets, appropriate for the type of provider, covering:

- learner numbers;
- employer engagement;
- success rates for learners;
- proportion of teachers, lecturers and trainers with professional qualifications.

The data required to support these targets will be set out in the guidance on three-year development plans on the website at (www.successforall.gov.uk).

Summary of Strategic Issues

37 This short summary outlines relevant strategic issues and will normally include:

- mission, focusing on distinct strengths, including reference to the college's or provider's approach to ensuring social inclusion and the widening of participation;
- any significant changes in the range and nature of the provision to be offered;
- reference to the main elements of the local LSC's plan that the college or provider is committed to supporting (e.g. meeting the needs of a particular category of learner in a specific local area);
- main actions being taken to improve employer engagement;
- principal strategies for quality improvement including action to build on strengths and rectify weaknesses identified in the college's or provider's annual self-assessment, or recent inspection;
- an outline of the main assumptions on which the plan is based and an assessment of the main risks associated with its delivery; and
- key points in a college's or provider's property strategy, financial strategy and human resources development plan.

38 We have developed guidance to support completion of the three-year development plan for each main category of provider:

- General Further Education Colleges, Sixth Form Colleges and Independent Former External Institutions.
- Providers of Work-based Learning only.
- Local Authorities with Further Education, Adult and Community Learning and, if relevant, Work-based Learning.
- Local Authorities with Adult and Community Learning only.
- Higher Education Institutions with Further Education.

39 The guidance, which includes examples and illustrations of the information to be provided, can be found on the website at (www.successforall.gov.uk).

40 As we work with other provider groups to bring them fully into the scope of three-year development planning and three-year funding, we will publish additional guidance to support them in completing and agreeing their plans.

Headline improvement targets

41 The second section of the three-year development plan will set out the college's or provider's headline improvement targets. Further information on the definition and content of each target is given in section 3. Table 1 shows how these targets apply to different types of provider.

42 Local LSCs and their colleges and providers will need to discuss and agree the basis on which the targets have been derived and set. This will entail detailed discussion of how, for example, learner numbers will be distributed across the range of provision, and how this will contribute to the national skills agenda and local priorities. These further discussions, however, **are not** intended to generate other targets below the headline improvement target. Such key supporting information, drawing on the college's or

provider's own management and quality assurance arrangements, will be agreed by the local LSC with the college or provider. The main purpose of discussions about the plan should be to further the understanding between the local LSC and the college or provider about what the local LSC wishes to achieve in its area and the contribution the college or provider can make.

Section 3: Headline Improvement Targets and Floor Targets

43 As we proposed in circulars 03/01 and 03/02, three-year development plans will include four headline improvement targets. Colleges and providers will agree their headline improvement targets with their local LSC. The headline improvement targets are:

- two targets for increasing customer focus. These comprise one for learner numbers and one for employer engagement;
- one target for success rates; and
- one target for the proportion of teachers, lecturers and trainers with professional qualifications.

44 Targets should be achievable but demanding. They should be set within the context outlined in the summary of strategic issues, and be informed by the guidance on the preparation of three-year development plans, on the website at (www.successforall.gov.uk). Colleges and providers will need to show in their development plan, annual milestones for each target for 2003/04 and 2004/05.

45 Targets will also need to take account of local demography, objectives to widen participation, and factors such as:

- the proportion of the local community not engaged in learning or training;
- the extent to which the proposed provision meets local needs;
- the attendance modes to be offered to learners;
- the capacity of the staff of the college or provider to implement the development plan fully and effectively;
- the college's or provider's past performance, its capacity for quality improvement and its ability to deliver the planned mix of provision; and

- the need for additional provision of good quality which meets identified skills shortages.

46 Discussion about headline improvement targets should take account of existing data. For example, success rate data for 1999/00 to 2001/02 for colleges and former external institutions can be obtained from the local LSC in a form which can be used to compile the targets in the development plan. Successful completion rate data for providers of work-based learning will also be made available through local LSCs. Further details are available in guidance on the preparation of three-year development plans on the website at (www.successforall.gov.uk).

Headline improvement target 1 - learner numbers

47 The headline target for learner numbers comprises two measures: one for learners aged between 16 and 18; and one for those aged 19 and over.

48 In developing our proposal for the learner numbers target we were assisted by guidance from the three advisory groups.

49 Consultation responses supported our proposal for learner numbers to be defined as full-time equivalent (FTE) learners for further education provision, average numbers in learning (AiL) for work-based learning provision and number of starts for Entry to Employment (E2E).

50 Consequently, the measure of learner volumes to be used, both for the learner number target in the development plan and in the calculation of the three-year funding agreements, is:

- for further education provision, FTEs subdivided into FTEs for learners aged 16 to 18 and those aged 19 and over;
- for work-based learning provision, the AiL subdivided into AiL for learners aged 16 to 18 and those aged 19 and over; and

- for Entry to Employment, the number of starters.

51 Guidance on the definitions and methods of calculation of FTE and AiL can be found in a guidance note on the website at (www.successforall.gov.uk).

52 In order to reach agreement on a headline improvement target for learner numbers, the local LSC and colleges and providers will need to share detailed information in their discussions. This is likely to include numbers of learners in each area of learning, level of study and from groups currently under-represented in post-16 learning in the local area. We **do not** intend, however, that these discussions result in further subsidiary targets to be included in the development plan below the headline improvement target. The essential supporting information will be agreed as part of the plan.

Headline improvement target 2 - employer engagement

53 A college or provider should determine a target for extending its work with employers or the further enhancement of the employability of its learners. The target should represent new activity or a significant extension to existing activity.

54 As we set out in circulars 03/01 and 03/02, strengthening the ways in which colleges and providers work with employers is now a key priority for the learning and skills sector if it is to meet the nation's future skills needs and:

- support employers and individuals in, or preparing to join, the workforce;
- meet local, regional and sectoral skill needs identified by sector skills councils and regional development agencies through the Framework for Regional Employment and Skills Action (FRESA); and
- contribute to economic development and competitiveness within the context of the skills strategy to be published in June 2003.

55 The inclusion of a single headline target for employer engagement signals the Government's intention to improve rapidly the responsiveness of provision to the current and future needs of employees and employers. The target underpins the importance of the strategy by driving forward each college's or provider's engagement with employers.

56 We recognise, however, that there are currently no national baseline data against which to set this target and measure progress towards reaching it. In extending this part of the framework for quality and success, the Council will need to do further work with the sector and with the Department for Education and Skills to clarify definitions and develop reliable and valid means of measuring performance.

57 The employer engagement target will reflect the aims of the college and provider and be suited to its mission and type of provision, and local needs. Progress towards achieving the single measure adopted by each college or provider for employer engagement, will be assessed in the first annual review of the three-year development plan and may be modified or refined in the light of further work done nationally in this area.

58 Local LSCs will work with colleges and providers to help them determine a single headline improvement target for their engagement with employers. There is no requirement for more than one qualitative or quantitative measure to be chosen. We anticipate that the measure adopted might relate to either:

- the development of improved services direct to employers; or
- enhancement of the employability or work-readiness of learners.

59 We have set out a range of possible measures for different types of colleges and providers in guidance which can be found on the website at (www.successforall.gov.uk). This includes examples of performance indicators and evidence to demonstrate progress against agreed milestones. The examples are not

intended to be either comprehensive or prescriptive but to help inform the discussion between local LSCs and colleges and providers. Whichever measure is chosen, it should be used consistently to represent action throughout the college or provider. We have also included on the website, a guide to good practice in employer engagement which the Learning and Skills Development Agency (LSDA) has written on behalf of the Council.

Headline improvement target 3 - success rates

60 As we proposed in circulars 03/01 and 03/02, 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; and
- to define national floor targets which indicate the national minimum level of acceptable performance for provision across the sector as a whole.

61 We explained in the circulars that the Council would be undertaking further work together with Ofsted, the Adult Learning Inspectorate and the DfES, to consider the range of measures of learner success appropriate for the post-16 sector in the medium to long-term. Our intention is to develop comprehensive and coherent measures for the learning and skills sector by 2005/06. We invited comment on our proposals and respondents confirmed the need to recognise a wider range of measures of achievement and particularly welcomed the suggestion of developing progression and value-added measures for a wider range of learning and qualifications.

62 The process of developing such wider measures will take time if they are to

command respect and credibility from learners, employers and the wider community. In the short-term, therefore, and for the first three-year development plan for the period 2003/04 to 2005/06, the measures used 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).

Further education colleges and former external institutions

63 For colleges and the former external institutions, success rates will be calculated for all qualifications by taking the existing measures of retention and achievement on qualifications, and combining them to create a success rate. This approach uses the established 'benchmarking' methodology with which colleges and external institutions are familiar.

64 The definitions and methods of calculation of success rates will be found in a guidance note on the website at (www.successforall.gov.uk).

65 We summarised the comments made by respondents to our consultation proposals on disaggregation for success rates and floor targets in section 1. We have carried out a range of further work and sought the advice of the further education advisory group. After careful consideration of all relevant factors we have concluded that:

- individual institution success rates should be disaggregated into long and short qualifications for all colleges (including sixth form colleges) and former external institutions;
- additional background information, for example on success rates by age group or by type and level of qualification, is of fundamental importance to the discussions between the institution and the local LSC about priority areas for improvement and will be essential to underpin agreement of the headline

improvement target. Further disaggregation of the headline improvement target to be included in development plans is, however, not necessary;

- national floor targets for success rates should be set using the same disaggregation as individual institution success rates, that is for long and short qualifications (including for sixth form colleges). We have set out further details on floor targets at the end of this section;
- separate benchmarking data for those colleges with a high level of widening participation is critical to enable appropriate comparisons of performance to be made as part of the process of agreeing headline targets for improvement. Benchmarking data for 2000/2001 can be found at (www.lscdata.gov.uk/benchmarking). Data for 2001/2002 for individual colleges and providers is available from local LSCs; and
- there should **not** be a separate national floor target for those colleges with high widening participation factors. This is because at the bottom of the range of college success rates, the proportion of colleges with a high widening participation factor is the same as the proportion of those without. In coming to this view, we have taken into account the most recent evidence from 2001/02 and discussions with the further education advisory group.

Work-based learning

66 For work-based learning provision, learners' successful completion rates will be calculated as proposed in the consultation circulars, that is:

- For modern apprenticeships:
 - 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. Learners who have transferred to another training programme are excluded from the calculation until such time as they finally complete their programme or leave training.

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

- For learners working towards National Vocational Qualifications (NVQs) the success rate will be the number of learners achieving an NVQ divided by the number of learners who have left training or successfully completed their programme.
- Definitions and the method of calculating success rates can be found in a guidance note on the website at (www.successforall.gov.uk); including an explanation of how we have overcome the problems historically associated with this type of measure.

67 The Council is committed to publishing benchmarking data for work-based learning success rates. Information for 2001/02 and the first six months of 2002/03 will be published in a Statistical First Release in July 2003.

68 For learners on E2E programmes, success rates are defined as the proportion of leavers who achieve a positive outcome. A positive outcome is:

- a start on work-based learning for young people, for example, foundation modern apprenticeship;
- a course in further education;
- employment with ongoing training; or
- employment without ongoing training where agreed with the young person's personal adviser.

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

69 As we outlined in circular 03/01, higher education institutions do not return individualised learner record (ILR) data to the Council for their Learning and Skills Council-funded further education provision. Instead, they send individual learner data to the Higher Education Statistics Agency (HESA). Under a reciprocal agreement, 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 for each organisation.

70 The Council is currently working with the Higher Education Funding Council for England (HEFCE) and HESA to simplify and develop joint approaches to planning and data sharing. In the short-term, however, the differences in data collection arrangements have limited our ability to agree appropriate success measures for Council-funded further education in higher education institutions. Following further discussion, we aim to introduce success measures for this provider group as soon as is practical.

71 Differences in data collection arrangements and/or definitions of measures used within Ufi/**learnirect** hubs, specialist designated institutions and adult and community learning restrict the immediate use of available data. As we noted in circular 03/01, the Council will continue to work in partnership with these providers to build on their existing measures and data, and agree suitable national measures where they do not exist already.

Headline improvement target 4 - professional qualifications for teachers, lecturers and trainers

72 By 2010, 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. 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.

73 Every college and other provider of further education will be expected to set headline improvement targets in its development plan for the proportion of staff with a teaching qualification. The targets should indicate the number of teachers who will be qualified to teach and those enrolled on appropriate courses to become qualified by the end of June 2006. For further education colleges, these should normally be set in line with the national interim targets. For other providers of further education, they should be challenging but achievable. Colleges and other providers of further education should set annual milestones for this target for 2003/04 and 2004/05.

74 Where national interim targets are already met or exceeded, colleges and other providers of further education should set challenging, but achievable, targets, in order that they may have a fully qualified workforce by the end of July 2006. These colleges should also set annual milestones for this target for 2003/04 and 2004/05.

75 A college with a fully qualified teaching workforce should set an indicative target for the continuous professional development of its staff and discuss this with its local LSC. As yet there is no nationally agreed definition of what constitutes continuous professional development. In the absence of such a definition, it is anticipated that the nature and scope of this target will differ significantly from one college or provider to another. Where the headline target relates solely to continuous professional development therefore, we will take into account the

individual institutional context in assessing progress towards the achievement of this target.

76 At this stage, no national target has been set relating to the qualifications of teaching staff involved in work-based and adult and community learning provision. We anticipate that, in future, national targets similar to those for further education colleges will be introduced. In preparation for the extension of the target to all provision, we wish to encourage all other providers to discuss with their local LSC, how they might incorporate a target in their three-year development plan for the proportion of their teachers, lecturers or trainers with, or working towards, professional qualifications.

77 We will make available to colleges, through local LSCs, analysis of the latest staff individual record (SIR) data to assist them when discussing and agreeing a headline improvement target. Where colleges and other providers of further education have more accurate local data they should discuss this with their local LSC as a baseline for the target. We have amended the SIR for 2002/03 so that it is possible for colleges to record those teachers enrolled on courses to gain an appropriate teaching qualification. During the summer and autumn 2003, colleges and other stakeholders will be consulted on the arrangements for future data collections in this area. Further information about qualifications for teachers and for work-based learning staff is available on the website at (www.successforall.gov.uk).

78 *Success for All* commits the DfES 'to produce accurate reliable data on the qualifications of the workforce in LSC-funded learning', by March 2004. In order to meet this commitment the DfES are commissioning a sample survey of providers, to collect data on qualifications. The survey will cover the qualifications of the LSC-funded workforce and will compliment the LSC's SIR. The fieldwork will take place during the autumn and results are due by March 2004. This is a key piece of work to establish the baseline position on

qualifications. The information will inform providers' human resources strategies. The LSC is also undertaking a similar survey of higher education institutions with further education provision.

Floor targets for success rates

79 As we set out in circulars 03/01 and 03/02, national floor targets for success rates 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. While floor targets apply at the level of the whole college or provider, any particular areas of provision which have significantly low success rates, should be discussed with the local LSC.

80 Colleges and other providers who are currently below the floor target will need to identify decisive actions for improvement and agree this with their local LSC. Colleges and providers should set annual milestones in their development plan which demonstrate how the floor target will be reached within the agreed timescale.

81 Floor targets set the level of minimum acceptable performance. We intend to help colleges and providers currently performing below this level to make rapid improvement. Where appropriate we will make support available through the local intervention and development fund and through the *Support for Success* programme.

82 Floor targets for further education college and former external institution success rates for 2005/06 are shown in table 2. As we proposed in circular 03/01, these are set at five percentage points above the 10th percentile for success rates in 2000/01.

Table 2 Floor targets for further education college and former external institution success rates

Type of College	Long qualifications	Short qualifications
General Further Education (and Tertiary) Colleges	45%	55%
Specialist Colleges	45%	55%
Sixth Form Colleges	55%	50%
Funded further education provision in former External Institutions	40%	45%

83 The responses to circular 03/01 showed a clear preference for all colleges to be treated in a similar way. As we explained in paragraph 65 therefore, floor targets for sixth form colleges will also be set separately for long and short qualifications. These floor targets have been set at 55% for long qualifications and 50% for short qualifications using a similar approach to that described in paragraph 82.

Work-based learning provision

84 We noted in paragraph 23 that many work-based learning providers felt that setting a single floor target at the proposed level of 40% for all work-based learning was not an accurate reflection of the very different levels of success in each occupational sector.

Table 3 Floor targets for work-based learning

Area of Learning	Floor Target
2 Land-based provision 4 Engineering, technology and manufacturing 5 Business administration, management and professional 6 Information and communication technology 11 Visual and performing arts	40%
1 Science and mathematics 3 Construction 7 Retailing, customer service and transportation 8 Hospitality, sports, leisure and travel 9 Hairdressing and beauty therapy 10 Health, social care and public services 13 English, languages and communications	35%

To date in 2002/03 there has been just one learner outcome recorded in Area of Learning 12, Humanities; therefore a floor target has not been set.

85 We have carried out a detailed analysis of current levels of NVQ and framework completion by the 14 areas of learning used by the Council, the Adult Learning Inspectorate and Ofsted. This shows, broadly, that the more traditional apprenticeship sectors such as engineering tend to have significantly higher completion rates than service sectors such as retailing and hospitality.

remains appropriate. We will also confirm a floor target for foundation programmes (area of learning 14) taking account of work in E2E.

86 After full consideration, therefore, we will set two floor targets for work-based learning provision to reflect the significant differences in current levels of success. The two floor targets and the areas of learning to which each applies are shown in table 3. As we proposed in circular 03/02, the floor target relates to successful completion of an NVQ or the whole framework for modern apprenticeships, and NVQ achievements for learners working towards an NVQ.

87 The Council will carefully monitor improvements in performance for work-based learning provision. As more data becomes available we will assess whether the disaggregation and level of the floor targets

Section 4: Agreeing the Plan and Monitoring Progress

Agreeing the plan

88 The first three-year development plan will draw on information and data which colleges or providers already use in their planning and management processes. We outlined in Annex C of circular 03/01 a model to be used for early work on the three-year development plan. Local LSCs, together with colleges and providers, have undertaken much valuable work using this model since publication of the circulars at the end of January 2003, and this should provide a sound basis for reaching agreement by the dates shown in table 1.

89 As set out in circular 03/02, the Council expects to agree work-based learning provider's plans by 30 June 2003, except in specific cases where more time is needed, for example where the scale of the provision delivered is large and complex, or agreement by the end of June proves impracticable for other reasons. In these cases plans should be agreed by 31 July 2003. We recognise that for providers who fall within the scope of lead arrangements, the discussions necessary to agree a plan will involve a number of local LSCs and that this may take some time if the plan is to fully reflect the range of the education and training delivered. In these cases providers will have until 31 October 2003 to agree a three-year development plan with the lead local LSC.

90 Whilst we would expect all three-year development plans for colleges and providers to be agreed by the dates set out in table 1, we have made it possible for local LSCs, if necessary, to enter into agreement of plans under three categories:

- Fully agreed.
- Agreed subject to minor amendment.
- Agreed subject to significant amendment.

91 We would expect that minor amendments would require further discussion and agreement on one headline improvement target or on the summary of strategic issues. Significant amendment will require further discussion and agreement on the summary of strategic issues and/or on more than one headline improvement target.

92 Where plans are not fully agreed the amendments and modifications required will be identified and documented by the local LSC and shared with the college or provider. All plans should be finally and fully agreed as soon as possible and within two months of the key date for agreement shown in table 1.

93 Finalisation of the plan and initial progress will be reviewed as evidence in the autumn 2003 performance review. Colleges and other providers of further education who have agreed their three-year development plan either fully or subject to amendments by the key date for agreement, which we set out in table 1, will be eligible for the 2% *Success for All* real-terms increase in funding for 2003/04.

94 Exceptionally, a college or provider may decline to agree a three-year development plan. In these circumstances funding cannot be allocated on a three-year basis. Declining to agree a plan will be taken into account as evidence in performance review. For colleges and other providers of further education the Council would also review the funding allocation for 2003/04 which includes the 2% *Success for All* real-terms increase.

Criteria for agreeing targets

95 We set out in section 2 above the content of the three-year development plan. We expect each plan to be the outcome of a dialogue between the college or provider and the local LSC reflecting the particular circumstances in which the college or provider operates and its current performance. We do not wish the process of agreeing plans to be based on rigid formulae or prescriptive criteria. Instead, we set out here a number of principles which should form the basis of agreement of the plan and the headline improvement targets

which it contains. These are that:

- the plan accurately and realistically reflects the college's or provider's contribution to the education and training available in the local area and, where relevant, in the region and the country as a whole;
- the context within which the college or provider operates and the key institutional factors which have influenced the setting of the targets are clearly outlined in the summary of strategic issues;
- headline improvement targets take account of the college's or provider's current performance and of its capacity to improve when compared with other colleges or providers of similar type and level of performance; and
- for colleges or providers currently below the relevant national floor target, the headline improvement target for success rates should show progress to or beyond the floor target by 2006.

96 Further information to help set these targets can be found in the Guidance on the Preparation of Three-year Development Plans which can be found on the website at (www.successforall.gov.uk).

Reviewing progress and refining the plan

97 Primary responsibility for monitoring progress towards the achievement of the headline improvement targets rests with the college or provider. The Council's performance review process will be the means by which local LSCs, working in partnership with colleges and providers, will review and assess the effectiveness of the implementation of the development plans, including the achievement of headline improvement targets.

98 The Council has made significant progress in the implementation of performance review. Local councils operate within a national

framework but within the context of local knowledge and local partnership working. We have introduced a programme of staff development for all Council staff involved in performance review. This is designed to ensure that staff have the most appropriate and relevant skills to carry out performance review effectively. There is a strong focus on quality assurance including national and regional moderation and evaluation.

99 Progress against headline improvement targets will form part of the discussion at each performance review, the first one being autumn 2003. Performance reviews in spring 2004 and 2005 will be the point at which refinements and changes to the plan will be formally identified and consequent actions confirmed. Any significant amendments to headline improvement targets would need to be discussed and agreed with the local LSC in order that local strategic planning takes account of these.

100 Overall judgements on progress in meeting the relevant headline improvement targets in the development plan will need to reflect the extent to which all or some of the targets are met or exceeded. When some targets have not been met, overall judgements will draw on the amount of shortfall, reasons for not meeting the target, and the significance of the target in relation to the total amount of education and training which the college or provider offers. The LSC considers meeting the four headline targets a critical measure of performance.

101 Judgements on progress in implementing the three-year development plan will need to take account of local circumstances and the information contained in the plan's summary of strategic issues. Where appropriate, and with agreement, targets may be refined and adjusted in the light of changed external circumstances, for example the outcomes of strategic area review or the review of funding of adult learning.

102 We do not wish to adopt a rigid or inflexible approach to assessing progress in the implementation of development plans. We do,

however, want to ensure that judgements on progress are consistent nationally, particularly where these have implications for funding. We will also need to be sure that relevant data are available to be used in making judgements which are fair and equitable. We will continue to work with the sector through the three advisory groups to clarify further the criteria for assessing progress, particularly in relation to different funding rates linked to performance for colleges and other providers of further education. We will publish our proposals in September 2003, in time for the autumn 2003 performance reviews.

103 Colleges and providers who significantly fail to achieve the annual milestones for all headline improvement targets identified in their development plan, would usually be regarded as being in the performance category of giving cause for serious concern. In this case, the local LSC would review the continuation of the three-year funding agreement.

104 Colleges and providers which currently fail to meet the floor target for success rates will be expected to implement decisive action for improvement, which has been approved by their governing bodies or boards of management. These colleges and providers will need to show in their development plan how they will make progress to meet, or exceed, the floor target by June 2006. Where a college or provider significantly falls short of meeting its annual milestones for raising performance to meet floor targets, it is likely, other than in special circumstances, to be placed in the category of giving cause for serious concern.

105 Where this is the case, the local LSC will suspend the three-year funding agreement and discuss with the college or provider a plan of action which will draw on resources available through the *Support for Success* programme and the local intervention and development fund. To help accelerate improvements the Council reserves the right to cease funding provision if its quality is poor and no real improvements are made within agreed timescales. Similarly we reserve the right to

cease funding provision assessed as grade 5 in inspection. Circular 02/06 *Quality Improvement: Intervention to Improve the Performance of Providers* explains our arrangements for support and intervention where the quality of provision is poor.

106 Eligibility for premium funding for colleges and other providers of further education will draw on assessments made at performance review in autumn 2003 and spring 2004, and progress against milestones. As we set out in section 6, we will build on our existing work on excellence to ensure that the criteria for assessing excellence and consequently premium funding are fair, transparent, and command credibility and respect.

Arrangements for dealing with disagreements

107 Responses to the proposals we set out in circular 03/01 and 03/02 strongly supported the need for arrangements for colleges and providers to appeal against decisions made by local LSCs about development plans and performance. Our principle is to resolve disagreement through further dialogue between the college or provider and the local LSC. Nevertheless, we recognise that there may be some occasions where a formal appeals process will be necessary.

108 Where a college or provider is unhappy about a performance review assessment it should contact its local LSC and arrange to discuss its concerns. If, after this discussion has taken place, a college or provider considers its concerns have still not been resolved it can use the Council's appeals procedure which we have included on the website at (www.successforall.gov.uk).

109 The appeals procedure has been designed to ensure that cases are heard at a national level by a panel that includes an external representative with appropriate experience and expertise.

Section 5: Funding Allocations

Principle

110 In Annex J of circular 03/01, we outlined the Council's approach to *Trust in FE*. This approach sees the managed move away from reconciliation and clawback as the key determinants of out-turn funding, to an allocation process more fully aligned with planning, and the subsequent removal of clawback. For those colleges in this new relationship, account will be taken of variances between allocation and out-turn via adjustments to future allocations. This will mean greater financial certainty for colleges allowing them to concentrate on delivery of the elements of their development plan, rather than on the underlying funding methodology.

Scope and eligibility

111 Three-year funding agreements are designed to help colleges and providers achieve the targets in their development plan. Normally, if a college or provider meets its learner numbers target each year and delivers the broad pattern of provision agreed with the local LSC, then its funding will be guaranteed at the previously agreed level for that year.

112 Three-year funding agreements will apply to the vast majority of LSC-funded providers other than those offering adult and community learning. As we explained in circular 03/01, we are working to introduce new funding arrangements for adult and community learning.

113 All colleges and providers to whom the three-year funding arrangements apply, other than those assessed as giving cause for serious concern at the spring 2003 performance review, or those who indicate to their local LSC their intention not to seek to agree a three-year development plan, will be eligible for a three-year funding agreement.

114 Current performance below the floor target level will not on its own mean that the college or provider will be categorised as giving

cause for serious concern. This will not, therefore, automatically exclude a college or provider from three-year funding, or in the case of colleges and other providers of further education, access to the standard rate of funding in 2004/05.

115 Any college or provider which moves out of the category of giving cause for serious concern 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 whom a three-year funding agreement has been reached moves into the category giving cause for serious concern at the spring 2004 performance review, we will consider whether it is appropriate to continue with the funding agreement for 2004/05 and 2005/06. This approach was supported by responses to the consultation circulars.

116 Three-year funding agreements for 2003/04 to 2005/06 for colleges and providers will operate as follows:

- 2003/04 allocations have now been finalised and colleges and providers have been notified;
- in August 2003, colleges and providers within the scope of the new three-year funding arrangements will receive an allocation for 2004/05 and 2005/06, which will take account of any growth targets agreed with their local LSC. As always these will be subject to affordability; and
- for 2004/05 and 2005/06 each college or provider can expect that its allocation will be confirmed provided that it achieves its planned learner numbers and implements the broad pattern of provision agreed with the local LSC, and that it stays within the scope of the three-year agreement.

Calculation of three-year funding

117 Three-year funding agreements for colleges and providers must be linked to learner volumes using the learner numbers target in the development plan. Responses to the consultation confirm that this is an acceptable way of measuring the learner volumes. As we also noted, this method of calculating learner volumes for funding purposes **does not** replace the Council's funding methodology which was devised after consultation by the DfES and is set out in detail in the *Funding Guidance for Further Education in 2002-03*.

118 A detailed explanation of how funding allocations are calculated using FTEs and AiL can be found on the website at (www.successforall.gov.uk). We summarise here the main points:

- The planning and budgeting process for 2003/04 will have established each college's or provider's planned FTEs or AiL for learners aged 16-18 and those aged 19 or over, together with a total funding allocation subdivided into 16-18 and 19+ blocks. Number of starts and total funding allocation for E2E will have been established in a similar way.
- The process will enable us to calculate a funding ratio for 16-18 and 19+ provision for each college or provider based on £/FTE, £/AiL or £/start as appropriate. This is an individually determined figure which will vary between colleges and providers.
- Local LSCs will agree with each institution or provider for 2004/05 and 2005/06 a headline improvement target for learner numbers for 16-18 year olds and those aged 19 or over expressed in the form of FTEs, AiL and E2E starts, as appropriate.

- By applying the relevant funding ratio calculated for 2003/04 to the headline learner numbers, funding allocations for 2004/05 and 2005/06, 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. Additional funding for higher performance for colleges and other providers of further education (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, subject to the annual review of the development plan and provider performance.
- E2E is a new programme. Consequently, there is a wide variation in the funding ratio for E2E across the country which we are working to reduce. This will mean, however, that the £/start ratio for individual providers cannot be guaranteed for future years.

Reviewing the funding allocation

119 For the purpose of determining the 2004/05 allocation, a college or provider will be regarded as having delivered its agreed volume provided it is within $\pm 3\%$ of the agreed 2003/04 target and to have broadly delivered the agreed profile. Allocation for 2004/05 will then be confirmed, subject to the college or provider not being assessed as giving cause for serious concern through the Council's performance review.

120 In their responses to circular 03/02, some work-based learning providers pointed out that in cases where a provider's learner numbers are small, the proposed margin of $\pm 3\%$ does not equate realistically to individual learners on programmes and in these cases we may need to offer some additional flexibility in coming to a view on the extent to which learner volumes have been met. After giving consideration to the specific comments made

in the consultation we have concluded that for work-based learning providers with fewer than 200 learners the margin will be $\pm 5\%$. We will do further analysis and modelling to assess the extent to which this principle should be extended to other providers with small learner volumes.

121 It is likely, however, that there will be some colleges or providers falling short of the $\pm 3\%$ 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 for reallocation to colleges or providers who, on the basis of performance in 2003/04, are expecting to exceed their expected learner volumes in 2004/05 and 2005/06. 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 for any release of additional funds will be given to those colleges and providers indicating learner volumes greater than 3% above their targets.

122 The allocation cycle for 2004/05 will provide an opportunity for colleges and providers and local LSCs to discuss and agree any significant changes in the pattern of programme weightings or other factors that may affect the funding ratio 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 reorganisation of provision or merger of providers.

123 Further guidance on the review of funding in 2003/04 and confirmation of funding allocations in 2004/05 will be available on the website at (www.successforall.gov.uk).

Section 6: Further Work on the Framework for Quality and Success

Provider missions

124 All Council-funded colleges and providers will need to review their education and training missions as part of the implementation of *Success for All*. The mission review and, more fundamentally, the contribution and positioning of each provider within the area-wide network of learning provision, will need to be discussed in the context of *Strategic Area Reviews* (StARs) as described in circular 03/06 *Strategic Area Reviews*. Existing mission statements may be used to inform the discussions between local LSCs and colleges and providers so as to meet the dates for agreement which we set out in this circular.

125 StARs will involve consideration of each college's or provider's development plan and its identified areas of strength, as well as the improvements it intends to secure each year to 2005/06. Local LSCs, colleges and providers are currently establishing the arrangements for mission review and these should be in place by 31 July 2003. We expect that mission reviews will be completed by 30 April 2004. This should not be seen, however, as the end of the review but rather as one of a number of steps to be taken as we move to area-wide planning. We will publish guidance on provider mission reviews on the website at (www.successforall.gov.uk).

Review of planning arrangements and documents

126 As we implement the framework for quality and success and the recommendations of *Trust in FE*, we will want to carry out further work to rationalise the current planning arrangements for colleges and providers. We will want to ensure that the Council's arrangements for planning and funding are congruent with the activities and processes that colleges and providers use for effective management and quality assurance.

127 We will commission a research project in summer 2003 to investigate and describe the full range of planning processes which colleges and providers carry out, both for their own purposes and for the Council. We will publish the findings of this research later in the year along with our proposals for further improvement of the planning arrangements and coherence with the Council's own planning processes.

Future measures of success

128 The circulars 03/01 and 03/02 summarised our thinking to date about what measures of learners' success would be appropriate for the post-16 sector as a whole in the medium to long-term. Feedback from the consultation events and written responses were very positive. There was a general welcome for the approaches described, particularly the suggestion of developing progression and value added measures for learners across a wide range of courses and programmes. This work includes the Council's project on *Recognising and Recording Achievement in Non-accredited Learning* (RARPA).

129 We are working with the DfES, Ofsted and the Adult Learning Inspectorate through the Measuring Success Steering Group, to identify other ways of measuring success, and to investigate how relevant and accurate they are for the full range of learners' achievements. The DfES and the LSC will be publishing jointly in September 2003 the outcomes of two initial studies and proposing ways of taking this work forward.

Excellence

130 Following the policy set in *Success for All*, colleges and other providers of further education who are judged as excellent in performance review will be allocated premium funding from 2004/05. In circular 03/01, we indicated the broad characteristics of excellent provision and invited comment on them. The responses clearly indicate more work needs to be done and that the sector must have confidence in the way in which judgements

about excellence are made and in the criteria adopted. Many respondents pointed out that the characteristics of excellence are not the same for all parts of the further education sector.

131 We need to investigate and, where possible, address these concerns if we are to establish the necessary credibility and respect for excellent provision which colleges and other providers of further education are seeking. We will carry out further investigation and analysis of the characteristics of excellent provision in different parts of the further education sector and work with the DfES, drawing on the outcomes of the Learning and Skills Beacons review and building on the definitions of excellence in performance review. We will share our work with the further education advisory group and publish our findings and plans in September 2003 in time for the autumn 2003 round of performance reviews.

Monitoring and evaluation

132 The Council is committed to monitoring and evaluating the implementation of three-year development planning. We will evaluate both the planning process and the impact of the new arrangements. We need to identify the extent to which the benefits of the new planning and funding arrangements are being realised for the sector so that we can celebrate the successes and work further to improve the arrangements where needed. A specific focus of our work, beginning in autumn 2003 will be to identify good practice in the process of agreeing three-year development plans, and to use this to support the further development of the skills of Council staff.

133 We will work with the three advisory groups on setting the strategy for monitoring and evaluation, and on considering the findings and ways to further improve arrangements. We aim to publish the outcomes of the first evaluation of the three-year development planning and three-year funding arrangements following the spring performance review in 2004.

Annex A: Three Year Development Plan Guidance and Other Documents

To support colleges, providers and local LSCs, in agreeing the three-year development plan we are making further guidance and other documents available through the website at (www.successforall.gov.uk). Colleges, providers and local LSCs will find the key guidance to support them in agreeing the three-year development plan listed below. We have included a list of other additional documents and information, many of which colleges and providers will already be aware. These, too, are available on the website.

Development Plan Guidance

Colleges and providers will need to refer to one version of the guidance appropriate to:

- General Further Education Colleges, Sixth Form Colleges and Independent Former External Institutions.
- Providers of Work-based Learning only.
- Local Authorities for local authorities adult learning services and work-based learning (covering Further Education, Adult and Community Learning and, if relevant, Work-based Learning).
- Local Authorities with Adult and Community Learning only.
- Higher Education Institutions with Further Education.

Other information and documents referred to in the circular

Data

FE Success Rate Benchmarking Data for 2000/01, LSC (individual further education institution success rate data for 2001/02 has been provided to local LSCs to share with colleges and providers)

Definition and method of calculating learner numbers, LSC

Definition and method of calculating success rates, LSC

Guidance on the calculation of teaching qualifications for further education colleges from the SIR (Staff Individualised Record), LSC

Work-based learning completion rate data for individual institutions has been provided to local LSCs

Employer Engagement

Guidance on Targets for Employer Engagement, LSC

Guide to Good Practice in Employer Engagement, LSDA, 2003

Funding

Funding Guidance for Further Education in 2002-03, LSC, March 2002

Funding Guidance for Further Education in 2003-04, LSC, April 2003

*Work Based Learning - Requirements for Funding
2003-04 Academic Year, LSC, March 2003*

*Guidance on the Review of Funding Allocations
in 2003/04 and Confirmation of 2004/05
Allocations*

Learner Survey

*National Learner Satisfaction Survey: Guidance
on the Core Methodology and Core
Questionnaire, LSC, 2003*

Performance Review

*Briefing Document on Reviewing the Performance
of Colleges and Other Providers, LSC*

Performance Review Appeals Procedure, LSC

*Quality Improvement: Intervention to Improve
the Performance of Providers, Circular 02/06,
LSC, March 2002*

*Reviewing Performance: Refined Arrangements
for Colleges and Providers from October 2002,
LSC, October 2002*

Reducing Bureaucracy

*Trust in the Future – Report of the Bureaucracy
Task Force, LSC, November 2002*

*Trust in FE: Working in Partnership, LSC,
November 2002*

Strategic Area Reviews

*Provider Missions and their Development, LSDA,
2003*

*Strategic Area Reviews, Circular 03/06, LSC,
March 2003*

Success for All

*Success for All – Reforming further education
and training, DfES, November 2002*

*Success for All – Implementation of the
framework for quality and success, Circular
03/01, LSC, January 2003*

*Success for All – Implementation of the
framework for quality and success for providers
of work-based learning only, Circular 03/02,
LSC, January 2003.*

Annex B: Advisory Groups

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

Role

134 The advisory groups were formed to advise the Council on the development of the new framework for quality and success. Their first task was to consider the draft circulars for consultation published in January 2003.

The advisory groups met on two occasions in April and May 2003 to advise on the format for three-year development plans, and the circular and guidance after consideration of the outcomes of consultation. We propose to continue to work with the advisory groups as we implement the framework for quality and success.

Table 4 Further education advisory group membership

Name	Organisation
Lynne Sedgmore (Chair)	Guildford College of Further and Higher Education
Dr Roger Bennett	North Lindsey College
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
Fiona Jordan	Department for Education and Skills (DfES)
Geoff Kerr	Bishop Burton College
Alan Tuckett/Dr Peter Lavender	National Institute of Adult Continuing Education (NIACE)
Fiona McMillan	Bridgwater College
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/learnirect Ltd

Table 5 Adult and community learning advisory group membership

Name	Organisation
Donald Rae (Chair)	Derbyshire County Council/LEA FEA
Anne Armstrong	London Borough of Hounslow
Michael Bowes/Christine Bradshaw	Essex County Council
Sue Cara/Annie Merton	National Institute of Adult Continuing Education (NIACE)
Nadia Cole	Local Government Association
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
Fiona Jordan	Department of Education and Skills (DfES)
Marc Mason	Stockton-on-Tees Borough Council
Alan Noble MBE	Buckinghamshire County Council
Dr Paul Oliver	Herefordshire Council
Bob Powell	HOLEX

Table 6 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
Margaret Brown	York Training Centre
Martin Dunford	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 Glasscock	Protocol Skills
John Hyde	VT Plus Training plc
Fiona Jordan	Department for Education and Skills (DfES)
Peter Little	Birmingham Rathbone
Robert McDonald	Confederation of Group Training Schemes (COGS)
Jo North	In Touch Care
Hugh Pitman	JHP Group Limited

Table 6 Work-based learning (Strategic Forum of the Association of Learning Providers) advisory group membership (continued)

Name	Organisation
Dave Rogers	JTL
Nick Rowe	HCTC
Glyn Williams	NTP Ltd

Terms of reference

135 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.

Notes

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