Report of
the Stage 2
Working Group

1998

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September 1998

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Annexes

Foreword

I have great pleasure in presenting the report of the stage 2 working group on the fundamental review of the funding methodology.

The Council is very grateful for the efforts made by the members of the group. It has been one of the hardest working groups ever set up by the Council, with an excellent record of attendance at meetings.

The group has faced a challenging task. It began its work just after the general election, with a change of government and a new ministerial team in power. The sector was still recovering from the reverberations which followed the withdrawal of demand-led element funding by the previous government. As a result, the group has taken a different approach compared with the orthodox way in which such groups have operated in the past.
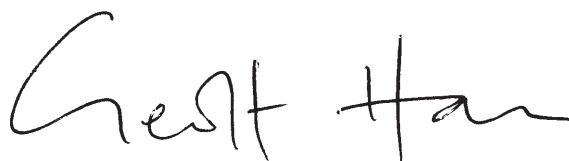
The group has provided invaluable advice to the Council on the key issues of the day through me as its chair and the Council's lead on funding. Inevitably this was at the expense of longer-term considerations. It is interesting that one of the group's recommendations is that the Council should have a standing group which acts a sounding board on funding matters. The report also recommends that the Council set up a longer-term strategy group to ensure the Council's approach to funding is aligned to the government agenda for lifelong learning.

Nonetheless, the fact that the select committee has endorsed so much of the Council's approach to funding is in part a reflection of the excellent discussion and sound advice which the group had to offer, for example, in particular, on the implementation of the widening participation factor.

The group has also endeavoured to find ways of simplifying the Council's approach to funding. At the same time, members have counselled wisely on the dangers of lurching from one approach to another without adequately modelling the results and being aware of unintended consequences.

Overall, I believe the group's recommendations will lead to a better understood, more transparent and generally equitable methodology which will be in place by 2000-01.

Meanwhile the long-term strategy group will assess whether it can deliver the new lifelong learning agenda beyond 2001.

Geoff Hall
Director, Funding and strategy, FEFC

Report of the Stage 2 Working Group

Background

1   The Council agreed to undertake a fundamental review of the funding methodology in July 1996. It agreed a two-stage approach. The first stage of the review considered:

- the basic structure of the methodology

- viable alternatives.

Stage 2 was to be concerned with the detailed implementation of alternatives proposed by the stage 1 group.

2   The Council began the fundamental review of the funding methodology in September 1996 with the intention of implementing any change from 1998-99 onwards. As a result of the wish of the stage 1 group to undertake some pre-consultation in January 1997, the uncertainties over demand-led element funding, and the group's concern that the sector would be too distracted to give proper attention to consultation until matters were resolved, consultation on stage 1 was delayed until stage 2 of the review, as it was expected that a new government might change the agenda for further education.

3   The stage 1 group completed its work in May 1997 and the Council considered its report at its meeting on 19 June 1997.

Summary of conclusions and recommendations

4   The main conclusions of the stage 1 group were:

- the methodology has worked during the sector's set-up phase, but its outcomes are not always readily predictable and it is difficult to explain to those outside the system

- no alternative methodology appears to have the flexibility of the existing model and there is, therefore, no recommendation to adopt a different model

- the methodology should be simplified wherever possible

- the methodology needs to be tested against the main issues which the sector expects to face in the next five years.

5   The group recommended that there was no need to consult the sector at that time; institutions could be consulted during stage 2 of the review. The stage 1 group's report was published in Circular 97/31, *Fundamental Review of the Funding Methodology.*

Issues for consideration by the stage 2 group

6   The issues identified for consideration by the stage 2 working group were:

- impact on the curriculum, for example, unitisation, new modes of learning, funding driving the curriculum offer

- value-added

- regional funding

- implementing the recommendations of the widening participation committee

- maintaining diversity of mission

- collaboration *versus* competition

- collaborative provision

- evaluation of the additional support mechanism.

7   This agenda was expanded to take on board further issues which arose during the course of the work of the stage 2 group. The group was asked by the Council to consider changes in the funding methodology to be implemented for 1999-2000, including simplification of the methodology, together with any changes which could be implemented for 1998-99.

Context

8   The stage 2 group began work in July 1997. The context in which the sector operates has changed considerably since that time. The new government's policies include:

- widening participation

- raising standards and attainment

- collaboration rather than competition

- college mergers and rationalisation of provision where appropriate

- focus on local/regional provision

- targeted growth.

9   There are a number of government-led developments, for example, University for Industry (UfI), Individual Learning Accounts (ILAs) and Return to Learn, which will have considerable impact on the further education sector but where implementation strategies are still being evolved.

10   The change of government and the numerous new initiatives have required the Council to develop responsive policies within short timescales. The stage 2 group has found itself increasingly used as a sounding board, feeding views into the Council on emerging issues, as the short timescales required by the government have challenged the Council's established working practices, traditionally built up by engaging the sector through working parties and consultation.

Work of the Stage 2 Review Group

11   The membership of the stage 2 review group is set out at annex A and its remit at annex B. It has met on six occasions, three in intensive residential session, during which it has considered the issues outlined at paragraph 6 above. Meetings were well attended. A summary of the group's activities is at annex C.

12   As with the stage 1 group, the stage 2 group found it difficult at times to separate the structure of the funding methodology and the policy and resource context in which it operates. While taking a positive view of the structure of the methodology, it remains critical of the overall limited resources available to the further education sector compared with other sectors, the increasing number of seemingly unco-ordinated government initiative funds offering small amounts of money, and the effect of continuing high levels of efficiency squeezes. It believes that the overriding concern in the sector is the total amount of funds available. Everything else is secondary. Many of the issues which have emerged in relation to the funding methodology stem from the declining average level of funding, and the inadequate levels of funding delivered for individual learning programmes. The group welcomes the view of the education and employment select committee that further education has been underfunded and that institutions should not have to face an efficiency saving any greater than that agreed for higher education institutions.

Issues for 1998-99

Advice to the tariff advisory committee

13   The group was requested as part of its remit to advise on any changes in the funding methodology which could be implemented for 1998-99. In particular, the tariff advisory committee (TAC) asked for the group's view on any actions which could be taken for 1998-99 on collaborative provision and the implementation of *Learning Works*, the report of the widening participation committee. Members received presentations and papers on these issues at the first and second residential meetings in July and October 1997 (see annex C).

Collaborative provision

14   The group was asked to consider the available evidence on collaborative provision and to make recommendations on changes for 1998-99.

15   The group considered this request as part of a wider discussion of collaborative provision and possible longer-term action. At the time, a report was expected from the secretary of state's working group on collaborative arrangements in further education. The group understood that a particular concern of the DfEE was to ensure that there is an appropriate balance of funding of provision between employers, individuals and the public purse, and that there was a view that employers should pay a greater contribution to the cost of employment-led programmes. In addition, the Council had just commissioned a study to investigate whether there was a systematic cost differential between direct and collaborative modes. The group received an update on the progress of this study but took the view that the results were unlikely to be available in time to influence the funding methodology for 1998-99.

16   After considerable discussion, the group concluded this was a complex issue which needed longer-term consideration. Consequently it felt unable to make any specific recommendations to TAC for 1998-99. This issue is considered further at paragraphs 86 to 88.

Implementing Learning Works

17   The group was asked to advise on the implementation of the Kennedy mechanism using the index of local conditions at ward level as a proxy for previous educational achievement in 1998-99.

18   In *Learning Works*, the widening participation committee suggested that additional funding units be made available for poorly qualified young people on the basis of previous achievement and that poorly qualified adults should be identified, at least in the short term through the index of local conditions, at ward level. Students would be assigned to wards using this index. Additional units should be made available, not only at the entry stage, but also at the on-programme and achievement stages. The group considered that it was important for the Council to move forward on the recommendations in *Learning Works* for 1998-99 and to be seen to target educational underachievement. Advice from Council staff suggested that the only possible basis for taking the mechanism forward in 1998-99 was postcode analysis since data on prior achievement were not yet sufficiently reliable.

19   After considering a presentation on the operation of widening participation in the Welsh funding methodology and considering the model proposed for use in England, the group requested a presentation on the financial effects of the model. This was provided in December 1998. Opinion on the use of the index and postcodes varied in the group and the approach was accepted as a proxy for deprivation only in the absence of feasible alternatives for 1998-99. This issue is considered further at paragraphs 71 to 73.

20   The group recommended that subject to further work on the model, TAC should for 1998-99 consider the introduction of a widening participation factor in the tariff using the index of local conditions as a proxy for previous educational achievement.

Longer-term Issues

Impact on the curriculum

21   The group has worked within the context of the changes taking place to the qualifications structure operating in further education. These changes seek to rationalise the number of qualifications on offer and to provide a national framework into which all qualifications should fit. It has considered the following issues:

- programmes for full-time students aged 16–18
- unitisation
- new modes of learning.

Programmes for full-time students aged 16–18

22   The changes in qualifications, planned for 2000, create a wider range of opportunities for students aged 16–18. However, the capacity of institutions to deliver these opportunities will vary, potentially leading to significant discrepancies in the curriculum available. A clear policy steer on a 16–18 curriculum entitlement could provide the basis for equitable funding.

23   As part of the third meeting of the group, the Council ran a seminar on programmes for full-time students aged 16–18, in particular, to address issues related to the tariff for GCE A levels and enrichment. Eleven representatives from sixth form and tertiary institutions were able to join the stage 2 group. The seminar recognised that the size of the further education quantum dictated the average level of resources available. This was considered inadequate to deliver a desirable full-time curriculum offer especially when compared with funding for other sectors, in particular, school sixth forms. The group agreed that a curriculum entitlement for students aged 16–18 was important. However, additional funds for this group should not be provided at the expense of adult students. Concern was expressed by some members of the group that part-time students aged 16–18 should also have a curriculum entitlement although it was recognised that these students are not generally funded by the Council. There was broad agreement on an approach based on funding a curriculum entitlement for full-time 16–18 students which should consist of a core programme (for example, three A levels), key skills and enrichment activities. The group did not consider that a separate approach to the funding of these students was desirable. The group believes that the current funding methodology can be adapted easily to reflect a 16–18 curriculum entitlement.

Conclusion

24   The group recommends that the Council undertake further work in this area to be shared with the sector.

Unitisation

25   The group noted the government's response to the consultation on *Qualifying for Success* and welcomed the proposals for smaller unit-based advanced level qualifications (three unit AS, modular A level with modules equivalent to the size of GNVQ

units and three and six unit GNVQs) and to the request to the qualifications and curriculum authority (QCA) to undertake further work and report on the implications of a unit-based curriculum.

26   The group also noted that the *WALES Green Paper on Lifelong Learning* proposes a single post-16 qualifications framework for all students in schools, institutions, universities and work which would bring together all qualifications into a single system of levels and credits. The background to the unitisation debate is outlined at annex D.

27   The group considers that a unit-based credit framework and funding based on units of qualifications are essential if the numbers of adults returning to learning are to be increased. It will make access easier for learners, by reducing learning to more readily completed chunks which can be taken at the learner's convenience. The group believes that the development of the methodology should be linked to a unit-based credit framework. It considers that the funding methodology will adapt to the funding of units but has concerns about the additional administrative burden a unit-based system may place on institutions. There is a need also to explore the implications of these ideas for other aspects of the methodology to establish whether a coherent system can be developed. The group recommends that the Council run a shadow pilot in 1998-99. Working with the Further Education Development Agency (FEDA), the technical and practical implementation of such a system can be tested in a small number of colleges.

Conclusion

28   A shadow pilot on unitisation should be run during 1998-99.

New modes of learning

29   The funding methodology uses guided learning hours (glh) as a basis for determining the tariff for a qualification. The group received presentations on and discussed the impact of new technology on learning at its first meeting in July 1997. It is not clear that learning will be measurable in glh as new IT-based modes of delivery are developed. The group has concluded that at this stage the guided learning hour was still the most appropriate basis for determining the tariff but that it would be necessary to keep this under review as new modes of learning develop. The group was concerned to ensure that the impact of the UfI on patterns of provision and modes of delivery was monitored.

Conclusion

30   The group recommends that the TAC should set up a subgroup to keep new modes of learning, and in particular developments in distance learning, under review.

Quality

31   The *Further and Higher Education Act 1992* gives the Council a duty to ensure that satisfactory arrangements exist to assess the quality of education provided within the further education sector. This duty is fulfilled through the Council's inspectorate. In addition, as part of the development of the funding methodology, it was decided to introduce a number of levers to influence the quality of education provided by institutions to students. At incorporation, there were concerns that retention and achievement levels in further education were too low. These levers are:

- reflection of student retention in the on-programme units earned by institutions

- units for the achievement of qualifications, including a differential rate for qualifications which lead to the achievement of national targets for education and training (NTETs)

- where the inspectorate has assessed a curriculum area as less than satisfactory provision in which the weaknesses outweigh the strengths (grade 4 or 5), the institution shall not increase the number of students taken on to the first year of programmes in the curriculum area or areas in question until the inspectorate is satisfied that the deficiencies have been remedied

- where the inspectorate has assessed the institution's quality assurance arrangements as less than satisfactory in which the weaknesses outweigh the strengths (grade 4 or 5), the institution may not enter into new or extend existing collaborative arrangements until the inspectors are satisfied that the deficiencies have been remedied.

32   The stage 1 group was concerned that an obvious link would develop between variations in funding and the quality of education provided as the financial position of the sector deteriorated and a rising proportion of institutions experienced acute financial difficulties (at the time of publication, at more than 25 per cent). The stage 1 group requested that stage 2 of the review gave further consideration to quality issues.

33   The stage 2 group considered quality issues at its first and third residential meetings and received presentations and papers on the following issues:

- direct links between funding and quality

- value-added

- dedicated funds

- institutions in difficulty.

Direct links between funding and quality

Issues

34   Should institutions be rewarded through the methodology for good inspection grades?

35   Should the level of achievement units in the tariff be increased?

36   At present, institutions with good grades for inspection receive no additional funds. Analysis of inspection grades and funding suggests that even those institutions with lower levels of funding can achieve and maintain good-quality provision.

37   The group considers that the current links between funding and quality are effective — for example, curriculum grades improve on reinspection, and there should be no further direct links between the funding methodology and quality at present. The group does not consider that the funding methodology should be used to allocate more funds to institutions with high inspection grades or less funding to institutions with poor inspection grades. However, it may be appropriate to offer targeted funds outside the methodology to assist quality improvement. This is discussed at paragraphs 45 to 48 below.

38   The group also considered whether the level of achievement units in the tariff should be increased in order to improve success rates. At present, the value of the achievement rates are based on 10 per cent of the total units available for a one-year full-time programme in the lowest costband leading to a qualification which counts towards the NTETs. For any other achievement, the value of units is based on 8 per cent of the total units available for such a programme. Inspection reports highlight persistent weaknesses in student achievement of qualifications.

39   The group considers that there are a number of factors which influence student retention and achievement in institutions other than funding. Admissions policies, guidance, teaching and all other aspects of support for students are important. The funding methodology encourages continuing support and guidance for students through the entry and on-programme elements of the tariff and the penalties associated with student drop-out. Quality assurance systems also need to take proper account of why students fail assessments, and institutions should have clear targets for improving retention and achievement rates. Many in the sector believe that if a more modular and unified structure for the further education curriculum were developed, which included mechanisms for students to accumulate credit for their achievements, achievement rates would be likely to improve.

40   The stage 2 group is not convinced that a change in the balance of units in the tariff to increase the achievement element is needed at this point. There are concerns that such an increase would result in unintended and undesirable consequences and might hinder attempts to widen participation among those with limited educational experience. Output-related funding in other sectors tends to lead to adverse cashflow, increased uncertainties over income levels and pressures to select only those students most likely to succeed. However, the group considers that this issue should be kept under regular review.

Conclusion

41   There should be no further direct links between funding and quality. The level of achievement units should remain unchanged.

Value-added

Issue

42   Should value-added measures be introduced within the funding methodology?

43   The group considered whether value-added measures should be used within the methodology at its first residential meeting. It concluded that although value-added measures were valuable to individual institutions for internal management purposes, they were not sufficiently developed across the full range of provision. To date, successful value-added measures have been developed only for the GCSE to GCE A level route. The group believe that it would be inappropriate to link value-added measures with the funding methodology until comprehensive and reliable measures are developed. The group recommends that the Council keeps this issue under review and supports further research and development on the use of value-added measures within vocational programmes.

Conclusion

44   The Council should keep under review the issue of value-added measures within the funding methodology and support further research and development on value-added within vocational programmes.

Dedicated funds

Issue

45   Should special funds be made available to promote quality improvement?

46   Whilst the group was agreed that there should be no direct link between funding and quality, it considered that there was scope for the use of special funds to support the Council's quality improvement strategy. These funds could be used to encourage institutions with good inspection grades to disseminate their expertise to institutions with low inspection grades. The group notes the announcement in *Council News* No. 46 that institutions achieving accredited status will receive a one-off payment of £50,000 for the purposes of disseminating good practice to the sector.

47   The groups believe that there is scope for the development and funding of programme area partnerships between successful and less successful institutions. It recommends that FEDA be asked to map existing partnership activity and programme area support and development structures. Members consider that funds should be set aside for the implementation of post-inspection action plans agreed with the inspectorate. There was support also for a fund to assist those institutions which have achieved their funding agreement with the Council but are seeking to improve low levels of retention and achievement. These activities depend on an increase in the further education quantum and the support of the sector to a degree of top-slicing.

Conclusions

48   The group suggests that there should be special funds to encourage programme area partnerships, funds for the implementation of action plans, and a retention and achievement fund. The sector should be consulted again on top-slicing for specific purposes where there is a benefit for the sector as a whole which exceeds that for individual institutions.

Institutions in difficulty

49   Some members of the group consider that there should be a role for the Council in appointing a fixed-term governor or assessor to the governing bodies of institutions that are in difficulty. It is considered that this would offer benefits for both the Council and institutions.

Simplification and Predictability

Issue

50   The methodology should be simplified wherever possible.

51   The methodology is designed to reflect the activities institutions undertake in providing for students. It is designed to fund the sector on the basis of the learning experiences of the student, rather than simply their presence on a course. To provide a common basis for assessing the diverse activity in further education, each institution's total provision of education and training programmes which the Council funds is expressed as a number of standard funding units. The values of funding units available for specific aspects of provision are established in a tariff, the tariff values being determined by the Council on the recommendations of the TAC. The committee's recommendations take account of responses from the sector to consultation by the committee on its proposals for a particular teaching year.

52   The methodology was designed to cope with the complexity of further education. The Council is concerned, however, that the methodology should

not itself be so complicated as to be difficult to understand and to operate. The Council has sought to maintain a balance between complexity and fairness and looks to simplify the methodology where this would not introduce undue inequity. The report of stage 1 of the review concluded that the sector would welcome further simplification, particularly where this would reduce the administrative burden.

53   The theme of simplification was considered at each residential session by the group and has underpinned all discussion. The group consider that some of the criticisms made of the funding methodology in fact relate to the practical implementation of the system and the fact that institutions have to provide much more information than in the past about what they do, and how much it costs. The high levels of efficiency gains experienced by the sector and the impact of convergence have meant that institutions are under considerable pressure.

54   The group believes that whilst simplification should be sought wherever possible, the diversity of further education, the variety of programmes offered and the desire for the system to be sensitive to different needs limit the possibilities.

Introduction of a new allocation model

55   The group considers that increasing the predictability of the system is an achievable goal. It believes that the Council has already taken a significant step towards greater predictability with the new funding allocation model. This in itself represents a significant modification to the methodology. The new allocation model was used for the first time for 1998-99 and allows the prediction of an institution's main allocation based on the current public expenditure survey (PES) settlement.

Introduction of a new funding program

56   The funding methodology and the associated funding program have been in operation since 1994-95. It is inevitable that, with adjustments to the funding methodology made in the intervening years and practical experience in the operation of the system, the funding program has required adjustment. The current program has now become too complex to understand and maintain and a number of anomalies have been identified. These need to be addressed. Work has begun on the design of a new funding program which it is considered will simplify the implementation of the methodology, improve the predictability of the results and remove the anomalies identified in the existing program.

57   The group has assisted in the development of a working prototype of the new funding program and recommends that development of a working model should continue. It welcomes the introduction of a program which simplifies the process, improves the predictability in the calculation of tariff units and is easier to explain. However, the group believes that a full year shadowing the existing system will be required before introduction. Extensive testing with individual institution data will be needed to ensure that there are no unintended consequences for institutions. Further information on simplifying the implementation of the methodology using the proposed new funding program is set out at annex E.

Tariff optimisation

58   The group received a presentation on this issue at its first residential meeting. It was also discussed at the session on funding for full-time students aged 16–18 at the group's third residential meeting. The group wishes to ensure that the funding system does not create perverse incentives or reward inappropriate behaviour.

59   The Council seeks, through the convergence mechanism, to fund students on the same programme in different institutions at the same rate. Convergence is focusing attention on tariff anomalies. Evidence presented to the group suggests that some institutions are able to achieve higher units than others. The Council wishes the tariff to be neutral. Institutions are expected to plan and monitor their programme delivery within the spirit and intentions of the methodology. The Council does not wish, and the group does not believe, that it should be necessary for the Council to establish a 'rule' for every eventuality. However, the group considers that some institutions spend too much time trying to calculate funding units.

60   The group believes that the Council needs to ensure that the integrity of the funding methodology is maintained. The system should discourage the proliferation of qualifications which may distort a student's learning programme, simply to maximise units. The group believes there should be convergence of units. Students on the same programme at different institutions should be worth

the same number of funding units. The group considers that the Council should take action to discourage overclaiming. One way of doing this would be to publish an acceptable range of units per full-time equivalent student (FTE). Work on establishing a curriculum entitlement for students aged 16–18 should assist this process. The group considers that the Council should take appropriate action in circumstances where there is evidence that overclaiming is happening but should allow a transitional period for institutions to move within range.

Conclusions

61   The group recommends that the Council continue to develop a new funding program and in the meantime, publishes an acceptable range of units per FTE, and takes action to discourage overclaiming.

Regional Funding

Issue

62   If required, could the funding methodology be adapted to deal with a regional focus to funding?

63   This issue was raised by the stage 1 group in anticipation of a regional development strategy which might suggest a regional funding model. At its second residential meeting, the stage 2 group considered developing policy on regional issues. Among the issues discussed were regional funds already available such as the European social fund (ESF), the development of regional development agencies (RDAs) and how the funding methodology could be adapted to deal with a regional funding approach.

64   At present, the Council funds further education using a national framework. Each institution is treated equally but separately within this framework. At this point, it is uncertain whether there is likely to be a policy steer from government towards a regional funding model, at least on a partial basis. However, the group considers that depending on the approach chosen, the funding methodology is sufficiently flexible to cope with this development if required, although there is a risk of increased complexity.

65   The group recognises that issues of adequacy and sufficiency are becoming more prominent because of overall limitations in the funds available. The development of collaborative arrangements has resulted in the development by many institutions of a regional or national focus. The group considers that the Council has scope for a clearer role in influencing the pattern of provision, for example in the encouragement to institutions to emphasise local priorities. However, it does not consider that there should be any attempt to plan patterns of provision at a detailed level.

Conclusion

66   Depending on the approach chosen, the group believes the funding methodology is sufficiently flexible to cope with a regional funding model, if required.

Implementing Widening Participation

67   The Council consulted the sector on the recommendations of the widening participation committee in Circular 98/07, *Consultation on the Recommendations of the Widening Participation Committee*. The results of this consultation were taken to the first anniversary meeting of the widening participation committee on 30 June 1998 and subsequently to the Council. This will be followed by a circular on the Council's proposals in autumn 1998.

68   The stage 2 group considered the funding proposals in *Learning Works* at its four main meetings. The group believes that it is important to recognise the considerable contribution already made by the sector to widening participation. It considers that the further widening of participation will not be achieved unless the government makes this a priority for the sector and additional funds are made available. Some members of the group were concerned that the funding methodology should not be distorted by priority being given to different client groups.

69   The following recommendations by the widening participation committee are considered elsewhere in this report:

- ensure that funding arrangements can accommodate interim achievement and unitisation of the curriculum (paragraphs 25 to 28)

- change the tariff so that employers and individuals who can afford to pay a higher proportion of the costs of their learning do so (paragraphs 89 to 92)

- take success in widening participation into account in the criteria for allocating any funding above the core (paragraph 73)

- aim to simplify the funding system (paragraphs 50 to 61)

- develop its funding arrangements to support the increasing use of information technology, telematics, distance, open and flexible learning (paragraphs 29 and 30).

70   Inevitably, the group's attention focused on the proposal to use the index of local conditions as a proxy for previous educational achievement since much work was needed to ensure the proposal was fully developed for application in 1998-99.

Issue

71   Use of the index of local conditions as a proxy for previous educational achievement.

72   The group contributed to discussion on the proposal of the widening participation committee, subsequently accepted by the Council, to use the Department of the Environment (DoE) index of local conditions as a proxy for indicating areas of deprivation from which students recruited would be likely to require additional resources. There was some concern that the proposed use of the index might not reflect pockets of deprivation and this might particularly be true in rural areas. Further modelling work indicated that the index was not consistently missing significant pockets of deprivation, and that where they exist they are not sufficiently widespread to call into question the value of the ward level index as an indicator of relative deprivation. There was some concern that the data used to calculate the index were out of date and inaccurate, and do not reflect deprivation which has arisen in areas of recent industrial decline.

73   The group considers that the Council should continue to review the criteria for identifying the qualifying postcodes until such time as they can be replaced by a direct method of identifying potential students with a background of educational underachievement. The Council has proposed during 1998-99 to trial the use of prior educational achievement for 16–18 year olds as the basis for allocating widening participation funds, as recommended in *Learning Works*. The group welcomes this development. The group noted that its recommendation that the new funding program be

introduced in 2000-01 means that a change in the method of allocating widening participation funding may also have to wait until 2000-01.

Issue

74   Childcare units in the tariff.

75   The widening participation committee recommended that the Council should add the funds currently provided through the funding allocation for childcare to access funds to create a new access and childcare fund.

76   The Council introduced childcare support as part of the funding methodology in 1995-96 in response to comments from the sector that the costs of childcare were acting as a barrier to participation by individuals on low incomes. The Council compensates institutions which provide crèche facilities at no cost, or which meet 100 per cent of the costs of childcare by a registered childminder, for individuals on low incomes. It is a limited scheme which was introduced as an interim measure before the recommendations of the widening participation committee.

77   The proportion of units claimed for childcare in further education institutions amounts to 0.1 per cent of the total unit allocation, approximately £3,000,000 and 13,000 students. Funds provided for childcare support would otherwise have been spent on the provision of education.

78   The basis for the future distribution of access funds is being considered by the access funds working group, which reported to Council in July 1998. The group considers that the proposal in *Learning Works* to remove funds for childcare from the tariff and the creation of a new access and childcare fund should be not be implemented until the basis for the distribution of access funds has been reviewed by the Council during 1998. The existing use of funds provided for childcare support should be monitored to ensure that those institutions currently making use of this mechanism do not lose out in any new arrangement. Some members of the group considered that these funds should be replaced or retained within the methodology for the provision of education.

Conclusions

79   A study during 1998-99 should investigate the use, for full-time students aged 16–18 of prior achievements as an alternative to the index of local

conditions as a proxy for deprivation. The proposal to remove childcare funds from the tariff and the creation of a new access and childcare fund should not be implemented until the basis of access funds has been reviewed by the Council during 1998.

Maintaining Diversity of Mission

Issue

80   There is concern in the sector that the Council's policy of convergence is making it more difficult for institutions to maintain diversity of mission. This concern tends to be expressed by small, specialist, rural and isolated, inner city and sixth form institutions.

81   At its third residential meeting, the group was asked to comment on the Council's proposed approach to the review of institutional and geographical factors which was to be supervised by TAC. This was subsequently published in *Council News* No. 46. The group felt that the review of such factors would be difficult as it would be possible to make a case for special consideration in respect of a variety of factors which were important to individual colleges, but it was by no means clear why such factors should be given preference. Essentially, the Council is seeking equity of funding; that is, institutions should receive the same funds for the same student with the same characteristics studying the same qualifications. The group supports this view but believes that it is important to check to ensure that there are no underlying issues causing institutions inescapable costs.

Conclusion

82   The group would wish to ensure that there are no unintended effects occurring in the methodology and supports the Council's decision to undertake a review of institutional and geographical factors.

Collaboration *Versus* Competition

Issue

83   Does the methodology need to be amended to encourage collaboration rather than competition between institutions?

84   The group received presentations on the advantages and disadvantages of merger at its first residential meeting. The group considers that there should be further research on the longer-term benefits and disadvantages of merger and that there is no need at present to change the funding methodology's currently neutral approach to college organisation. The group considers that it could be more effective to offer incentives to collaboration outside the methodology. Competition in mainstream areas of provision may be seen to have benefits where students are well-informed of the options available to them. In some areas, it is necessary to have regard to the need to protect minority curriculum areas to ensure a comprehensive curriculum offer. It is likely that this will only be sustained through collaborative partnership activities.

Conclusion

85   The group endorsed the principle of collaboration and encouraged the Council to consider other measures, such as funded feasibility studies to support collaborative curriculum activity.

Collaborative Provision

Issue

86   The future of collaborative provision.

87   The group considered collaborative provision (CP) at each residential session. The group's view is that good-quality collaborative provision has a role to play in further education. It has undergone greater scrutiny than any other provision and has proved to be an effective means of delivering learning. The group believes that CP can extend access and increase participation but that on occasions it has distorted the way in which institutions work in local settings. There are concerns about what the Council should buy and at what price. The impetus to enter into collaborative arrangements should be to widen participation rather than to maximise income. The system should not reward institutions for concentrating on franchised rather than direct activity. The Council is awaiting a final report on the costs of franchising and whether a differential in funding between direct and franchised provision should be recognised in the methodology.

Conclusion

88   The group recommends that the Council consider issuing a new circular updating the guidance on collaborative provision to reflect developments since December 1996.

Balance of Funding Between the Individual, the Employer and the Public Purse

Issue

89   How much should an individual or an employer contribute to the cost of provision?

90   Since incorporation, there has been a decline in the percentage of funding which institutions have earned from non-Council sources. It is clear that the government expects institutions to earn more income from different sources, particularly employers. Employer-based provision is seen as the responsibility of the employer. The government has made clear in its green paper that it is committed to the development of individual learning accounts (ILAs) as an important way forward in promoting lifelong learning. The emphasis is likely to be on redirecting public expenditure towards those on lower incomes and those with few qualifications or none.

91   For 1998-99, the Council has reduced the tariff units which may be claimed for dedicated employer-based provision by one-third. The Council will assume a tuition fee of 50 per cent instead of 25 per cent. The intention is that institutions will increase the fees charged for this type of provision. The change in the tariff was the direct result of the secretary of state's wish to make progress towards securing a fairer balance between the contributions of employers and the public purse to employer-led provision in further education, against the principle that employers should be meeting at least 50 per cent of the cost of such provision. The group considers that although it may be right in principle for employers to pay more, there has been a tradition of public subsidy for employer training and this will not be easy to change. It is concerned that employers will be unwilling to pay an increased contribution and that this policy or any extension to it will have an adverse effect on training and the achievement of national targets.

Conclusion

92   The group considers that the Council and the DfEE should proceed with caution, and monitor the effects of the initial change in policy before seeking to extend the policy of increasing employer contributions.

Evaluation of the Additional Support Mechanism

Issue

93   The working of the additional support mechanism.

94   The additional support mechanism has been welcomed by the sector and was singled out for praise in *Inclusive Learning*, the report of the Tomlinson committee on students with learning difficulties and/or disabilities. In response to proposals in *Inclusive Learning*, the number of additional support bands were increased from five to seven and the upper limit increased to £18,800 in 1997-98. The student (or his or her advocate) is now expected to sign the additional support costs form. This underlines the importance to the student and the institution of the assessment process. Moreover, it emphasises that the student has an entitlement to the support described and costed on the additional support costs form.

95   Analysis completed for the widening participation committee indicates that additional support improves retention for students receiving it. However, the mechanism has not yet been evaluated as the Council wished to give the mechanism time to settle in. There has been some comment from the sector on the range of actual costs charged by institutions. This may have resulted in unintended consequences, such as the overclaiming of funding units and students in some cases being provided with inappropriate support. There have also been comments to the effect that the threshold levels used are too high, that certain groups are effectively excluded, and comments on the difficulties experienced by institutions with low average levels of funding.

Conclusion

96   The group recommends that the additional support mechanism be evaluated during 1998-99.

Timing of Changes Arising from the Review

97   The group considers that the sector has experienced significant changes recently and recommends that the implementation of any major changes arising from the fundamental review should be delayed until 2000-2001. Where possible, 12 months' notice of any change should be given.

However, a number of the issues identified by the group in this report will involve Council staff in continuing work during 1998-99.

Longer-term Strategy

98   The fundamental review of the methodology has taken longer than expected because of the changes which the sector has faced since September 1996. It has been inevitable that the sector and the Council have needed to focus on other matters. The group hopes that the outcome of the comprehensive spending review will result in more money for further education. However, the group considers that funding will remain tight and that the Council should prioritise funding. The group believes that in order to take an overall view and reconcile different interests, the Council will continue to need a sector sounding board. It recommends that the Council set up a standing committee to provide this advice. It also considers that the Council should set up a longer-term strategy group consisting of sector representatives to look beyond the preoccupations of the moment and help the Council develop its strategy for the next five years.

Co-ordination of targeted funds

99   The government and the Council have made available a series of funds totalling £23.5 million targeted at particular initiatives. In addition, £2 million will be available in 1998-99 to fund stage 2 of the quality initiative and £5 million to fund 10,000 out-of-school childcare places in institutions. Institutions have been invited through circulars and letters to apply for these funds and this has been time-consuming and expensive. It is likely that the trend in allocating funds for specific initiatives will continue. In order to simplify the process for the sector, the group recommends that the Council considers a co-ordinated approach to the administration of targeted initiatives to reduce the burden on institutions.

Conclusions

100   The group's conclusions fall into two main categories:

- funding-related
- not directly funding-related.

Funding-related conclusions

101   The stage 2 group has reached the following funding-related conclusions:

a.   major changes to the methodology should be implemented for 2000-2001;

b.   where possible, 12 months' notice should be given before changes are implemented;

c.   any change should be modelled thoroughly to avoid unintended consequences;

Curriculum

d.   there should be further work on funding a curriculum entitlement for full-time 16–18 year-old students and the implications of any change for the remainder of the methodology;

e.   anomalies in the claiming of funding units for the fourth GCE A level should be removed on a tapering basis;

f.   there should be a pilot on funding units of qualifications within a credit-based framework during 1998-99;

Convergence of units per FTE

g.   the Council should publish an acceptable range of funding units per full-time equivalent student, take action to discourage overclaiming, but allow institutions time to come within range;

Targeted funds

h.   the sector should be consulted again on top-slicing for specific purposes where there is a benefit for the sector as a whole which exceeds that for individual institutions;

Quality

i.   funds should be set aside for the implementation of post-inspection action plans;

j.   a special fund should be set up to assist institutions which have exceeded their funding agreement with the Council by improving retention and achievement rates;

k.   there should be no change in achievement units for the present;

l.   programme area partnerships between colleges with good inspection grades and those with low grades should be encouraged and funded;

Simplification

m. a working prototype of the new simplified funding program should be developed by autumn 1998, run in parallel with the existing system during 1999-2000, and introduced, all being well, in 2000-01;

Regionalisation

n. depending on the approach chosen, the funding methodology is sufficiently flexible to cope with regional funding if this were required, although there is a risk of increasing complexity;

Widening participation

o. a study during 1998-99 should investigate the use, for full-time students aged 16–18, of prior achievements as an alternative to the index of local conditions as a proxy for deprivation;

p. the proposal to remove funds for childcare from the tariff should not be implemented until the basis for the distribution of access funds has been reviewed by the Council;

Additional learning support

q. the additional support mechanism should be evaluated during 1998-99.

Conclusions not directly funding-related

102 The stage 2 group's conclusions are:

a. the Council should consider setting up a longer-term strategy group;

b. the Council should consider setting up a standing committee to advise on new initiatives;

c. the Council should seek to co-ordinate and simplify the administration of targeted funding initiatives;

d. further guidance should be provided to the sector on collaborative provision;

e. FEDA should be asked to map existing partnership activity and support programme area support and development structures;

f. the Council should support further research and development on value-added within vocational programmes;

g. the Council should consider appointing a fixed-term governor or assessor to the governing bodies of institutions in difficulty;

h. a subgroup of the TAC should be set up to keep new modes of learning under review.

Annexes

Membership

Jim Aleander, Principal, West Nottinghamshire College

Hilary Anslow, Principal, King George V College

John Brennan, Association of Colleges

Nick Brown, Principal, Oldham Sixth Form College

John Brookham, Principal, Plumpton College (meeting 3 onwards)

Jim Crewdson, Principal, South Kent College

Ray Dowd, Principal, Hopwood Hall College

Peter Elliott, Principal adult education officer, Wakefield LEA

Andrew Grice, Director of finance, City and Islington College

Geoff Hall, Director of funding and strategy, FEFC *(Chair)*

Tony Henry, Principal, East Birmingham College

John Gusterson, Principal, Brooksby College*

Stanley King, DfEE

Jill McLeod, Assistant principal, resources, Barnet College

Caroline Mager, Head of curriculum and qualifications, FEDA

Karen McMahon, Director of finance, Craven College

Fiona McMillan, Principal, Bridgwater College

Jane Williams, Principal, Wulfrun College

Secretariat

Jenny Burnette, Funding manager: tariff, FEFC

Geoff Daniels, Assistant director and head of education policy, FEFC

Tony Holloway, Assistant director: funding, FEFC

Christie Mountford, Senior funding officer: tariff, FEFC

Michael Stock, Chief statistician, FEFC

Scott Winter, Funding manager: allocations and claims, FEFC

* meetings 1 and 2

Remit

The Council at its meeting on Thursday 25 July 1996 decided that the stage 2 review would be concerned with the detailed implementation of the methodology and would be led by a reconstituted working group with more practitioners from institutions.

The remit of the group is as follows:

- to consider the issues identified by the stage 1 working group as they relate to the operation of the methodology

- to recommend any detailed changes to the methodology to the tariff advisory committee (TAC) for consultation and, where appropriate, implementation in 1999-2000 and, where feasible, 1998-99

- to recommend simplification, so far as possible, in the operation of the methodology.

Main Presentations and Papers

Method of working

The group received papers and presentations in full session and split into smaller discussion groups to consider detailed issues. Council staff always met separately. No attempt was made to manufacture consensus.

Seminar 1 (10–12 July 1997)

1   Conclusions of Stage 1 and Remit of Stage 2
    Geoff Hall, FEFC

2   Funding Quality, Including Value-added
    Sue Brownlow, FEDA
    Dennis Lavelle, Principal, Winstanley College

3   Dearing: An overview
    Professor Dave Robertson, Liverpool John Moores University

4   Competition *versus* Collaboration
    Lena Stockford, Principal, Warwickshire College

5   Tariff Optimisation
    Peter Marples, KPMG
    Mike Rowley, KPMG

6   Franchising
    Brian Styles, Principal, City of Bristol College
    The late Clive Brain, Principal, Swindon College

7   Widening Participation: The committee's funding proposals
    Emily Thrane, FEFC

8   New Labour, New Government, New Millennium
    David Melville, FEFC

9   Impact on the Curriculum: Unitisation
    Caroline Mager, FEDA

10 Impact of New Technology on Learning
    Ursula Howard, FEDA
    Mick Fletcher, FEDA
    John Gray, Principal, Newark and Sherwood College

Seminar 2 (2–3 October 1997)

1   Report from July Conference and Remit of Group
    Geoff Hall, FEFC

2   Regionalisation
        Regional development agencies: Issues for discussion and the Council's response
        Geoff Hall, FEFC
        Regional funds
        Scott Winter, FEFC
        Introducing a regional element to Council funding
        Geoff Hall, FEFC

3   Tomlinson Recommendations
    Jenny Burnette, FEFC

4   Franchising
        Setting the scene
        Geoff Daniels, FEFC
        Early outcomes of the national survey
        Mark Griffiths, FEFC
        KPMG costs study
        Peter Marples KPMG
        Mike Rowley, KPMG
        Balance of fees to funding
        Tony Holloway, FEFC
        Michael Stock, FEFC

5   Implementation of Kennedy's *Learning Works*
        Introduction
        Emily Thrane, FEFC
        Postcodes: The Welsh experience
        Richard Hart, FEFCW
        English postcode analysis
        Michael Stock, FEFC
        Recommendations for consultation
        1998-99 and beyond
        Emily Thrane, FEFC

6   Simplification of the Funding Methodology
    Michael Stock, FEFC

7   Unitisation and Credit Framework for FE
        QCA update
        Mary Heslop, FEFC
        The Welsh experience
        Richard Hart, FEFCW
        Results of modelling
        Michael Stock, FEFC
        Developing the qualifications framework
        Geoff Daniels, FEFC

8   Review of Work Programme
    Geoff Hall, FEFC

Seminar 3 (22–24 April 1998)

1 Report of the Second Meeting
Jenny Burnette, FEFC

2 Update on Policy Developments
Geoff Hall, FEFC

3 Local Priorities
Geoff Daniels, FEFC

4 Review of Institutional and Geographical
Factors: The proposed approach
Geoff Hall, FEFC

5 Franchising
Introduction
Geoff Daniels, FEFC
Key issues
Tony Holloway, FEFC
KPMG costs study
Peter Marples, KPMG
Mike Rowley, KPMG

6 Simplification
Policy issues
Tony Holloway, FEFC

7 Unitisation/Credit Framework for FE
Background
Mary Heslop, FEFC
Project framework
Jenny Burnette, FEFC

8 Funding Full-time Students Aged 16–18
16–18 proposal
John Guy, Principal, Sixth Form College,
Farnborough
Progress on LEA pilots
Tony Holloway, FEFC
Data analysis
Michael Stock, FEFC
Enrichment
Peter Walser, FEFC
Proposed approach to the A level tariff
Tony Holloway, FEFC

9 Quality Improvement
Quality improvement strategy
Mark Griffiths, FEFC
Target-setting: Retention and achievement
Michael Stock, FEFC

10 The Way Forward
Changes for 1999-2000 or 2000-2001
Geoff Hall, FEFC

Seminar 4 (12 June 1998)

1 Report of the Third Meeting
Jenny Burnette, FEFC

2 Widening Participation
Tom Jupp, Principal, City and Islington College
Mary Green, Vice-principal, East Birmingham
College representing the Kennedy
Colleges Group

3 The New Funding Program: Update and the
way forward
Michael Stock, FEFC

4 Reaction to Select Committee Report
Geoff Hall, FEFC

5 Draft Final Report
Jenny Burnette, FEFC

The group met twice more on 12 December 1997
and 27 February 1998 to discuss widening
participation and the simplification of the
funding program.

Unitisation

Introduction

1   The stage 2 funding review group has considered the implications of a unit-based credit framework, including the curriculum implications, at its meetings in July and October 1997 and in April 1998. A unit-based qualifications framework and funding based on units of qualifications is considered by the funding review group to be essential if the numbers of adults returning to learning are to be increased. The development of the funding methodology therefore should be linked to a unit-based credit framework.

2   Set out in this annex is the background to and the key points of a proposal for a unit-based qualifications framework to which credit could be attached which would address key government policy objectives and the developments in progressing the proposal.

Background

Widening participation

3   The widening participation committee, chaired by Helena Kennedy QC, identified the credit framework as an important contribution towards improving access. The committee recommended to government in July 1997 that it should create a national partnership to develop a credit framework for implementation within the next five years. The national framework of credit would provide accreditation for interim achievement and enable learners to build up credit throughout their lives.

4   The widening participation committee recognised that one of the barriers to widening participation is the limitation for learners to gain credit for small bits of learning. Education and training needs to become more flexible to meet the needs of under-represented groups and a national framework providing credit for interim achievement would support an expansion of learning in the community and in the workplace, enabling learners to build up a bank of credit throughout life. Such developments would require funding to be available which recognises achievement at this level.

Schedule 2 qualifications group

5   The Council's schedule 2 qualifications group has considered the development of a unit-based credit framework and recommended:

- in November 1997, that a paper should be published to the sector for information on the potential for the development of a unit-based credit framework

- in January 1998, that qualifications should be unitised, the size of units being expressed in terms of multiples of a standard 'block' of learning time

- that unitisation needs to be linked to the development of a national credit framework as essential to enable adult learners to obtain recognition for small stages of learning and progress towards the achievement of qualifications

- that awarding bodies should be invited to work on proposals to develop a common unit-based approach, taking account of work already done in Wales and by the Further Education Development Agency (FEDA)

- in May 1998, in response to the green paper *The Learning Age*, that there is a need for unitisation at higher levels.

The schedule 2 qualifications group has warmly supported work undertaken to date and has encouraged the Council and other organisations to continue to progress the initiative.

Meeting Policy Objectives

Value for money

6   The key benefits the Council sees in unitisation and credit are in relation to value for money. A unit-based qualifications framework linked to credit would offer learners the opportunity to set realistic learning goals, which would contribute to improvements in retention and achievement. It would also provide colleges with greater flexibility in organising teaching and learning, particularly where students are undertaking units common to a number of qualifications. A credit framework would provide an effective means of allocating resources if funding could be related to credit.

Quality and Standards in Further Education

7　It is considered that there is a role for unit-based qualifications in the quality improvement strategy. The chief inspector's report for 1996-97 *(Quality and Standards in Further Education in England, 1996-97)* highlights the barriers faced by colleges in making effective use of funding when there are over 17,000 qualifications available and more than 500 awarding bodies with which colleges deal. The chief inspector reports that having many qualifications available poses a serious impediment to the effective and efficient management of the curriculum. The large number of qualifications limits the freedom of colleges to create more viable teaching groups. For example, in 1996-97, there was an average of just under 11 students per class. Colleges could independently achieve further rationalisation of the curriculum through modularisation and the creation of common units of study but a national initiative would enable them to make the most effective use of resources without restricting their ability to respond to individual learning needs.

University for Industry

8　A credit framework would be key to the success of the University for Industry (UfI), providing a nationally agreed system for the recognition and accreditation of learning wherever that takes place.

The Learning Age

9　A credit framework built on unit-based qualifications is key to motivating learners and building the confidence needed for lifelong learning. It would enable achievements from a range of workplace, college, open and distance and community learning to be brought together into a common format which could be added to throughout life.

Proposal

10　A unit-based qualifications framework would have units aggregated coherently into qualifications to which it would be possible to attach credit. The characteristics of a unit-based qualifications framework would be:

- the potential for new units to be proposed by awarding bodies which have both added value to the national framework of

qualifications and do not duplicate units already in the framework

- learning outcomes of units are clearly stated

- determination of the level of demands made by the unit, for example, in terms of the amount of learning time and accompanying assessment

- rules of combination specified for particular qualifications and especially for qualifications for 16–19 year olds.

11　A unit-based qualifications framework would involve an analysis of existing qualifications into units of achievement and result in a simpler and more flexible system. It would allow for credit to be accumulated towards qualifications.

Key Points

12　The key points in relation to taking forward proposals for the development of unit-based qualifications within a credit framework are:

- existing proposals for the development of the national framework of qualifications already include components of qualifications in the shape of AS levels, six-unit GNVQ qualifications and now proposals for three-unit GNVQs

- qualifications drawn from combinations of units need to be coherent and there should be national rules of combination determined by the qualifications and curriculum authority (QCA), particularly for 16–19 year olds

- units do not need to be of the same size and the particular character of NVQs and GCE A levels can be preserved

- the concept of accumulation of units towards a full qualification is already present in the NVQ framework

- an effective way of achieving rationalisation of qualifications is to judge qualifications on a unit-by-unit basis and identify duplication and overlap at this level

- existing proposals for the development of the qualifications framework include components of qualifications.

Developments in Progressing a Unit-based Credit Framework

Awarding bodies, DfEE and QCA

13   Members of the schedule 2 qualifications group met with representatives of the four main vocational awarding bodies (Edexcel, City and Guilds, RSA and the National Open College Network) in July 1997 to consider developing a joint approach to developing the qualifications framework for further education. A joint proposal to the government was formulated which was supportive of the development of a unit-based qualifications framework.

14   It was agreed that government endorsement for a credit framework policy was essential in order to ensure that resources were available to implement the policy, to have the assurance that it would meet the objectives of other government policies and to ensure a national co-ordinated and authoritative approach.

15   A copy of the paper produced as a result of this work and endorsed by the schedule 2 qualifications group was circulated to the sector in November 1997. This paper has been shared with the Department for Education and Employment (DfEE) and the QCA and discussions with awarding bodies, including the Joint Council of National Vocational Awarding Bodies, on taking forward proposals for unitisation, are continuing in 1998.

16   The Council, encouraged by the DfEE, has been taking forward the proposals for unit-based qualifications within a credit framework through positive discussions with the QCA. The schedule 2 qualifications group has also been asked by the QCA for its advice on how practical steps can be securely taken towards a wider use of unitisation in qualifications.

National Advisory Group on Continuing Education and Lifelong Learning

17   A paper on unit-based qualifications within a credit framework, drawn from the joint statement described above, was discussed by the National Advisory Group on Continuing Education and Lifelong Learning (NAGCELL) and recommendations on unitisation and credit are included in *Learning for the Twenty-first Century*, the first report of NAGCELL.

Qualifying for Success

18   The government consultation, *Qualifying for Success*, set out a number of aims for advanced qualifications and qualifications in general and in particular, to promote the aim of wider access to lifelong learning. In its response to the consultation, the Council suggested that the way to combine general, general vocational and vocational studies would be through units and credit, which could promote access to and returning to learning and assist with progression routes, by making it easier to understand and compare the totality of student achievements.

19   Baroness Blackstone wrote to the QCA on 3 April 1998 (following the QCA's advice to ministers on the outcomes of the consultation) asking the QCA to undertake further work on the implications of a unit-based credit framework. The QCA expect to do this by spring 1999, following consultation with key bodies including the Council. The Council's response is set out in the appendix to this annex. The government wishes to see that for 16–19 year olds there is a qualifications offering which is rigorous and of a substantial size: it is not persuaded that there is a case for breaking down qualifications further than the three-unit GNVQ.

20   In the preparation of advice and in their consultation, the QCA are looking at existing developments and good examples of local practice. The key themes in the framing of the questions for the consultation by the QCA and which are likely to form the basis of the advice include whether:

- a unitised qualifications framework, with unit achievement recognised through certification, would offer a more flexible framework, more accessible to adult learners than non-unitised qualifications

- there is an additional value to assigning numerical credit rating to units and/or regulating their size

- there should be rules of combination that would ensure that young people on publicly funded full-time programmes undertake coherent qualifications/ packages.

The Learning Age green paper

21   The green paper *The Learning Age* sought views on the issues which would need to be addressed in establishing a system of credit accumulation and transfer (CAT). In its response to the green paper, the Council acknowledged that a system of credit accumulation would have a

significant function in widening participation and in promoting lifelong learning. For adults returning to learning in particular, the possibility of taking a small part or unit towards a full qualification for which achievement is recognised and recorded is a strong motivator. Retention and achievement, highlighted in *The Learning Age* as important in the drive for higher standards, would be improved as a result of a system of credit accumulation.

22   For learners to be able to accumulate credit for small steps, programmes and qualifications need to be broken down into units. Many qualifications, such as NVQs, GNVQs, and now advanced AS levels, are already in unitised form and many institutions have unitised their programmes of learning both in order to meet learner needs and to achieve efficiencies.

23   It is important that learners gain accreditation for their interim achievements or units towards qualifications and that this is recorded in a form which can be used and added to over time and transferred between institutions and forms of learning. The national record of achievement should be developed to form a record of lifelong learning, which can be started and added to at any stage during a person's life. The need for effective student tracking systems is to enable the recording and monitoring of progress towards full qualifications. This should be linked to consideration of the development of a unique student identifier.

24   There are also links between the development of a system of credit accumulation and the government's aims for the rationalisation of the number of awarding bodies and making the qualifications system easier to understand.

25   The development of a national framework for higher education (HE) qualifications and the proposal for a national CAT system would both underpin the qualifications framework. These are important strands of a coherent post-compulsory education system, a qualifications framework from entry level to degree level and beyond, which allows for partial and cumulative achievement of qualifications. Both the HE qualifications framework and a CAT system need to articulate clearly with the national qualifications framework for which the QCA is responsible, to provide a credit system for lifelong learning. It is important that opportunities for transfer and progression are readily understandable and that transfer between the two sectors is seamless.

Wales

26   At the beginning of April 1998, the Welsh Office minister proposed in the Wales green paper on lifelong learning, a single post-16 qualifications framework for all students in schools, colleges, university and work. The proposed framework would bring together all qualifications into a single system of levels and credits. The vision is that people will be able to learn in discrete blocks or modules, accumulating credits and aggregating them into qualifications over time. This may be significant in England, as the same qualifications are used in Wales as in England and these are subject to the same regulation as in England through ACACC, the Welsh equivalent of the QCA.

Unitisation and qualifications database

27   The Council's unitisation development working group, which has a membership of college representatives, was convened to look at the technical issues and implications of the unitisation of qualifications to which credit could be attached. The group concluded that a unit database could be developed alongside the Council's qualifications database and that there were no major technical impediments to its development and the recording of unit achievement for funding purposes.

Education and employment select committee

28   The education and employment select committee in its report on further education in May 1998 recognised that the organisation of qualifications is more important in the further education sector than elsewhere because funding is closely tied to the achievement of qualifications. The report went on to comment on the widespread support for the view that post-16 qualifications would better serve students if they were unitised, allowing for credit accumulation and transfer, and if they were integrated into a single framework to provide the flexibility to meet the needs of learners.

29   The report covered the advice of the schedule 2 qualifications group and the critique by the Council, set out at paragraphs 42 to 46 below, of the criticisms of the New Zealand national qualifications framework had attracted and which had been reported in the educational press. The report also highlighted the cost-effectiveness benefits of a unitised curriculum offering which were drawn to the committee's attention by the chief inspector.

Existing Unit-based Qualifications and Credit Systems

FEDA model

30   A proposal for a national post-16 credit framework was developed by the former Further Education Unit (FEU) and set out in *A Basis for Credit? Developing a post-16 credit accumulation and transfer framework.* FEU's work drew on a number of reports and papers proposing a more unified framework for post-16 qualifications, including the IPPR's *A British Baccalaureate.* It identified a consensus for a unified framework, containing both academic and vocational programmes, which was based on units, enabled credit to be accumulated and facilitated the development of a common core of knowledge and skills in all learning programmes, especially for 16–19 year olds.

31   The underlying rationale in the proposal for a post-16 credit accumulation and transfer framework was to:

- increase the participation and achievement of post-16 learners

- improve access to learning opportunities and enhance possibilities for progression in education and training

- provide for greater choice and give learners a greater say in what, when and how they learn

- encourage learners to undertake broader learning programmes whether they are in employment, preparing for employment, preparing for HE or developing basic skills

- facilitate the development of a core of knowledge and skills

- develop new study combinations which are more relevant to an innovation culture and which render obsolete divisions and terminology such as academic/vocational, practical/theoretical, creative/technical, arts/humanities/science

- allow specialised and customised education and training.

32   Although a credit framework was not promoted as a national policy at the time of FEU's work, many colleges have been making use of it over the last five years, both because they anticipate national systems in the future and because they see it as relevant to the development of their own provision in order to increase flexibility, cost-effectiveness, participation and opportunities for progression.

33   There is now an agreed credit framework operating in further education using the FEDA specifications which were developed from the FEU proposal. The key feature of the model is that all learning is specified in terms of units of assessment with a unit constituting a set of learning outcomes. A unit can be of any size in order to ensure coherence and avoid fragmentation within subjects. Each unit consists of:

- title (a defined and specific subject name)

- learning outcome (what a learner is expected to know, understand and do)

- assessment criteria (standards for achieving outcomes)

- level (one of seven levels of difficulty or achievement from national curriculum to HE)

- credit value (a numerical value derived from unit size).

34   Under the FEDA system, unitisation would create a full range of units, each with specified learning outcomes, built and assessed around agreed criteria with a defined level of difficulty and a credit value. To build a national credit framework, FEDA proposed the following:

- qualifications would be unitised so that each unit is an agreed set of learning outcomes

- all units and therefore qualifications would be assigned to one of four levels within post-14 education and three levels for HE and professional qualifications

- the credit value of a unit would be set by agreeing the notional learning time for a learner to achieve each unit's learning outcomes.

35   The units would form a national unit database from which providers could choose units to build courses. Specific combinations would be required for specific qualifications. The value and level of units, and therefore the qualifications derived from them, would be indicated on a national credit transcript which could serve as the front sheet of the new national record of achievement. The credit

transcript could be used by admissions tutors and employers to select candidates.

Open college networks

36   In 1994, open college networks (OCNs) adopted the FEU/FEDA unit specification. OCNs offer opportunities for accreditation outside mainstream qualifications and operate across the whole of England, Wales and Northern Ireland with a national c-oordinating body, the National Open College Network (NOCN). There are currently 31 OCNs in England and an estimated 95 per cent of colleges are members of them.

National CAT network

37   There are over 400 organisations, mainly FE colleges, in the FEDA National CAT network. Regional and local initiatives began with development funding from the former Employment Department, Welsh Office, TECs, private sector employers and other sources. Significant initiatives include:

- Derbyshire Regional Further and Higher Education Network
- Milton Keynes and North Buckinghamshire Framework
- Greater Manchester Unitisation Project
- Leicestershire Progression Accord
- London CAT Consortium
- North East Midlands Credit Consortium
- Solihull, Warwickshire and Coventry Credit Consortium
- South Thames Unitisation Project
- North West Credit Consortium
- Wirral Unitisation Consortium.

Credit system in Wales

38   In Wales, the Welsh Office funded a development programme to improve participation and achievement, contracting with FFORWM, the college's representative body, to develop credit. Around £900,000 was allocated to the Wales Modularisation and Credit-based Development Project (later becoming the CREDIS project) which used the FEU/FEDA credit framework model. Agreement was reached on the definition of a unit of assessment and guidance for writing units for a

database. OCN peer processes were used to approve new units and agree a credit rating. The Welsh Office required 2,000 units to be written and quality assured in the first year. In the second year, the unit database was developed to provide access to the new units and colleges were funded to develop unitised and credit-based programmes accredited through the OCNs. Work then began on establishing credit ratings of national qualifications and values were attached to GNVQ, GCE A level and GCSE which were then used as a basis for funding by the Further Education Funding Council for Wales. NVQ credit ratings have proved difficult to apply fully, but an average credit rating has been applied for funding individual NVQ units.

Links with HE CAT schemes

39   The FEDA model is for a national credit framework from post-14 to HE, covering schools, FE and HE to provide progression opportunities for a learning society. The Derbyshire Regional Network, involving one university and five colleges, has developed a unified credit framework across HE and FE. The credit framework specifications are based on those developed by FEDA, having four levels within FE and four within HE. External accreditation is provided through the North East Midlands Access Partnership, the university and other nationally recognised agencies working in collaboration with the Derbyshire Regional Network. It is envisaged that an effective CAT system within the credit framework will build on the university's established integrated credit system and similar developments in some of the FE colleges. Comprehensive unitisation across the curriculum and external accreditation of units and programmes for the award of credit is planned, leading to the establishment of a network-wide bank and database of accredited units.

40   In Northern Ireland, a CAT system is being developed which is a single post-14 credit framework across schools, FE and HE.

41   The Welsh HE CAT scheme is linked to the Welsh FE credit framework described in paragraph 26. Both the HE and FE funding councils in Wales link credit to funding. The two initiatives have worked towards the development of compatible credit frameworks. Both define credit as a measure of outcomes achieved in notional hours at a given level with levels defined in terms of level descriptors. The HE framework uses a credit size of 10 notional

hours which can be articulated with the 30 notional hour FE credit.

The New Zealand Experience

42   Professor Alan Smithers was commissioned by the New Zealand Education Forum in 1997 to respond to the government's green paper, *A Future Qualifications Policy for New Zealand.* His report, *The New Zealand Qualifications Framework,* attempted to address the government's dissatisfaction with the progress of qualifications reform. Professor Smithers was critical of the qualifications reform in New Zealand and in his view, the development of the qualifications framework in England should not follow the same path.

43   The main premise in Professor Smithers' report is that the New Zealand government was mistaken in a search for a 'magic' formula for reform of the qualifications system which has taken two forms: first that of unit standards and more recently in the form of quality standards. These were both thought in turn to be the ways to transform the education and training system in one go and Professor Smithers believed neither were capable of achieving what was being asked for. In respect of the unit standards approach in particular, it may not be possible to state the standards with enough precision to convey what a qualification is about. To specify a qualification clearly enough for teachers and moderators, it is necessary to provide the minimum information of purpose, content and assessment. The idea of a unit is separate from that of a standard. Whilst it is sometimes an advantage for a qualification to consist of components, they too need to be expressed in terms of purpose, content and assessment. The shift of emphasis to quality threshold is no more an answer than unit standards. 'Quality' was considered to be an elusive notion.

44   The main recommendations of the report were:

- that the emphasis in qualifications reform should change from seeking a single formula (in the form of unit standards or quality threshold) to working through issues from first principles

- a national qualifications system is desirable as it gives recognition to qualifications and assists choice

- a qualifications structure should start from determining how learning can be represented in qualifications and then seeing what linkages can be made

- a national qualifications network is a more helpful concept than a framework as it indicates more flexible and open arrangements

- the use of unit standards as the common currency for a qualifications structure should be abandoned as they cannot be stated with enough precision to ensure fairness, consistency and validity of assessment

- qualifications should be stated in terms of their purpose, content and assessment

- there are sometimes advantages to identifying components of qualifications but it should normally be the whole qualification which is identified within the framework

- links between qualifications and opportunities for cross-crediting and credit accumulation should be identified wherever possible.

Response to criticism of the New Zealand system

45   Professor Smithers identified a number of difficulties with the New Zealand approach, not all of which are applicable to the position in England. The difficulties identified and comments on their applicability and relevance to both the circumstances which apply in England and the Council's proposal are compared in table 1.

Table 1. New Zealand approach: applicability to England

New Zealand system difficulties	*Comments*
Few qualifications have been obtained.	This could be a parallel with the experience of early low take-up of NVQs in England.
Many schools and all universities have been reluctant to take part.	In England, the Council and the sector supports a proposal for unit-based qualifications and a credit framework for further education.
The New Zealand approach was to organise all qualifications into units, set down what needs to be done as standards and then create qualifications.	The Council's proposed approach emphasises the unitisation of existing approved qualifications and the specification of coherent combinations of units rather than the creation of new qualifications.
Teachers reported difficulties with school subjects specified as unit standards and universities are unhappy with simple pass/fail components.	There is no proposal that grading should be abolished nor that academic subjects should be defined by unit standards.
Inconsistencies in assessment and heavy workload.	This is a difficulty which has been experienced in England with the introduction of a number of qualifications reforms and the lessons which need to be learnt from this are well known. The government has recognised this in the delay to the introduction of proposals for advanced qualifications by delaying introduction by a year in order to allow time for further consultation and planning.
The attempt to state what a qualification is through unit standards misunderstands the nature of qualifications which differ in their purpose, content and assessment.	The proposals for England do not envisage a uniformity for all qualifications of this nature.

46   The key points drawn from a comparison between the New Zealand system and what is proposed in England are:

- it is possible to grade units and it does not have to be a simple pass/fail system

- it is not proposed that standards can be assured through unit specifications alone

- there are many differences between the qualifications systems, the policy and other contexts of the system in New Zealand which make exact comparisons unhelpful or inaccurate

- the closest comparison to the system in New Zealand is NVQs in England and it is the NVQ approach above all that Professor Smithers criticises, rather than unitisation of qualifications which he recognises is of benefit in some cases.

Common Objections to Credit Frameworks

47   There are a number of objections to a proposal for a credit framework which are recognised and which can be overcome. Objections commonly raised to a credit framework and ways they may be addressed are:

a. the use of notional learning time would undermine the principle of individuals learning at their own pace:
— notional learning time is a method of establishing the relative 'size' of units or qualifications. It does not imply that programmes would be taught in a particular way and be time-specified. This is especially so if there is the same level of funding for a qualification regardless of the time spent achieving it. The Council, for example, individually lists NVQs and other qualifications so that the same number of basic funding units is available for whatever time period is taken to achieve the qualification;

b. a large number of units would make standards difficult to control:
— the creation of a credit framework offers scope to reduce the number of qualifications and units available;

c. it would erode standards by making independent assessment more complex and expensive:
— unit-based qualifications do not necessarily demand certification for each unit. The government has initiated measures to ensure that all awarding bodies have strong internal quality assurance mechanisms. Criteria for accreditation will include robust and valid assessment measures. Where qualifications are unit-based, each unit is separately assessed, and the outcomes recorded. Modular A levels, and GNVQ units, for instance, already have an element of independent assessment of each unit;

— the records of successful completion of units would not necessarily take the form of the individual certification of such units unless needed. This would be a separate decision from the unitisation of qualifications to underpin a credit framework;

d. a credit framework is too complex and would cause confusion:
— the addition of a credit framework to a unitised qualifications structure would enable total achievement at any given time to be presented simply in terms of an overall number of credits at particular levels. This would make it easier to compare the achievements of different learners and to measure progress over time;

e. incoherent combinations of units would result, undermining whole qualifications (the 'pick and mix' scenario):
— this would be avoided by the specification by the QCA, for the purposes of a national qualification and therefore for public funding, rules of combination for particular awards. This would particularly apply to 16–19 year olds who would be required to have particular combinations for breadth. This is not dissimilar to the proposal for a national advanced diploma which would combine qualifications and units from different families and subject areas.

Role of the QCA

48 The QCA has been asked by ministers (see paragraph 19 of this annex) to 'explore the possible development of a system of commonly understood credits as a means of promoting vocational and lifelong learning among adults'. In order to develop further advice to ministers, the QCA is entering into more detailed consultation with key bodies, on the guiding principles to take into account when modelling systems of credit and a unit-based framework. The guiding principles for the accreditation and regulation of qualifications into a national framework are flexibility and access; quality; coherence; clarity, and manageability. Respondents were asked to consider how the current system, based on whole qualifications, a unit-based system and a credit-based system might compare with the guiding principles. The Council's response to the first stage of this consultation in July 1998 is set out at the appendix to this annex.

49 The criteria for the accreditation of general and general vocational qualifications, which have been the subject of another recent QCA consultation, should require that awarding bodies' qualifications submissions are specified in units. The QCA should give guidance on a common format for specifying qualifications in unit terms, each unit specified in terms of learning outcomes so that achievement can be described and measured in a common way across all qualifications.

50 The QCA could take unitisation forward by developing its approvals process so that units of qualifications become eligible for public funding and appropriate combinations of units are specified for the purposes of public funding. The QCA could address duplication and overlap by looking at

proposals for qualifications on a unit-by-unit basis. The QCA could create a national database of units which providers can draw upon but within the rules of specified combinations. This means that awarding bodies will need to make available units of qualifications for others to use.

51   Other key roles for the QCA could include the commissioning of credit rating of qualifications, the mapping of existing units and their relationship within occupation and subject areas and the maintenance of a national unit database.

Funding

52   Unit-based qualifications could be funded if the following were in place:

- an agreed standard unit length or size (or multiple of)

- qualifications expressed as a number of standard units

- a coherent unitised framework for combination

- effective student tracking systems within colleges

- a single tariff value for a standard unit

- a qualifications database holding details of units associated with approved qualifications.

53   The development of the funding methodology should be linked to a unit-based credit framework. Initial studies suggest that existing data and funding systems are consistent with such an approach.

Summary of Advantages of a Unit-based Qualifications and Credit Framework

54   To summarise, there are significant advantages to a unit-based qualifications and credit framework. It would:

- provide the means to reduce duplication and overlap in the qualifications framework by requiring components of qualifications to be justified on a unit-by-unit basis

- encourage adults and those not currently participating in education to work towards achieving nationally recognised

qualifications by the recognition of the achievement of units towards a qualification

- enable adult learners to build a personal, relevant portfolio of lifetime achievement

- ensure that qualifications formed from agreed combinations of mandatory and optional units would meet the diverse needs of employers and individual learners

- encourage parity of esteem between academic and vocational qualifications

- facilitate recognition of the fact that an overarching certificate or qualification may be built up of units at different levels

- improve student motivation and improve retention and achievement

- provide an effective means of allocating resources, in that funding could be related to credit

- increase efficiency in the use of teaching resources can be achieved by the identification of units common to a number of qualifications

- enable distinctions to be made more easily between provision which should be publicly funded and that which it is more appropriate for employers or others to fund.

Shadow Pilot

55   The stage 2 funding review group is considering for 1999-2000 the unitisation of the curriculum within a credit framework and believes that the development of the funding methodology should be linked to a unit-based credit framework. Initial studies suggest that existing data and funding systems are consistent with such an approach. The review group has recommended that the Council run a shadow pilot in a small number of volunteer colleges in 1998-99 for a range of qualifications. This would shadow the normal application of the funding methodology.

56   Circular 97/38 asked for volunteer colleges to take part in a small shadow pilot in 1998-99 for a range of qualifications. The response to requests for volunteers has been very encouraging, with 125 colleges expressing an interest. The shadow pilot

project is now being set up with an expected autumn 1998 start date.

57   The pilot project will be jointly funded by FEDA and the Council. FEDA will undertake the day-to-day work and will prepare proposals on:

- the approach to credit rating

- how to attach the elements of the funding methodology to credits

- the data collection mechanisms required.

58   The role of the group of pilot colleges will be to:

- provide practical advice and guidance on the approach to be piloted

- supply data in relation to their institutions

- comment on the likely impact on college practices of a unitised curriculum

- comment on the feasibility and potential costs of full implementation

- provide feedback on issues arising during the shadow implementation.

A sector-led steering group will be established to advise and guide the pilot study.

Conclusion

59   The development of a unit-based qualifications and credit framework is strongly supported by the sector and has a role to play in meeting key policy objectives. The need for its development has been reflected, for example, in the growth in demand for OCN accreditation over the last five years. The time is now right to move forward on its development and the key issues to be resolved are who leads the development and how it is resourced. A national policy direction is needed. The Council's shadow pilot in the meantime will identify the issues associated with linking funding to such a framework.

Credit frameworks and unitisation

1 Flexibility and access

Whole qualifications	Unitised qualifications	Credit-rated units and qualifications
A qualifications system based on whole non-unitised qualifications does not provide sufficient flexibility for lifelong learning nor for learners to combine parts of qualifications for broader study. Whole qualifications vary greatly in size when measured by the actual guided learning hours (glh). The Council funds qualifications which are 9 glh or over. A whole qualifications system is inappropriate if it is undermined by the inclusion of qualifications which can be achieved in 9 glh. Such qualifications, it could be argued, are in effect units. The system does not allow easily for the mixing of types of qualifications. Most importantly, in terms of widening participation, it does not allow for the recognition of smaller steps of achievement and accumulating achievement over time. *How to Widen Good Practice*, the report from the widening participation committee recommended that 'accreditation must allow for the recognition of small steps in achievement and for credit to be transferred'.	A unitised qualifications framework would provide greater flexibility and access to opportunities for gaining a whole qualification. In the context of lifelong learning, it would allow learners to build up units towards qualifications over time. It would also allow employers and professions to select units to meet their training needs. A unitised qualifications framework does not necessarily require certification at unit level, particularly where students are combining units from the same qualifications. The feasibility of certification of each unit however, would depend on the extent to which there are qualifications where the ability to do some units depends on learning gained in other units. Consideration would need to be given to the certification needs of learners who are undertaking only one unit at a particular time. For some learners, the profile could be used to record certification of units. The public currency of a unitised system should be units but this does not preclude certification of specified combinations, for example, the overarching certificate. There should be rules of combination specified by the regulatory body for the assembly of units into qualifications and for eligibility for public funding. This is particularly the case for full-time 16–19 year olds.	Credit ratings can be applied to whole qualifications as well as units. This would depend on the rules of combination applied. Credit accumulation with unitisation, however, would provide greater coherence, rigour and flexibility. Transparency and ease of understanding would be made possible if it could be seen clearly which units made up a given number of credits.

2 Quality assurance

Whole qualifications	Unitised qualifications	Credit-rated units and qualifications
The criteria for accreditation of whole qualifications need to be flexible enough to accommodate qualifications which provide access to further education. Many of these qualifications, such as open college network provision under schedule 2, are locally devised but within a national framework of quality assurance.	Rigour can be sustained in a unitised framework from certification at unit level and from imposing rules of combination. The responsibility for unit development should be with awarding bodies although the regulatory body has a role in identifying gaps in the framework and the need for the development of new units to meet sector or subject needs. It may be possible for providers or professional bodies to devise units which fit particular specifications, but in order to ensure rigour and comparability, it is essential that the regulatory body determines whether the units are sufficiently rigorous and of the required level. The quality assurance arrangements would be similar to those proposed for whole qualifications at the moment. It would be important that QCA takes a strong role in rationalising what is available and has an overview and systems to prevent overlap and duplication at unit level. It is also important that awarding bodies are encouraged to work together to produce common units.	For rigour, coherence and public confidence, credit values need to be applied by a national body. QCA is best placed to do this, drawing on the data and information held by other national bodies. In Wales, agreement on credit values was reached with the colleges. In England, much work has already been done on this by the Council for funding purposes through the process of individual listing of qualifications based on glh. This now covers 80 per cent of enrolments in the sector. If credit is applied to units, then the quality assurance issues are for units rather than credit.

3 Coherence

Whole qualifications	Unitised qualifications	Credit-rated units and qualifications
A qualifications framework based on whole non-unitised qualifications makes comparisons and equivalences between most qualifications difficult and also leads to learners repeating the content of qualifications when combining more than one. QCA could more easily address the duplication and overlap in the system at present through a unitised framework.	Coherence can be achieved by specifying rules of combination for particular progression routes and types of qualification. Rules of combination should govern the way in which units are assembled into whole programmes of study which lead to qualifications and these rules should be developed by the regulatory body in the context of approval for public funding. Achievement should be specified in terms of outcomes. It is important for learner progression that there is articulation with the systems operating pre-14 and in higher education. A unitised framework would support the reduction of unnecessary overlap and duplication by enabling and requiring particular accredited units to be used in more than one qualification. For many qualifications, there is a core or aspect of content which is not unique to that qualification.	A common unit size would be needed to achieve articulation with higher education, but achieving this should not hold up development in further education. A credit framework could increase coherence by enabling learners to accumulate credit towards an overarching national qualification.

4 Clarity

Whole qualifications	*Unitised qualifications*	*Credit-rated units and qualifications*
It is difficult to see how there will be absolute clarity about the national qualifications framework when existing vocational (and other) qualifications are admitted to the framework. These qualifications serve a variety of purposes, differ in size and involve different learning styles and different methods of assessment. Although descriptors for the families or types of qualification in which they will be placed together with levels will help, this is not likely to give enough information for qualifications to be compared and their purpose understood.	The choice of units should not be any more confusing than the choice of qualifications at present and ought to be less so. Rationalisation of the qualifications system can be achieved by identifying and reducing overlap and duplication at unit level. It should be possible to have far fewer units in the system than there are qualifications at the moment.	Notional learning time is a concept which has its difficulties. A better measure may be the actual glh required for a 'standard' student. From a funding perspective, glh reflect the greater part of the resource which goes into delivering a qualification and there is a good body of data over time now to ascribe average glh to particular qualifications as part of the process of individual listing of qualifications. There has also been some research to test the 30-hour notional learning time for one OCN credit by using actual glh data. Early indications are that there may be some correlation.
There should not be a requirement that all qualifications are graded, which is inappropriate for many qualifications including NVQs and NOCN qualifications.	Rules of combination do not need to be complex. For example, they may require that for a particular qualification there should be a certain number of units at specified levels drawn from one of the families of qualifications, together with specified units drawn from one another. Clearly, there would need to be more specificity in rules of combination for particular industry and professional needs but in this case there may not be much choice and therefore would be simplicity. For the purposes of approval for public funding of qualifications which meet particular employer needs, there could be a core of general units with specific vocational units. If employers did not want the general units, they would have to pay for the rest since the approval by the secretary of state on the advice of QCA, would be for the entire combination.	
Whole qualifications do not necessarily encourage parity of esteem when qualifications are of varying sizes. Some qualifications, for example, can be taken during a one- or two-day programme.	It would be for awarding bodies to propose appropriate unit combinations for qualifications.	

5 Manageability

Whole qualifications	Unitised qualifications	Credit-rated units and qualifications
The current system has large manageability issues. In 1997-98, in the further education sector where there are 3.6 million learners studying for 20,000 qualifications, colleges are dealing with some 500 awarding bodies at a total cost of £50 million a year. Whilst colleges are able to offer a sufficient range of qualifications to meet the needs of learners, this is not necessarily the case in other sectors and often partnership arrangements are developed with further education colleges to deliver qualifications. Colleges are limited in their ability to achieve efficiencies by the current system. The Council's chief inspector, in his evidence to the education and employment committee (paragraph 190 of the *Report from the Education and Employment Committee:* vi) stated that 'If one took a simplistic measure like class size one could argue that with the unitisation of the curriculum whereby particular units would be attractive to students studying across different vocational areas that would certainly improve the cost-effectiveness of colleges…it may be possible to get a payback [in four or five years]'.	The issue of a minimum size of unit needs to be addressed. There ought to be an agreed size. Clearly, some qualifications will be easier to unitise than others. If funding arrangements are to be manageable, then there needs to be a standard size unit or multiple/fraction of. The proliferation of units can be avoided through an active role by QCA in creating a bank of common units. The issue of the assessment and certification of each unit has been referred to earlier under flexibility and access (page 35). It is probably not feasible to certify each unit but each unit should have assessment outcomes. It would not be appropriate to grade all units. There need to be arrangements for a summary assessment of combinations of units. There may be qualifications which cannot be unitised but that would present less of a problem if they could be credit rated. The costs associated with creating a unitised framework of qualifications should not be great. Some of the costs would be borne by awarding bodies.	There are significant benefits for funding arrangements in that credit based on units would provide a manageable funding model. The key benefits of a credit framework are in relation to learners' understanding of what they are working towards and the ease of comparing qualifications and progression routes. A credit framework would also facilitate the measurement of 'value-added'. There is a tension between the aim of widening participation and the imperative to improve retention and achievement rates. A credit framework would encourage improved retention rates as well as providing a basis for measuring the progress made by learners with low levels of previous achievement, a group which needs to be reached in the efforts to widen participation and make lifelong learning a reality.

Simplifying the Funding Methodology

Introduction

1   This report describes proposals to simplify the funding methodology so that:

- the methodology is defined in terms of explicit, predictive rules, such that for any student the number of funding units they are expected to generate can be predicted in advance

- the funding program reflects the funding rules in a well-understood way

- in general, there is no need for institutions to make manual adjustments to funding claims

- the funding program displays funding unit information in a clear way that is understandable by a board of college governors

- the funding program runs up to five times faster than at present, so that it can be used as a day-to-day operational tool by institutions.

Background

Implementing the methodology

2   *Funding Learning* described in conceptual terms a number of possible approaches to funding the sector and, following consultation, the current methodology was selected. It is simple and elegant in concept. Further guidance on how the methodology was expected to work was provided in *How to Apply for Recurrent Funding 1994-95.*

3   The actual implementation of the methodology was contained in the demand-led element (DLE) program (since renamed the funding program) which used individualised student record (ISR) data as the basis for estimating the funding units generated by an institution.

4   The funding methodology and its implementation were radical departures from the previous approach of funding full-time equivalent (FTE) student numbers on the basis of an annual count of students as at 1 November of each year.

With experience, it has become clear that the methodology is complex in practice and that its implementation must be specified precisely in order to ensure that it is seen to be operating fairly, and that institutions interpret the methodology in a consistent way.

5   The funding program had to be designed in advance of any practical experience of operating the methodology. In the light of experience, a number of significant alterations were made to the methodology and to the program.

Current position

6   The concept of a funding program is now widely supported by the sector and the current program is run successfully tens of thousands of times a year by institutions and the Council. Based on feedback from institutions, there are a number of ways in which the program could be improved:

- the program is seen as a 'black box'; institutions do not generally understand in detail how it calculates funding units

- the speed at which the program operates can be a constraint, particularly in larger institutions

- the reporting facilities of the program are more limited than some institutions would like

- it is not as straightforward as it might be to gain access to the results of funding unit calculations stored by the program.

7   In addition, the conceptual view of the methodology has been refined over time and in the light of new features of the funding methodology, such as widening participation. The current program operates on the basis of on-programme units, after the application of cost-weighting factors. The revised conceptual approach focuses on basic on-programme units (BOPUs). It is not possible to adapt the program to reflect this conceptual change without rewriting the calculation routines it contains.

8   From a funding methodology point of view, it is judged that there is now sufficient experience to be able to specify the operation of the methodology precisely, so that the program is a reflection of funding rules, rather than the determinant of how the methodology works in practice.

9   From a technical viewpoint, it is now judged appropriate to redevelop the program, in order to

incorporate the operational improvements requested by institutions. This corresponds with wider experience that software generally has a five-year working life before it is necessary to redevelop it.

The Case for Simplification

10   The case for a simplified methodology is that a relatively small number of changes to the existing methodology will yield large operational benefits.

11   It is proposed to introduce a set of explicit funding rules which will determine how many funding units are generated by any specific provision made by an institution. These explicit rules would then be implemented by a revised and much simplified funding program.

12   The proposed changes are discussed in the following sections.

Overall approach

13   The overall approach to the simplified methodology is to calculate BOPUs for a student for each period of study, based on the qualifications they study, and then calculate all other units from these BOPUs using information such as the student's eligibility for tuition fee remission. The exception is additional support units, which would continue to be calculated directly from the costs incurred. This is illustrated in table 1.

Table 1. Proposed simplified methodology: calculation of student units

	Periods					
	1	**2**	**3**	**4**	**...**	**Total**
BOPUs	B_1	B_2	B_3	B_4		B_{TOT}
Other units calculated from BOPUs						
On-programme	O_1	O_2	O_3	O_4		O_{TOT}
Childcare	C_1	C_2	C_3	C_4		C_{TOT}
Fee remission*	F_1	F_2	F_3	F_4		F_{TOT}
Entry	E	–	–	–		E
Achievement	A_1	A_2	A_3	A_4		A_{TOT}
Additional support	S_1	S_2	S_3	S_4		S_{TOT}
Total units	T_1	T_2	T_3	T_4	...	T_{TOT}

* units subtracted if the student does not qualify for Council tuition fee remission

14   The fundamental difference from the existing approach would be that BOPUs would be displayed explicitly and funding rules would be specified by reference to the BOPUs. Total units for a student in each period would be the sum of the individual unit categories. A key benefit of this approach would be that it would be possible to change the rules for, say, tuition fee remission, without any effect on all the other calculations. This is not the case at present. A rule change in the current program can, and often does, have unexpected and unpredictable effects on the funding calculations.

Making all calculations per period

15   The current funding rules contain five time measures:

- the tri-annual period
- the teaching year
- the student year
- the length of an individually listed qualification
- the student programme.

16   On-programme units are calculated for each tri-annual period. Tuition fee remission and additional support are defined in terms of teaching years. Where a student starts a programme part-way through the teaching year, the methodology uses the concept of the student year, defined as the 12-month period from the start of the programme. Individually listed qualification calculations are over the length of the qualification. Calculations for loadbanded qualifications should apply to the student's whole programme, which can vary from one up to 12 periods, but are expresssed at an annual rate.

17   These different time periods have proved to be a major difficulty in practice and many of the apparent inconsistencies in the results from the current program stem from the very complex rules it applies to try to link calculations over these different periods.

18   It is proposed instead to carry out all calculations for a period. This would be simple to define and straightforward to implement. Initial modelling has confirmed the feasibility of this approach. It would mean:

- once a period was complete then, unless an institution amended the underlying

data, the units for that period would not change. This would be a major gain in enhancing the predictability of the methodology

- withdrawal, currently a major complexity, could be handled very straightforwardly by simply deleting BOPUs, and any other units calculated from them, from the point at which the student withdrew

- the program could display results in a straightforward table format, with total units for a period shown as the sum of the individual unit categories.

Treat loadbanded qualifications individually

19   Whilst great progress has been made with giving all qualifications a specific value of BOPUs in the funding tariff – known as individual listing – there is still a minority where a value has not been assigned. This will always be the case because of the necessary time lag between introducing a new qualification and the collection of sufficient data related to glh using the ISR to provide the basis for individual listing.

20   Non-individually listed qualifications are loadbanded; that is, the institution specifies the glh provided to a student for the qualification and the number of BOPUs generated is calculated by reference to a set of loadbands that specify the BOPUs for a year according to bands of glh (see table 1 in the appendix to this annex). The treatment of loadbanded qualifications in the calculation of funding units is quite different from that of individually listed qualifications, because loadbanded calculations are for each year, whilst for individually listed qualifications they are for the whole qualification. The program incorporates these rules.

21   The current methodology requires that, where a student is studying two or more loadbanded qualifications, then the glh for the qualifications should be pooled for each year and the BOPUs calculated according to these pooled glh. This rule was designed to avoid anomalies that could arise if the BOPUs were calculated separately for each loadbanded qualification, such as two students receiving the same total glh in respect of loadbanded qualifications but generating different numbers of BOPUs. For example, without pooling, a student studying one qualification in 24 hours (loadband 1; 3.8 BOPUs) and another in 66 hours (loadband 2; 10

BOPUs) would generate 13.8 BOPUs from 90 glh. Another student studying two qualifications in 45 glh each would generate 7.6 BOPUs from 90 glh (two loadband 1 qualifications).

22   In practice, pooling has proved extremely complex to implement and it has generated anomalies of its own. For example, a student might opt to study an additional loadbanded qualification, but the number of units generated by the student is unchanged. With pooling, withdrawal from one loadbanded qualification can have quite disproportionate effects on the total units generated by the student.

23   Modelling has shown that institutions have adapted the glh of non-individually listed qualifications to maximise the number of units generated under the loadband pooling methodology.

24   It is proposed to treat loadbanded qualifications separately, in the same way as individually listed qualifications. This would avoid the complexities and anomalies of pooling. It is also proposed to replace the current loadbands with a much more finely graduated table for calculating BOPUs (see table 2 in the appendix to this annex). This would minimise any differences between students regarding the relationship between glh and units generated. Table 2 gives total BOPUs for a non-individually listed qualification, in the same way as the tariff gives total BOPUs for an individually listed qualification.

25   A concern with the original loadbands was that making them too narrow would encourage institutions to over-teach, in order to move to a higher loadband, and so generate more units. With the knowledge about the relationship between qualifications and glh now available, it would be feasible to monitor this and discourage institutions which appeared to be adopting this approach. In any case, with the withdrawal of generic qualification codes from 1997-98, units generated by loadbanded qualifications are decreasing as a proportion of the total.

Full-time programmes

26   The current funding methodology defines a full-time programme for a student as one studying 450 glh or more in a year.

27   This has proved very complex in operation, because the funding rules contained in the program have to take account of glh and funding units at the same time. The program has to sort qualifications into a standard order, because the number of funding units calculated can vary if qualifications are processed in a different order.

28   The current funding rules have created educational and operational difficulties for institutions, because of the sharp decrease in funding units if a GCE A level student withdraws from part of a full-time programme and instead generates the units for a part-time programme. On the other hand, the interpretation of the funding of the fourth A level has proved to be contentious.

29   It is proposed to simplify the methodology by introducing a funding taper. This would work by defining a threshold for a student in terms of BOPUs. Below this limit, all funding units generated by the student would be funded by the Council. Above the threshold, a proportion of the units would not be funded. There would probably be a second, much higher threshold, above which no units for a student would be funded. An illustration of how it might work is given in table 2 of this annex.

Table 2. Example of the proposed funding taper

Qualification	*BOPUs per period*	*Cost-weighting factor*	*On-programme units per period*
1	16	1.0	16
2	10	1.2	12
3	8	2.0	16
Total before taper	34		44

30   The calculation has been expressed per period. Note that 28 BOPUs per period is equivalent to 84 BOPUs a year, the current tariff for a 'full-time' qualification. In this example, the taper applies from 32 BOPUs, 4 above the full-time level.

31   With a taper threshold of 32 and a discount factor of 0.5, the student would have 2 BOPUs above the threshold (34–32), giving a discounted number above the threshold of 1. The total funded BOPUs would be 33 (32+1). The overall discount to be applied to the on-programme units would be $^{33}/_{34}$, giving 43 on-programme units (44 x $^{33}/_{34}$, rounded) to be funded.

32   In practice, the discount factor might be lower; that is fewer units would be discounted, than the 0.5 used in this example.

Continuous ISR and achievement units

33   The proposed simplification would not require any additional information to be included in the ISR.

34   The only change would be to request that all qualifications for a student were returned so long as the student was enrolled at the institution. This would mean less work for institutions. At present, where a student is on a programme of two or more years, then the institution should filter out any qualifications completed in the first year. Under the proposal, this would not be necessary, so institutions would need to do less than at present.

35   This change would ensure that the program had complete information for a student, rather than the present unsatisfactory situation where calculation errors occur because the program has no information on withdrawn or completed qualifications from earlier years.

36   The change to a continuous ISR, as described above, would also support a change to allow institutions to claim achievements as a qualification was completed, rather than the present situation where achievement units for qualifications achieved in previous years must be claimed by means of a manual adjustment. With a continuous ISR, it would be possible to monitor all the achievement units generated by a student, correctly allocated to college years. It is proposed to simplify the funding methodology to allow this approach.

Expected Benefits of Simplification

37   The proposed simplifications to the funding methodology should allow:

- the publication of explicit funding rules, which could be applied to individual students to predict how many units a student would generate

- the virtual elimination of manual adjustments, many of which currently relate to the difficulties of reconciling different time periods and to claiming achievement units

- a funding program which is based on the funding rules, rather than the funding program itself being the funding rules

- a funding program which displays funding unit calculations in a simple, readily understandable way

- a funding program that runs up to five times faster than the current program.

Feasibility

38   The Council has written a prototype program incorporating the proposals in this document and has confirmed that:

- the proposals are feasible

- the funding rules are much simpler than those implied by the current methodology.

39   It has not yet been possible to test the expected gains in processing speed because the prototype has been written as a spreadsheet system, which is inherently much slower than a dedicated program.

Impact on Individual Institution Funding

40   Initial modelling, based on the prototype, suggests that, for most institutions, the total number of funding units they would generate for a given amount of provision would changed little, comparing the current and proposed methodologies.

41   There is no evidence at this stage that particular types of institution would systematically benefit or be disadvantaged by the proposals.

42   It is beyond the scope of this paper to determine how the transition to the simplified methodology would be handled in detail, but the Council recognises that institutions would be reluctant to support the simplification if it resulted in a major change in the units they generate. Accordingly, to meet this concern, transitional arrangements would be proposed in advance of the implementation of the simplified methodology. It is likely that:

- a change of more than $1/2$ per cent in an institution's funding units, as a result of the simplified methodology, would be regarded as significant

- where an institution was facing a significant reduction in units, it would have the option to retain its current level of funding units and increase provision accordingly or to reduce the number of funding units it would generate and the associated funding

- any such changes would be phased in by agreement with the institutions concerned.

43   It should be stressed that the Council would not expect that a large number of institutions would be required to accept significant reductions in funding units as a result of implementing the simplified methodology.

Consistency With Policy Changes

44   Two major policy changes which are likely to be incorporated into the funding methodology are a 16–18 full-time student funding entitlement and unitisation of the curriculum.

45   The simplification proposals would make both these change easier to implement. In particular, the proposal for a funding taper would fit well with the concept of a 16–18 full-time entitlement. The proposal to base all calculations on BOPUs would greatly facilitate the introduction of a unitised curriculum.

Implementation Timetable

46   It is proposed to specify the simplified methodology and to develop a funding program reflecting the simplified rules, for 1999-2000. This would be piloted in a number of institutions during the autumn of 1999. The full operational program would then be released for 2000-2001.

47   Transitional arrangements would be announced in early 2000, to minimise any uncertainty for the small number of institutions which might be adversely affected by the simplification proposals.

Conclusion

48   In the light of experience, since 1994-95, and developments in the funding methodology, it is judged that the implementation of the funding methodology should and could be simplified.

49   The simplified funding rules would support the introduction of a simpler, faster and easier to understand funding program. This would give major operational benefits to institutions and facilitate the wider acceptance and understanding of the methodology.

Loadbands

Table 1. BOPUs calculated by loadbands specifying glh

Number	glh a year	BOPUs
0	9–20	2.0
1	21–59	3.8
2	60–119	10.0
3	120–209	18.4
4	210–319	30.2
5	320–449	43.6
6	450+	84.0

Table 2. Proposal for calculating BOPUs

glh	BOPUs
9–29	1.7
30–59	4.9
60–89	8.3
90–119	11.6
120–149	14.9
. . .	
1440–1469	161.6
1470–1499	164.9
1500–1529	168.3
. . .	

The table assigns one BOPU for each 9 glh and then calculates the BOPUs for each band using the mid-point. This gives 168.3 BOPUs for the 1500–1529 band, very close to the original assumption that a 'full-time' programme of 750 glh generated 84 BOPUs a year (or 168 for a two-year full-time programme of 1500 glh).