

**External Institutions:
Final Report of the
Review Group**

Review group chaired by Professor Bob Fryer CBE

The purpose of the FEFC is to secure further education provision which meets the needs and demands of individuals, employers and the requirements of government in respect of the location, nature and quality of provision.

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External Institutions: Final Report of the Review Group

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Foreword

The External Institutions Review Group was set up by the FEFC to advise on funding arrangements for external institutions. As a group, we were also asked to look at the contribution of external institutions to the lifelong learning agenda and at the areas of quality improvement and accountability.

Our group first met in April 1999 and I presented this report to Council in November. Over a very busy nine months we worked hard to construct a sound body of evidence on which to base our recommendations.

As well as sharing their unique experience, each member took on the task of visiting at least one external institution and some took on much more. We invited colleagues from external institutions across the country to speak to us about their work, the strengths of their organisations and, just as important, their weaknesses. We heard from both the Council inspectorate and Ofsted, from chief education officers and students. We analysed audit returns, widening participation factors, class sizes and achievement rates. Some of the answers we expected and others were more of a surprise, but we all learnt a great deal about this group of institutions, the students they teach and funds they receive.

External institutions are an essential part of any plans to combat social exclusion and create a learning society. Widening participation has always been their business. They are experts in basic skills and in drawing disadvantaged or disheartened adults back into learning. They offer informal, local learning environments, often with childcare facilities and often with classes in the evenings. The quality of the teaching is good and achievement rates are improving steadily. Many provide perfect places to deliver community-based lifelong learning.

That being said, the institutions are the first to recognise that there is much more work to be done. More sophisticated needs analysis would enable external institutions to identify pockets of non-participation. Research into the effectiveness of different outreach strategies would help them to attract those students. Investment in the management of their organisations and the support they offer to both staff and students would improve retention and achievement rates, giving everyone the best chance of success.

Our recommendations on funding, quality improvement and accountability are designed to support external institutions in achieving these goals.

We are determined that this report should not read as the thoughts of a group of enthusiasts. We want to present both sides of the external institution story with recommendations that are clearly supported by hard fact. I think the report goes further than we had hoped. For the first

time it brings together a substantial body of information on external institutions, some of which has never been available before. As a reference document it illustrates how far external institutions have come since 1993 and offers pointers to the future.

We hope that it will be seen as a vital resource to those taking the decisions on how to work with the huge number of small providers for which the Learning and Skills Council takes responsibility in 2001.

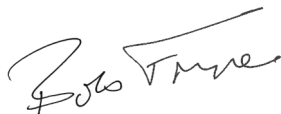
On behalf of the group I would like to thank all the institutions that took the time to return our questionnaires and especially those that hosted visits or came to speak to us. We value the advice and opinions of our assessors from the DfEE, Ofsted, FEDA and Merillie Vaughan-Huxley and Toni Fazaeli of the Council's inspectorate.

Personally I would like to highlight the special contributions of two members. Dick Corbridge began his well-earned retirement from Manchester Adult Education Services during the life of the group but saw our work through to the end. Bob Powell, who encouraged HOLEX members to give us some excellent data, wrote a section of the final report.

I would also like to thank the FEFC staff who worked hard to support the group and keep us on schedule. Michael Stock undertook our data analysis, Sue Evans drafted much of the report and Sue Yeomans was an excellent clerk, pulling together the many strands of the final report in a matter of days.

Finally, warm thanks must go to Geoff Daniels who leaves the FEFC at the end of the year. His good humour and sound advice were indispensable.

We are grateful that Council accepted our recommendations without amendment and look forward to their implementation. The next few years will be an exciting time for external institutions and for adult learners. We hope this report goes some way to helping us all make the most of it.



Professor Bob Fryer

Summary and Recommendations

The Scope of the Group's Work

The intention to establish a group to advise on funding and other matters concerning external institutions is set out in *Council News No.51* and *Council Circular 99/07 Funding Guidance 1999-2000*. The group was chaired by Professor Bob Fryer CBE, assistant vice-chancellor of the University of Southampton and director of New College, director of distributed learning at the Ufl and chair of the National Advisory Group on Continuing Education and Lifelong Learning. The group's terms of reference and membership are set out in annexes A and B to this report.

Aims of the Review Group

The review group identified four points for investigation relating to its purpose, to provide the Council with its recommendations regarding convergence for external institutions:

- i. is there evidence of cross-subsidy from other funding bodies to support Council provision in external institutions?
- ii. if there is evidence of lower expenditure in some external institutions, does this adversely affect quality, for example, in terms of staffing, resources and facilities?
- iii. if a convergence policy were to be introduced, what would be the benefits to students?
- iv. what reporting measures should be adopted to provide assurance that the funding would raise standards and benefit students?

Evidence Base

The first meeting of the review group took place in April 1999 when a series of evidence gathering exercises was initiated. The conclusions and recommendations of the group are based on the extensive evidence gathered by this series of linked research activities. The research activities were:

- a consultative questionnaire sent to all external institutions, LEA chief education officers and representative bodies
- a quantitative survey, of costs undertaken by the research and statistics team which involved a 'matched pairs' sample study of 26 external institutions; this was subsequently supplemented by a further survey of another 28 external institutions
- an analysis of 255 audited use of funds certificates for 1997-98
- a field visit or visits by each group member, to a total of 23 external institutions, each with a written report

- four 'case study' presentations to the whole group
- a report on 38 FEFC inspections of external institutions, fourteen of which were analysed in detail
- a report by Ofsted on 17 local authority adult education service inspections
- an analysis of the unique characteristics of external institutions.

In addition, the DfEE undertook a survey (referred to as 'the DfEE survey') of the contribution local authorities make to lifelong learning for adults in order to understand more of the ways in which local authorities support lifelong learning and how much local authorities spent on adult education in 1997-98. The survey was commissioned in the spring of 1999 and the initial outcomes were being analysed at the time the review group's report was being finalised. The review group acknowledge that the findings reported here from the DfEE's survey are not yet fully analysed.

The group's conclusions support the recommendation that learning in external institutions should be funded at the same level as in the sector as a whole. In reaching this conclusion, the group considered that the key evidence is:

- the cost study indicating that Council provision funded at a lower level in external institutions requires cross-subsidy from other sources
- analysis of audit of use of funds certificates for 1997-98 demonstrating that Council provision was subsidised by approximately £9 million from other sources.

This evidence was further supported by information provided by members of the HOLEX group which showed that the proportion of schedule 2 provision made by institutions tended to be greater than the proportion of their income received from the Council.

Achievement rates are lower in external institutions than in sector colleges. In order for the Government's agenda to widen participation and raise standards to be delivered, additional funding through convergence is needed to improve student achievement.

The group's recommendations therefore are that external institutions should converge to the average level of funding for the sector as a whole, and that the institutions should be subject to the same accountability requirements as colleges (including inspection and publication of performance indicators).

The estimated cost of implementing funding convergence for external institutions is £30 million, that is £15 million in 2000-01 and a further £15 million in 2001-02.

In drawing its conclusion, the group wished to ensure that there would be a clear link between funding, quality and accountability for all institutions. The group therefore made recommendations in these three areas: funding, quality improvement and accountability.

Learning to Succeed

The group's work was already underway when the white paper, *Learning to Succeed; a new framework for post-16 learning* was published in June 1999. The impact on external institutions of some of the changes heralded by the white paper is discussed in section five of this report. The review of external institutions afforded an opportunity to take stock of the range and scope of provision, funding, organisation, achievements, standards and quality assurance in the adult learning programmes they provide. The review and its recommendations should help external institutions prepare for the advent of the new Learning and Skills Council and be ready to meet its requirements to be eligible to receive funding for the adult and community provision they make.

Recommendations

The group made recommendations in three areas: funding, quality improvement and accountability.

1 Funding Recommendations

The group recommends that:

- a. learning in all external institutions should be funded at the average level of funding (ALF) for the sector as a whole;
- b. this should be achieved by a process of convergence on the same time-scale as that already agreed for colleges, starting from the 2000-01 funding year, and under similar funding principles as those for colleges;
- c. as part of this process each external institution should be required to include an Action Plan for managing the change to their level of funding as part of their strategic plan updates in July 2000;
- d. the Council should issue guidelines on the format of the Action Plan by March 2000 for implementation from the 2000-01 funding year and should consider further how the strategic plan framework for external institutions should be developed for 2001;
- e. the guidelines concerning the funding Action Plan should be drawn up on the basis of advice from the Council inspectorate, Ofsted, the Local Government Association (LGA), the Association of Colleges (AoC), external institutions consultative group and other interested bodies;
- f. the Council and the Department for Education and Employment (DfEE) should engage in a dialogue with the LGA through the national partnership protocol to ensure that the volume of LEA adult provision will be maintained at the current level;

- g. the Council should explore with the DfEE how external institutions may access other types of initiative funding available to colleges, for example, the learning network for further education, the capital modernisation fund, the new opportunities fund and the standards fund;
- h. in external institutions and other institutions there should be an exploration of effective focused outreach strategies, particularly where there is evidence of work with partners to stimulate demand and participation. This should be done by means of a programme of selective pilots and research.

2 *Quality Improvement*

As part of convergence, the group recommends that the following quality assurance systems should be in place:

- a. a programme of quality improvement leading to year on year improvements in the following areas: recruitment, retention, achievement and progression;
- b. the quality standards in all external institutions should be those applied to the sector as a whole. To achieve this there should be a common framework for inspection and quality assessment based on self-assessment including an action plan indicating how improvements in quality will be made. This action plan should include proposals for a programme of year on year improvement especially in student achievement and progression supported by curriculum development; the effective use of benchmarking data; appropriate reference to equal opportunities; and learning support.

3 *Accountability*

The accountability requirements for external institutions should be as rigorous as for the sector as a whole and should be measured and reported accordingly. The group expects that the accountability and governance arrangements within external institutions should be clear, and in accordance with the appropriate accounting, audit and financial probity mechanisms. The group recommends that:

- a. the Council should require of external institutions an annual report written within a guidance framework, and that this annual report should be made available to their constituents;
- b. the Council should begin to publish performance indicators and benchmarking information for external institutions as soon as is feasible.

Section 1: The Role of External Institutions in Delivering Lifelong Learning

1.1 This section of the report seeks to identify distinctive characteristics of external institutions, and focuses on facets of their structure and activity which might explain their relative success in delivering growth in Council-funded provision, and their ability to contribute positively to the widening participation agenda.

Background

1.2 The term 'external institutions' does not describe any free-standing group of providers which exist as separate organisations. External institutions are neither incorporated colleges nor organisations formally 'designated' by legislation as falling within the corporate further education (FE) sector. The term 'external institutions' was introduced by the *Further and Higher Education Act 1992* (the Act) to describe organisations outside the further education sector which are eligible for Council funding under section 6(5) of the Act.

1.3 External institutions are 'sponsored' by colleges to provide schedule 2 courses. Schedule 2 to the Act defines the provision which the Council may legally fund for students in England, other than where the course is full time for a student aged 16 to 18, where schedule 2 need not apply. Section 6(5) of the Act is set out at annex C of this report.

1.4 External institutions take various forms:

- over 75% of external institutions are local authority maintained, specialist adult/community education services or institutions; some of these present themselves to the Council as multiple external institutions (on the basis of geography: in Buckinghamshire and Derbyshire, for example, there are separate external institutions for different areas of the county). Others present a number of organisations as a single consortium (as in West Sussex and Somerset, where multiple community colleges/service areas are federated in a single external institution under LEA co-ordination)
- some 15% are self-governing agencies in the voluntary sector, sometimes with company status and often registered as charities. Such external institutions often have their roots in project activity, and frequently specialise in specific curriculum areas (for example environmental work, childcare training) or in work with particular client groups (such as women or people classified as long-term unemployed)
- a small number are commercial enterprises which have gained sponsoring college support to become eligible for funding in the years since 1992
- a few are schools which, at the inception of the Council, were 'grant maintained' and are now again funded through LEAs.

1.5 A table showing the number of external institutions by type is set out in annex D. This is accompanied by charts set out at the appendix to annex D giving background data on the external institution sector. The distinctive characteristics of, respectively, 'LEA-maintained' and 'independent' external institutions are summarised in annex E. In addition, at annex F 'case studies' of four different external institutions are provided to illustrate the diversity of the sector.

1.6 Some of these distinctive characteristics mean that external institutions are crucial in delivering the current further education agenda and are ideally placed to make a significant contribution to the Government's wider plans for social and economic regeneration. As the report of the Widening Participation Committee, *Learning Works* [FEFC June 1997], makes clear, 'Lifelong learning does not just happen in colleges'.

1.7 There are fewer external institutions than at the outset of the FE sector, when over 400 out-sector agencies were funded for schedule 2 work. The decline in external institution numbers has been progressive, to 295 in 1996-97, and some 220 currently. A small number of external institutions have disappeared altogether as funded providers of schedule 2 work. In other cases, former external institutions have developed collaborative arrangements with FE colleges, either as a way of offsetting monitoring and administrative burdens — the case with some community schools in Devon and in East Sussex, for example — or as a means of stabilising funding, as in Surrey where the average level of funding (ALF) prior to the advent of college franchising was some £2.50. Several external institutions highlight the withdrawal of 'super-DLE' (demand-led element) funding as a turning-point in their viability as separate organisations; in some cases, certainly, this has led to consortium formation. These changes have led to fewer external institutions but an increase in the size and scale of operation in many cases. The effects of collaboration and merger are considered in section two of this report.

1.8 The uplift offered to external institutions in the last two funding rounds to 1999-2000 has, however, resulted in a more stable position, and the rate of reduction in external institutions has slowed down considerably. Those that have survived this period have grown to the point where the median funding allocation is now around £110,000 compared with around £21,000 in 1993-94. They have developed an internal expertise in the management of data, and established administrative and strategic structures to cope with the Council's monitoring and planning requirements while at the same time seeking to retain a distinctive mission, local focus and adult-appropriate ethos.

Scale and Scope of Operation

1.9 Statistically, the average external institution delivers just over 10,000 FEFC funding units annually, and receives an average level of funding of £11.61 per unit (1999-2000). The heterogeneity of external institutions is, however, significant as illustrated by the following data derived from *Funding Allocations 1998-99* [FEFC January 1999]:

The Role of External Institutions in Delivering Lifelong Learning

External institution	Units	£ funding
Urchfont Manor College	608	10,531
Pre-school Learning Alliance – Greater London	627	4,548
Henry Cort Community School	1,333	19,422
The Elfrida Society	1,415	31,177
The Word Place	1,479	18,502
Carlton Bolling Users Group	1,654	20,592
:	:	:
:	:	:
Croydon Continuing Education & Training Service	185,999	1,980,892
Manchester Adult Education Services	231,293	3,515,653
Westminster Adult Education Service	254,170	3,037,338
Birmingham LEA – Adult Education	272,466	3,702,813

1.10 It can be seen that some external institutions are very small-scale providers of schedule 2 FE, in some cases offering little more than a handful of courses annually. Others are substantial organisations in their own right, commensurate in Council volume terms with most specialist and sixth form colleges, and some FE/tertiary colleges.

1.11 External institutions also secure other provision, including that targeted at socially excluded groups in the local community, through other funding routes including European Social Fund (ESF), Single Regeneration Budget (SRB), Section 11, training and enterprise council (TEC) contracts, Standards Fund grants, the Adult Community Learning Fund, etc. The DFEE survey found that local authorities' mainstream education department funding was their most significant source of funding, followed by Council funding, although Council funding represented only 20% of all expenditure on adult education. ESF, SRB and TEC funding together represented less than 10% of expenditure on adult education.

1.12 The majority of external institutions, as local authority service outlets, additionally offer non-schedule 2 adult learning including non-accredited provision, 'taster' courses, personal development programmes and capacity-building activities; this can form as much as 85% of total provision in the organisation, whereas other maintained external institutions will offer schedule 2 work as the major part of their programme. Several maintained external institutions are also

involved in the development and delivery of family and inter-generational learning opportunities, both as a component of local authority literacy and numeracy strategies and as a means of promoting a culture of lifelong learning amongst the local population.

1.13 Collectively, external institutions form a relatively small but nonetheless significant part of the further education sector. While the 220 existing external institutions account for only about 4% of all Council-funded 'units' of activity, this represents a case-load of 341,823 students [source: *July 1999 strategic plans and annual updates*] on Council-funded provision; this equates to 8.9% of the total number of FE students (33,000 or 3.3% of the Council-funded full-time equivalents in FE institutions); 11.3% of those individuals choosing to study part-time. External institutions currently receive some 3% of Council funding. The DfEE survey of local authorities found that around 2.5 million adults participated in learning opportunities, with more than 40% being funded through mainstream LEA budgets. Around 12% were being funded by the Council.

Clientele

1.14 External institutions cater for an essentially part-time, adult clientele. FEFC data [*Statistical First Release 1997-98 December 1998*] show that 97% of external institution students attend on a part-time basis. In 1997-98, about 92% of all Council-funded students in external institutions were aged 21 or over, and 85% were aged 25 plus. Efforts are thus taken to ensure the way the organisation operates is adult-appropriate, and that staff have specific training in working with adult learners.

1.15 External institutions make substantial provision for students in receipt of a means tested benefit. Recently published widening participation statistical evidence for 1996-97 [FEFC *Widening Participation in Further Education Statistical Evidence 1996-97*], for example, shows that 20% of part-time adult students in external institutions were unwaged, compared with 14% in general FE/tertiary colleges and less than 10% in sixth form colleges. External institutions also have a higher proportion of Council fee remission units than colleges when the units for 16 to 18-year-old full-time students are discounted. In the words of *Council News* No. 49 external institutions are 'central to the achievement of the Government's education agenda and the delivery of wider participation'. Analysis of the 'widening participation uplift factor' indicates 50% of non-maintained external institutions, and 18% of maintained external institutions, recruit a majority of their students from disadvantaged areas; this compares with 11% of colleges. This is set out in annex G.

An Adult Curriculum: Provision in External Institutions

1.16 External institutions typically offer short-term learning programmes, often of less than a term's duration; few offer courses that span two academic years. Many also provide programmes on a roll-on/roll-off basis, thus enhancing their inherent flexibility and responsiveness to individual need. External institutions tend to focus on the type of work which the Widening Participation

Committee identified as necessary to attract previous non-participants into further education. Their generally smaller size than FE colleges, their adult, part-time focus, their ethos and their dispersed location combine to render them less daunting to those adult students who are wary of more traditional learning environments.

1.17 Teaching and learning is usually undertaken on a group basis; the absence of capital funding to date has limited development in external institutions of the 'learning/study centre' resource-based learning approach found in many colleges. Group sizes are typically of the order of nine to fourteen, somewhat smaller than the average class size in FE colleges and their membership will be disparate, with students of mixed ability or at different stages in their programme learning alongside each other. This gives rise to teaching and learning approaches which both recognise individual need and give value to individual achievement. Group-based learning is also a deliberate strategy to facilitate mutual support, to draw out prior experiential learning and to encourage peer and self-assessment of progress. Learning outcomes thus lie in the affective as well as cognitive/psychomotor domains, with particular attention paid to the value of enhancing self-confidence.

1.18 External institutions have a particular expertise in basic education. The external institution sector is a major provider of basic skills and English for speakers of other languages (ESOL) courses, both of which are fundamental to addressing the Government's social exclusion and citizenship agendas. The Council's inspectorate published the *Basic Education Curriculum Area Survey Report* (April 1998) which indicated that 70,500 students were on such courses in external institutions in 1996-97. This represented 23% of the sector total: basic education then accounted for about 6% of students in colleges, and about 22% of students in external institutions. In several areas an external institution is the principal provider of basic skills and/or English as an additional language (EAL) programmes, working collaboratively to assist college-based students with basic skills support needs. Many external institutions hold the Basic Skills Agency Q-Mark.

1.19 External institutions also specialise in offering 'first step back' learning opportunities to adults in the local community. *Learning Works* recognised the importance of accessibility and familiarity to certain groups of students:

... The trick is to bring learning to the learners wherever they are, whether it be in family rooms in primary schools, libraries ... shopping malls. Adult learners often prefer to study alongside their peers. Women returners blossom in courses specifically designed for them.

1.20 In 1997-98, 41% of external institution students were enrolled on courses leading to level 1 and entry level qualifications, compared with 30% on such courses in general FE/tertiary colleges, and 17% in sixth form colleges. The external institution portfolio will, however, vary depending on the origin and focus of the organisation. In some independent external institutions there is curriculum specialisation in, for example, information technology or in building crafts; such

specialisation allows a curriculum structure which facilitates student progression, and can lead to level 4 work being offered in-house through arrangements with HE institutions. Several external institutions also offer Access to Higher Education courses.

1.21 As indicated above in paragraph 1.12, most external institutions also offer LEA-supported non-schedule 2 provision. Such programmes are identified in DfEE guidance to the Council [letter from Roger Dawe 8 December 1998] as a potential vehicle

...to provide a bridge back into learning for adults from groups whose background has disadvantaged them and who, in returning to learning, need something between basic skills and formalised, qualification-focused learning.

The curriculum mix of non-schedule 2 provision, basic skills work, low-level programmes and internal progression opportunities means that external institutions act in many locations as the natural 'first step back' into learning for adults otherwise educationally excluded from post-compulsory study. The importance of non-schedule 2 unaccredited courses as a foundation stone in lifelong learning and widening participation has been recognised in a range of studies from *Learning Works* to the report of the Coalfields Taskforce.

1.22 External institutions seek to offer programmes that enable people to improve their life chances. Their work both stimulates the market for an expansion in further and higher education and, by familiarising 'adult returners' with the demands of study and supporting them in the early stages of their learning career, makes them more likely to progress into successful further study, in particular at colleges. Student feedback from visits to external institutions conducted by review group members highlights the growth in confidence derived; those interviewed spoke warmly of being offered a learning pathway which helps them progress from a non-vocational or 'return to learn' programme to more structured, higher level and certificated study.

Focus and Ethos

1.23 External institutions, whatever their size or portfolio, tend to have a 'local recruitment area' covering just one local authority area. This focus on the immediate community is especially true of 'independent' external institutions, many of which were initially set up as projects working with specific — usually disadvantaged — client groups. As a result, external institutions tend to be particularly knowledgeable about the learning needs of the communities they serve, and are 'plugged in' to a range of local networks.

1.24 This knowledge, coupled with relatively small-size and local decision-making, allows for flexibility and speed of response. Courses are offered throughout the day and evening, at weekends and often in holiday periods. Programme planning is frequently undertaken on a termly rather than annual basis, and new initiatives can be delivered with a short lead-in time: under the DfEE-funded Project 99, for example, targeted work was mounted in a six-week

period. Such responsiveness is regarded by many external institutions as a defining characteristic, reflecting the core mission of the organisation which is to offer potential and current service users what they want and/or need, rather than to market a pre-determined offer to potential customers.

1.25 The community responsiveness and local operation of external institutions is commonly reflected in management arrangements, where planning and operational oversight is vested in centres or areas rather than service-wide or on a curriculum basis. This is in part explained by organisations being formed from historically discrete and autonomous service outlets, in some cases as a direct outcome of a community development project or regeneration initiative. It is not therefore unusual for external institutions to have voluntary/non-statutory management committees at a local or area level, such bodies often including representation by students, residents and community organisations. This voluntary involvement also characterises other adult-focused providers such as the WEA, which despite its standing as a designated part of the college sector; retains strong user involvement in its branch and district governance arrangements. Even where external institutions have formal governing bodies — as is the case with some LEA-maintained services/institutions, under section 85 of the 1992 Act — there tends to be strong user and 'lay' involvement in decision-making.

1.26 Such dispersed provision both underpins and ensures positive links with other community-focused agencies, enhancing needs assessment and collaborative planning and implementation. Independent external institutions are often key players in local community and voluntary networks, while maintained external institutions are integrated into wider service planning within the local authority. Operational and strategic linkages are from 1999-2000 seen in local authority Lifelong Learning Development Plans, which highlight the combined effects the authority is able to create in a local 'area of benefit'. There is evident potential for such linkages to be developed across sectors, but this is currently hindered by external institutions not being identified as 'core partners' in Lifelong Learning Partnerships, and few being members of partnerships in their own right. The DfEE survey of local authorities noted that joint working between local authorities and other organisations was becoming increasingly important, particularly in connection with adult and lifelong learning. The survey found that LEAs are most likely to work jointly with FE colleges and voluntary or community groups.

Resources

1.27 The proportion of full-time staffing in the majority of external institutions is low, and it is evident from responses to the review group consultation that this is an area for major investment if future convergence of funding occurs. As a consequence, there are risks of weak curriculum leadership/co-ordination. It is common for teaching to be delivered by locally-recruited part-time tutors, often supported by volunteer workers. There is some evidence of over-reliance on part-time staffing. This can lead to the isolation of tutors and thus a lack of clear direction in

service-wide curriculum development (Ofsted consistently urge adult education services to develop robust curriculum leadership arrangements). External institutions have particular management challenges, for example, in involving part-time staff in planning and review of the curriculum, communications and participating in staff development. Part-time tutors often bring valuable subject expertise and up-to-date commercial experience from their other employment.

1.28 Although part-time, teaching staff are in many external institutions expected to achieve at least Stage One CGLI 7306/7 (Further and Adult Education Teachers Certificate) qualifications within two years of appointment, while tutors and volunteers working on basic skills and EAL programmes will usually be expected to follow relevant specialist training.

1.29 External institutions typically offer provision through multiple outlets. This is usually a deliberate strategy, based on knowledge of a local community's preparedness to travel to study and on experience which suggests residents prefer to pursue learning opportunities in venues which are known and used by them for other purposes.

1.30 Where they exist, dedicated-use centres tend not to be purpose-built, but adaptations of former school buildings or, in some cases, facilities shared with other local authority services and community-based agencies. Capital investment is underdeveloped, and premises are often in need of repair. Generally low investment in accommodation, which can lead to low standards of accommodation, is often associated with the use of (hired) off-site/community premises where there may be limited specialist equipment. A further problem occurs where facilities may not always be appropriate for an adult clientele. The purchase of specialist equipment and learning materials is stated as a priority by most external institutions if a higher level of funding was made available.

1.31 In a significant number of external institutions some venues are under shared control in order to achieve extensive use of out-of-hours school facilities and other community activities. If an external institution is not in direct management of facilities there may be less scope to ensure quality improvements.

1.32 Access to specialist teaching and learning facilities is limited in some external institutions, while others rely on the goodwill of staff in host organisations. Private work areas, libraries and resource bases are rarely found. Where they exist, there is often no staffing available to support learners in their independent study. There is a generally low level of investment in up-to-date teaching and learning resources, including IT, but also extending to books and materials. Under investment in IT as a management and performance monitoring tool means that rather than there being systematic performance management and internal target setting, IT systems are used simply as a data processing tool in order to meet reporting requirements of external bodies.

1.33 An informal conviviality characterises many aspects of the student experience in external institutions. Many will offer refreshment facilities — but in coffee bars rather than refectories —

and where accommodation allows there are social areas where students, staff and other community users mix freely. A number of external institutions make a point of offering family learning opportunities and facilities; childcare is in cases particularly well developed — childcare units account for a greater percentage of the total units delivered in external institutions than in any other group of institutions.

Accountability

1.34 External institutions face the same Council audit and individualised student record (ISR)/unit monitoring requirements as do FE colleges. For example, on audit, each year external institutions in receipt of Council funding are required to provide an audited statement that the funds provided have been used for the purpose intended. The conditions under which the Council provides funds to an external institution are set out in the external institution's funding agreement with the Council and refer specifically to the provision of schedule 2 activity.

1.35 LEA-maintained external institutions are subject to the monitoring, accountability and probity regimes which impact upon local government, including those established by the Audit Commission, 'best value' studies and other measures emerging under the Government's 'modernising local government' agenda. They are ultimately accountable, via relevant committees, to the local council and local electorates.

1.36 Independent external institutions are commonly registered charities and/or limited companies, and are thus governed by the Charity Commission and company legislation. Both are also usually well served by consultative and management arrangements including users and other interested parties. A few private companies do not have such arrangements.

Inspection and Quality Improvement

1.37 Inspection requirements for external institutions are set out in the section of this report on probity, accountability and responsiveness. Under current legislation, independent external institutions fall within the scope of FEFC inspection, and LEA-maintained external institutions fall within the scope of Ofsted quality assessment. The DfEE survey found that around two-thirds of local authorities review the quality and value of their adult learning provision using the Ofsted and/or FEFC frameworks. Some external institutions — both within the maintained sector and independent organisations — are also subject to Training Standards Council quality assessment on account of their delivery of youth and adult training programmes.

1.38 Several LEA-maintained external institutions are adopting the HOLEX¹ framework for self-review which combines FEFC and Ofsted frameworks and leads to action planning. In the

¹ HOLEX is a self-supporting network of external institutions, providing advice and co-ordination for some external institution activities.

absence of published national data on external institutions' performance, and given the degree of isolation from other providers, there can be a consequent inability to equate local performance or quality to national standards. Some external institutions find it particularly difficult to compare themselves with other providers. Some tackle this by working with colleagues — including staff from FE colleges — to ensure that reviews of standards are undertaken by personnel with experience of standards elsewhere, and there is some evidence that inter-external institution 'benchmarking clubs' are also developing.

I.39 Some external institutions are able to apply quality criteria, self-review processes and performance monitoring across the full range of their activity, covering both Council-funded work and provision supported through other funds.

Summary

I.40 External institutions:

- are heterogeneous, multi-funded organisations
- are locally defined and locally managed
- are flexible and responsive, often on account of their relatively small-size and part-time staffing arrangements
- are linked into community-focused strategies and networks and thus generate synergies with other services and organisations
- operate through multiple outlets, and thus have dispersed provision
- cater for an adult, often educationally disadvantaged part-time clientele
- offer an adult-appropriate environment, sensitive to a range of learning needs
- run short-term and/or roll-on/roll-off programmes throughout the year, and are open throughout the day and at weekends/holiday periods
- are characterised by group-based, mixed-ability teaching and learning
- offer expertise in a 'return-to-learn' curriculum: informal opportunities, basic skills, low-level qualifications and non-schedule 2 programmes
- specialise in affective outcomes, especially confidence-building, and clearly contribute to the 'widening participation' agenda
- thus prime demand for progression into higher-level study
- thereby contribute to overall FE-sector growth, and improved college retention/achievement rates

The Role of External Institutions in Delivering Lifelong Learning

- are accountable, monitored and audited to Council requirements
- are inspected by the Council, in the case of independent external institutions, and by Ofsted, in the case of LEA-maintained external institutions.

Section 2: Funding for External Institutions and Convergence

The History of Council Funding for External Institutions

2.1 As described in section one of this report, the Council acquired the duty to fund external institutions, via a sponsoring college, from the 1992 Act. Details of student numbers, courses and funds previously allocated to each external institution were collected from every LEA. The total funds allocated, divided by the number of funding units (a direct conversion of the number of students on each course according to the funding tariff), gave each institution an average level of funding (ALF). This formed the basis for the initial funding for each institution.

2.2 It became clear from the wide range of ALFs in external institutions, that teaching and learning was being funded at very different levels from authority to authority, and/or institutions were receiving varying amounts of infrastructure support from their parent LEA and this had not been clearly identified. The range of funded ALFs in external institutions in 1993-94 was £0.60 to £52.61 per unit.

2.3 From 1994-95 the Council's funding allocation system resulted in some convergence of institutions' ALFs. Institutions were allocated a core number of funding units at a rate derived from their level of funding for the previous year, with any additional units funded at a standard national rate. Institutions with a low ALF, which were in a position to grow, were able to apply for units at the standard rate (£14.50 in 1994-95) and thus raise their ALF relatively quickly. This is reflected in the increase in the median ALF for all external institutions from £8.03 in 1994-95 to £10.11 in 1996-97. As noted in section one of this report, many external institutions, especially those with very low ALFs, chose to collaborate, merge or form consortia with other institutions in the first two years of their relationship with the Council. Inherited funding levels were frequently cited as a factor in the decision to merge. Where external institutions were subsumed into colleges, the effect was usually a lowering of the college's ALF. This assisted colleges to meet the efficiency gains required by the previous government.

2.4 These mergers and consortia were the main reason for the significant fall in the number of external institutions from 548 in 1993-94 to 220 in 1999-2000. The profile of the reduction is shown in figure 1 of the appendix to annex D. However, despite the reduction in the number of external institutions, the average size of an institution is now much larger and the total Council funding allocated to external institutions as a group has increased markedly from £46,070,680 in 1993-94 to £78,958,627 in 1999-2000. The increase by year is shown in figure 2 in the appendix to annex D.

2.5 From 1994, the Council accepted applications from external institutions that had not received funding from the Council previously. From 1995-96 any 'new' institutions were funded at the demand-led element rate of £6.50 per unit in their first year (in their second and

subsequent years they have been allocated funds in the same way as existing external institutions).

2.6 In simple terms, an institution's ALF essentially governs how much it 'earns' for each unit it delivers. This means that although students in the same circumstances on the same programme in different institutions 'earn' the same number of units, it may equate to different amounts of money. This has been especially difficult for low ALF external institutions making provision for students eligible for fee remission, additional learning support or childcare units.

2.7 For example, additional support units are allocated in bands according to the cost of providing particular additional support to a student. An institution calculates the cost of the support which then places the student in a particular band. The institution is not reimbursed pound for pound, but can claim the appropriate number of units for that band. For example, a student needing £3,500 of additional support is placed in band 3 and the institution can claim the units equating to that band; in this case 166 units.

2.8 The problem for institutions with a low ALF is evident. They support a student at a cost of £3,500 to the institution and therefore, can claim 166 additional support units from the Council. However, with an ALF of £10 per unit, they only receive £1,660 in return for the support that has cost them £3,500 – less than half their expenditure. External institutions at the lower end of the funding ladder have repeatedly made the case that they are deterred financially from making additional support available to their students, or that if they do provide the support, it is financed in some other way. Improved learning and support is stated as a priority by external institutions if funding levels were increased by convergence.

Study of Costs of Provision in External Institutions

2.9 The Council's approach to the convergence of ALFs was set out in Circular 97/09, *Convergence of Average Levels of Funding* published in March 1997. At its meeting on 15 May 1997, Council received a report that suggested that the convergence rate for external institutions should be the subject of further work and agreed to defer a decision until it had sought further information.

2.10 The Council commissioned a study to identify whether there were systematic differential costs of provision in external institutions and colleges. The study was carried out by KPMG alongside a similar exercise on the comparative costs of direct and collaborative provision and is presented as a single report. It comprises analysis of the costs of certain programmes made in both colleges and external institutions. The study included 15 external institutions and 25 colleges in its original sample.

2.11 The cost study found that the lack of standard cost headings or budget allocation system in colleges and external institutions made comparisons of costs in different types of external

institution, and external institutions and colleges, very difficult. It did restate however, that the majority of external institutions visited in the course of the study placed a clear emphasis 'on provision for individuals who would not normally access further education. The main reasons for this view related to the geographical location of the institutions and their emphasis on community education primarily for adults'.

2.12 The consequent report to Council in November 1998 led to the recommendation that the review group should be established.

Cross-Subsidy

2.13 The group recognised that in all educational establishments where funding is received from more than one source, there is likely to be some minimal level of cross-subsidy. For example, students from one funding stream may well use equipment originally purchased to support students from another. Given the particular history of funding to external institutions and in order to provide the Council with evidence regarding convergence, the group considered whether there was evidence of cross-subsidy from other funding bodies to support Council provision in external institutions.

2.14 The group's view was that cross-subsidy should not be allowed to hide inadequate levels of funding which could jeopardise the quality of provision. The group requested further information on levels of cross-subsidy in external institutions.

Matched Pairs Study

2.15 A matched pairs study with external institutions from three localities (Yorkshire, Leicestershire and the South-West) was carried out. Thirty-two external institutions were sent a questionnaire and 26 responses were received and analysed. The group received a detailed report from the Council's chief statistician on the findings of the analysis at its August meeting (set out at annex H). The evidence shows that external institutions with low ALFs tend to be in receipt of significant funds from other funders while those with higher ALFs comparable with colleges generally are entirely or mainly dependent upon the Council for funding. This demonstrates that provision with lower levels of funding requires support from other sources.

Audit of the Use of Funds Provided

2.16 The Council's requirements for the audit of funding claims and data from all institutions is set out in Circular 97/18, *Audit of Funding Unit Claims and of the Individualised Student Record Data 1996-97*. Each external institution must confirm that its claims for funding are consistent with its ISR data returns and it must return an externally audited statement that funds have been used for the purpose intended. For LEA-maintained external institutions, the external audit or would be appointed by the Audit Commission. For independent external institutions, the external auditor would be from one of the commercial firms providing external audit services.

The audit statement on the use of funds assists the chief executive, as accounting officer for the Council, to discharge his responsibility to Parliament for the proper use and control of public funds. The audit committee receives regular reports about the receipt of these certificates.

2.17 A use of funds certificate shows what funds are provided by the Council and the cost of providing schedule 2 courses in the period of the audit. Where a shortfall is recorded on the certificate, this shows that the external institution has applied funds from non-Council sources to their schedule 2 activities.

2.18 In a survey of 255 external institutions' audited use of funds certificates (1996-97), it was shown that 142 external institutions had applied funds from non-Council funded sources, to a total of £9.67 million. Forty-one external institutions said that they had an excess of funds available to meet the costs of schedule 2 provision, that is, they had not used all of their Council allocation in the year in question. This amounted to a total of £1.09 million. The net effect is that some £8.5 million is being provided from non-Council sources to offset the costs of schedule 2 provision. The remaining external institutions in the survey had not indicated any shortfall or excess in their audited use of funds certificates. This may underestimate the amount of cross-subsidy from other sources.

Income Study

2.19 The group commissioned further work from HOLEX to test the hypothesis that Council-funded provision in external institutions tended to be subsidised by other sources of income. This involved comparing the proportion of an institution's total income received from the Council with the proportion of provision, measured in guided learning hours (glh) that is Council funded. Where the proportion of provision is greater than the proportion of income, there is evidence of cross-subsidy. The methodology for this study of income is set out at annex I. The outcomes are included in this annex.

2.20 This study provides further evidence that Council-funded provision in external institutions tends to be subsidised by other sources of income.

Case Study: Issues Associated with a Low ALF

2.21 The following case study is presented to illustrate the issues associated with a relatively low ALF. Although no external institution would claim to be typical of the sector, many of the problems described are common ones.

2.22 The external institution had an ALF of £8.35 in 1998-99; income from the Council of £42,373 and other sources of income amounting to £25,083. 'Other income' was almost entirely student tuition fees. Expenditure on salaries, premises, examination fees, publicity and audit, amounted to £78,022. The deficit, more than £10,500, was mainly absorbed by the external institution in the form of payment of the head of the external institution's salary being deferred

and tutors not being paid for participating in meetings and activities related to planning and review of provision. The institution was inspected and weaknesses identified, which could be addressed by additional funding, principally for staff development, learning materials and learning support.

Convergence

2.23 The group considered the argument that central support from other funding bodies means that provision can be funded at a marginal rate. The group noted that the Council has agreed to fund further education provided in higher education institutions (HEIs) at the same rate as that provided by colleges. HEIs receive the bulk of their funding, including infrastructure and capital support, from public sources other than the Council. However, there has been no suggestion that FE provision in HEIs should be funded at a lower rate than in colleges. The group also noted that the Council had only agreed to a lower level of funding for franchised provision where clear evidence of lower costs to colleges was demonstrated. It concluded that it would be inconsistent with previous decisions for a funding differential for external institutions to be maintained.

Quality Issues

Inspectorate Evidence

2.24 Although the Council only has consistent information on the quality of provision in independent external institutions, the group wished to compare inspection grades of external institutions with those of colleges. At its June 1999 meeting, the group received a report from the senior inspector responsible for external institutions, which showed that while the quality of lessons observed in external institutions is similar to that in sector colleges, the overall grades awarded to external institutions are lower. Many key weaknesses are related to cross-institutional factors. Key weaknesses are:

- learning support remains underdeveloped
- few institutions systematically identify students' basic skills support needs and provide appropriate support
- opportunities for students to review their progress as part of tutorial arrangements are inadequate for most part-time students
- careers guidance is rarely systematic
- few institutions have up-to-date information technology
- some institutions have poor access for students with restricted mobility
- arrangements to assure the quality of provision are generally underdeveloped

- few institutions have a planned strategy for staff development and appraisal arrangements are usually absent or underdeveloped
- managers often carry a wide range of roles and responsibilities and in a few institutions, management gives too little attention to curriculum and support for students
- strategies to improve retention and achievement are underdeveloped.

These findings were substantiated by the overview of external institution inspection findings which are set out in annex J.

2.25 It would appear that external institutions are able to provide teaching of a similar standard to that in colleges. However, the group concluded that the difference in funding levels between external institutions and colleges could mean that independent external institutions have been unable to develop curriculum management, support arrangements for students and quality improvement strategies to raise achievement which their counterparts within the FE sector have done.

Achievement and Retention

2.26 As is shown earlier, and as set out in the appendix to annex D, the median ALF of external institutions has always been lower than that of colleges. When asked what key changes external institutions would make to their provision if funding rates were equalised, many external institutions identified student support (additional learning support, counselling, childcare, learning resources) and on-programme guidance as areas in need of development. The findings of the group's research into these issues is set out more fully in the next sub-section, but this kind of support is clearly linked to the ability of students to achieve their learning goals.

2.27 Retention, achievement and progression rates in external institutions have been consistently lower than those in colleges and it is possible that this is linked directly to the lower rates of funding available. For example, this central weakness can be partly attributed to a lack of specialist staff and suitable learning support materials. It is also possible that this weakness could be attributed to the relative lack of specialist staff available to offer learning support.

2.28 External institutions have made good progress, particularly in achievement, in recent years. The improvement in rates of achievement in external institutions has been significant, but so has the rise in their median ALF. The targeting of any 'convergence dividend' towards student support, as proposed by many of the institutions surveyed, should be focused on increasing the proportion of students achieving their qualification aim or learning goal. The table shows achievement rates by type of funded institution:

Student achievement rates (%) by institution group and mode of attendance

	1996-97	1997-98
Full-time full-year		
General FE and tertiary colleges	63.9	67.7
External institutions	53.5	62.1
Part-time		
General FE and tertiary colleges	68.4	73.1
External institutions	54.3	61.8

Source: FEFC Statistical first release, July 1999 update

2.29 In terms of retention, this has stayed broadly the same in recent years. For example, 78.9% of part-time students in external institutions on programmes of at least 12 weeks duration had completed their programme or were continuing on it at the end of 1997-98. The equivalent figure for 1996-97 was 78.7%. Comparable information for part-time students in general FE and tertiary colleges shows retention of 85.8% in 1997-98, slightly increased from 85.2% in 1996-97.

Assessment of Evidence

2.30 All education providers would welcome more funding and most would put extra funds to good use. This report was not intended to identify a group of institutions for a funding bonus but to make specific recommendations to Council on whether or not there was a case for bringing funding for external institutions into line with that of colleges and HEIs.

2.31 The group saw that external institutions provide further education to groups of students who may otherwise not participate. They recruit from the most deprived areas of the country and run courses which are not always available elsewhere. Some external institutions are already funded at a rate close to that of colleges, but still believe that the even the relatively small increase in funds that convergence would bring would permit them to:

- carry out detailed needs analysis to spotlight gaps in provision and pockets of non-participation
- target deprived areas and eradicate duplication of provision through joint planning as an equal partner

- provide support services to students which have to date been beyond some of their means, for example additional learning support in basic skills, childcare facilities, learning resources and IT support
- use this support to address weaknesses in the retention and achievement of some students
- update facilities to make them more accessible to all students, especially those with disabilities.

2.32 The evidence shows that cross-subsidy has almost certainly been disguising the cost of provision in some external institutions. Inspection evidence has highlighted the problems faced by external institutions that are not able attract reliable funds from other sources.

2.33 The group was concerned to look forward to the advent of the Learning and Skills Council. Members believed that it would be inconsistent to establish a single system for the assessment of quality and standards in further education institutions but not to fund those institutions at the same rate for similar or identical provision. The group felt that it was timely to address the inequalities in the rates of funding in part-time and adult further education.

2.34 Arguments against convergence appear to fall into two main categories:

- why spend £30 million on provision and students that already exist – wouldn't it make more sense to 'buy' £30 million of new provision?
- if external institutions have managed to make provision on a low ALF, why increase it? Are they not just offering good value for money?

2.35 The first argument has considerable force and would enable further funds to be directed towards government priorities. However, does the benefit of increased student numbers outweigh the benefit of funding existing students well enough to complete a course and achieve a qualification? A central government priority is to raise standards, particularly in relation to retention, achievement and progression rates. The report of the Widening Participation Committee emphasises that the more positive learning experiences there are, the more likely students are to progress. 'Programmes' should not simply provide enough for a student to achieve a learning goal but enough to also equip them with the ability and confidence to move on to a higher level.

2.36 External institutions also deal with particularly disadvantaged students. Proportionately more external institution students are claiming a means-tested benefit, live in a socially deprived area and study courses in adult literacy, numeracy and English where it is not their first language. It is difficult and costly to encourage some population groups to return to education at all and once they enrol, they need ongoing support to enable them to achieve.

2.37 Evidence from the visits and surveys of external institutions explain that convergence would have benefits in terms of value for money. A significant number of external institutions identified the production of a more detailed needs analysis as a key task that they would undertake if they were better funded. Their assessment was that there are groups of students in their localities that are not currently participating in further education and that these are some of the hardest to attract. Intense outreach work is required to meet the needs of these students and this work will require some investment. Convergence for external institutions would go some way to funding it.

2.38 The second argument above would be true if an external institution's ALF represented the real level of funding in the institution. There is enough evidence of cross-subsidy in external institutions to convince the group that some institutions are relying on other sources to assist in financing their Council-funded provision. This may be helpful in the short term, it may be the only reason that some external institutions are still able to make the provision they do, but in the long term it is disguising problems in adult and part-time further education which should be addressed. For example, reliable information on the costs of adult literacy and numeracy provision for a particular age group would enhance analysis of recent approaches to these disciplines in school. In addition is provision good value for money if almost 40% of students who complete their programme of study do not gain the qualification intended?

2.39 The group concludes that the Council should be encouraged to support equitable rates of funding for all the institutions and students it funds. This is not simply because that would be right in principle, but because the evidence we have seen has convinced us that the extra funds are necessary for external institutions to play a major role in the Government's agenda for further education. This £30 million, and the associated recommendations of the group, would enable external institutions to raise standards and widen participation. It would create 'a level funding field' as a foundation on which the Learning and Skills Council could build.

Section 3: Benefits to Students

3.1 The group undertook extensive consultation, including a survey using an open-ended questionnaire sent to all external institutions, chief education officers and some national organisations, and a series of visits to a sample of external institutions across the country. The key purpose of both of these activities was to seek to identify the educational benefits from adopting a funding convergence goal for external institutions, with particular reference to the benefits to students. This section summarises the key issues arising from the responses to the survey questionnaires and from the visits. In this section, the term 'external institutions' refers to respondents to the questionnaire and those who hosted visits undertaken by the review group.

3.2 External institutions were invited by the questionnaire and in the course of the visits to comment on the following issues with particular reference to convergence:

- student experience
- learning experience
- inspection
- quality improvement
- governance
- sponsorship
- responsiveness to local circumstances
- planning.

The review group survey questionnaire is at annex K.

The Student Experience

3.3 There are five dominant themes raised in responses on the issue of the student experience:

- improve and develop student support and guidance
- provide for students with additional support requirements
- extend widening participation for hard to reach adults via outreach
- invest in/subsidise childcare for adult learners
- widen curricula and invest in curriculum resources.

The Learning Experience

3.4 There were many useful plans for developing pre-, on- and post- course support and guidance, including a 24 hour helpline, funding tutorial time, guidance in outreach centres and home visits to recruit hard-to-reach learners. Most institutions commented that they were unable to resource all these activities effectively at present, but pointed to the benefits of retention and achievement if changes could be implemented.

3.5 Financially few external institutions have been able to benefit from the additional support mechanism. There was a stated lack of classroom support assistants and of equipment for students with specific learning difficulties and/or disabilities. This was also a common talking point during visits to external institutions where 60% of the hosts said convergence would help them to develop both student guidance (to improve retention) and on-course tutorial and learning support (to increase retention and achievement rates).

3.6 Many institutions were keen to pursue the widening participation agenda in their localities, for example from an external institution in the East Midlands;

Due to their location and primary function external institutions are often much closer to the community than sector colleges, and potentially in a very good position to reach and engage the segments that are identified with widening participation. Funding levels make this impossible to achieve.

3.7 Examples of proposals to widen participation included family literacy schemes, designated programmes for disaffected youth, extension of existing basic skills programmes.

3.8 Proposals for childcare if convergence were to take place included:

- extending subsidised childcare for disadvantaged adults
- providing a crèche on all sites
- extending hours to include evening provision
- providing free childcare places.

3.9 External institutions identified the cost and extent of current childcare arrangements as a barrier to learning. The current inclusion of childcare units within the tariff works in a similar way to additional support units (see paragraph 2.7) and means that low ALF external institutions receive less funds for student childcare. Forty per cent of external institutions that were visited by the group raised childcare as an issue which would benefit students immediately if convergence were achieved.

3.10 Curriculum development for external institutions was seen as being impeded by lack of funding for resources and the employment of large numbers of part-time hours for tutors,

Benefits to Students

especially in economically deprived areas. External institutions funded at the same level as colleges would be keen to:

- develop learning resource bases for students
- provide free course materials for those on benefits
- develop curricula for progression with schedule 2 and between schedule 2 and non-schedule 2 courses
- invest in open and distance learning technologies and resources
- extend range of courses offered without risking non-viable class sizes
- respond to student demand for new courses
- develop new innovative provision to attract hard to reach client groups.

3.11 External institutions responded positively to the opportunity to create new or different learning environments for their existing and new students.

3.12 The most common themes external institutions chose to address were:

- improvement of facilities for students with mobility difficulties
- upgrading/acquiring IT to extend delivery of courses, including the use of laptops in outreach centres
- developing libraries and learning centres for student study.

3.13 External institutions mentioned that their provision was often constrained by the size of their premises, the high cost of running dispersed provision on several sites and the lack of capital to support building projects.

3.14 Over half of the respondents would use funding to develop IT. Some commented that they had not been able to take advantage of the allocation of Council funding for students with learning difficulties and/or disabilities due to their low ALF. There were many positive initiatives to extend Basic Skills programmes via IT and to integrate IT into all curriculum areas.

3.15 Few of those responding considered their library and/or learning support facilities adequate. For example:

The learning experience could be enhanced [by] the creation of an open learning resource base, with printed materials, on-line resources such as the Internet, magnetic media and interactive learning materials.

Inspection

3.16 The majority of respondents supported the establishment of a common inspection framework. Support for the development of such a framework was generally qualified in the following ways:

- framework must be flexible to recognise the different contexts of external institutions and their varied nature
- framework must take into account the part-time and evening nature of provision for adult students
- framework must combine schedule 2 and non-schedule 2 aspects of provision
- framework must be sensitive to needs of LEA.

3.17 During the visits, it was clear that external institutions could see the benefits of a single system for both the institution and the student; open, fair comparison of provision which highlighted successes and helped to identify those areas in need of development. However, it was felt that inspection may be more valuable when comparing provision in institutions where funding levels were also comparable.

3.18 Most external institutions also stated that they were already working to a self-assessment framework, for example, by drawing on aspects of both the Ofsted and Council frameworks.

Quality Improvement

3.19 Given parity of funding with colleges respondents identified four main ways in which they would improve quality assurance:

- appoint designated staff/release senior staff for quality assurance and quality improvement strategies
- increase staff development on and off site
- upgrade/purchase MIS to assist with review of quality and to inform plans for development
- release staff for class observation.

3.20 Continuing professional development for staff was the main priority in this area with many institutions commenting that they relied on staff attending sessions in their own time and usually unpaid. There was a clear feeling that many external institutions rely on goodwill to retain staff and that colleges, which are better able to offer staff a full package of development and career progression opportunities, 'poach' many able tutors.

Governance

3.21 Respondents stated that they already had good models of representation and accountability. Overall, institutions appeared either not to comment or not to be in favour of the establishment of a standard framework of governance. One host external institution pointed out that some institutions were already working within a formal framework (ie, registered charities) and that any standard framework should encompass the existing requirements of other relevant bodies. Governance arrangements for private company providers requires further exploration.

Sponsorship

3.22 Around two-thirds of respondents were in favour of receiving direct funding from the Council rather than through sponsorship arrangements. The perceived benefits of direct funding were:

- removal of administrative burden on sponsoring college
- more efficiency in strategic planning, funding and audit process
- avoidance of delayed payments
- an end to the unequal sharing of strategic planning information.

3.23 Almost half of those visited had or were experiencing difficulties with their sponsoring college. Sixty-five per cent were confident that direct and equitable funding would improve collaboration and remove (at least one level of) politics from local adult provision.

Responsiveness to Local Circumstances

3.24 Respondents were keen to defend the existing responsive nature of their organisations and some felt that as a result of increased funding, they would be able to further develop good practice and responsiveness.

3.25 Recurrent themes included the benefits of addressing the needs of local communities by:

- funding outreach workers, especially to hard-to-reach adults
- increasing publicity/marketing
- convergence would enable a national and coherent approach across lifelong learning partnerships to fee remission, access and student support.

3.26 When this issue was discussed more fully during visits, common themes of areas in need of additional funding were identified. External institutions wanted to provide more 'alternative' provision (for example flexible learning and creative timetabling), use enhanced needs analysis to target deprived areas and to identify gaps in local provision. External institutions believed they had a key role to play in local partnerships to address non-participation and deprivation. Funding

levels and low status (partly as a result of the funding differential) were identified as potential barriers to success.

Planning

3.27 This issue brought out a very wide range of responses. Among those which recurred across regions were:

- convergence would act as a catalyst for collaboration and improve capacity for joint planning
- release staff to participate in partnerships
- increase co-operation in a climate of equals
- increase numbers of full-time staff to facilitate planning time
- work to the aims of the Lifelong Learning Development plans.

3.28 Members were impressed by a commitment to eradicate the duplication of 'easy' provision through joint planning and were convinced that equity in the relationship with other partners would facilitate this.

Section 4: Probity, Accountability and Responsiveness

Probity and Audit

4.1 The current audit arrangements for external institutions were referred to in paragraphs 1.34 and 2.16. The changes envisaged by *Learning to Succeed* mean that the external sector (ie, those further education institutions which are not colleges) is likely to include a significant number of institutions which were not funded by the Council. The group expects that parity of funding levels would allow all institutions to maintain sufficient data to account in detail for the public funds that they have received. Institutions that are unable to satisfy audit requirements would be expected to repay the associated funding.

Inspection

4.2 The Council inspects further education provision made by the independent external institutions which it funds. The duties relating to quality assurance in LEA-maintained institutions are set out in section 55 of the *Further and Higher Education Act 1992*. Responsibility for quality assessment in these institutions rests with Ofsted, as the Council has no power to inspect them.

4.3 This arrangement has created one of the main divides between independent and LEA-maintained external institutions. Many external institutions are subject to inspection by more than one agency and are expected to prepare for a range of assessments using different frameworks. The proposal in *Learning to Succeed* to create a single adult inspectorate was welcomed by the majority of external institutions that returned the consultative questionnaire or hosted a visit. Institutions felt that a single system would bring benefits for them and their students. Comparison of performance would be more straightforward for the customer.

4.4 However, it is apparent that the value of the new system would be lost to external institutions if no recognition is given to the diversity of funding levels for comparable provision.

4.5 As noted above, section 55 of the Act gives the chief inspector of schools the statutory duty to report to the secretary of state on quality, educational standards and efficiency for local authority adult education. Local authorities themselves are also under a duty to review the quality of the services which they provide, fund or manage.

4.6 In order to fulfil its duty, Ofsted has developed a specialist inspection framework for inspecting adult provision, which it uses to inspect a small number of local authority services each year. In addition, it conducts national surveys in specific policy or curriculum areas, for example, family learning.

4.7 By the summer of 1999, Ofsted had undertaken 17 full service inspections, looking at the standards of achievement, quality of provision, value for money and quality assurance. Aspects of activity inspected are graded on a similar scale to that used by the Council inspectorate. An analysis of inspections by Ofsted of local authority adult education services is set out at annex L.

4.8 There is a significant difference between the model of inspection for non-LEA-maintained external institutions and that used for sector colleges. Sector colleges have access to a college inspector whose role is to act as a point of contact between the college and the Council inspectorate. College inspectors can provide support to colleges in preparing their self-assessment documentation and in following up feedback from inspection. It is clear that colleges have gained from productive relationships with their college inspectors and it is likely that this relationship, were it to be established, could be of even greater value for external institutions.

4.9 Independent external institutions do not have access to the standards fund which hampers their plans to improve quality, raise standards and disseminate good practice developed in external institutions that may be valuable for sector colleges as well as other external institutions. LEA-maintained external institutions and sector colleges have access to standards funding. The lack of access to standards funding for independent external institutions is an unhelpful anomaly under current arrangements. The cost for this could be calculated on a pro rata basis in relation to sector colleges.

4.10 The review group report recognises the degree of diversity existing within external institution provision, and draws attention to the ways in which the quality of their practice, and thus their contribution to the widening participation agenda, may be undermined by limited experience and expertise in the implementation of well developed and managed educational provision. The external institution-attached college inspector role, operating within an established quality framework yet showing sensitivity to the diverse and localised nature of this area of provision, could make a significant contribution to quality improvement and the raising of standards.

Performance Indicators

4.11 All Council-funded institutions are required to complete an individualised student record (ISR). Colleges return information on their entire student population while external institutions are required to complete records for Council-funded students only. The DfEE has set up a technical subgroup to consider the feasibility of extending the ISR to all external institution students.

4.12 The Council publishes performance indicators (PIs) and benchmarking information for colleges. There are currently six PIs as described in annex M. PIs 2, 3, 4 and 5 are derived only from the ISR. PI5, contribution to national targets, is the only indicator that includes data from college students not funded by the Council. PI1 details performance against funding target, so is available for all institutions, and PI6 is to be withdrawn from the 1997-98 funding year.

4.13 At its June meeting, the group received a report from the Council's chief statistician stating that it would be technically feasible now to publish PIs and benchmarks for external institutions. The consultation exercise undertaken by the group has shown that the majority of external

institutions would welcome the publication of such data. It would also serve to make all external institutions more accountable to their constituents.

Accreditation

4.14 In 1998-99, five sector colleges were given accredited status by a national panel against the criteria set out in Council Circular 98/22 *Accrediting Colleges*. These colleges demonstrate consistent and high quality in their work. Many more sector colleges and some independent specialist colleges for students with learning difficulties and/or disabilities are preparing for accreditation. Currently, arrangements for accreditation do not include external institutions. The group would like to see access to accredited status extended to external institutions, in order to recognise the achievements of the best of these institutions. Accredited status should be a reward for maturity and excellence across the full range of providers of further education.

Responsiveness: Accounting to Constituents

4.15 Colleges and external institutions each produce their strategic plans on a three-year cycle with two annual updates of each plan. Currently external institutions are required to share the plan with their sponsoring college before it is forwarded to the Council. There is not however, a reciprocal requirement. The plan is expected to include an analysis of the educational need of the community which is served by the external institution along with details of how it intends to address the need. The documents are not necessarily public, although some external institutions do make the plans more widely available.

4.16 As a further means of demonstrating the benefits of convergence, external institutions could be required to produce an annual report to their constituents, including local employers, employees and students. The report could set out recent achievements, including student achievement, as well as an outline of how the external institution intends to respond to local need, general issues, specific gaps and strategies to improve quality of provision, in the coming year. External institutions would be encouraged to make the report widely available in their immediate community and to account annually for any shortcomings in the achievement of its own objectives. In consultation with the Council inspectorate, Ofsted and the LGA, the Council will prepare guidance on the framework for annual reports.

Section 5: The Future of Post-16 Learning

Learning to Succeed

5.1 In June 1999 the Government published a white paper, *Learning to Succeed: a new framework for post-16 learning* [Cm 4392]. It contains the Government's proposals for the reform and reorganisation for all training and education of people over the age of sixteen, other than those in higher education. It sets an agenda that aims to promote consistent and cost-effective quality provision for all, no matter where they are learning. The principle issues set out in the white paper are set out in annex N.

5.2 The central proposal is for the establishment in April 2001 of a single, integrated Learning and Skills Council at national level. The new council will be supported by 47 Local Learning and Skills Councils which will plan and co-ordinate provision locally. The new council will assume all responsibility for funding FE colleges in England and other education and training institutions in receipt of Council, LEA and TEC funds. The new council will promote learning opportunities in adult and community learning, including those in local authorities and in voluntary bodies.

5.3 The white paper outlines the main challenges to be tackled by the new Council as:

- low rates of learning and staying on in learning beyond sixteen
- a cycle of deprivation, disadvantage and low skills
- particular difficulties faced by people with special needs
- poor levels of basic skills among adults
- skill shortages and recruitment difficulties for employers
- patchy support, advice and guidance for young people
- too much learning provision which is unsuited to the needs of learners.

The Learning and Skills Council and the Future of 'External Institutions'

5.4 External institutions are the by-product of the last major legislative reform aimed at post-16 learning, the *Further and Higher Education Act 1992*. It was under the terms of the Act that the FEFC was created and further education colleges were separated from local authority control and established as independent incorporated bodies. The 1992 Act also introduced the distinction between 'schedule 2' and 'non-schedule 2' programmes of study. Except in particular agreed circumstances, or where provided by specialist colleges such as the WEA, so-called 'non-schedule 2' programmes of study were not eligible for financial support from the Council. They could, however, still receive funding from local authorities or other sources. Those providers of further education which were not incorporated or specially designated as being eligible to

receive Council funding could secure financial support for 'schedule 2' provision by one of two routes:

- by being 'sponsored' by an incorporated or designated institution
- through a franchise arrangement with an incorporated or designated institution.

5.5 Thus, external institutions, meeting a wide variety of adult and community learning needs, could provide both 'schedule 2' programmes, supported by the Council and 'non-schedule 2' programmes. The latter could be funded by local authorities, private funding or be supported from some other source (for example, from the SRB, ESF or charitable body). External institutions could be entirely within local authority control or independent and free-standing.

5.6 All of that will change when the new national Learning and Skills Council and local Learning and Skills Councils come into being. Under the terms of the proposals set out in the white paper, the new national and local councils would assume responsibility for community and adult education (including that currently provided by local authorities). As the white paper puts it:

...the creation of a single council covering all forms of (non- higher education) adult learning will mean that for the first time one organisation will be responsible for delivering services to this group and meeting the Government's targets.

5.7 Among other duties, local Learning and Skills Councils will be responsible for building local capacity within the market and for planning to meet and targeting the needs of adult and community learners. External institutions, other private voluntary sector and community post-16 providers will be funded under the new arrangements in the same way as colleges, 'so long as they meet the essential quality and accountability thresholds that the Government is laying down'. This is important, as the white paper recognises, because such organisations 'are particularly well-placed to contribute their expertise in key areas such as tackling social exclusion and the education and training of those with special or basic skill needs'. They lie at the heart of provision for and the promotion of lifelong learning in the community.

Section 6: Recommendations

The group concluded that there should be a clear link between funding, quality and accountability for all institutions, and this principle should be carried forward to the new Learning and Skills Council. With this in mind, the group has made recommendations in three areas: funding, quality improvement and accountability.

I Funding recommendations

The Group Recommends that:

- a. learning in all external institutions should be funded at the average level of funding (ALF) for the sector as a whole;
- b. this should be achieved by a process of convergence on the same timescale as that already agreed for colleges, starting from the 2000-01 funding year, and under similar funding principles as those for colleges;
- c. as part of this process each external institution should be required to include an Action Plan for managing the change to their level of funding as part of their strategic plan updates in July 2000;
- d. the Council should issue guidelines on the format of the Action Plan by March 2000 for implementation from the 2000-01 funding year and should consider further how the strategic plan framework for external institutions should be developed for 2001;
- e. the guidelines concerning the funding Action Plan should be drawn up on the basis of advice from the Council inspectorate Ofsted, the Local Government Association (LGA), the Association of Colleges (AoC), the external institutions consultative group and other interested bodies;
- f. the Council and the DfEE should engage in a dialogue with the LGA through the national partnership protocol to ensure that the volume of LEA adult provision will be maintained at the current level;
- g. the Council should explore with the DfEE how external institutions may access other types of initiative funding available to colleges, for example, the learning network for further education, the capital modernisation fund, the new opportunities fund and the standards fund;
- h. in external institutions and other institutions there should be an exploration of effective focused outreach strategies, particularly where there is evidence of work with partners to stimulate demand and participation. This should be done by means of a programme of selective pilots and research.

2 Quality Improvement

As part of convergence, the group recommends that the following quality assurance systems should be in place:

- a. a programme of quality improvement leading to year-on-year improvements in the following areas: recruitment, retention, achievement and progression;
- b. the quality standards in all external institutions should be those applied to the sector as a whole. To achieve this there should be a common framework for inspection and quality assessment based on self-assessment including an action plan indicating how improvements in quality will be made. This action plan should include proposals for a programme of year-on-year improvement especially in student achievement and progression supported by curriculum development; the effective use of benchmarking data; appropriate reference to equal opportunities; and learning support.

3 Accountability

The accountability requirements for external institutions should be as rigorous as for the sector as a whole and should be measured and reported accordingly. The group expects that the accountability and governance arrangements within external institutions should be clear, and in accordance with the appropriate accounting, audit and financial probity mechanisms. The group recommends that:

- a. the Council should require of external institutions an annual report written within a guidance framework, and that this annual report should be made available to their constituents;
- b. the Council should publish performance indicators and benchmarking information for external institutions as soon as is feasible.

Annex A

External Institutions Review Group: Terms of Reference

- 1 to identify the educational benefits from adopting a funding convergence goal for external institutions
- 2 to gather evidence on the current contribution of external institutions to the lifelong learning agenda
- 3 to review current quality assurance arrangements for Council-funded provision in external institutions and consider the scope for future development
- 4 to analyse information on governance, financial control systems and quality assurance arrangements in external institutions.

Annex B

External Institutions Review Group: Membership

Chair

Professor Bob Fryer University of Southampton and Ufl

Member

Gary Bate

From

Calderdale Colleges

Nominated by

AoC

Sue Cara

NIACE

NIACE

Dick Corbridge

Manchester Adult Education Services

LGA

Nick Henwood

Kent LEA

LGA

Ursula Howard

FEDA

FEDA

Alan Newbold

Coventry LEA

EICG*

Geoff Pine

Woolwich College

FEFC

Bob Powell

HOLEX

EICG

David Roddam

Lancaster & Morecambe College

FEFC

Anne Sheikh

Cathedral Centre, Bradford

EICG

Assessors

Maureen Banbury

Ofsted

Marie Devall

DfEE

Stephen Hillier

DfEE

Stanley King

DfEE

Merillie Vaughan-Huxley

FEFC Inspectorate

* *the External Institutions Consultative Group*

Annex C

The Further and Higher Education Act 1992

Section 6

(5) Where—

- (a) the governing body of an institution within the further education sector to which this subsection applies (“the sponsoring body”) receive from the governing body of an institution outside that sector (“the external institution”) a request for the sponsoring body to apply to a council for financial support in respect of the provision of facilities for part-time, or adult, further education by the external institution in any academic year; and
- (b) there are no arrangements for the provision in that year of any facilities of the kind specified in the application for the population of the sponsoring body’s locality by any other institutions or the arrangements for such provision for that population in that year by other institutions are inadequate,

the sponsoring body shall apply to the council specified in the request for financial support to be given to the sponsoring body on terms requiring it to be applied in respect of the provision of the facilities specified in the application by the external institution in that year.

Annex D

External Institutions: Statistics

Table 1: External institutions by type 1999-2000

Type	Number
LEA	170*
Independent	
• company	21
• registered charity	16
• charity and company	9
• voluntary or community	4
Total independent	50

* includes some former grant-maintained schools

note: that some services and independent external institutions are covered by more than one return source: Strategic plans 1999-2002 (July 1999)

Appendix to Annex D

Figure 1. Total number of external institutions 1993-94 to 1999-2000

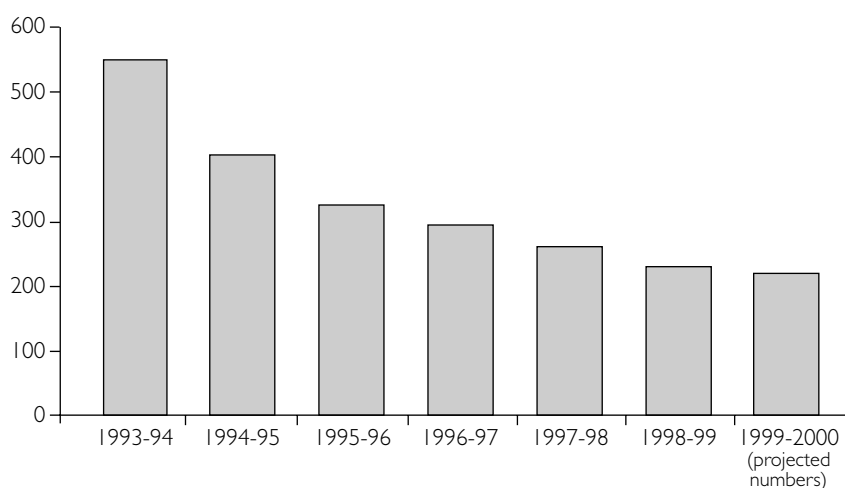


Figure 2. Pattern of Council funding allocated to external institutions 1993-94 to 1999-2000

	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000
Median (£)	20,896	43,404	61,872	66,071	89,030	109,608	110,000
1993-94 estimated funded average level of funding (ALF)	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000
Median ALF (£)	6.92	8.28	9.56	10.11	10.54	10.72	11.61
% increase per year	n/a	19.7	15.5	5.8	4.3	1.7	8.3

Figure 3. Median ALF in external institutions and colleges

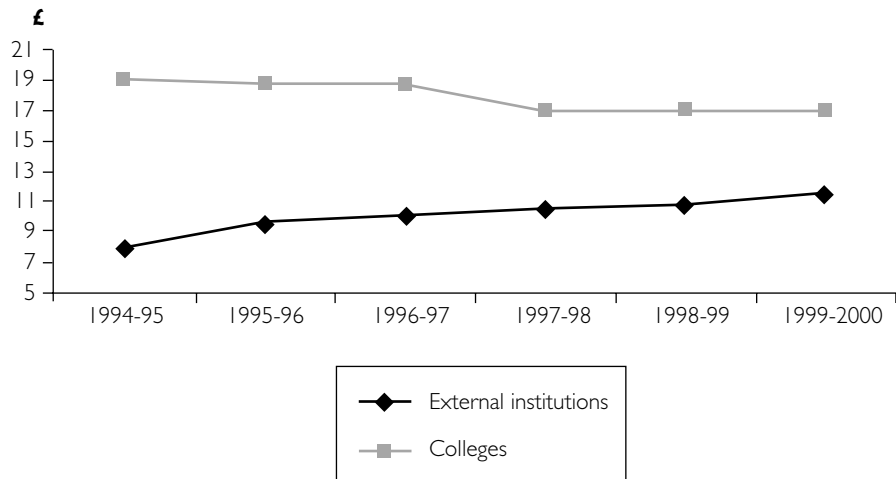
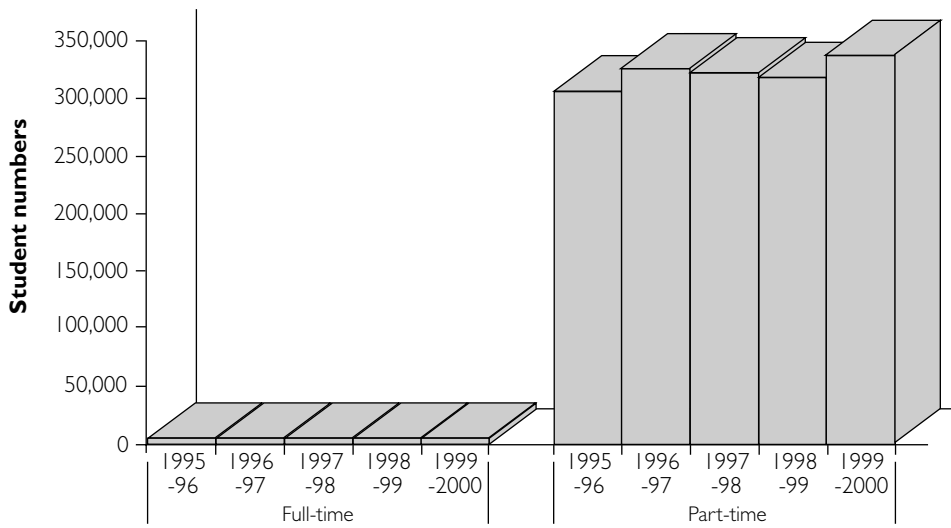


Figure 4. Total number of Council-funded students in external institutions



source: July 1999 strategic plans and annual updates

Figure 5. Estimated summary by category of units, 1997-98

Type of institution	Entry	On Programme	Fee Remission	Additional Support	Childcare	Achievement
All colleges (excluding designated)	14.56	105.91	18.94	9.30	191.48	5.08
External institutions	1.49	3.72	0.55	0.13	0.03	0.12
Total – all institutions	16.37	110.14	19.52	9.44	224.12	5.22

Type of institution	Entry %	On Programme %	Fee Remission %	Additional Support %	Childcare %	Achievement %
All colleges (excluding designated)	9.5	68.8	12.3	6.0	0.1	3.3
External institutions	24.7	61.4	9.1	2.2	0.5	2.1
Total – all institutions	10.2	68.5	12.1	5.9	0.1	3.2

note: units in millions

Annex E

Summary Characteristics of Maintained and Independent External Institutions

characteristic	LEA-maintained external institution	'independent' external institution
size	<ul style="list-style-type: none"> • variable, depending on local structured arrangements; can range from a small-scale community school programme responding to the needs in a specific locality to an integrated authority-wide service offering 2,500+ courses per annum and enrolling 30,000+ learners • might be based on 'consortium' arrangements 	<ul style="list-style-type: none"> • tend to be smaller than maintained external institutions • some are specialist organisations • frequently have their origin in local project activity
scope of activity	<ul style="list-style-type: none"> • Council-funded work includes basic skills and EAL; 'return-to-learn'; 'second chance' academic programmes (GCSE, GCE A levels); various vocational courses, may be up to level 3; provision for students with learning difficulties and/or disabilities; some offer Access to HE programmes • also likely to offer an LEA-supported non-schedule 2 adult education programme • involved in development/delivery of family learning • many well access other external funds to mount return-to-learn/ vocational opportunities, personal development and capacity-building programmes • some integrated into a service which also offers TEC-sponsored training 	<ul style="list-style-type: none"> • Council-funded work may be focused in specific subject areas; internal progression routes up to HE • likely to offer basic skills, but often as a support function rather than as a stand-alone programme • likely to offer other accredited programmes through other external funding channels • some centrally involved in regeneration initiatives • directly address the social inclusion agenda

characteristic	LEA-maintained external institution	'independent' external institution
clientele	<ul style="list-style-type: none"> • adults, attending part-time • non-Council-funded provision may include family learning • several students progressing internally from/onto non-schedule 2 work • high incidence of disadvantaged learners 	<ul style="list-style-type: none"> • may be some full-time learners • often from specific/targeted groups • some are more likely to cater for 16–19-year-olds as well as adults • high incidence of 'widening participation' students
premises	<ul style="list-style-type: none"> • variable: some with dedicated premises • all are likely to use other local authority venues (especially schools) • most are likely to hire community-based venues 	<ul style="list-style-type: none"> • often based on one site, with a few notable exceptions where provision is national or regional
inspection and quality improvement	<ul style="list-style-type: none"> • come under current Ofsted requirements • subject to LEA quality assurance requirements • several now committed to formal self-review, including 'peer review' • will fall within scope of 'best value' inspectorate • may come within scope of TSC inspection, if TEC-funded programmes in same service unit 	<ul style="list-style-type: none"> • fall within FEFC inspection requirements • preparation of formal self-assessment report • several will also come within scope of TSC for TEC-funded programmes
governance	<ul style="list-style-type: none"> • may have governing body (section 85, the 1992 Act) with delegated responsibilities 	<ul style="list-style-type: none"> • likely to have management committee, including users

characteristic	LEA-maintained external institution	'independent' external institution
accountability	<ul style="list-style-type: none">• local authority probity systems• Audit Commission PIs for adult education• subject to local authority Performance Plan ('best value' studies) and other aspects of 'modernising local government'• publicly report to local authority committee• ultimately subject to democratic accountability• usually subject to Audit Commission audit requirements	<ul style="list-style-type: none">• subject to Charity Commissioners• where incorporated, subject to Company Law• subject to external audit requirements of the Council

Annex F

Case Studies: Four Different External Institutions

Case Study A

1 The community education service currently spends more on Council-funded provision than they receive from the Council, in that subsidy is provided from other sources of funding available to the service.

2 The service was originally 23 external institutions which have over time consolidated into a single institution for funding purposes, by 1998-99. The service offers 676 schedule 2 programmes and is currently serving 6,680 students in 23 community schools and five free-standing adult education centres. Its allocated funding for 1998-99 was £560,395 with an ALF of £9.64. It consistently over-achieves this allocation of funding units.

3 The service is active in many associated projects and partnerships, including Ufl, widening participation, the lifelong learning partnership and the development of various IT projects, for example, a wide area network.

4 The success of the service is attributed to the commitment of its staff and its resourcefulness in making the best of several funding streams. The service considered that more funding would mean more full-time staff; better marketing; more sophisticated needs analysis; better facilities and equipment; providing for new client groups; improving retention and achievement, greater innovation, particularly in the use of IT; improved co-ordination with other providers; and the opportunity to develop better community development strategies. Sponsorship was regarded as 'passive' and there was a preference for direct funding from the Council.

5 In terms of providing for different client groups, those with low/no income and those from rural isolated areas were identified. Facilities and equipment are provided by the LEA which are not always suitable to schedule 2 activities. The external institution would value funding to meet development costs. There was a concern to meet appropriate standards, so that any funding for new initiatives should be sufficient to support good quality.

6 It was confirmed that 40% of staff were supported by Council funding.

Case Study B

7 The local authority's adult education provision takes place in an area of small pockets of unemployment and skills shortages. Schedule 2 activity forms 30% of the provision within the local authority's continuing education service. The provision of schedule 2 made by the service uses 76 locations with 533 programmes for 5,633 students (6,089 enrolments). It has an ALF of £11.25.

8 In terms of what could be done with more funding, the service would seek to provide more innovative responses to adult learning needs and to accelerate the training of staff, particularly in IT, so that more staff had trained teacher status. It was noted that demand-led element funding had in the past provided for 'risk' programmes where the marginal cost could be used to fund programmes where there was an identified market but the size and scope of the market was unmeasured. The service is also keen to create more 'lifestyle' learning opportunities and opportunities to learn in smaller 'bites'.

9 The relationship with the sponsoring college was cordial and this was being developed further through membership of the lifelong learning partnership.

10 The adult service has mainly part-time teaching staff (it has 983 tutors of whom 283 are directly involved in the delivery of Council-funded schedule 2) and some full-time management staff in a small central team.

11 On quality assurance, the service has quality circles used by managers for action planning as part of an annual cycle of quality assessment. On management and reporting mechanisms, the local authority education committee receives annual reports on the service. The service uses performance indicators (PIs) to measure retention and achievement. Its retention has been measured at 70%.

Case Study C

12 The community college had been a county council external institution which in its first year had significantly underachieved and had a low ALF, of less than £5. The local area has high unemployment and low mobility, in that one-third of households do not own a car.

13 The community college had 7,632 enrolments in 1997-98, 2,376 of which are Council-funded; 4,418 of which are LEA-funded and 878 of which were funded by a separate franchise arrangement with their sponsoring college. Nearly three-quarters of their students are female.

14 The link with the sponsor has been important, although the franchise arrangement is now at an end. The franchise link with the college proved useful because it provided access to state-of-the-art equipment. It is now coming to an end because the FE college is directly offering IT classes to adults free of charge. LEA funds have also provided for equipment and resources. There was some rationalisation of provision with the college, for example, the community college offered part-time programmes and the college offered full-time; the community college provided ESOL (English for speakers of other languages) and the college provided EFL (English as a foreign language). This curriculum rationalisation with the college is now at an end.

15 Their programmes cover a wide range of skills from below entry level to academic qualifications at level 3, including GCE A levels. One of the problems the community college is seeking to address is the level of retention on GCSE and GCE A level programmes.

16 On governance and management arrangements, the local authority sets performance criteria based on enrolments, achievement, retention, budget management and student satisfaction. The chair of the governing body is the chair of the education committee. A senior member of the college staff is on the community college's board of governors and a member of staff from the community college is a non-executive director of the college.

17 The community college has been inspected twice, as part of its franchise arrangement and found it a useful experience.

18 The external institution considers that more funding would allow it to undertake more planning in a longer cycle and would put it on a more equal basis with other local providers, particularly the FE college. They would like to undertake more systematic classroom observation; improve their community outreach; improve their marketing and learning resources; and undertake more partnership working, although it was noted that the community college is already working with several partners, including a self-financed programme 'training link'. In 1998-99, the community college had an allocation of 45,500 units from the Council, for an allocation of £450,000. Its ALF had increased to £10.38. Retention and achievement have improved.

Case Study D

19 The adult and community education service is situated in an inner city which has a significant level of deprivation. For example, 78% of its students attract a widening participation factor and around 50% of enrolments are basic skills and programme area 10. Many of its students are eligible for fee remission.

20 There are six main sites for the community service. It receives £1.6 million from the Council and has an ALF of £14. It receives £771,000 from the LEA and also has funding from SRB, urban regeneration and section 11.

21 While its accounts are audited by the local authority, its relationship was described as being at 'arms length' from the authority and therefore it has to take responsibility for the rigour of its financial systems. It pays a 'core' fee to the local authority for some central services.

22 The external institution enjoyed a good relationship with its sponsoring college up until the point at which merger had been discussed. The external institution works in partnership with other local providers, including colleges, and it is part of the Childcare and Early Years partnership. It has Investors in People status and the Basic Skills Agency Q-mark.

23 If the external institution had access to more funds it would improve learning resources, and set up a library; increase its use of data analysis and performance indicators; provide more IT courses for students; improve staff development; upgrade equipment; and improve its quality assurance systems. The priorities for the external institution if it had more funding would be to provide better opportunities for local people and improve the quality of the provision.

24 The provision is somewhat dispersed: this helps meet local needs in close communities. People prefer day-time study as they do not like going out at night in their local area.

Annex G

Analysis of Widening Participation Factors in External Institutions

1 External institutions are significant contributors to the widening participation agenda. Each institution funded by the Council has a widening participation factor calculated by the Council. The factor provides a basis for identifying individual and geographical disadvantage. An analysis of widening participation (WP) factors in external institutions is set out below.

Background

2 Each institution has a WP factor calculated by the Council. It is based on the number of students recruited from areas with different levels of deprivation, using a modified version of the Department of Environment (DoE) *Index of Local Conditions*. Students with addresses in postcodes with high levels of socio-economic deprivation are allocated a factor, according to the level of deprivation. The higher the number of students from such postcodes, the higher the WP factor. The 1995-96 ISR data has been used for calculations. The WP factor provides a basis for identifying individual and geographical disadvantage; it is a proxy for deprivation.

3 Non-LEA-maintained external institutions are often smaller than LEA-maintained external institutions and most are local community-based organisations. In contrast, many LEA-maintained external institutions intend to provide adult education across a wider localities. Colleges serve wider geographical areas and only a few have as 'catchment' areas postcode districts with fairly uniform levels of deprivation.

Widening Participation Factors and Percentages of Students from Disadvantaged Postcode Districts in Different Types of Institutions

4 Analysis of the data shows:

	Total no. with WP calc'd	no. with 1.025 WP factor or higher	no. lower than 1.025 factor	no. with 50% students in disadvantaged postcodes	highest WP factor	Lowest WP factor	Notes
non-LEA	38	20 (53%)	18 (47%)	19 (50%)	1.074	1.001	*
LEA	205	35 (17%)	170 (83%)	37 (18%)	1.070	1.000	†
colleges	427	57 (13%)	370 (87%)	46 (11%)	1.070	1.000	‡

*A further 7 non-LEA external institutions do not yet have a WP factor calculated. One external institution has not made ISR returns with postcode details. Eight out of the ten external institutions with the highest WP factor are non-LEA-maintained external institutions.

† The 205 total includes some grant maintained schools based provision which used to be LEA-maintained.

‡ The 427 total includes general further education colleges, sixth form colleges, specialist art and agricultural colleges.

5 The proportion of non-LEA-maintained external institutions with a WP factor of 1.025 or higher is greatest, followed by the proportion of LEA-maintained external institutions. A lower proportion of colleges have a WP factor of 1.025 or above.

6 The non-LEA-maintained external institutions have the highest proportion of students from 'disadvantaged' postcode districts (50% with over half of their students from these districts), followed by LEA-maintained external institutions (18% with over half of their students from these districts). Other colleges have a lower percentage (11% with over half of their students from these districts).

Conclusion

7 External institutions contribute significantly to widening participation. Provision in non-LEA-maintained external institutions is particularly targeted at students from disadvantaged postcode districts.

8 Widening participation is not just about 'getting students in'. It is about access, achievement and progression. The WP factor data given above relates only to the recruitment of students from disadvantaged areas.

Annex H

Matched Pairs Study of Costs: Estimating External Institutions' Convergence Average Level of Funding

Background

1 At its first meeting the review group commissioned a study to estimate the convergence average level of funding (ALF) for external institutions. The suggested approach proposed some desk research supported by a matched pairs sample study.

Survey Method and Outcome

2 The matched pairs study was carried out using information from 32 external institutions, sampled from three localities (Yorkshire, Leicestershire, and the South-West). The survey used a questionnaire that asked for information on total income 1997-98; Council funding received 1997-98; and group sizes as taught for one or more qualifications.

3 In total, 26 responses to the questionnaire were received and the quality of the data in respect of class sizes is generally very good. In two cases the results as presented appeared incorrect but there was a reasonable interpretation which produced sensible class size data in both cases. The class size data is therefore regarded as robust and representative.

4 The external institutions were also asked to indicate the total public funding that they received and whether they received any resources in kind, such as free or subsidised accommodation, equipment, staff or other items. Many of the institutions were unable to provide a reliable figure of total public funding and so this was not analysed.

5 Table 1 provides an analysis of resources in kind received for the 26 external institutions which made a response.

6 Free or subsidised accommodation was a common feature but equipment, staff and other resources were not generally available free or subsidised. Given the relative rarity of free or subsidised resources it was not possible to draw any conclusions from the data provided in terms of the actual monetary value of such a subsidy.

Table 1: Resources in kind received by external institutions

Number of institutions replying:	Free or subsidised			
	Accommodation	Equipment	Staff	Other
Yes	10	3	4	2
No	14	21	20	22
No answer	2	2	2	2
Total	26	26	26	26

Hypothesis to be Tested

7 The hypothesis to be tested is that the LEA-maintained external institutions receive a subsidy towards their Council-funded provision. What one would expect under this hypothesis would be as follows. As the proportion of income of an institution attributable to the Council rose, then the output would rise as well. At one extreme, external institutions relying completely or almost completely on Council funding would systematically have ALFs close to those of colleges. At the other extreme, external institutions where Council funding was only a small minority of the total income would tend to have much lower ALFs, because of the subsidy from the LEA.

8 In order to test this hypothesis it was necessary to discount or control for possible distorting factors. The review group supported the conclusion that there were two possible distorting factors:

- a high proportion of high cost-weighting factor programmes where the cost of consumables and capital equipment becomes a significant issue
- systematic differences in class sizes between external institutions and colleges, which would support a differential ALF between the two groups of institutions.

9 Table 2 shows that external institutions make virtually no provision with cost-weighting factors D and E. Of the cost-weighting factor C provision the majority is adult basic education, with a significant amount of ESOL (English for speakers of other languages) and open college network provision. The cost-weighting factors for adult basic education and ESOL provision are intended to compensate for small group sizes rather than other factors and so it is reasonable to regard class size as the key cost driver for external institution provision.

Table 2: Proportion of external institution provision by cost-weighting factor

	Cost-weighting factor				Total
	A	B	C	D and E	
Percentage of qualifications	40	33	26	1	100

note: some qualifications with an unknown cost-weighting factor are included in the D and E group

10 The great majority of college provision is also in cost-weighting factors A and B and it is therefore valid to conclude that if class sizes in external institutions are broadly comparable to those in colleges then it is reasonable to assume similar costs.

11 Table 3 provides a comparison of class sizes in external institutions and colleges. It can be seen that the distributions are broadly similar with around 60% of classes containing 12 or more students.

Table 3: Comparison of class sizes in external institutions and colleges

	Students registered for lessons				Total
	8 or fewer %	9 – 11 %	12 – 14 %	15 or more %	
External institutions	14	29	35	23	100
General FE colleges	20	19	20	41	100

source: external institutions: survey

colleges: Chief Inspector's Annual Report 1997-98

12 This analysis was based on the survey results in the case of external institutions and so could only be regarded as a broad indication. Also the comparison was restricted to general further education (FE) colleges on the basis that their provision was likely to be more similar to that of external institutions. Nevertheless the comparison was not entirely valid since external institutions do not provide for full-time 16–18-year-old students but colleges do. In general full-time 16–18 students are taught in larger groups than adults as can be seen from the data in the chief inspector's annual report where 44% of registered lessons in tertiary colleges had 15 or more students while the figure rose to 54% for sixth form colleges. On that basis it was reasonable to conclude that the relatively high proportion of registered classes of 15 or more in general FE colleges reflected to some extent provision for full-time 16–18-year-olds.

13 Since the comparison was based on external institution data from the survey it could only be a broad comparison but nevertheless the data did support the conclusion that class sizes in external institutions and colleges were broadly comparable.

Relationship Between Class Size and ALF

14 A direct test of the hypothesis required a calculation of Council funding as a proportion of total public funding for each external institution. As explained above the data on total public income were not sufficiently reliable to be used. As an alternative the questionnaire collected total students in the external institution and so it was possible to calculate Council-funded student numbers as a proportion of the whole.

15 On the reasonable assumption that the typical funding for non-Council-funded students was broadly comparable with that for Council-funded students, an assumption which was supported by anecdotal evidence, then the Council-funded students as a proportion of the whole was a reasonable proxy for the extent to which the institution depends upon Council funding.

16 There is a general indication that the hypothesis might be true, since there is a tendency for the ALF to be higher for external institutions with a higher proportion of Council-funded students.

17 However there appeared to be some outlier values. In particular there are a number of external institutions with ALFs of under £12 but a high proportion of Council-funded students and some of these group together very tightly. It was found that most of these data points referred to external institutions in a particular geographical area where there were long-standing concerns about the accuracy of the data. The data for these five institutions were accordingly withdrawn from the analysis.

18 The analysis was then undertaken with these five outliers removed. The relationship between the ALF and the proportion of Council-funded students became much clearer. The correlation between the two measures rose from 0.25 to 0.41. There appeared to be two broad groups of institutions as follows. The first group had less than 60% of Council-funded students and an ALF of £12 or less, the other group had over 80% Council-funded students and an ALF of at least £10.

19 On that basis there were two further points which appeared to be outliers. The first was an institution with 70% Council-funded students but an ALF of only £4. The other had an ALF of £16 but only 60% Council-funded students.

20 Further investigation showed that the external institution with the very low ALF received very little funding from the Council and the number of units funded had decreased since 1994-95. The ALF remained broadly constant since 1994-95 at around £4, because the institution

had not received any growth funding. Accordingly while the data may be valid there were good reasons for supposing that the ALF understated the true cost. On that basis, this point was withdrawn from the analysis. Similarly the other point related to an external institution which had an ALF of £32 in 1994-95, the fifth highest for that year. This institution had grown consistently and by 1999-2000 receives twice as many funding units as it did in 1994-95. While the data may be valid it was also regarded as an outlier in statistical terms since its ALF in 1994-95 was so extreme. Accordingly this external institution was also withdrawn from the analysis.

21 The subsequent analysis with all the outliers excluded showed that the correlation between the two measures was now 0.51. The two separate groups of institutions were also clear:

22 Further checking of the data confirmed that there was no geographical effect since there were external institutions from each of the geographical areas in both groups.

23 Re-examination of the resources in kind data showed that four of the six external institutions that were largely dependent on the Council for funding did not receive any subsidised or free resources. Of the two that did, one received a substantial grant of £55,000 for equipment but the other received less than £1,000. This cost information was treated with great care because of the small number of institutions involved and the difficulty of interpretation but nevertheless it was not inconsistent with the hypothesis that cross-subsidy occurred in institutions which are in receipt of substantial funding other than from the Council.

Conclusion

24 It was not possible from this relatively small-scale study to draw final conclusions about what the level of the external institution convergence ALF should be. Nevertheless the distribution of external institution ALFs suggests that external institutions largely dependent upon Council funding have ALFs similar to those of colleges before the policy of converging them to a minimum of £16.20 took effect. On that basis it seemed reasonable to conclude that there was no systematic evidence to support the view that external institutions dependent on the Council for funding should receive a lower ALF than colleges.

25 The analysis was based on a random sample of external institutions. The response rate for the questionnaire was very high so there should have been little possibility of non-response bias. The information provided on class sizes appeared to be robust. On that basis the analysis was a reasonable test of the hypothesis and it was fair to conclude that the hypothesis is correct. In other words external institutions with low ALFs tend to be in receipt of significant funds from other funders whilst external institutions with higher ALFs comparable with colleges generally are entirely or mainly dependent upon the Council for funding.

26 It was reasonable to conclude that in the absence of any cross-subsidy an external institution should receive an ALF comparable to that of a college. The analysis suggested that the non-subsidised external institutions have ALFs comparable to those of colleges before the convergence to a minimum of £16.20 took effect. The review group agreed that the analysis was coherent and was further supported by the subsidy information which generally supported the view that external institutions with lower ALFs were more likely to receive resources in kind, free or at a subsidised rate.

Annex I

HOLEX Study of Income in External Institutions

The review group commissioned further work to test the hypothesis that Council-funded provision in external institutions tended to be subsidised by other sources of income. This involved comparing the proportion of an institution's total income received from the Council with the proportion of provision (measured in taught guided learning hours) that is Council funded. Where the proportion of provision is greater than the proportion of income, there is evidence of cross-subsidy.

HOLEX guidance on the collation of data was presented in a brief table:

Percentage of income derived from FEFC sources:

$$\frac{\text{FEFC income (revenue + fees)}}{\text{Total income}}$$

note:

- you need to calculate the total income on FEFC activity, thus you need to add fee income from schedule 2 courses to the annual FEFC allocation
- if your service/institution budget includes items spent outside the service (e.g. Some LEA AE services are used as the channel for distributing grants to voluntary organisations), such non-service items should be discounted from the total income figure
- remember to count in, as part of total income, sums spent centrally to maintain a service infrastructure (e.g. LEA officer salaries)

Percentage of activity expended on FEFC work:

$$\frac{\text{volume of provision on schedule 2 courses}}{\text{volume of total provision}}$$

note:

- you need to ensure the proxy you use for volume enables you to compare like with like; this suggests the best measure is 'student hours' (glh), since an assessment of volume by course hours would disguise different class sizes between FEFC and non-FEFC courses, and measures by student numbers or enrolments would fail to take account of the amount of learning activity undertaken by each: some may be attending a one-day workshop, while others are full-time

time-scales:

It would add to the rigour of the exercise if you were able to provide information on both income and activity relating to the same time-period, ideally the 12-month teaching year period ending 31 July 1999. We however recognise it might not yet be possible for services/institutions to provide an accurate all-year volume report, and there are also problems disaggregating LEA financial-year data which does not correspond to the FEFC funding year. Please therefore use your own judgement to identify relevant data periods.

HOLEX members were advised that relevant data would be used in an anonymised format.

Responses

By 30 September 1999, 28 responses were sent to HOLEX. Of these, six external institutions indicated that it was not possible to supply the requested information:

- one reported that the staff member concerned was on leave, which highlights other review group observations about the slim infrastructure of external institutions
- three others indicated it had not proved possible, within the time given, for the maintaining local authority to provide an estimate of the value of central services allocated to the institution, which in itself signifies an element of cross-subsidy from the maintaining authority. One of these responses provided a financial summary which showed, for 1997-98, an LEA subsidy of £14,230 on total FEFC-related expenditure of £197,350 (ie 7.2% subsidy)
- a further response, from an LEA which delegates funding to area-based external institutions, calculated that the central contribution to FEFC activity amounted to a subsidy of some 17.6% of the total FEFC allocation
- the final respondent was unable to respond in the time-scales and offered comments on the recoupment of costs for childcare and additional support units.

The table below gives a summary of information from the 22 external institutions that provided data in the requested format:

ref	% income FEFC	% activity FEFC	comment on data
a	40.6	52.5	
b	44.0	53.9	relates to FEFC year 97/98
c	45.3	43.0	income based on April 98/March 99; activity based on academic year 98/99 as at June 99
d	44.3	43.4	
e	53.3	71.0	all data based on April 98/March 99; volume of activity derived from 10% samples, actual student hours
f	40.0	51.0	
g	70.7	100.0	
h	22.4	31.0	
i	31.2	54.3	1997-98 FEFC year
j	34.4	44.7	1997-98 FEFC year
k	39.4	69.6	1997-98 FEFC year; activity based on actual student hours
l	34.2	30.0	activity based on enrolments: 'you need to weight schedule 2 enrolments to take account of the fact that FEFC courses last longer than NS2 courses'
m	60.8	79.9	income based on April 98/March 99; activity based on teaching year 1998-99
n	35.8	41.8	
o	29.0	24.0	activity based on unweighted enrolments
p	40.0	52.0	activity based on unweighted enrolments
q	44.3	52.2	income based on April 98/March 99; activity based on teaching year 1998-99
r	59.0	95.0	
s	60.2	90.0	data relates to FEFC year 1996-97
t	37.7	70.0	

Annex J

An Overview of the Quality of Provision in Independent External Institutions: 1994-95 to 1998-99

Background

1 The Council inspects the quality of FEFC-funded provision in 'independent' external institutions. Most of these are community-based voluntary organisations. Some specialise in offering basic skills and IT, some offer a range of provision and a few offer specific vocational training, for example in construction or childcare. In the first inspection cycle for external institutions, 1994-95 to 1996-97, provision in the largest 25 external institutions was inspected. In the second inspection cycle, 1997-98 to 2000-01, 38 external institutions are scheduled to be inspected or reinspected. Twenty-seven of these inspections were completed by the end of the second year, 1998-99.

2 One overall grade is awarded for the quality of FEFC-funded provision. All external institutions that receive a grade 4 or 5 are reinspected, usually within a one-year period.

3 The inspectorate's aim is to treat all providers of further education in a similar way, as far as is feasible. The Council's *Inspection Handbook* indicates where procedures have been adapted to suit the particular circumstances of external institutions. Inspectors expect FEFC-funded students to be entitled to the same standards of educational provision, irrespective of the kind of further education provider. Students should not be disadvantaged by the type of institution they have chosen for their study.

4 Ofsted has the legal responsibility to inspect the quality of provision in LEA-maintained external institutions. FEFC inspectors have worked in partnership with Ofsted on two inspections of LEA adult education services. These inspections were both carried out in the first inspection cycle with FEFC inspectors using the inspection framework set out in Council Circular 93/28, *Assessing Achievement*. There have been no joint inspections since the FEFC introduced self-assessment in Council Circular 97/12, *Validating Self-assessment*.

5 The cross-regional team conducts the inspections of external institutions, drawing upon specialist full- and part-time regional inspectors as needed. A senior inspector manages the work.

Lesson observations

1997-98	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5
	%	%	%	%	%
EIs*	22	45	25	8	0
National average, all colleges 1997-98	19	46	29	6	0

* Base: 162 lessons

In 1997-98, the quality of lessons observed in external institutions is similar to those in sector colleges. The overall grades awarded to external institutions are lower than in sector colleges.

Overall grades for external institutions compared with sector colleges

Years	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5
	%	%	%	%	%
EIs 1994-95 to 1996-97	4	36	44	16	0
Aggregated cross-college grades 1993-97 [†]	15	51	29	5	0
Aggregated college programme grades 1993-97 [†]	9	59	29	3	0
EIs 1997-98 to 1998-99 [‡]	9	30	39	17	5
Aggregated cross-college grades 1997-98 [†]	18	55	24	3	0
Aggregated college programme grades 1997-98 [†]	9	60	29	2	0

[†] Source: Chief Inspector's Annual Report 1996-97; 1997-98

[‡] Total of 23 external institutions.

Four inspections of external institutions due to be completed by July 1999 are not shown.

6 Of those external institutions that have been inspected twice, once in the first cycle and once in the second, one external institution improved by one grade, six sustained the same grade and two declined by one grade. The broad pattern is that the quality of provision in these external institutions has remained similar.

7 Of the external institutions that have been reinspected, two improved their grade by one, three remained the same grade and none declined. One re-reinspection led to an improvement of one grade. More reinspections are scheduled.

8 There are no significant trends to indicate improvements in the quality of provision in external institutions.

Commonly-Found Strengths and Weaknesses in FEFC-Funded Provision in External Institutions

The Impact of Self-assessment

9 Self-assessment is helping to strengthen generally underdeveloped quality assurance arrangements in external institutions. Some are over optimistic in their assessments of quality and several have prepared self-assessment reports that are more descriptive than evaluative. Few have rigorous self-assessment arrangements. It is too early for any benefits of post-inspection action planning to be evident. In the absence of a college inspector role, it is not known if external institutions are incorporating self-assessment into their regular arrangements for reviewing the quality of provision once the inspection period is over; although in general, external institutions have expressed this intention. Similarly, without a college inspector role to monitor developments, the impact and any improvements made as a result of self-assessment and action planning would not be assessed until inspections are carried out in 2001-02 and beyond.

Quality Improvement

10 Most external institutions have scope to make significant improvements in the quality of their provision. In about a fifth of external institutions, the quality of provision is unsatisfactory. The current inspection and reinspection arrangements may not be sufficient to help foster the improvements needed. The Standards Fund is for sector colleges only in the first instance. Consideration may be given to extending arrangements to support external institutions in future years. The lack of a college inspector role means that external institutions do not have the same regular opportunities for advice, support and information as sector colleges from the inspectorate. Most external institutions have evaluated the experience of inspection positively and have found it helps them to understand better the features of good quality provision and to identify improvements they need to make.

Accreditation and Beacon Providers of Further Education

11 Some preparation has been undertaken by the cross-regional inspectorate team and other Council staff to prepare external institutions to become potentially eligible for consideration for accreditation. There are no arrangements for identifying beacon external institutions. No external institutions are in a position to receive funding from FEFC in order to disseminate good practice.

12 Regional office staff follow up issues as appropriate where these are specific concerns in relation to statistics and audit returns, or other specific issues. Concerns about weak quality of provision are identified by the inspectorate and reinspections are carried out to check if improvements have been made. To date, no external institutions have been awarded more than two consecutive unsatisfactory inspection grades of 4 or 5.

The Quality of FEFC-Funded Provision in Non-LEA-Maintained External Institutions 1998-99

13 This section sets out detailed evidence from the inspection of nine out of fourteen external institutions inspected during 1998-99. This evidence was prepared in June 1999. For an overview of quality of provision in external institutions in 1998-99, please refer to the *Chief Inspector's Annual Report 1998-99*.

Findings

14 Fourteen non-LEA-maintained external institutions were inspected in 1998-99, including institutions specialising in computing, electronics, community languages and basic skills as well as some offering a wide range of courses covering several programme areas. Most institutions prepared their first self-assessment in preparation for inspection. A few self-assessments were rigorous and self-critical but many were descriptive rather than evaluative. Few made use of national benchmarking data on students' achievements to evaluate students' success. Most action plans are underdeveloped and insufficiently connected to weaknesses identified in the self-assessment report. Inspectors found that institutions overestimated some strengths in their provision and did not identify some weaknesses.

15 The quality of provision in the external institutions inspected in 1998-99 is significantly worse than in 1997-98.

Grades Awarded in 1998-99

No. of EIs in sample	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5
10	0	1	7	1	1

16 The quality of teaching is slightly worse than in sector colleges; 63% of lessons observed were graded 1 and 2 compared with 67% for sector colleges. A higher proportion of lessons were unsatisfactory than in sector colleges; 14% compared with 6% for colleges.

17 Better quality teaching is well planned and suitably varied methods are used for the range of students' abilities. In weaker teaching, courses are not designed to meet students' different learning requirements, learning activities are not well managed and arrangements for supporting and monitoring students' progress are underdeveloped.

18 Most students make steady progress. Many have returned to study after a considerable time away from education. They gain in confidence and motivation. Achievement rates range from poor to good. In a few institutions, retention rates are low.

19 Initial guidance is usually effective, enabling students to make informed choices about their studies. As in 1997-98, learning support remains underdeveloped. Few institutions systematically identify students' basic skills support needs and provide appropriate support. Opportunities for students to review their progress as part of tutorial arrangements are inadequate for most part-time students. A few institutions have developed effective tutorial support. Careers guidance is rarely systematic. Most institutions lack a framework for careers education and guidance.

20 Most materials and equipment to support teaching are satisfactory. Few institutions have up-to-date IT. The quality of general accommodation is usually adequate. Some have poor access for students with restricted mobility. Local centres in the community make external institutions attractive and convenient for many students who may not otherwise study in further education.

21 Mostly, arrangements to assure the quality of provision are underdeveloped. Few institutions have a planned strategy for staff development. Appraisal arrangements are usually absent or underdeveloped.

22 Institutions mostly have a small number of staff. The manager often carries a wide range of roles and responsibilities. In a few institutions, management gives too little attention to curriculum and support for students. Management arrangements in most institutions are adequate to support the FEFC-funded provision. In some they are poor. Some institutions are beginning to consider setting targets and using use performance indicators. These practices are not well established. A few institutions do not have systems to collect accurate data. Strategies to improve retention and achievement are underdeveloped.

23 Management committees are mostly supportive of the FEFC-funded provision. Few have effective arrangements to monitor the educational performance of the institution.

Annex K

Review Group Survey Questionnaire

External institutions, chief education officers and representative organisations were invited to respond to the following open-ended questions:

The student experience: if you were given a level of funding broadly comparable to that of colleges, how would you use the additional funds to address the needs of students and to enhance the student experience?

The learning experience: if there was broad equity in the rate of funding for the external institution compared to that of a college how could you use this to offer a new or different learning environment to new or existing students? For example, would there be any changes in the opportunities for progression or enhanced flexibility to widen participation for under-represented groups in the locality or the provision of extra support for learning?

Inspection: LEA-maintained institutions receiving Council funding cannot at present be inspected by the Council inspectorate. What inspection has the institution experienced within current arrangements? Would the establishment of a common inspection framework be helpful?

Quality improvement: if the level of funding for the institution increased how would this be reflected in its internal quality assurance arrangements for Council-funded provision?

Governance: does the institution have a separate board of governors? If not, what arrangements are in place for governance? Would the establishment of a standard framework of governance (as, for example, in colleges) be helpful in improving accountability?

Sponsorship: it would be helpful if you could summarise briefly past and current relationships with your sponsoring college(s) and say whether you consider that there are any benefits to your institution if there was the opportunity to be funded directly by the Council.

Responsiveness to local circumstances: if the rate of funding to the external institution compared broadly to the rate of unit funding in local college(s) how would this improve responsiveness to the needs in the local area?

Planning: what new or different opportunities would there be for co-ordinated local planning and/or rationalisation of learning opportunities?

Annex L

Ofsted Inspections of Local Authority Adult Education Services

1 Section 55 of the *Further and Higher Education Act 1992* gave the chief inspector of schools the statutory duty to report to the secretary of state on quality, educational standards and efficiency for local authority adult education. Local authorities themselves are also under a duty to review the quality of the services that they provide, fund or manage.

2 Ofsted has developed a specialist inspection framework for inspecting adult provision to support the chief inspector's quality assurance responsibilities. This framework is used when Ofsted inspect a number of local authority services each year:

3 By the summer of 1999, Ofsted had undertaken 17 full adult education service inspections, looking at the standards of achievement, quality of provision, value for money and quality assurance. This has provided the chief inspector with a substantial evidence base on which to report on quality, standards and efficiency in this sector:

Evidence Base

- a. 17 full service inspections with published reports
- b. 5 national surveys:
 - Quality Assurance in local authority adult education and youth services: 60 local authority adult services inspected
 - Access on Adults: a survey of modern language learning by adults: 17 local authorities inspected
 - Family Literacy schemes: 22 local authorities inspected (HMCI Annual Report 1995-96)
 - Standards in local authority adult education: 22 local authorities inspected (HMCI Annual Report 1996-97)
 - Adult education and youth services in the new unitary authorities; a survey of the impact of the new arrangements: 27 local authorities inspected (HMCI Annual Report 1997-98).
- 4 Since 1993 Ofsted have amassed evidence from more than 135 local authorities out of a current total (since 1998) of 150.

Analysis of Grades

5 Ofsted have analysed the grades of the work seen on their full-service inspections and the (current) modern languages survey. In total 2003 session observation notes. The Post-Compulsory Education Division of Ofsted uses the 5 point grading scale used by the FEFC

inspectorate and the Training Standards inspectorate so that direct grading comparison/read-across between the different constituent parts of the post-16 sector is theoretically possible. Ofsted is now grading two aspects of direct evidence in their session observation notes:

- a. Standards of achievement
 - Progress
 - Competence as learners
- b. Quality of teaching

6 The grades in these areas are broken down into three clusters: grades 1 and 2; grade 3; grades 4 and 5:

Standards of achievement

Grades 1 and 2	66%
Grade 3	29%
Grades 4 and 5	5%

Quality of teaching

Grades 1 and 2	66%
Grade 3	28%
Grades 4 and 5	6%

7 Ofsted inspects and grades all provision in a local authority service, whatever its funding source. They also inspect each authority's service according to its, not an external funder's, curriculum (programme) areas — and these will vary considerably, all the more so if an authority is responding to the articulated needs of its communities. Nevertheless there are similarities of curriculum areas in most local authority services and attention is drawn in the written report to those areas where services are doing particularly well, for example, basic skills provision in Cornwall, arts and craft in Lancaster; community development and outreach in Bolton. Ofsted does not grade by programme areas as none are prescribed.

8 In analysing grades, Ofsted has drawn several conclusions:

- that there is a substantial body, across the country, of good quality face to face work
- given that students attend such activity voluntarily and are drawn primarily from particular groups within the population, the incidence of even this level of satisfactory work is not yet good enough
- the small incidence of unsatisfactory or poor work is no cause for complacency.

9 The essential question to ask in inspecting these programmes is 'who are the students?' That is, do they reflect the local population? There should be evidence of needs analysis that

the service has undertaken in planning its programmes and the level of consultation it has entered into with local communities in bringing this about. Priority groups within the service's policy should be identified and analysed to see whether they are adequately represented within the student body.

10 The crucial issue is whether the service is collecting accurate data on their students and evaluating their success in meeting their own participation criteria. Grades for individual sessions therefore give only a pointer to the totality of quality in a service – and the macro and micro contexts for assessing quality are equally important.

Areas of Strength

11 Standards of achievement are high at the face to face level where students:

- have had opportunities to negotiate their programmes of study and have identified clear learning goals
- have been encouraged to make their intended learning outcomes explicit at the outset of their class or course
- at the end of a course are willing to evaluate critically whether these have been achieved as well as to assess what unintended outcomes have also transpired
- can show newly acquired or enhanced practical skills and aesthetic awareness, gains in knowledge and understanding
- are making discernible progress from their original starting point
- show competence as learners and, even more importantly, as independent learners.

12 Teachers need to be:

- experienced and well qualified
- subject specialists
- have clear goals
- plan well
- set a suitable pace
- match content and task to student potential/aspirations
- use suitable assessment methods
- maintain records of development and future progression.

13 For such standards to be achieved, adult educators also have to possess particular qualities and work in organisations where there is a clear and shared vision.

14 At the whole service level there must be:

- a shared sense of purpose
- a costed development plan based on assessment of local need
- curriculum co-ordination and leadership
- support and development for staff
- regular service review
- sound budgetary management and delegation.

Areas of Weakness

15 At the face to face level:

- identifying and articulating learning outcomes for informal/non-certificated work
- record keeping
- attention to progression
- non-specialist or inappropriately qualified teachers.

16 At service level:

- needs analysis
- strategic planning
- extreme variations in levels of resource allocated to this work
- conflicts of interest inherent in some organisational models
- insufficient staffing.

Annex M

Performance Indicators: Description

- PI 1** Achievement of funding target; an indicator of the degree to which a college has achieved its funding target
- PI 2** Change in student numbers; an indicator of the level of change in student enrolments at a college
- PI 3** In-year retention rates; an indicator of the effectiveness of a college's teaching, and guidance and support process, as measured by the retention of students on their learning programmes
- PI 4** Achievement rates; an indicator of the effectiveness of a college in enabling students to attain their learning goals
- PI 5** Contribution to the national targets; an indicator of the number of students attaining one of the national targets for education and training by achieving an NVQ or equivalent at the appropriate level
- PI 6** Out-turn average level of funding (ALF); an indicator of a college's cost-efficiency as measured by average funding per unit.

Annex N

Learning to Succeed: a New Framework for Post-16 Learning

1 In June 1999 the Government published a white paper, *Learning to Succeed: a new framework for post-16 learning* [Cm 4392]. It contains the Government's proposals for the reform and reorganisation for all training and education of people over the age of sixteen, other than those in higher education. The publication of the white paper followed a three-month period of widespread consultation.

2 Building on the Government's earlier green paper, *The Learning Age*, published in February 1998, the white paper sets out a new framework for post-school education and training outside higher education. The central proposal is for the establishment in April 2001 of a single, integrated Learning and Skills Council at national level. The new council will be supported by 47 Local Learning and Skills Councils which will plan and co-ordinate provision locally. The new council will replace the role and functions of the FEFC, the nation-wide network of TECs (other than enterprise activities) and the National Advisory Council for Education and Training Targets.

3 The white paper sets out proposals for achieving marked improvements in the education and training of young people, new ways of championing and supporting adult learners and a range of mechanisms for enhancing the involvement of business and employers in post-school learning. The aim of the new system is to increase the nation's skill levels, tackle social exclusion, enhance people's employability and secure a step change raising of individuals' aspirations. At the heart of the new framework will be a commitment to continuous improvement in the quality of provision and higher standards and, to back this up, there will new arrangements for rigorous and independent inspection of provision.

4 The new Learning and Skills Council will assume all responsibility for funding FE colleges in England and other education and training institutions in receipt of FEFC funds. It will also be responsible for the funding and organisation of modern apprenticeships, national traineeships and other publicly supported workforce development schemes. The new council will advise the Government on the revised National Learning Targets, will develop arrangements for adult and community learning, in partnership with local education authorities, and also be responsible for securing appropriate information, advice, and guidance to adults.

5 The council will also work with the University for Industry to pioneer new forms of distributed and IT courses and to increase demand. It will collaborate with national bodies such as NIACE and the Campaign for Learning and Broadcasters, to promote adult learning, and with Connexions, the Government's newly established Learning Gateway for 16 and 17-year-olds, to tackle the obstacles facing young people.

6 The new arrangements announced in the white paper are aimed at overcoming the complexity and confusions of the currently excessively bureaucratic system operating for post-school learning in this country. The central purpose of the new scheme is to simplify things in such a way as to promote flexibility, responsiveness and customer focus, making it easier for funding to reach learners themselves. To this end, there will be scope, through the local Learning and Skills Councils, for funding allocations to take account of local needs and priorities as determined by Regional Development Agencies and Local Learning Partnerships.

Vision, Principles and Challenges

7 The Government's vision builds on the goals set out in its consultation document, *The Learning Age*. Its aim is to create a new culture of learning and aspiration in this country, to underpin national competitiveness and personal prosperity, encourage creativity and innovation and help build a more cohesive society. Government's declared wish is for everyone to be able to benefit from the opportunities that learning can bring, both in personal growth and the enrichment of communities.

8 The principles underpinning this vision are:

- investing in learning to benefit everyone
- lifting barriers to learning
- putting people first
- ^a sharing responsibility with employers, employees and the community
- achieving world class standards and value for money
- working together as the key to success.

9 The white paper outlines the main challenges to be tackled by the Learning and Skills Council and the new arrangements it proposes. They are:

- low rates of learning and staying on in learning beyond sixteen
- a cycle of deprivation, disadvantage and low skills
- particular difficulties faced by people with special needs
- poor levels of basic skills among adults
- skill shortages and recruitment difficulties for employers
- patchy support, advice and guidance for young people
- too much learning provision which is unsuited to the needs of learners.

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