

**FUNDING:
INDICATIVE RATES
FOR FURTHER EDUCATION,
WORK-BASED LEARNING
AND SCHOOL SIXTH FORMS
IN 2003/04**

PURPOSE

The purpose of this document is to provide a summary of the indicative funding rates for further education and work-based learning for young people for 2003/04. It builds upon the new funding formula for further education introduced in 2002/03, which was initially outlined in Circular 01/13, *Post-16 Funding Arrangements for 2002/03*, and fully set out in *Funding Guidance for Further Education in 2002/03* and Circular 02/13 *Funding Arrangements for Work-Based Learning for Young People in 2002/03*.

The information in this document is designed to assist institutions and local councils in their planning and budgeting discussions from early January onwards, following the issuing of indicative budgets to local councils on December 13. It therefore is mainly numerical information, based on the funds confirmed in the Council's grant letter published on December 5, and the decisions of the Chief Executive in response to the recommendations of NRAG. It is aimed at those who are already familiar with the funding approaches used by the Learning and Skills Council.

A full explanation of how the rates have been derived through the work of the National Rates Advisory Group (NRAG), and the context in which they are set, will be provided in the funding guidance due to be published at the end of January 2003.

Although primarily for information, the LSC would welcome comments on the indicative rates contained in this document.

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INTRODUCTION

National Rates Advisory Group

The National Rates Advisory Group (NRAG) was established to advise the Chief Executives of the Learning and Skills Council (LSC) and JobcentrePlus of the categories of post-16 education and training provision which should be differentiated for funding purposes in any year or period of years.

NRAG is an independent group of provider representatives, which advises on the relative rates and weightings for funding purposes of each funding stream, taking into account the costs of provision and policy issues. It must also consider how the rates and weightings, including all those within a funding formula might take account of particular education and employment policies.

Since the publication of the White Paper, *Learning to Succeed*, in June 1999, Ministers have consulted extensively on future funding arrangements for the post-16 education and training sector with the purpose of establishing a coherent and integrated system across the four learning sectors of work-based learning, further education, school sixth forms and adult and community learning. NRAG's advice on this is essential to the LSC's development of a fully integrated approach to funding by 2004/05

NRAG Research in 2002

NRAG undertakes research as necessary to enable it to make properly informed judgements. In 2001 and 2002, NRAG commissioned a series of research consultancies on the following; a the review of programme weightings (PricewaterhouseCoopers), a review of the transition to LSC funding for work-based learning provision including a consideration of programme weightings (SCALE Consultants), area costs and sparsity (Frontier Economics) and the cost of disadvantage (Robson Rhodes, Ben Johnson Hill Associates and Critical Thinking). Copies of the final reports of these studies will be posted on the LSCs website at www.lsc.gov.uk. Steering panels consisting of members of NRAG and practitioners were established for each research project. Final reports were received at the September 2002 meeting of NRAG. Proposals contained in these reports were modelled for affordability and options based on the outcomes were shared with focus groups representing further education, work-based learning, and schools sixth forms during November 2002.

Consideration of the Research

NRAG considered the outcomes of these focus groups for each funding stream and made recommendations to the Chief Executive of the LSC on the rates for 2003/04. The recommendations have been accepted .

The recommendations made by NRAG should be considered alongside the changes to funding announced in *Success for All* and in the grant letter for 2003/04. The 2003/04 indicative rates for further education represent a 10% increase on the 2002/03 rates.

This increase in the further education rates, in addition to the recommendations made by NRAG, takes into account a 2 ½% increase for inflation, the 2% increase announced in “Success for All”, plus a consolidation of existing funds into the funding rates. This consolidation is of 3 ½% for the teachers pay initiative and standards fund. There is an additional 2% to offset increased contribution to the teachers’ pension scheme. The rates for work-based learning will be increased by 2 ½% for inflation, in addition to changes recommended by NRAG.

The funding guidance for further education and work-based learning for young people for 2003/04 will be published early in 2003. This guidance will take account of comments received as a result of this indicative rates document, and ongoing work on the funding approach. It is anticipated that electronic access to the Learning Aims Database containing 2003/04 rates will be available from February 2003, which will allow providers to model the impact of the funding rate changes on their provision.

General Increases in National Base Rates in 2003/04

Further Education

The national base rates have been increased by 10%, except where otherwise stated in this document. This increase comes from:

Inflation	2½ %	
Success for All	2%	A real terms increase linked to agreeing a plan with targets.
TPI and Staff Development Element of the Standards Fund	3½ %	Consolidation of existing funding.
Teachers Pensions	2%	New funding to cover the cost of increased contribution to the Teachers Pensions Scheme
TOTAL	10%	

Work-Based Learning

The base rates are increased by 2 ½ % for inflation, except where otherwise stated in this document.

School Sixth Forms

The base rates are increased by 3% for schools both on the formula and on the Real Terms Guarantee, to reflect the RTG increase given by Ministers, except where otherwise stated in this document.

SUMMARY OF KEY CHANGES FOR FURTHER EDUCATION IN 2003/04

A) NRAG RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE LSC

- Programme weightings for
 - Music Performance (**learndirect** classification LH) increased from 1.3 to 1.72.
 - Music History (LF) decreased from 1.3 to 1.12.
 - Agricultural and Horticultural Engineering (SK) and Veterinary Services (SN) are increased from 1.3 to 1.6.
- Disadvantage (new funding rates introduced over two years – move to midpoint between current uplift and NRAG recommendations in 2003/04).
 - Replace current index based on 1992 data with Index of Multiple Deprivation 2000.
 - Funding for learners living in the 15% most deprived wards of the country increased from current range of 5% to 20% to new range of 8% to 24% dependant on level of deprivation.
 - Uplift for learners studying basic skills increased from 10% to 12%. This will also apply to other learners in the categories specified in Funding Guidance 2002/03.
 - Uplift for homeless learners increased from 12% to 14%.
- Area Costs (new funding rates introduced over two years – move to mid point between current uplift and NRAG recommendation in 2003/04).

Increase area costs:

- London A to 1.20
- London B to 1.12
- South East regions to a range of uplifts from 1.01 to 1.10
- Funding for AVCE 3 unit awards reduced to become half the funding of the AVCE 6 unit award.
- Funding for International Baccalaureate increased to the equivalent of 4 and a half A levels studied over 2 years.
- Distributed and Electronic Learning
 - The current “interim tariff” using the 14 multiplier will finish in July 2003.
 - From August 2003
 - For listed learning aims, the listed rate will apply to DEL, as will the programme weighting appropriate to the provision.
 - For load banded learning aims, providers will be required to provide costing information about delivering the provision. After approval by the local LSC, this rate will

be used to fund the provision. The local LSC will check the costing information for reasonableness and may request support of external auditors in this process.

- Remove the unintended benefits of double counting the additional learning support costs for institutions receiving area cost uplifts and/or specialist college factor.

B) FUNDING ISSUES UNDER CONSIDERATION BY NRAG IN JANUARY 2003

- Increase entitlement funding by £54.90 in addition to the 10% increase in rates.
- Funding for unitised learning aims.
- Moving learning aims from loadbanded to listed values.
- Funding for parts of learning aims delivered by Distributed and Electronic Learning.
- Funding for NVQs delivered on a 1:1 basis which currently use the 14 multiplier.
- Revised arrangements for the funding of additional learner support.

C) FUNDING ISSUES FOR LONGER TERM CONSIDERATION BY NRAG

- Replace the specialist college factor.
- Introduce some non-formula distribution of disadvantage funds to encourage engagement of new learners.
- Review costs of delivery for AVCE qualifications.

SUMMARY OF KEY CHANGES FOR WORK-BASED LEARNING FOR YOUNG PEOPLE IN 2003/04

A) NRAG RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE LSC

- Programme weightings for
 - Business Administration, Retailing and Customer Service, Leisure, Sport and Travel, and Hospitality to be increased from 1.12 to 1.2.
 - Management and Professional to be increased from 1.2 to 1.3.
 - Manufacturing and Transportation to be decreased from 1.5 to 1.3. (Frameworks recently reviewed by NRAG and moved to a 1.5 weighting will continue to be funded at this value).
- Disadvantage (new funding rates introduced over two years – move to midpoint between current uplift and NRAG recommendations in 2003/04).
 - Replace current index based on 1992 data with Index of Multiple Deprivation 2000.
 - Funding for learners living in the 15% most deprived wards of the country increased from current range of 5% to 20% to new range of 8% to 24% dependant on level of deprivation.
- Area Costs (new funding rates introduced over two years – move to mid point between current uplift and NRAG recommendation in 2003/04).

Increase area costs:

- London A to 1.20
- London B to 1.12
- South East regions to a range of uplifts from 1.01 to 1.10

B) FUNDING ISSUES UNDER CONSIDERATION BY NRAG IN JANUARY 2003

- Review funding of Key Skills in Modern Apprenticeships.
- Fund Technical Certificates individually.

C) FUNDING ISSUES FOR LONGER TERM CONSIDERATION BY NRAG

- Introduce some non-formula distribution of disadvantage funds to encourage engagement of new learners.
- Develop a more systematic approach to funding the activities involved in work-based learning.

SUMMARY OF KEY CHANGES FOR SCHOOL SIXTH FORMS IN 2003/04

A) NRAG RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE LSC

- Programme weightings for
 - Music Performance (**learndirect** classification LH) increased from 1.3 to 1.72.
 - Music History (LF) decreased from 1.3 to 1.12.
 - Agricultural and Horticultural Engineering (SK) and Veterinary Services (SN) are increased from 1.3 to 1.6.
- Area Costs (new funding rates introduced over two years – move to mid point between current uplift and NRAG recommendation in 2003/04).

Increase area costs:

- London A to 1.20
- London B to 1.12
- South East regions to a range of uplifts from 1.01 to 1.10
- Funding for AVCE 3 unit awards reduced to equal half the funding of the AVCE 6 unit award.
- Funding for International Baccalaureate increased to the equivalent of 4.5 A levels studied over 2 years.
- There is no further increase above inflation for entitlement funding in school sixth forms.

B) FUNDING ISSUES UNDER CONSIDERATION BY NRAG IN JANUARY 2003

- There are no funding issues for school sixth forms under consideration by NRAG in January 2003.

C) FUNDING ISSUES FOR LONGER TERM CONSIDERATION BY NRAG

- Introduce some non-formula distribution of disadvantage funds to encourage engagement of new learners.
- Base the disadvantage factor on the Index of Multiple Deprivation instead of the number of pupils receiving free school meals.
- Review costs of delivery for AVCE qualifications.

Table 1

Area cost factors NRAG Recommendations

LLSC Region and Districts	Area uplifts		
	2002/03	2003/04	2004/05
London A	12% 18%	16% 19%	20%
Berkshire (fringe and non-fringe)	0% 3%	6% 7.5%	12%
Crawley	3%	7.5%	12%
London B	6% 12%	9% 12%	12%
Surrey	3%	7.5%	12%
Buckinghamshire Fringe	3%	6.5%	10%
Hertfordshire Fringe	3%	6.5%	10%
Bucks Non-Fringe	0%	3.5%	7%
Oxfordshire	0%	3.5%	7%
Essex Fringe	3%	4.5%	6%
Kent Fringe	3%	4.5%	6%
Beds	0%	1.5%	3%
Herts Non-Fringe	0%	1.5%	3%
Hampshire	0%	1%	2%
West Sussex Non-Fringe	0%	0.5%	1%
Rest of England	0%	0%	0%

The area uplifts are the full effects. In 2003/04 the area uplifts will be the midpoint between the 2002/03 value and the full effect value.

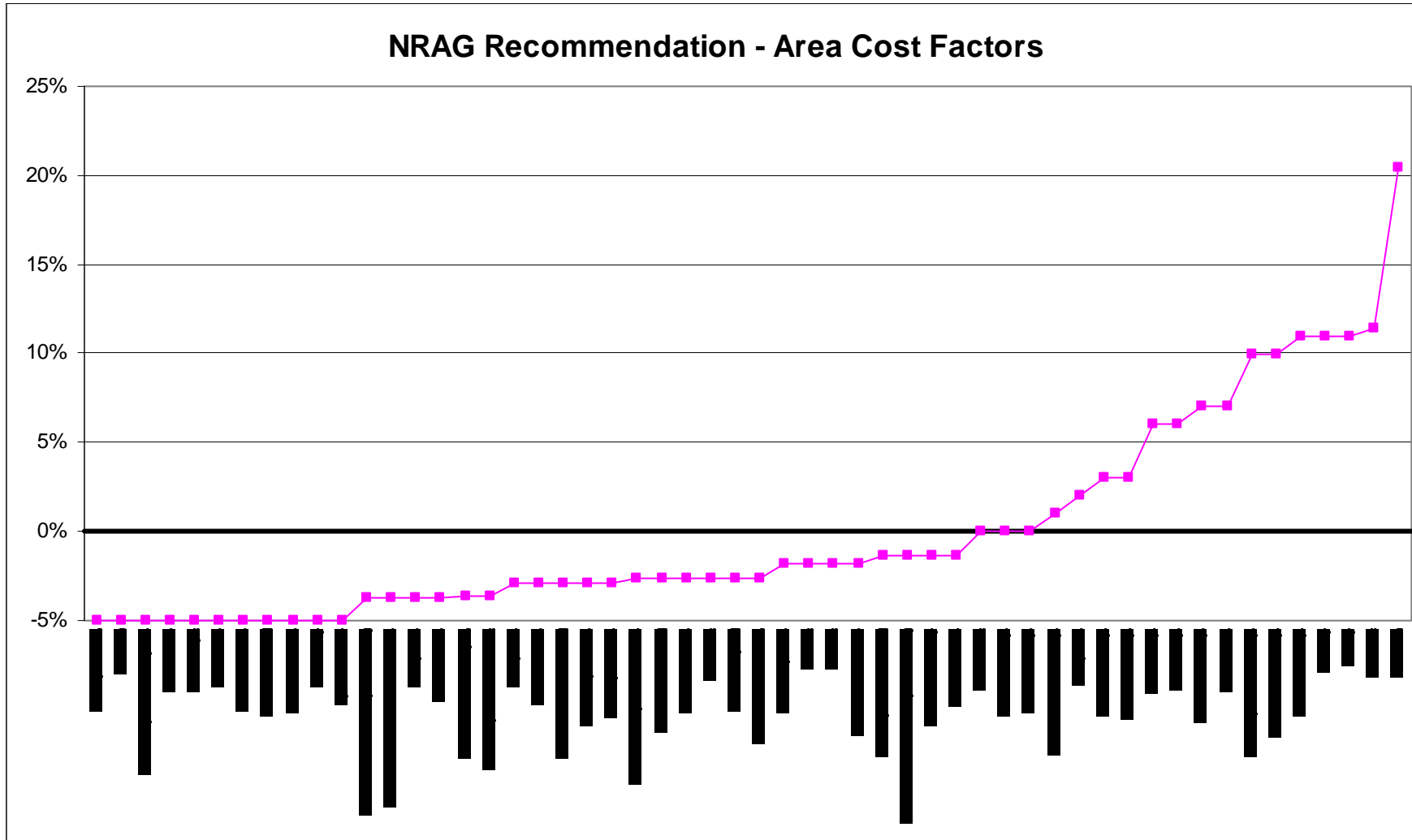
Detailed breakdown of each region is provided on the following pages.

Table 1 (continued)

LONDON A FULL EFFECT 1.20	LONDON B FULL EFFECT 1.12
Camden	Barking and Dagenham
Islington	Greenwich
Kensington and Chelsea	Bexley
Lambeth	Havering
Southwark	Redbridge
Westminster	Barnet
Wandsworth	Enfield
Hackney	Waltham Forest
Tower Hamlets	Bromley
Lewisham	Croydon
Newham	Kingston upon Thames
Haringey	Merton
Hammersmith	Richmond upon Thames
Fulham	Sutton
	Brent
	Ealing
	Harrow
	Hillingdon
	Hounslow
BEDFORDSHIRE AND HERTFORDSHIRE NON-FRINGE FULL EFFECT 1.03	
Bedfordshire County Council	Mid Bedfordshire
Bedfordshire Police Authority	North Hertfordshire
Bedfordshire Combined Fire Authority	South Bedfordshire
Bedford	Stevenage
Luton	
BERKSHIRE, SURREY AND WEST SUSSEX FRINGE FULL EFFECT 1.12	
Surrey County Council	Runnymede
Surrey Police Authority	Slough
Bracknell Forest	Spelthorne
Crawley	Surrey Heath
Elmbridge	Tandridge
Epsom and Ewell	Waverley
Guildford	Windsor and Maidenhead
Mole Valley	Woking
Reigate and Banstead	
BERKSHIRE NON-FRINGE FULL EFFECT 1.12	
Reading	Wokingham
West Berkshire	

BUCKINGHAMSHIRE NON-FRINGE FULL EFFECT 1.07	
Aylesbury Vale	Milton Keynes
Wycombe	
HAMPSHIRE (excluding Isle of Wight) FULL EFFECT 1.02	
Hampshire County Council	Hart
Hampshire Police Authority	Havant
Hampshire Combined Fire Authority	New Forest
Basingstoke and Deane	Portsmouth
East Hampshire	Rushmoor
Eastleigh	Southampton
Fareham	Test Valley
Gosport	Winchester
(N.B. Isle of Wight is part of Rest of England for area costs uplift.)	
HERTFORDSHIRE AND BUCKINGHAMSHIRE FRINGE FULL EFFECT 1.10	
Broxbourne	South Bucks
Chiltern	St Albans
Dacorum	Three Rivers
East Hertfordshire	Watford
Hertsmere	Welwyn Hatfield
KENT AND ESSEX FRINGE FULL EFFECT 1.06	
Basildon	Harlow
Brentwood	Sevenoaks
Dartford	Thurrock
Epping Forest	
OXFORDSHIRE FULL EFFECT 1.07	
Oxfordshire County Council	West Oxfordshire
Cherwell	Oxford
South Oxfordshire	Vale of White Horse
WEST SUSSEX NON-FRINGE FULL EFFECT 1.01	
Adur	Arun
Chichester	Horsham
Mid Sussex	Worthing

Chart 1



ANNEX A

LISTED RATES FOR

FURTHER EDUCATION

IN 2003/04

ANNEX B

LOADBANDED RATES FOR

FURTHER EDUCATION

IN 2003/04

ANNEX C

WORK-BASED LEARNING RATES

FOR NVQs, FOUNDATION MODERN APPRENTICESHIPS,

AND ADVANCED MODERN APPRENTICESHIPS

IN 2003/04

ANNEX D

RATES FOR

SCHOOL SIXTH FORMS

IN 2003/04

National base rates for core programmes are as follows:

AS/A2 levels - **£755.00**

AS General Studies - **£377.50**

GCSE - **£550.00**

Advanced GNVQ/AVCE - **£1,190.00** (3 units)
£2,370.00 (6 units)
£4,580.00 (12 units)

Intermediate GNVQ - **£2,370.00**

GCSEs in Vocational Subjects - **£1,100.00**

International Baccalaureate Full Qualification - **£3,397.50** (for one year)

Broken down: Highers - **£755.00**
Standards - **£377.50**

Please note that the above amounts are for the whole programme regardless of the time-scale for delivery. For example an Advanced GNVQ/AVCE programme of 12 units over 2 years will attract only half of £4,580.00 in the formula calculation for each year it is delivered.

National base rates for other qualifications delivered in school sixth forms will be published in further guidance.

ANNEX E

SUMMARY OF NRAG

RECOMMENDATIONS

NRAG RECOMMENDATIONS FOR CHANGES TO RATES IN 2003/04

1. Programme weightings

NRAG commissioned research from PricewaterhouseCoopers (PwC) on the relative costs of provision in different curriculum areas. PwC's report recommended a number of amendments to the programme weightings. NRAG is recommending some of these changes to the programme weightings are implemented in 2003/04. This follows advice it gained from the subgroups of NRAG and consultation groups that were held with representatives of each sector.

Work-Based Learning

For Modern Apprenticeships and NVQ training, the programme weights are amended as follows:

- Business Administration, Retailing & Customer Service, Leisure, Sport and Travel, and Hospitality to be increased from 1.12 to 1.2
- Management & Professional to be increased from 1.2 to 1.3
- Manufacturing and Transportation to be decreased from 1.5 to 1.3

Frameworks which have been recently revised and moved to either Manufacturing or Transportation will continue to receive a programme weighting of 1.5.

(Agriculture, Construction, Engineering, Hair & Beauty, Health, Care & Public Services and Media & Design to remain unchanged).

Further Education and School Sixth Forms

The PwC report made a number of recommendations to changes in the funding rates for these providers. However, NRAG after due deliberation is recommending only the following changes for 2003/04.

- Music Performance (**learn**direct classification LH) is increased from 1.3 to 1.72
- Music History (LF) is decreased from 1.3 to 1.12
- Agricultural & Horticultural Engineering (SK) and Veterinary Services (SN) are increased from 1.3 to 1.6.

NRAG did not recommend changes to AS/A2 qualifications or Independent Living. NRAG also recommended no change to the programme weighting for Information and Communications Technology, but did recommend that consideration should be given to addressing providers' IT infrastructure needs through the capital budget.

NRAG also recommended retaining the specialist college factor for a further year pending further research into this uplift.

2. Disadvantage

Work-Based Learning and Further Education

NRAG has recommended that the funding for disadvantage:

- should be based on the Index of Multiple Deprivation 2000, replacing the current index based on 1992 data
- should be increased
- It also recommended that a new index of deprivation based on 2001 census data should be introduced when it becomes available.

NRAG has based its recommendations on reports that it commissioned from Robson Rhodes and Ben Johnson-Hill, together with a report from JM Consulting that was commissioned by the Learning Skills Development Agency. It has also taken account of other available evidence; all of this has been summarised in a report commissioned from the consultancy 'Critical Thinking'.

Index of Multiple Deprivation

The Index of Multiple Deprivation 2000 (IMD 2000) is the most recently available index, and gives a value of relative deprivation for every ward in the country. It is widely used in Government. It is based on Income (25%), Employment (25%), Health Deprivation and Disability (15%), Education, Skills and Training (15%), Housing (10%) and Geographical Access to Services (10%). In summary, it shows an overall reduction in the level of disadvantage for England compared with the 1992 index, but a widening gap between more disadvantaged and more prosperous areas. The result of introducing the IMD 2000 and additional funding for disadvantage is to increase funds for most institutions. However the change in the pattern of disadvantage reflected in the new index compared with 1991 data will result in reductions for some institutions. Revised ward and postcode data details will be posted on the LSC website in early 2003.

Modelling

NRAG has accepted modelling work presented by LSC officers that showed the effects of changing the index and taking into account likely affordability. This model is based on the following:

- funding for learners living in the 15% most deprived wards of the country will be increased for disadvantage
- the funding uplift for these learners range from 8% to 24% dependant on the level of deprivation recorded in IMD 2000 (this compares with a range from 5% to 20% at present)
- the uplift for learners studying basic skills will be increased to 12% as will the uplift for other learners in the categories specified in paragraph 36 of *Funding Guidance for Further Education 2002/03*
- the uplift for homeless learners will be increased to 14%
- the new funding is introduced over two years

Non-formula Consideration

NRAG considered the case made in the research reports for some non-formula distribution of disadvantage funds to encourage engagement of new learners. It noted the reservations expressed in the consultation groups about this approach. Taking account of these considerations, and likely restrictions on funds, NRAG recommends that this option should not be pursued at this stage. NRAG will consider the issue further in its ongoing work.

School Sixth Forms

NRAG has recommended that the disadvantage factor in 2003/04 should remain related to numbers of pupils receiving free school meals. It is intended that the factor will be based on the IMD in 2004/05 and beyond, with the aim of achieving consistency with other learning sectors.

3. Area costs

Work-Based Learning and Further Education

NRAG commissioned research by Frontier Economics to consider the effects of area on costs of provision. Whilst the overall conclusions of the research into area costs showed some variations in relative cost in areas outside London/South East, there was a clearly marked difference between London/South East and the rest of England. This is summarised in Chart 1.

To apply these differentials fully within available funds would require a reduction of approximately 5% in base funding rates. NRAG considered that such a reduction was not supportable. It recommended that area cost uplifts should be compared with a broad average of the rest of England. This results in uplifts for London/South East based on the evidence provided by Frontier Economics, with no reduction in base rates for the other areas of the country.

The recommended area cost uplifts are set out in Table 1.

In the light of affordability considerations NRAG recommends that the uplift changes be phased in over a two-year period. For 2003/04 institutions would receive half the change implied by the recommendations. No institution would receive a lower uplift than at present.

NRAG also recommends that area costs should be reviewed in three years time, with a view to implementing changes in 2006/7.

4. Other funding rates changes in further education and school sixth forms

NRAG has also recommended changes to funding rates in particular provision as follows:

Advanced Vocational Certificate of Education (AVCE), three-unit.

NRAG is recommending that the funding rate for these qualifications should be set at one-half of the funding for the AVCE six-unit qualification. This reflects the way these qualifications are studied where normally they are an element of the learners' programmes. The current funding is based on the integration of the former 'entry' element into the qualification as though it were the whole of the learners' programme, which is not generally the case.

NRAG is also recommending that the funding rate for AVCE qualifications is reviewed further to investigate the costs of delivering these qualifications. It is expected that based on this work the rates will be further revised from 2004/05.

International Baccalaureate

NRAG is recommending that the funding rate for this learning aim be increased to be equivalent to 4.5 A-levels studied over two years.

5. Possible Further Changes for 2003/04

NRAG will also be considering further proposals in January 2003. These include the following:

Further Education

Unitised Learning Aims

Funding rates for unitised learning aims will be reviewed to ensure there is no perverse funding incentive to artificially split the learning aim into a series of single units.

Listed and Load-banded Learning Aims

The LSC wishes to list the funding rates for as many learning aims as possible. It is currently reviewing qualifications included on Sections 96 and 97, and NVQs to see which can be listed in 2003/04.

Entitlement

The existing special grant for 16-18 year old learners to be consolidated into the rates and consequently the funding rate for 16-18 year old entitlement will be increased by £54.90. This is in addition to the 10% increase in rates.

Work-Based Learning

Key Skills in Modern Apprenticeships

Funding rates for key skills within modern apprenticeship frameworks is currently determined by the time trainees take to complete their NVQ. All trainees take three key skills regardless of the length of their modern apprenticeship framework. A review of the funding rate for key skills will be considered by NRAG in January 2003.

Technical Certificates

The LSC wishes to move to a method of funding Technical Certificates which more accurately reflects their costs of delivery. A proposal to fund Technical Certificates at the same rate that they generate in Further Education will be considered by NRAG in January 2003.

6. Distributed and Electronic Learning (DEL)

For Further Education the 'interim tariff' that currently applies to DEL will be replaced for 2003/04.

Different arrangements will apply to listed and load-banded learning aims:

- For listed learning aims, the listed rate will apply to DEL, as will the programme weighting appropriate to the provision.
- For load banded learning aims, providers will be required to provide costing information about delivering the provision. After approval by the local LSC, this rate will be used to fund the provision. The local LSC will check the costing information for reasonableness and may request support of external auditors in this process.
- Funding for parts of learning aims is still being reviewed and a recommendation will be made in January 2003.

The funding of work-based learning and school sixth forms is not affected by the changes other than it is made clear that where DEL is used as delivery in these sectors there is no effect on funding.

7. Additional Learning Support

NRAG in November 2001, recognised that the current funding arrangements for Further Education are not consistent when institutions receive an area cost uplift and where institutions receive the specialist college factor. In both cases, institutions calculate the actual costs of providing ALS and the funding is then enhanced by the LSC to include the area cost or specialist college factor. NRAG recommended that this should be discontinued. The LSC decided that implementation of this change should take place after consultation on the principles of the additional learning support arrangements for 2003/04 onwards. This has now been done and the change will be implemented from 2003/04.

NRAG recommends that this unintended benefit to these providers be discontinued from 2003/04.