

A Guide to the Funding of NOCN Qualifications and OCN Learning for 2007/08

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1. Introduction

The funding guidance for 2007/08 is very little changed from that of previous years (“The Old Formula”) but there are some changes to elements of the formula as a result of *Priorities for Success 2*. More significant changes are planned for 2008/09 as part of the *Agenda for Change* (“The New Formula”).

This guide has been produced to support providers in their use of the funding formula in relation to NOCN and OCN provision as they go through this transition from “The Old” to “The New Formula”.

Providers are advised to work with the local LSC to be sure of which of their provision is eligible for funding, and which meets the LSC’s priorities and targets for funding.

The information provided in this guide should be used in conjunction with:

Funding Guidance for Further Education in 2007/08 – published March 2007 (1)

FE ILR Funding Compliance Advice 2007/08 – published July 2007 (2)

LSC Learner Eligibility Guidance 2007/08 version 3 final – published July 2007 (3)

Framework for Managing the Balance and Mix of Provision (2007/08) (4)

2. National Priorities and Targets for 2007/08: Implications for Providers

The LSC published its *Annual Statement of Priorities 2007/08* in October 2006, which identified the following priorities:

- Raise the quality and improve the choice of learning opportunities for all young people to equip them with the skills for employment, further or higher learning, and for wider social and community engagement
- Raise the skills of the nation, giving employers and individuals the skills they need to improve productivity, employability and social cohesion
- Raise the performance of a world-class system that is responsive, provides choice and is valued and recognised for excellence
- Raise our contribution to economic development locally and regionally through partnership working.

At the same time the LSC is still pursuing the targets set for public spending in terms of:

- All young people to reach age 19 ready for skilled employment or HE
- By 2008, 60% of those aged 16 achieve the equivalent of 5 GCSEs (grades A* to C)
- Increase the proportion of 19 year olds who achieve at least level 2 by 3% points between 2004 and 2006, and a further 2% points between 2006 and 2008, and increasing the proportion of young people who achieve level 3
- Reduce the proportion of young people not in education, training or employment by 2% points by 2010
- Tackle the adult skills gap: increase the number of adults with the skills required for employability and progression to higher levels of training through:
 - Improving the basic skills levels of 2.25 million adults in the workforce between 2001 and 2010, with a milestone of 1.5 million in 2007
 - Reducing by at least 40% the number of adults in the workforce who lack NVQ2 or equivalent qualifications by 2010, Working towards this, one million adults in the workforce to achieve level 2 between 2003 and 2006

Providers are advised to take account of LSC priorities and targets at national, regional and local levels when making decisions about the provision they are planning to offer to be funded by the LSC. Provider missions will need to have a more economic focus, i.e. on the needs of employers and on skills, and individuals and employers will have to make greater contributions to the cost of learning and development. The “Train to Gain” programme will be a primary means of ensuring a demand-led, customer focused approach by providers. Providers will also have to be aware of the needs and priorities identified for each sector by their respective Skills Councils (SSCs), and also by Regional Commissioning Plans at the geographical level.

To improve value for money, the LSC will increasingly encourage more competition into the education and training market as well as stop the funding for provision that is of poor quality.

3. The Balance and Mix of Provision

In determining the most appropriate balance and mix of provision in the provider planned profile of activity, the following factors should be considered:

- Increased proportions of funding allocated to the priority learners and provision, i.e. 16-18 year olds, Skills for Life and Adult First Full

Level 2 and Adult First Full Level 3 for 19-25 year olds, Train to Gain

- Safeguarding a range of opportunities for Personal and Community Development Learning
- Removal of funding for certain types of provision, e.g. provision to meet employer responsibilities, additional units of qualifications
- Increased contributions from employers and individuals for adult learning outside stated government priority groups – by increasing assumed fee contribution for LSC funding formula

In “Planning for Success” providers will therefore have to ensure that the provision is

- Relevant to the needs of the economy, employers and learners
- Effective in terms of improved success rates and progression opportunities
- Efficient in terms of unit costs, class sizes and methods of delivery

For adult learners, the dialogue between the provider and the local LSC about planned provision can be facilitated by using a priority-target matrix to categorise provision. There will be different priorities in each region and local area. The categorisation exercise highlights the relative proportions of the provision in each category in terms of numbers of learners and LSC funding. The general direction is from low priority/non target to high priority/direct target.

Each LSC is charged with the reduction of the proportion of provision that is low priority/target but local LSCs are asked to take account of ensuring *sufficient* provision:

“To encourage young people and adults back into learning or which acts as a stepping-stone into further learning, leading to qualifications or units of qualifications”

The most appropriate mix and balance of provision for each provider will take account of LSC priorities and targets, and the need for *sufficiency*, as well as the new measures of success that will eventually apply to all providers. A “balanced score card” approach will be used by the LSC and providers to make decisions about planned provision, taking account of factors such as

- Responsiveness
- Effectiveness
- Finance

These will be organised into key performance indicators against which each provider will be assessed to establish their excellence and value for money.

4. Key Changes for 2007/08

In the transition years, “Priorities for Success 2” have shaped the changes to the FE Funding Formula. The main changes include:

- Continued prioritisation of funds for learner participation
- Increases in the funding rates for qualifications studied by 16-18 year olds of 3.7% and for 19+ year olds of 2.5%
- The national fee assumption will be increased to 37.5 per cent of the national base rate
- Continuation of the maximum funding per learner at the equivalent of 4.25 AS/A2
- Changes to national rates in the light of guided learning hours (glh) data for some listed and load banded learning aims
- There will be an entitlement to free tuition for all 19–25 year olds working for their first full Level 3 qualification
- Skills for Life
 - At Skills for Life Levels 1 and 2, only approved literacy, numeracy and English for Speakers of Other Languages qualifications will be eligible for funding as basic skills provision, i.e. for the weighting of 1.4
 - Provision in English for Speakers of Other Languages will no longer attract automatic fee remission. Remission of tuition fees will still apply to people who are unemployed or receiving income-based benefits
- Specific stand-alone provision where the employer has a mandatory obligation will no longer be eligible for LSC FE funding
- Updating of qualifications to comply with health and safety regulations will no longer be eligible for LSC FE funding
- Optional units beyond the minimum required to complete the learning aim will no longer be eligible for LSC FE funding
- There will be a phased implementation of Progression Pathways (as part of the development of the Foundation Learning Tier) from August 2007
- From 2007 to 2010 a comprehensive range of Progression Pathways will be implemented and all existing provision at Entry and Level 1 will be subject to re-specification and fall within the Foundation Learning Tier arrangements

5. Implications of Key Changes

Continued prioritisation of funds for learner participation

- The tightness of the LSC budget means that public funding will increasingly be focused on the priority areas, i.e. 16-18 year olds,

Skills for Life, Adult First Full level 2 and 3 Entitlements. There will be more funding for 16-18 year olds to fund growth in participation but average levels of funding per learner will be restrained (the revised 'taper' effect). Funding for adults will be increased by £180m overall, but increasingly prioritised for Skills for Life and the Adult Entitlements, particularly 'Train to Gain'. Providers are encouraged to maintain their provision for non-priority adult learners, but increasingly funded by the learners themselves through higher tuition fees. The LSC is anxious to limit the potential impact on adult learner volumes by developing a managed approach with providers towards 'other provision', 'franchising', 'first steps' learning and more generally, to the categorisation of provision and grouping of all learning aims, e.g. Open College Network awards

Increases in the funding rates for qualifications studied by 16-18 year olds of 3.7% and for 19+ year olds of 2.5%

- The Minimum Funding Guarantee (MFG) for 16-18 year olds in schools this year is 3.7%. To ensure parity with school sixth forms the guarantee is extended to FE. The increase relates to the increase in the funding rate per qualification taken by the young person. The Funding Guidance and Learning Aims Database only show the 2.5% increase in funding rates for qualifications taken by adults, e.g. Award in Security Guarding level 2 has increased from £231 to £236. Providers will have a 16-18 uplift of approximately 2% applied to individual 16-18 learner programmes. This differential in funding aims to encourage providers to increase 16-18 participation

Increases in tuition fee assumptions from 32.5% to 37.5% of the National Base Rate (NBR)

- As part of the policy of encouraging adult learners and employers not in the priority groups to make bigger contributions to the cost of their learning, the assumed fee element of the NBR is increased to 37.5%. The impact for learners not in the fee-remitted groups is very significant, e.g. the assumed fee on a full-time QAA recognised Access to HE programme has risen from £967 to £1144 (+18.3%)
- This increase continues the move towards 50% by 2010/11

Year	Assumed fee
2007/08	37.5%
2008/09	42.5%
2009/10	47.5%
2010/11	50%

- Providers will set targets for LSC fee income and will be encouraged to devise strategies to change attitudes to fee paying. One major concern is that providers may reduce the volume of provision of certain learning aims before testing whether the market will pay more for the provision. There are also concerns about the sustainability of certain types of provision that do not directly contribute to the priorities and where the target learners are not likely to have the ability to pay, e.g. 'first steps' learning. Providers will also find it increasingly difficult to offer free programmes where learners do not attract fee remission, e.g. full-time Access to HE

Continuation of the maximum funding per learner at the equivalent of 4.25 AS/A2

- Up until 2005/06 the maximum funding for a learner was capped at the equivalent of 5.5 AS/A2 per year calculated on a per period basis before programme weighting and excluding the 16-18 entitlement funding for key skills, enrichment and tutorial. For the 2007/08 the programme equivalent of the first 4.25 AS/A2 qualifications will be fully funded, the equivalent of the next 1.75 AS/A2 will be funded at two-thirds the standard rate. No funding will be paid for parts of programmes larger than the equivalent of six AS/A2. The 'taper' now applies at a lower glh than previously. In effect the maximum level of funding for an individual learner will be £1525 per period unless the provider gets written approval from the local LSC. This reflects the assumption that the costs of very large programme do not increase proportionally to the glh, e.g. the costs of entry activities. These changes to the 'taper' will reduce the average rate of funding for certain categories of full-time learners and so free up resources to fund more growth. For providers it could mean a reduction in the number of qualifications offered to learners, e.g. additional GCSEs for Access to HE learners, and also means that some longer programme will see their funding reduced, e.g. full-time ESOL provision

Changes to national rates in the light of guided learning hours' data

- The National Rates Advisory Group of the LSC is gradually aligning the rates of funding for qualifications more closely with the actual costs of delivering the qualifications. Providers should use the QCA National Database of Accredited Qualifications (formerly the Open Qualifications) website or the Learning Aims Database to ensure that the glh they plan for learners are not far different from the recommended glh. The overall impact on N(OCN) qualifications should not be significant.

19-25 Adult First Full Level 3 Entitlements

- From 2007/08 there will be an entitlement for a first full Level 3 qualification for those eligible learners aged 19 to 25, supported by an expanded Adult Learning Grant (ALG)
- Adult learners (aged over 25) who don't already have a full Level 2 qualification and who commit to a full Level 3 course would qualify for the entitlement to free tuition through the Level 2 entitlement offer
- Learners under 25, who have not already achieved a Level 2, starting a Level 3 programme will do so under the level 3 entitlement
- The entitlement is a general exclusion from paying tuition fees, but is dependent on a place being available for the learner and the learner's ability to follow a level 3 programme
- To be eligible for the entitlement an eligible learner must be working towards one of the following qualifications identified as eligible for funding by the LSC on the LAD:
 - A full Level 3 qualification that is equivalent in size and breadth to 2 GCE A Levels, or an NVQ at Level 3
 - A Level 3 qualification that if achieved would mean the learner has reached the full Level 3 status, e.g. Access to HE certificate
 - A Level 3 qualification that forms part of a full Level 3 qualification programme and would contribute to the achievement of full Level 3 status
 - A full Level 3 qualification studied as part of the second phase Qualification and Credit Framework trials which meets the agreed Level 3 design principles

Skills for Life

- The LSC has a target of 80% of Skills for Life provision to be nationally approved qualifications that may contribute directly to the national targets, e.g. NOCN certificate in adult literacy at entry 3, levels 1 and 2. The withdrawal of funding for short courses of 3 and 6 hours, and for stand-alone national tests has reduced the overall spend. The funding for internally certificated provision has continued to be reviewed. Providers will have to ensure that they can show significant progression from non-target non-approved provision to that which directly contributes to the targets
- From 2007/08, at Level 1 and Level 2, the only learning aims that will be eligible for funding as basic skills provision, and funded at the enhanced programme weighting of 1.4, will be the nationally approved Certificates in Adult Literacy, Numeracy and English for Speakers of Other Languages (ESOL) Skills for Life

- Non-approved basic skills learning aims at Levels 1 and 2 will no longer be eligible for funding as basic skills. Non-approved aims at Levels 1 and 2 will be eligible for funding at programme weighting A (1.0), but the LSC do not expect to give it priority as it will no longer be part of the Skills for Life offer. It will not attract automatic fee remission
- There are no changes to funding arrangements for Entry and Pre-entry Skills for Life provision in literacy or numeracy
- ESOL provision will no longer attract automatic fee remission at any level, whether approved or not. However, approved ESOL Skills for Life qualifications at all levels (that is, Entry, Level 1 and Level 2) and non-approved Pre-entry and Entry Level ESOL Skills for Life provision will continue to attract the 1.4 weighting
- New qualifications are being developed in ESOL to support a shorter, more job-focused, practical approach to English language skills. These new ESOL for work qualifications will be eligible for funding at programme weighting A (1.0), with a listed rate at approximately £880
- Disadvantage uplift will continue to be based on provision funded at a 1.4 weighting. Hence all approved literacy, numeracy and ESOL Skills for Life qualifications and Pre-entry or Entry Level non-approved learning aims would count as basic skills for the purposes of claiming disadvantage uplift

Level	Literacy and Numeracy approved qualifications	Literacy and Numeracy non-approved learning aims
Pre-entry/Entry	1.4/automatic fee remission only entry 3 count towards target	1.4/automatic fee remission do not count towards target
1	1.4/automatic fee remission count towards target	1.0/no automatic fee remission do not count towards target
2	1.4/automatic fee remission count towards target	1.0/no automatic fee remission do not count towards target

Level	Approved ESOL Skills for Life qualifications	Non-approved learning aims	ESOL for work
Pre-entry/ Entry	1.4/no automatic fee remission only entry 3 count towards target	1.4/no automatic fee remission do not count towards target	1.0/no automatic fee remission do not count towards target
1	1.4/no automatic fee remission count towards target	1.0/no automatic fee remission do not count towards target	1.0/no automatic fee remission do not count towards target
2	1.4 no automatic fee remission count towards target	1.0/no automatic fee remission do not count towards target	1.0/no automatic fee remission do not count towards target

Removal of funding from some areas of provision

- There is no LSC funding for very short courses below 9 hours, whether listed or load-banded. There are some exceptions: learning aims approved by the Secretary of State under sections 96 and 97, those accredited by Ufl, and also those delivered as Personal and Community Development Learning. Generally, this means that very few one-day courses will be funded in future
- The expectation is that where Health and Safety, First Aid and Food Safety qualifications are a statutory requirement then there will be no public funding. Employers will be encouraged to purchase these on a full cost basis from providers. Local LSC offices can exercise some flexibility especially for small businesses or where learners need these qualifications to enter the labour market, but, all of these exceptions require prior agreement from the LSC
- External candidates taking stand-alone tests in adult numeracy, literacy and ESOL Skills for Life will no longer be funded by the LSC. Providers will be funded if candidates complete the test at the end of a recognised programme of learning. Otherwise, external candidates can be charged full-cost fees for the tests

Phased implementation of Progression Pathways (as part of the development of the Foundation Learning Tier) from August 2007

- The Foundation Learning Tier consists of curriculum provision below level 2
 - Pre-entry and entry level
 - Level 1

- It is aimed at all learners over the age of 14 working below level 2, including
 - 14-19 year olds
 - Adults with skills gaps
 - Adults or young people with learning difficulties and/or disabilities
- A FLT programme consists of three key strands
 - Basic or key skills (functional skills)
 - Vocational/subject based learning
 - Personal and social development
- Validate Progression Pathways will specify combinations of QCF units and qualifications that provide clear progression opportunities to
 - Level 2 qualifications
 - Apprenticeships
 - Employment and supported employment
 - Independent living

6. Main Concepts and Elements of the Funding Formula: Importance of Costs and Performance

The LSC funds eligible learners, on eligible learning aims, based on national formula recorded on the Individualised Learner Record (ILR). It is essential that providers establish the eligibility criteria for both learners and their programmes of study to ensure that funding is maximised. It is also important to note that even if a learning aim is eligible for funding, the LSC may not wish to do so if it does not meet priorities or targets.

The LSC Funding Formula for FE funds the individual learner on the basis of:

1. The costs of the programmes undertaken by the learners, with an assumption that some learners will contribute to these costs, and
2. The performance of the provider in terms of recruitment of priority learners, and learner retention and achievement, i.e. success rates.

The costs of the programme are determined by

- the number and size of learning aims in a programme
- the programme/sector weightings of the respective learning aims
- the individual learner's age and personal circumstances, including postal codes
- the location of the provider in terms of area cost differences

The number and size of learning aims

- The national base rate (NBR) represents the basic cost of the programme including programme, achievement and assumed fee/fee remission elements. The basic cost is made up of these elements in the following proportions:
 - Programme 52.5%
 - Assumed fee/fee remission 37.5%
 - Achievement 10.0%
- Each eligible learning aim has a national base rate depending on whether it is listed or loadbanded. If it is listed then the rate is fixed irrespective of the number of guided learning hours, e.g. NOCN Entry Level Award for Progression is listed at £236. If it is loadbanded then the more guided learning hours taught the greater the national base rate, e.g. NOCN Entry Level Certificate completed in 90 glh is loadbanded at £626. The Learning Aims Database (LAD), which contains the national rates for over 70,000 learning aims, will specify whether the learning aim is listed or loadbanded
- The more learning aims studied by the learner in a year the more funding, subject to maximum levels of funding per learner (formerly the 'taper'):
 - e.g. if a learner studies full-time on an Access to HE course (£3051/3 = £1017 per period) and also undertakes another level 3 award of 150 glh (£880/3 = £293.33 per period), then a proportion of funding for the learner (i.e. £38 per period) will not be funded
- For 16-18 year old learners on full-time programmes of at least 450 GLH per year, an additional block of funding of £841 per year is available for an entitlement curriculum of key skills, enrichment and tutorial. This rate of funding excludes an element for achieving the key skills qualifications, either in full or part
- Adult learners, who are not in the priority groups or on income related benefits, are expected to pay a proportion of the cost of their learning. The **assumed fee** rate for 2007/08 has been increased to 37.5% of the unweighted NBR, and is expected to rise to 50% by 2010 for some adult provision. Each provider can set its own fee levels and fee waiving policies in the light of its mission, the community it serves, the economic conditions in its area and the degree of fee competition. But the expectation is that providers will increase the proportions of income from tuition fees as the LSC reduces its funding

The programme/sector weightings of the respective learning aims

- Each learning aim is given a programme weighting that reflects the relative costs per GLH of the learning aim in terms of staff, materials, capital equipment and accommodation costs:
e.g. Business studies 1.0, Health and social care 1.12, Art and Design 1.3, Skills for Life 1.4, Horticulture 1.72
- The weighting applies to the whole of the NBR but the assumed fee/remission element is not weighted:
e.g. Access to Health and Social Care Professions has a weighted rate of £3051 x 1.12 = £3417 but the assumed fee for the learning aim is still £1144 (37.5% of the NBR £3051)
- Achievement funding is 10% of the weighted NBR:
e.g. for the Access qualification above, achievement funding inside the national rate is £341.70

The individual learner's age and personal circumstances, including postal codes

- The national rates for 2007/08 include the 2.5% increase for adult learning aims. These rates appear in the tables of listed and loadbanded rates in the annexes to this guide. All 16-18 year old learners will have an uplift applied to the national rates for their learning aims to reflect the 3.7% increase of the Minimum Funding Guarantee. The **16-18 uplift factor** will be applied to each learner record. (For 2007/08 the calculation includes the uplift for 2006/07 of 3.4% : $1.034/1.025 \times 1.037/1.025$)
- For many learners, tuition fees will continue to be remitted in order to remove barriers to participation and to deliver entitlements. **Tuition fee remission** is a condition of funding for 16-18 year olds and some Skills for Life learners (see changes in Skills for Life and ESOL).

No fees or charges shall be made to learners in relation to Skills for Life learning aims, excluding those in English for speakers of other languages.

Adults in receipt of income related benefits, job seekers allowance and working tax credits will continue to be fee remitted. In addition, adults on first full level 2 (and certain level 3) programmes, will also be eligible for fee remission. Since no tuition fees can be charged to these learners, the LSC reimburses the providers for lost income. For all other costs, e.g. exams, materials, registration costs, the learners can be asked to contribute, with the exception of 16-18 year olds where most costs are expected to be covered by the national rate of funding. As part of the focus on priorities, adults

aged 19-25 will be increasingly entitled to tuition fee free first full level 3 qualifications, e.g. Access to HE programmes.

- For certain categories of learners whose participation in learning incurs additional costs to the provider, disadvantage uplift is applied to the whole of the funding for the learner's programme. The **disadvantage uplift** reflects relative disadvantage and the additional costs of engaging with and retaining widening participation learners. Different indicators are used, e.g. postal codes (variable depending on Index of Multiple Deprivation 2004), approved Skills for Life learning aims (12%), homelessness (14%), target groups with low levels of participation (12%). The uplift is limited to one per learner, usually the highest. The percentage uplift is applied to the weighted national rate including achievement: e.g. a learner on NOCN certificate in adult literacy level 1 of 60 GLH would be funded at a weighted rate of £609 plus an additional uplift of £73, in total £682, of which £68.20 will be the achievement element

The location of the provider in terms of area cost differences

- The **area cost uplift** reflects the higher costs of provision in London and related areas. The uplifts of between 1% and 20% are applied to the weighted NBR rates plus any uplifts
- The performance of the provider in terms of recruitment of priority learners is critical in determining how total allocations will be made, e.g. for 16-18 year olds and adult target groups such as first full levels 2 and 3. Learner retention and achievement determines how much of the potential income through the formula is actually earned, and also how much value the LSC judges it is getting for the money allocated to the provider. The provider's performance in terms of success rates is critical in determining those providers who will be allocated scarce funds in future
- The importance of recruiting the learners that the LSC and other agencies see as the priority for public funds, has already been discussed in this guide, in terms of where public funds are being targeted, and the balance and mix of provision that the provider is expected to deliver to meet these priorities. Increasing recruitment of learners will not earn more funding through the formula if these learners were not planned for and not in the priority groups. The provider would be expected to fund these differently, e.g. full cost recovery or other public funds
- The programme element of the national rate is dependent on how well the learner is retained on the programme, so if a learner stays to the planned end date, or for a listed learning aim, achieves before the planned end date, the provider will have earned the programme element, i.e. 52.5%. Currently, for longer programmes,

- The fee remission element for those learners eligible for remission is also a function of retention, and the census dates. So for these learners the programme and fee remission elements make up 90% of the funding, i.e. 90% of the weighted uplifted rate of funding is dependent on retention:
e.g. For a fee remitted learner on a one year NOCN Level 3 Award for Progression, the weighted NBR is $\text{£}880 \times 1.3 = \text{£}1144$, of which $\text{£}1029$ (90%) is retention funding. If the learner withdraws from the programme soon after the first census date (1st October 2006), only $\text{£}343$ (30%) will have been earned and $\text{£}686$ will have been lost!
- The achievement element is 10% of any weighted, uplifted rate. Although a relatively small proportion in the FE Funding Formula, compared to Work Based Learning at 25%, its importance is in terms of qualification success rates, provider review and OFSTED inspection. Providers with poor success rates in terms of achievement in subject areas will not continue to be funded in those areas, and will also lose out on competitions for new work in the new funding formula
- The financial impact of poor achievement is still significant;
e.g. for the learner on NOCN Level 3 Award for Progression the lost achievement funding would be $\text{£}114$. The formula does fund partial achievements where qualifications are modularised or based on credits; e.g. for a learner on NOCN Level 3 Award for Progression who completes the one year programme but only passes 10 credits, the achievement funding would be $10/15$ of $\text{£}114 = \text{£}76$
- When maximising income from fee paying learners, the key issues for the provider include:
 - The size of the tuition fee relative to the assumed fee level of 37.5% of unweighted NBR. Clearly, a major concern for adult and community learning providers is the sensitivity of their learners to higher fees
 - The fee waiving or concessions policy in terms of which learners get fee waivers and the size of the waivers
 - The collection policy in terms of when and how fees are paid, i.e. in advance, by instalments, and also whether defaulters are followed up, i.e. bad debts policy

- The greater commitment that fee payers, whatever the level of fee, feel they have to a programme, will help to improve retention and success rates, and at the same time, fee payers will also be more likely to complain if the quality of the programme is not what they expected

7. Learner Case Studies: The Formula Applied to (N)OCN Learning Aims

In this section, the guide will focus on some case studies of learners on N(OCN) provision, where the key issues raised previously about recruitment of priority groups, impact of success rates and application of the formula will be further explored. The case studies will also provide advice on how to work out the numbers of learners required for breakeven of income and expenditure.

Example 1 NOCN Nested Qualification

A learner who enrolls for each separate phase of a Progression Qualification

The Progression Qualification offers the learner great flexibility, and also the opportunity to increase their achievement from Award to Certificate to Diploma. The Level 2 Diploma for Progression consists of 33 unit credits, and now constitutes a full level 2 (1004968X), and so would qualify the learner for free training under the first full level 2 entitlement and Train to Gain.

Period 1

Learner starts on a 12 unit credit Level 2 Progression Award 10049666
Listed programme: 120 glh, programme weighing A

Income

- Programme element £ 395, Fee element £282, Achievement element £ 75
- Total £ 752

Period 2

Learner uses the unit credits from the Award, completes additional 6 unit credits and progresses to Level 2 Progression Certificate 10049678

Load banded: 60 glh, programme weighting A

Income

- Programme element £214, Fee element £153, Achievement element £40
- Total income £ 407

Period 3

Learner uses the unit credits from the Certificate, completes additional 15 unit credits and progresses to Level 2 Progression Diploma 1004968X

Load banded: 150 glh, programme weighting A

Income

- Programme element £462, Fee element £330, Achievement element £88
- Total income £880

Total Income

If a learner progresses over 3 periods and successfully completes each of the phases of the complete suite, the learner's annual glh will be 330 with a potential income generation of £2039. This figure may be subject to uplift. Providers will need to take care that they do not claim funding more than once for the units their learners achieve.

If the learner enrolls for the full level 2 progression diploma from the beginning, the big advantage is that the learner can qualify for the first full level 2 entitlement and will be tuition fee remitted.

The benefit of the three phased qualification is that within each of the periods all potential income is not at risk of non retention as each phase of the qualification is free standing. However, learners may only complete one phase and not return for progression, which may cause problems with planning for average class sizes and viability.

Break-even calculation

Expenditure for 330 glh delivery costs @ average sector cost (overhead included) for full-time tutor of £90 per hour = £29,700.

Assuming a loss of income of 25% for non successful completion per phase, each learner earns £1529.

Therefore, a group size of 20 is required for breakeven ($£29700 \div £1529$).

Should success rates be lower or average costs higher then the group size for viability will have to be larger. A poor success rate will also have implications for inspection grades and future contracting with the LSC.

Example 2 NOCN National Qualification

A learner who enrolls on Level 3 Award in Managing Volunteers 10020196

The Award is made up of 3 Mandatory units with glh of 150 over 3 periods; listed at £880, programme weighting A

Income

- Programme element £462, Fee element £330, Achievement element £88
- Total income £880

Break-even calculation

Expenditure for 150 glh delivery costs @ average sector cost (overhead included) for full-time tutor of £90 per hour = £13,500.

Assuming a loss of income of 25% for non successful completion over a year, each learner earns £660.

Therefore, a group size of 21 is required for breakeven ($£13500 \div £660$).

Skills for Life Provision

Within the N(O)CN offer there is a wide range of Skills for Life provision

- Some is on the NQF and some is Other Provision
- Some contributes directly to national target achievements (entry 3, levels 1 and 2) and some only indirectly or not at all
- Some is listed, but most is loadbanded

As an example, the following screenshot shows details of the NOCN Entry Level Certificate in ESOL Skills for Life (Entry 2) on the Learning Aims Database. It is on the NQF (section 96 and 97) and is load-banded.

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Learning Aim Database - Aim Key Details



Leading learning and skills

Annual Values 2007/08:

Navigation tabs: **Key Details** (highlighted), Aim Details, Shared, FE, WBL, ACL, TtG, Sector Frameworks, Print All Aim Details

Learning Aim Title: Certificate in ESOL Skills for Life (Entry 2)
Learning Aim Reference: 1005988X
Awarding Body: NOCN - National Open College Network
Learning Aim Type: 0016 - Certificate
Teaching Year:

Recommended Indicator: Y - For learners starting their aim now - this is a recommended code
Superseding Aim:
Awarding Body Aim Reference: FN2ELQ0002
Notional Level v2: E - Entry Level
Notional NVQ Level: E - entry level

Aim Discontinued: N
Non LSC Funded Status: 1 - Valid
LSC Funding Status: 03 - section 96 and section 97 - check DfES list

QCA accreditation and/or DfES approval do not guarantee that an aim is LSC funded.

Accreditation End Date: 31/07/2009

Approval End Date: 31/07/2009
Certification End Date: 31/07/2010

Level 2 Category: X - Not Applicable
Level 3 Category: X - Not Applicable

FE Status: 1 - Code available

19+ National Rate 1:

19+ National Rate 2:

19+ National Rate 3:

FE Programme Weighting Factor: F - Programme Weighting Basic Skills - 1.4

WBL Status:

Funding Category:

Is this a Technical Certificate?:

Rate 16-18:

Rate 19+:

ACL Status: 1 - Code available

TtG Status:

TtG Weighting Factor:

TtG Rate 1:

TtG Rate 2:

Last Changed: 18/07/2007 19:30:55

Within the (N)OCN suite of Awards in Literacy, Numeracy and ESOL learning aims with codes CNBS fall into Other Provision (OP), e.g. OCN Basic Literacy Course Level 2 (CNBS2001). There are four significant implications relating to these codes:

1. Other provision funding is at the discretion of the LSC and strong rationale needs to be offered as to its use in preference to those programmes on the National Qualifications Framework.
2. Non approved qualifications at levels 1 and 2 do not attract the 1.4 weighting or automatic fee remission or the disadvantage uplift.
3. Programmes with codes CNBS do not contribute to the national targets, although in some instances learners' programmes of learning are started on these codes and subsequently transferred to 100 codes. Government policy has indicated that 20% of Skills for Life learning may be undertaken with no direct impact on the National Targets, but that 80% must contribute to these targets.
4. There is no definitive guidance on the duration of programmes designated within some CNBS coded programmes and therefore this could jeopardise funding of these programmes.

Example 3 NOCN Skills for Life Qualification

A learner who enrolls on Certificate in Adult Literacy Level 1 10032344

The certificate is load banded at glh 180 with programme weighting F. It is an approved qualification on the NQF and does contribute to National Targets for Skills for Life. This would also be priority provision. The learner would be fee remitted and also earn a minimum uplift of 12%.

Income

- Weighted rate of £1412 plus disadvantage uplift of £169 (12%)
- Programme and fee remission elements £1423, achievement element £158
- Total income £1581 including disadvantage uplift

Break-even calculation

Expenditure for 180 glh delivery costs @ average sector cost (overhead included) for full-time tutor of £90 per hour = £16,200.

Assuming a loss of income of 25% for non successful completion over a year, each learner earns £1186.

Therefore, a group size of 14 is required for breakeven ($£16200 \div £1186$).

Example 4 NOCN Skills for Life Qualification

A learner who enrolls on Certificate in ESOL Skills for Life (Entry Level 2) 1005988X

The certificate is load banded with programme weighting F. It is on the NQF but does not count towards Skills for Life national target. Providers would be advised to show how many learners have progressed from entry level 2 to either entry level 3 or levels 1 and 2 when making the case for this provision in their profile of activity. The learner would be fee remitted and also earn a minimum uplift of 12%.

Income

- If the provider decided to provide the qualification at 240glh the weighted rate is £1770 plus disadvantage uplift of £212 (12%)
- Programme and fee remission elements £1784, achievement element £198
- Total income £1982 including disadvantage uplift

Break-even calculation

Expenditure for 240 glh delivery costs @ average sector cost (overhead included) for full-time tutor of £90 per hour = £21600.

Assuming a loss of income of 25% for non successful completion over a year, each learner earns £1486.

Therefore, a group size of 15 is required for breakeven ($£21600 \div £1486$).

Example 5 Skills for Life embedded in an OCN vocational course

The learners enrol on a 60 glh Level 2 Practical Computing course (ZCAC206B) which has an additional 60 glh for the Certificate in Adult Literacy Level 1 10032344 embedded into the programme, delivered by one tutor with qualifications to teach Skills for Life and Computing.

The total programme duration is 120 glh delivered in an integrated way. For funding purposes, the ILR must show two learning aims, both load banded at 60 glh. Each learning aim will be weighted differently (B and F respectively). Because at least 50% of the learner's programme is a recognised Skills for Life qualification, the disadvantage uplift will apply to both learning aims.

Income

Certificate in Adult Literacy: $£609 + £73(12\%) = £682$

Level 2 Practical Computing: £456 + £54(12%) = £510

Total £1192

8. Agenda for Change: Changes in Funding Proposed for 2008/09

The need for change

One of the themes of 'Agenda for Change' and also the FE White Paper (7), reform of funding formula is seen as critical to the future of the post-16 sector. The following disadvantages are associated with the "Old Formula":

- It is too complicated
- It is overly bureaucratic
- It does not support effective planning
- It is applied in different ways in different sectors

Summary of proposed changes

- Increasingly informed 'demand led' system based on a new LSC/provider relationship
- Simplified funding formula based on standard learner numbers and provider factor
- **Funding models of three markets** – 14-19 provision, adult learner-responsive provision, and employer-responsive provision

	Learner Responsive	Employer Responsive
16-19	School/college/provider based Part of 14-19 entitlement Provision funded through strategic commissioning without in/end-year reconciliation	Employer-based Apprenticeships (funded through employer-responsive model)
19+	Provision funded through strategic commissioning with in/end-year reconciliation Impact of learning/skills accounts?	Train to Gain service: including Apprenticeships 19-25, TtG funds, NVQs in workplace (funded through employer-responsive model) Payment on actuals

The “New Funding Formula”

Three new concepts are introduced:

- Planned volume of learning activity based on standard learner numbers (SLN)
- Funding rate for a SLN will be either fully funded or co-funded
- Provider factor applied to total SLN

Funding Allocation	=	Standard Learner Numbers	x	Funding Rate per SLN	X	Provider Factor	+	ALS
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Example of allocation for a small provider

	Funding £	SLN	Learners
16-18	2,000,000	480	400
19+ responsive	1,200,00	400	1,600
19+ employer responsive	500,000	160	200
ALS	150,000		275
Total	3,850,00	1,040	2,200

Standard learner number

- It will act as a measure of volume of activity delivered by provider
- It will be used for pre-year planning and in-year monitoring
- It will be based on learner enrolments for each year of study
- It will be based on nominal guided learning hours for each learning aim
- Six week qualifying period for a learner to count as a ‘start’ on longer courses, and two weeks for shorter courses
- It will take account of different types of learning activity, reflecting relative costs to providers
 - NVQs
 - Apprenticeships and E2E
 - Distance learning
- A learner’s total GLH will be converted into a SLN using the 450 GLH divisor
- Some learning aims will still use planned GLH, e.g. Skills for Life
- 16-18 entitlement will be funded at a nominal 114 glh, with key skills being counted separately
- A maximum SLN equivalent to 4.25 AS/A2 qualifications plus the 16–18 entitlement will be set for any individual learner, i.e. 1.75
- A modifier will be applied to recognise proportionally higher costs of short programmes (this will be stored in the provider factor)

- Learner numbers will still be a key indicator of performance, particularly for attainment targets, participation rates, priorities and demand; e.g. in the above example the average SLN per 19+ learner responsive is $400/1600 = 0.25$

Funding rate

- This will be set by LSC taking account of amount of provision needed and desired average funding/learner as well as priorities and affordability
- Initially, it will reflect two aspects for each provider
 - The rate that reflects the actual provider average rate of funding
 - The national rate set for commissioned work
 - Part of transitional arrangements until all providers are at the national rate
- There will be two rates
 - Youth/16-18 rate (fully funded)
 - Adult rate
- There will be two adult rates
 - Fully funded rate for those on means tested benefits or first full level 2/3
 - Co-funded rate for adults to take account of tuition fee assumptions
- The rate will not be the same for every provider because the same fee element will apply to all courses of the same size irrespective of area costs or programme weightings

Provider factor

- This is a unique characteristic of each provider partly based on the provider's ILR data
- It will be reviewed from time to time to take account of changes in any of the determining factors, e.g. success rates
- It is based on elements that currently appear in the detail of the formula, which have cost or performance implications
 - Average programme weighting (weighted average based on SLNs)
 - Disadvantage factors (based on Index of Multiple Deprivation 2004)
 - Small programme modifier (applied to learners under 225 glh)
 - Area costs (based on existing approach)
 - Success rates (glh weighted)

Importance of success rates in the "New Formula"

- The success rate will be used to determine the provider factor
 - For FE use an average rate taking account of national GLH for different learning aims

- For WBL use full framework achievements with an enhancement to ensure comparability with national FE success rates
- The success rate element will have to be reviewed annually to take account of changes in terms of value for money and quality improvement
- Provider success rates will be one of the key criteria used in the process of commissioning provision by local LSCs

Additional Learning Support

- Two methods are being proposed dependent on whether the funding claim is above or below a threshold
- A threshold of £5,500 is suggested that is up-rated for inflation
- Independent living skills provision may be assigned specific rates and weightings

Lower level claims (less than £5500)

- For young learners
 - prior qualifications will be used to determine allocations that broadly relate to literacy and numeracy support
 - the remaining part of ALS allocations that cover learner disabilities will be continue to be based on a dialogue between the provider and the LSC
- For adults
 - The level of course being studied will be used to determine the allocations and claims

Higher level claims (£5500 and above)

- Extends the 2007/08 funding mechanism used by specialist providers for LLDD – “The defined categories approach”
- Mechanism defines the funding rate for each learner based on a quantification of hours of support received funded at a set national rate
- Majority of funding held in a regional budget would be allocated through this mechanism
- The remainder would be held in a regional responsiveness budget to meet unplanned needs

9. Annexes

Annex A: Listed rates for FE 2007/08

Note:

- The table below shows the 2.5% increase for 19+ learners, so providers drawing down funding for 16-18 learners need to keep the extra % increase for these learners in mind
- The figures for 2007/08 include an element for entry funding that is now incorporated into the national rate
- In 2007/08 approved basic skills learning aims have a weight of 1.4
- Entitlement for 16–18-year-old learners will be funded at £841 (core and fee remission elements only)

Annex A: 19+ FE listed rates 2007/08 (whole learning aim)

Qualification	National Base Rates (including Assumed Fee Element)						
	Assumed Fee Element	A (1.0)	B (1.12)	C (1.3)	D (1.6)	E (1.72)	Basic Skills
GCE AS level or A2 studied during the day (except General Studies)	£317	£845	£946				
GCE AS or A2 studied during the evening (excluding General Studies)	£222	£592	£662				
GCE AS or A2 in General Studies (day or evening)	£153	£407	£456				
Applied GCE A-Level (Double Award (12 units)) studied during the day	£1,913	£5,103	£5,714	£6,634	£8,164	£8,776	
Applied GCE A-Level (Double Award (12 units)) studied during the evening	£1,287	£3,433	£3,845	£4,463	£5,493	£5,905	
Applied GCE AS-Level or A2-Level (Double Award) or Applied GCE A-Level (6 units) studied during the day	£990	£2,641	£2,957	£3,433	£4,225	£4,542	
Applied GCE AS-Level or A2-Level (Double Award) or Applied GCE A-Level (6 units) studied during the evening	£644	£1,717	£1,923	£2,232	£2,747	£2,953	
Applied GCE AS-Level or A2-Level (3 units) studied during the day	£495	£1,320	£1,479	£1,717	£2,113	£2,271	
Applied GCE AS-Level or A2-Level (3 units) studied during the evening	£322	£858	£961	£1,116	£1,373	£1,476	
GCSE studied during the day	£229	£610	£683				
GCSE studied during the evening	£162	£432	£484				
Short-course GCSE studied during the day	£142	£377	£422				

Annex A continued

Qualification	National Base Rates (including Assumed Fee Element)						
	Assumed Fee Element	A (1.0)	B (1.12)	C (1.3)	D (1.6)	E (1.72)	Basic Skills
Short-course GCSE studied during the evening	£98	£261	£292				
Applied GCSE studied in the day	£498	£1,328	£1,488	£1,727	£2,126	£2,285	
Applied GCSE studied in the evening	£324	£864	£968	£1,122	£1,382	£1,485	
Key skills qualifications (Application of Number, Communications and ICT)	£89	£237	£264				£331
GNVQ: Foundation or Intermediate	£990	£2,641	£2,958	£3,434	£4,226	£4,543	
Each additional NVQ or GNVQ unit	£48	£129	£145	£168	£207	£222	
EDEXCEL National Diploma (18 Units)	£2,375	£6,333	£7,093	£8,233	£10,132	£10,893	
EDEXCEL National Certificate (12 Units)	£1,913	£5,103	£5,714	£6,634	£8,164	£8,776	
EDEXCEL National Award (6 Units)	£990	£2,641	£2,958	£3,434	£4,226	£4,543	
OCR National Extended Diploma Level 3 (18 units)	£2,375	£6,333	£7,093	£8,233	£10,132	£10,893	
OCR National Diploma Level 3 (12 units)	£1,913	£5,103	£5,714	£6,634	£8,164	£8,776	
OCR National Certificate Level 3 (6 units)	£990	£2,641	£2,958	£3,434	£4,226	£4,543	
Access to Higher Education (studied at a rate of over 150 glh per tri-annual period for 3 or more periods)	£1,144	£3,051	£3,417	£3,966	£4,881	£5,247	
International Baccalaureate	£2,850	£7,601	£8,513				

Annex B: Load banded rates for FE 2007/08

Note:

When determining the rate paid for a load banded learning aim the table below shows the band that the total planned or intended guided learning hours for the learning aim falls into. For N(OCN) learning aims hours of learning are not necessarily the same as guided learning hours because they might include private study and research that is not guided in terms of class contact time or costs incurred by the provider.

Annex B: Loadbanded rates for FE in 2007/08

glh range		Assumed Fee Element	Programme Weightings					
			A (1.0)	B (1.12)	C (1.3)	D (1.6)	E (1.72)	F (Basic Skills)
6	8	£24	£65	£73	£85	£104	£112	£91
9	13	£37	£98	£110	£127	£157	£168	£182
14	19	£47	£124	£139	£161	£199	£213	£182
20	29	£56	£149	£167	£194	£238	£256	£230
30	39	£89	£236	£265	£307	£378	£407	£379
40	49	£105	£279	£313	£363	£447	£481	£435
50	59	£121	£323	£361	£419	£516	£555	£494
60	89	£153	£407	£456	£530	£652	£701	£609
90	119	£235	£626	£701	£813	£1,001	£1,076	£876
120	149	£282	£752	£843	£978	£1,204	£1,294	£1,053
150	179	£330	£880	£986	£1,144	£1,408	£1,514	£1,232
180	209	£378	£1,008	£1,129	£1,311	£1,613	£1,734	£1,412
210	239	£426	£1,136	£1,273	£1,477	£1,818	£1,954	£1,591
240	269	£474	£1,264	£1,416	£1,643	£2,023	£2,174	£1,770
270	299	£522	£1,392	£1,559	£1,810	£2,228	£2,395	£1,949
300	329	£570	£1,520	£1,703	£1,976	£2,432	£2,615	£2,128
330	359	£618	£1,647	£1,844	£2,141	£2,635	£2,833	£2,306
360	389	£666	£1,775	£1,988	£2,307	£2,840	£3,053	£2,485
390	419	£714	£1,903	£2,131	£2,474	£3,045	£3,273	£2,664
420	449	£762	£2,031	£2,275	£2,640	£3,249	£3,493	£2,843
450	479	£990	£2,641	£2,958	£3,433	£4,225	£4,542	£3,949
480	509	£990	£2,641	£2,958	£3,433	£4,225	£4,542	£3,949

Annex B continued

glh range		Assumed Fee Element	Programme Weightings					
			A (1.0)	B (1.12)	C (1.3)	D (1.6)	E (1.72)	F (Basic Skills)
510	539	£990	£2,641	£2,958	£3,433	£4,225	£4,542	£3,949
540	569	£990	£2,641	£2,958	£3,433	£4,225	£4,542	£3,949
570	599	£1,001	£2,669	£2,990	£3,470	£4,271	£4,591	£3,949
600	629	£1,035	£2,761	£3,092	£3,589	£4,417	£4,749	£3,949
630	659	£1,069	£2,851	£3,193	£3,706	£4,562	£4,904	£3,991
660	689	£1,103	£2,942	£3,296	£3,825	£4,708	£5,061	£4,119
690	719	£1,137	£3,033	£3,396	£3,942	£4,852	£5,216	£4,246
720	749	£1,171	£3,123	£3,497	£4,059	£4,996	£5,371	£4,408
750	779	£1,205	£3,214	£3,600	£4,178	£5,143	£5,528	£4,580
780	809	£1,239	£3,304	£3,701	£4,295	£5,287	£5,683	£4,753
810	839	£1,273	£3,396	£3,803	£4,414	£5,433	£5,840	£4,926
840	869	£1,307	£3,486	£3,904	£4,531	£5,577	£5,995	£5,097
870	899	£1,341	£3,577	£4,006	£4,650	£5,723	£6,153	£5,271
900	929	£1,375	£3,667	£4,107	£4,767	£5,868	£6,308	£5,443
930	959	£1,409	£3,757	£4,208	£4,885	£6,012	£6,463	£5,617
960	989	£1,443	£3,849	£4,311	£5,003	£6,158	£6,620	£5,788
990	1019	£1,477	£3,939	£4,412	£5,121	£6,302	£6,775	£5,961

10. References

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