Demand-led Funding: Evaluation of the Operational Impact of the First Year

Adult Learner Responsive and Employer Responsive Provision

Final Report

Leading learning and skills

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March 2010
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1. Introduction

1.1 The aim of the review was to evaluate the operational impact of demand-led funding in its first year of operation and to identify any unintended consequences. In particular the review evaluated:

- aspects of the demand-led funding formula;
- the flexibilities and boundaries between the three models and the potential applicability of demand-led funding to new programmes;
- the impact of the new funding arrangements on different types of providers;
- the impact of new funding arrangements on different types of learners.

1.2 Outside of the scope of the review are issues related to:

- Educational Maintenance Allowances;
- Capital Allocations;
- Additional Learning Support;
- Convergence of college and school sixth form funding; and
- Machinery of Government changes.

1.3 The research took place between July 2009 and February 2010. The initial activity included scoping visits to providers and telephone interviews with identified stakeholders, designed to capture overall provider perceptions of the impact of the new funding mechanism.

1.4 The initial research was followed up by an on-line survey of 41 providers and detailed interviews with 36 providers, including 5 independent learning providers, 7 FE colleges, 4 sixth form colleges and 2 local authorities. Where appropriate the research was supported by data analysis.

1.5 This report provides details of the outcomes of the research project for the Adult and Employer Responsive funding models. The report looks specifically at the impact of the demand-led funding formula on general FE colleges and independent learning providers. The report concludes with a list of and recommendations for the future.

1.6 A companion report focuses on the impact of the 16-18 Learner Responsive funding model. This report also looks at potential issues for providers who receive funding across more than one funding model, including the 16-18 funding model (such as general FE colleges).

1.7 RCU is very grateful to staff from providers who gave their time to contribute their views to the evaluation. In order to preserve the confidentiality, providers were promised, these participants are not named in the report.
2. Policy Context

2.1 A key proposal of the Leitch Review *Prosperity for all in the global economy - world class skills* (DfES 2006) was that Government funding and systems should become increasingly demand-led. Employers and individuals should have more power to choose provision that meets their needs and training providers will need to become increasingly responsive to what learners and employers actually want.

2.2 In January 2007 the LSC consulted on proposals for a new demand-led funding system and details of the system were outlined in the LSC Statement of Priorities, *Better Skills, Better Jobs, Better Lives* (November 2007). The new simplified system included three separate funding models - the 16-18 year old model, the Adult Learner Responsive model and the Employer Responsive model.

2.3 The introduction of any new funding system can have significant implications for different types of providers and for different categories of learners. In particular there may be unintended consequences that either result directly from one or more of the formula changes or occur because of provider behaviour driven by their understanding or perception of the new funding mechanism.

2.4 The LSC commissioned a *Single Equality Impact Assessment (SEIA) of Demand-Led Funding*¹ in November 2007, in order to investigate the possible impact of the new system on gender, race and disability. The assessment found no evidence of direct discrimination resulting from the design or implementation of the demand-led funding changes, but found that there was a risk of indirect discrimination and recommended that these aspects should be monitored (particularly at a learner level by gender, ethnicity and disability). In particular there was a need to review the impact on learners served by providers in sparsely populated areas and areas with relatively high deprivation. The assessment identified that there may be possible losses of funding for providers with a high proportion of adult females and/or adult learners with a learning difficulty and/or disability and that some smaller providers who have a high proportion of adult funding may be disadvantaged. Appendix 1 updates the SEIA.

2.5 Central to the demand-led funding system is a new funding formula used to calculate enrolment, learner and allocation funding values for all three of the funding models. The formula is intended to be much simpler than the previous funding mechanism, which involved separate funding calculations for each and every enrolment. The new formula aims to be much easier for providers to understand and operate and should also provide greater consistency and compatibility across the sector. It is employed across all three funding models and for the first time school sixth forms use the same formula as FE colleges.

¹ The report, written by RCU, can be found at http://readingroom.lsc.gov.uk/lsc/National/07.206_SEIA_V3.0_Final.pdf
Details of the Demand-Led Funding Formula

2.6 The demand-led funding formula is illustrated in the diagram below. Within each funding model a provider can calculate their total LSC funding allocation by multiplying together three terms (Standard Learner Numbers, National Funding Rate and the Provider Factor) and adding on a separate allocation for additional learner support.

**The Demand-Led Funding Formula**

\[
\text{Total Funding} = (\text{Standard Learner Numbers} \times \text{National Funding Rate} \times \text{Provider Factor}) + \text{Additional Learner Support}
\]

2.7 **Standard Learner Numbers** (SLNs) provide a measure of the total volume of supported learning activity. Each enrolment will have an SLN value which is either set by the LSC for that qualification (listed) or determined by actual course duration (unlisted). Unlisted SLNs are almost exclusively in the Adult Learner Responsive model and replace the previous complex loadbands with a simple divisor method (guided learning hours divided by 450). Unlike Full Time Equivalent Numbers (FTEs), used in previous funding systems, an individual learner can have an SLN value greater than 1 (for example if the guided learning hours on an unlisted programme is greater than 450). However, within the 16-18 and Adult Learner Responsive models there is a maximum value (cap) of 1.75 SLNs per learner.

2.8 Within each of the funding models, providers calculate the total volume of their SLNs and convert this to an un-weighted funding value by multiplying by the National Funding Rate. In 2008/09 there were three different National Funding Rates; £2775 in the Adult Learner and Employer Responsive models (with an additional 3% uplift to Train to Gain), £2860 for colleges and independent training providers in the 16-18 model and £2945 for school sixth forms.

2.9 The actual allocation for each provider is weighted by the Provider Factor. This is calculated individually for each provider and funding model and reflects the relative costs of delivery for that provider. The Provider Factor is set by the LSC for all of a provider’s enrolments in a given year and is based on historical data from the Individualised Learner Record (ILR). The only exception to this is in the Employer Responsive model where historical data are used to set maximum contract values but funding earned is based on in-year enrolments. The Provider Factor is calculated by multiplying together the five factors listed below.

**The Provider Factor Calculation**

\[
\text{Provider Factor} = (\text{Area Costs} \times \text{Programme Weighting} \times \text{Disadvantage Factor} \times \text{Short Programme Modifier} \times \text{Success Factor})
\]
2.10 The **Area Costs** uplift is designed to compensate providers in London and the South-East of England for higher costs associated with their location. This factor is essentially unchanged from the previous funding model.

2.11 The **Programme Weighting** factor recognises that some programmes are more costly to deliver than others. In the previous funding methodology Programme Weightings were applied in year for each course. In the new funding methodology the Programme Weighting is based on delivery in a previous year and is a constant factor within a given funding model. In the Employer Responsive Model payments reflect the actual Programme Weightings.

2.12 The **Disadvantage Uplift** is designed to compensate providers for higher costs associated with meeting the needs of disadvantaged learners. In the new funding methodology it is a weighted average based on enrolments in a previous year. Learners can qualify for an 8% to 32% uplift, based on their home postcode or for other reasons listed by the LSC (such as a 12% uplift if classed as a basic skills learner). Whilst the previous funding methodology included a Disadvantage Uplift, the calculation has now been updated and uses more recent socio-demographic data and focuses on smaller areas (called Super Output Areas). In the Employer Responsive Model payments reflect the actual disadvantage. Disadvantage only applies to Apprenticeships.

2.13 The **Short-Programme Modifier** is a new factor within the demand-led funding formula and is designed to recognise the slightly higher set-up costs for short courses below 225 guided learning hours. The shorter the programme, the higher the short-programme modifier.

2.14 The **Success Factor** is also a new term and adjusts funding for learners who drop out and/or do not achieve their qualification. The Success Factor ensures that half of a provider’s funding allocation is weighted according to its historical success i.e. Success Factor equals \((\text{Success Rate} + 50\%) / 2\). The Success Factor replaces a 10% achievement factor and three ‘retention’ census dates which monitored learner numbers in November, February and May. Within the Employer Responsive funding model, however, actual funding earned are still based on separate retention and achievement terms.

2.15 The demand-led funding system also introduced mid-year and *end of year reconciliation* in the Adult Learner Responsive model. This creates a potential mechanism for adjusting funding allocations depending on whether a provider has under achieved or over achieved.

2.16 Learners need to pass a minimum attendance period before they can be defined as a start for funding purposes. On a course of 24 weeks or more the minimum attendance period is 6 weeks and on a course between 2 and 24 weeks it is 2 weeks. For programmes of less than 2 weeks it is one learning engagement. This approach replaces the tri-annual census dates used within the previous funding methodology.
2.17 The LSC introduced a new measure called the SLN per learner ratio alongside the demand-led funding model. Providers that have a high SLN per learner ratio are teaching fewer learners for the same cost and the LSC is keen to ensure that this ratio is capped or driven down over the medium and longer term.

2.18 The change to the new funding formula meant that some providers could potentially have gained or lost, based on the same recruitment profile. The LSC therefore replaced the National Funding Rates with Transitional Funding Rates for those providers who stood to gain or lose more than 2.1%. The Transitional Rates were only applicable in the 16-18 and Adult Learner Responsive models and for a single year. Transitional arrangements were put in place for Apprenticeships and Train to Gain where the funding was adversely affected due to changes in the funding methodology; this applied to continuing learners who started before 1 August 2008.

2.19 The Employer Responsive model funds both Apprenticeships and Train to Gain. Within the demand-led funding system Train to Gain and Apprenticeships payments are now made on a similar basis (based on actual delivery and paid monthly in arrears). This replaced the previous system of 50% on start and 50% on completion for Train to Gain; for Apprenticeships the change was from monthly profile payments which were reconciled each month. Whilst the Success Factor is used within the Employer Responsive model to determine minimum contract values, actual payments include 25% achievement funding for Train to Gain and Apprenticeship main qualifications.

2.20 The Employer Responsive funding model is discussed in greater detail in Section 5 of this report. Further details of the funding formula and the allocations process are also given in LSC Funding Guidance documents.²

² For a list of the key LSC: http://www.lsc.gov.uk/providers/funding-policy/strategic-overview/
3. Details of the Research

3.1 Actual allocations are determined by LSC purchasing decisions (driven by local and regional need and the overall funding envelope) as well as the funding formula itself. Whilst the focus of the review was on the mechanics of the funding formula the distinction between this and the actual allocations process can in practice sometimes be hard to make. The review also took place during preparation for the transfer of responsibility for adult funding from the LSC to the Skills Funding Agency. Whilst the review is not specifically looking at these structural changes, the possible implications for the operation of demand-led funding is discussed.

3.2 The demand-led funding system created for the first time a single unified funding system for all types of provision including college based courses and apprenticeships. However, the details of the funding system for Adult Learner Responsive provision and Employer Responsive provision are different so the report contains separate sections looking at these separate funding models.

3.3 The Individualised Learner Record (ILR) provides a detailed and comprehensive source of data on providers allowing comparisons to be made before and after the introduction of demand-led funding. The report uses ILR data to assess evidence for the potential impact of the new funding methodology on gender, age, ethnicity and disability in further education.

3.4 The research activity primarily involved an on-line questionnaire and qualitative interviews with providers and key stakeholders.

3.5 Initial scoping interviews with key stakeholders and a sample of providers took place during July and August 2009. The purpose of the scoping interviews was to ensure that subsequent research would cover the main themes affecting the sector. The table below shows the key stakeholders who participated in the review.

<table>
<thead>
<tr>
<th>Organisation</th>
<th>Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Association of Colleges (AoC)</td>
<td>Julian Gravatt</td>
</tr>
<tr>
<td>Association of Learning Providers (ALP)</td>
<td>Graham Hoyle</td>
</tr>
<tr>
<td>National Institute of Adult Continuing Education (NIACE)</td>
<td>Alan Tuckett</td>
</tr>
<tr>
<td>Association of School and College Leaders (ASCL)</td>
<td>Malcolm Trobe</td>
</tr>
<tr>
<td>HOLEX</td>
<td>Bob Powell</td>
</tr>
<tr>
<td>Sixth Form Colleges’ Forum (SFCF)</td>
<td>David Igoe</td>
</tr>
<tr>
<td>Local Government Association (LGA)</td>
<td>John Freeman</td>
</tr>
<tr>
<td>Land-Based Colleges Aspiring to Excellence (LANDEX)</td>
<td>Vic Croxson</td>
</tr>
<tr>
<td>Association of the Directors of Children’s Services (ADCS)</td>
<td>Debbie Jones</td>
</tr>
</tbody>
</table>
3.6 Following the scoping interviews an on-line survey was emailed to a representative sample of 100 providers during August. The survey gathered initial feedback on some of the emerging issues and also identified providers who would be willing to take part in in-depth face to face interviews.

3.7 The on-line survey consisted of a series of multiple choice and open-ended questions looking at broad perceptions of the funding system, strengths and weaknesses of the models and specific issues relating to different provider types. The survey took approximately 10-15 minutes for a provider to complete and was completed by the person in the organisation responsible for planning and funding. A total of 41 responses were received, covering all of the main provider types.

3.8 Detailed face to face interviews with 36 providers, the majority of which took place between December 2009 and February 2010\(^3\). The sample selection for the interviews was based on the criteria listed below and agreed with the LSC at the start of the project. The sample included:

- a mix of different provider types including general further education colleges, independent learning providers and local authorities;
- a mix of large and small providers including providers serving rural and urban areas;
- a good representation from each of the nine LSC Regions;
- recommendations from LSC Regions;
- providers who had completed the on-line survey and expressed a willingness to be involved in further research; and
- a mix of specialist providers and those offering more provision across a range of different subject areas.

\(^3\) This includes interviews for 16-18 Responsive, Adult Learner Responsive and Employer Responsive funding models covered in this report and the companion report for DCSF.
3.9 The table below shows the breakdown of providers who participated in the detailed research phase. Interviews typically lasted one and a half to two hours and involved discussions with staff responsible for funding, finance and planning. In addition to those interviews shown a further 15 interviews with school sixth forms took place to inform the parallel 16-18 report. The Issues List is given in Appendix 3.

### Breakdown of In-Depth Interviews with Providers

<table>
<thead>
<tr>
<th>Provider Type</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Further Education Colleges</td>
<td>9</td>
</tr>
<tr>
<td>Sixth Form Colleges</td>
<td>5</td>
</tr>
<tr>
<td>Independent Learning Providers</td>
<td>6</td>
</tr>
<tr>
<td>School Sixth Forms</td>
<td>14</td>
</tr>
<tr>
<td>Local Authorities</td>
<td>2</td>
</tr>
</tbody>
</table>

3.10 The findings presented in this report include the results from the initial stakeholder interviews and the on-line survey as well as feedback from detailed interviews with providers. Where appropriate data analysis from the ILR or other publically available datasets is also included.
4. Adult Learner Responsive Funding Model

Introduction

4.1 The 2008/09 Allocations Spreadsheet indicates that further education colleges account for 89% of Adult Learner Responsive Funding, with local authorities accounting for around 7%. The formula is applied in the same way as in 16-18 provision, although the National Funding Rate is different. Adult Learner Responsive provision is also subject to mid-year as well as end-year reconciliation.

4.2 The research collected evidence from a range of providers and stakeholders including further education colleges as well as other adult providers such as local authorities. Many local authorities today offer a diverse vocational curriculum, focusing on Government priorities (such as full Level 2 and 3) and face similar funding issues to further education colleges.

4.3 The evaluation took place in the context of overall reductions in Adult Learner Responsive funding allocations and an increasing focus on target-bearing provision, with consequent increases in the average length of learning programmes (i.e. a greater focus on full Level 2 provision, for example, rather than short courses).

4.4 This context contributed to a view that allocations were not responsive to learner preferences and that the model was therefore not demand-led. This meant that funding allocations could be viewed as lacking transparency, a view that is exacerbated by a perceived lack of dialogue during the allocations process. Providers were particularly critical where they felt they were lacking the information necessary to respond to policy priorities. One said:

“We need a clear definition of “Developmental Learning” and Level 2 and Level 3. We have concerns that some of our provision e.g. LANTRA qualifications within our land-based offer may be ruled out. It is difficult to identify provision outside the 9 priorities so the ALR model at present is disastrous. We understand the need to pre-prioritise but clawback and audit regime are not helpful.”
4.5 These concerns were linked to a belief that the system of funding allocations and national priorities did not allow providers to use their discretion to respond to local need. One commented:

“The link between the needs of the local community and what the College can offer has been broken, courtesy of the imposition of funding for certain curriculum only – responsiveness which the College has always demonstrated, has, ironically, been curtailed as a result of the current funding priorities.”

Another said:

“Providers are being encouraged to be flexible and responsive to the needs of their local communities, but funding does not, in fact, follow the learner.”

Transparency and Fairness of the Funding Model

4.6 The providers interviewed for the research had relatively few concerns about the design of the Adult Learner Responsive funding formula, which they found easy to comprehend, but did have some concerns about the way in which it had been applied during the first year of operation. For example, one provider described the process of determining its 2009/10 allocation as a “shambles” which the local LSC had put down to “quirks in the system”. This had had negative impact through in-year clawback and in initial consideration of the 2010/11 allocations. The college commented:

“LSC appeared to identify the cash value they wanted and just attached an SLN value to it. The planned total for SLNs was dictated by the budget but there was a mismatch between SLNs and funding – we achieved 96% of ALR contract value but now have potential clawback.”

4.7 Some providers also reported concerns about sudden changes in Programme Weightings and the removal of some qualifications from the approved list on the Learning Aims Database (LAD) at short notice.

4.8 However, the providers interviewed generally found the model itself transparent and relatively straightforward compared to previous approaches. Comparisons between providers and between different funding streams (e.g. between 16-18 year olds and work based learning) are now said to be much easier. Colleges were much more likely to describe the demand-led funding model as “simpler” compared to independent learning providers. One provider commented:

“The current system is simpler – previously you didn’t know what a learner would actually be worth – now you can work it out.”
4.9 The logic of the funding formula had made it easier for senior managers to explain to Governors and curriculum managers the importance of driving up success rates and supporting learners from areas of relative disadvantage. The new funding formula also made it easier for most providers to plan and model future funding.

4.10 However, a number of providers felt that whilst the new funding formula appeared to be simple, the specific details contained within each factor meant that in practice it was just as complicated as the previous system.

4.11 The new funding model had made it harder for colleges to apportion and monitor individual departmental budgets. This is because the Provider Factor is an institutional average and cannot be applied below provider level. Most, however, have now modified their management information systems in order to generate departmental budgets.

4.12 Colleges generally welcomed the move to Standard Learner Numbers rather than full-time equivalents, although some noted that tables on part-time and full-time learners from the Learner Information Suite (LIS), which had been useful for internal planning, had been lost as a result of the new approach.

4.13 Despite the relative simplicity and transparency of each funding stream, providers still had issues with the complexity that arose from managing multiple funding streams. For example, one college commented that because each stream is audited separately, the LSC focus tends to be on detail rather than on the outcomes and responsiveness. This was viewed as disproportionate to the sums of money involved in many cases. Another commented:

"Managing the flow of finance is complex in that apart from the need to plan separately for the 3 main types of provision, the LSC's financial year does not match that of colleges, causing additional significant administrative and management costs to the college to plan and control provision (including audit)."

Threshold Issues

4.14 Several colleges raised issues with the boundaries between 16-18 and Adult Learner Responsive Funding. Learners who start their programme of learning aged 16-18 and continue aged 19 (as measured on 31 August of the new academic year) are funded at 16-18 rates, but the funding comes out of the college's Adult Learner Responsive allocation which is already under intense pressure. Colleges would have preferred the ability to vire funds in these circumstances.
4.15 This was also a symptom of a wider issue relating to the large numbers of “young adults” in general FE colleges. The learner characteristics, curriculum models, support and teaching provision for these learners was identical to 16-18 year-olds, to the extent that curriculum managers were often unaware of the balance of 16-18s and young adults on their courses. This was felt to be a particular issue in areas of high deprivation, where learners were more likely to have had a “false start” post 16.

Transparency and Fairness of the Provider Factor

Overview

4.16 In contrast to smaller independent learning providers, colleges had generally analysed the impact of components of the Provider Factor in detail, for example by linking internal management information software to the Learning Aims Database. This is largely as a result of scale, with most colleges having a team of information staff whose role includes unpicking the dynamics within the funding model. Another college had developed an on-line tool to model the new funding system for each course, allowing profiling by age group and funding stream.

4.17 Some providers felt that the hidden detail within the Provider Factor meant that transparency was, in practice, hard to achieve. A number of providers indicated that they had tried to unpick and replicate elements of the Provider Factor internally but could not do so. This can cause concern to Finance Managers who may feel it is their responsibility to advise Senior Managers if the calculation is correct.

Success Factor

4.18 Providers were generally supportive of the Success Factor, and felt that this was a simpler system than monitoring retention at census dates and having a separate achievement factor. A single Success Factor also aligned well to their internal quality drivers. However, there was some concern that it might potentially dissuade providers from extending provision to learners perceived as “high risk”, for example former NEETs who were now funded as (young) adults.
4.19 However, the research found no evidence that providers were modifying their curriculum or entry procedures in order to avoid recruiting “at risk learners”. In practice, the Provider Factor tends to be higher for providers based in the more deprived area, indicating that any link between success rates and disadvantage are more than compensated for by the Disadvantage Uplift (see chart below). The chart shows the average Provider Factor for all adult learner responsive provider, grouped by ten disadvantage bands (1= lowest Disadvantage Uplift band and 10 = highest Disadvantage Uplift band, with equal numbers of providers in each band).

![Provider Factor Chart]

Source: - LSC published data on Provider Factor terms per institution 2009/10.

4.20 There was some concern that success rates were a lagged measure and therefore failed to recognise continual improvement. One large college had calculated that the use of 2007/08 success rates (as opposed to the improved 2008/09 figures) as the basis for 2009/10 funding had a net impact of £0.5m.

4.21 Providers were especially keen to ensure that there were no further adjustments in the run-up to the harmonisation of Success Factors, due to the perceived administrative gains of harmonising Framework for Excellence, inspection and minimum levels of performance calculations.

Disadvantage Uplift
4.22 Providers welcomed the inclusion of the Disadvantage Uplift, which aligned closely to the mission of most providers, although most struggled to model its impact. This is due to the calculation being based on Super Output Areas. There was also some concern that the evidence on which the Disadvantage Uplift is based is lagged data and was slow to pick up changes in local population dynamics. This is exacerbated by the use of the 2004 Index of Multiple Deprivation rather than the 2007 version.
4.23 The providers in the sample did not, other than in exceptional circumstances, submit claims under the Disadvantage Uplift based on learners’ personal circumstances. This was because many learners who could trigger an uplift on personal grounds already triggered (generally higher) uplifts based on their home location.

**Area Costs Uplift**

4.24 None of the providers in the sample had issues concerning the Area Costs Uplift, however providers that operated substantially in rural areas felt that the extra costs this generated were not recognised. Rural provision was also associated, in many cases, with lower average group sizes and higher average costs as a result.

**Additional Funding Allocations**

4.25 There was some concern raised, during the first part of the research and in the provider visits that the new funding system could potentially lead to unfair purchasing decisions especially in the event of additional in-year allocations. For example some providers felt they were being labelled as high cost providers by the LSC because they had a high Provider Factor. The high Provider Factor was typically due to the curriculum specialism in Engineering and Construction or Land-based industries which had inflated the whole institution’s Provider Factor, making provision in other curriculum areas seem relatively expensive compared to competitors. Colleges felt that additional funding allocations should be made at a marginal rate relevant to the additional provision, rather than being based on the overall Provider Factor.

**The 1.75 Standard Learner Number Cap for Individual Learning Programmes**

4.26 The providers visited generally welcomed the 1.75 cap, which they saw as an improvement on the previous taper. For most providers the 1.75 SLN cap had little impact on their adult provision.

4.27 Land-based organisations, who responded to the review, felt that it was essential to offer adult residential learners a curriculum that took them well above the 1.75 SLN cap. This is partly the result of ensuring an adequate level of activity for such learners and partly due to high industry expectations for the technical skills that accompany knowledge-based qualifications. One provider for example said:

"The current funding cap has limited the size of the curriculum we offer. This does not reflect the needs of land-based industries."

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4 Although most residential learners are aged 16-18, many are young adults and land-based providers also use residential provision to support professional programmes.
Short Course Modifier

4.28 Most further education colleges viewed the Short Course Modifier as a somewhat quirky oddity, but recognised its value to specialist adult providers (in practice it made very little difference to their allocation). Adult learning providers and stakeholders, however, believed that the Short Course Modifier was an essential feature of the model and was particularly beneficial to smaller providers, including former external institutions, who often delivered shorter programmes in highly deprived communities.

Fully Funded and Co-Funded Learners

4.29 The Adult Learner Responsive model makes a clear distinction between fully funded learners and co-funded learners (i.e. those expected to pay fees). This terminology appeared to be helpful to many. One provider, for example, said that the new system made it easier for them to calculate and monitor their fee income targets, both at an institutional level and across different departments.
5. Employer Responsive Funding Model

Introduction

5.1 The Employer Responsive funding model consists of apprenticeships and Train to Gain, both of which are funded from a version of the demand-led funding formula. Apprenticeships are funded for both young and adult learners, so the budget comes from both DCSF and BIS.

5.2 Both Apprenticeships and Train to Gain are funded in monthly on-programme instalments in arrears, based on the start and planned end dates, with a 25% achievement instalment in the month of the actual end date. This was a new approach for Train to Gain (which was previously funded as 50% on starts and 50% on completion), but this approach was already well established for Apprenticeships, although previously payment was based on profile payment with monthly reconciliation.

5.3 All qualifications within the Employer Responsive funding model have listed SLN values. In 2008/09 Train to Gain had two rates for full Level 2 and full Level 3 qualifications, but this was changed to one rate in 2009/10. All elements within an Apprenticeship framework have separate SLN values and the National Funding Rates differ for 16-18 year olds, 19-24 year olds and adults aged 25 and over.

5.4 Unlike the Learner Responsive funding models, an average historical Provider Factor is not used to generate actual funding in the Employer Responsive funding model. However, some of the terms within the Provider Factor are used, but these are applied in-year at a learner level, rather than historically. The Employer Responsive funding model does not have a separate Success Factor (as 25% is funded on achievement) and does not use the Short Course Modifier. The Employer Responsive funding model therefore operates differently from Learner Responsive funding models, whilst retaining some common terminology.

5.5 The Apprenticeship funding formula uses the Disadvantage Uplift, based on the home postcode of the learner, using the same uplifts as those used for Adult Learner Responsive funding. The only difference is that the Disadvantage Uplift is based on in-year data for individual learners, rather than an average for all learners in a previous year.

5.6 The area cost uplift is used for both Train to Gain and Apprenticeships. However, within the Employer Responsive funding model the uplift is determined by the location of delivery as opposed to the location of the provider. Programme Weighting is used for Employer Responsive provision, but is again applied to each qualification in-year rather than generating a single historical Programme Weighting Factor for a provider. In 2009/10 the Employer Responsive funding model has 10 different Programme Weightings (as opposed to 7 in the Learner Responsive model).
Overall Views on the Model

5.7 Key stakeholders felt that the Employer Responsive model is still perceived by most providers as two distinct funding streams (one for Apprenticeships and one for Train to Gain) and the lack of integration between the two streams contributes to the feeling of complexity.

5.8 During 2008/09 and 2009/10 significant changes took place in both the demand and the funding of Train to Gain and Apprenticeships, largely as a result of the economic recession and changing Government priorities. This had important implications for many providers, but is outside the scope of this report. For virtually all providers, the mechanics of the demand-led funding formula were of less concern than the overall funding settlement and changes to funding priorities.

5.9 For many providers, particularly further education colleges and large independent providers, the introduction of demand-led funding was relatively straightforward. Changes in the methodology for the funding of Apprenticeships, for example, were relatively minor (using a similar approach to those in place prior to demand-led funding).

5.10 Independent training providers (particularly smaller providers) were in general less positive about the new funding system than further education colleges and many felt that the funding system was becoming much more complicated. In practice, some of these concerns related to the LSC Train to Gain and adult apprenticeship budget allocations (and changes to the allocations part way through the year), rather than the funding model itself. Another complication, outside of the scope of this review, was the introduction of additional flexibilities for Train to Gain in 2008/09.

5.11 Some providers felt that many small organisations would have insufficient management resources to check the accuracy of their Maximum Contract Values and may lose out compared to larger providers. Small providers in particular said that they would welcome greater support from the LSC in explaining how Maximum Contract Values are made and how the demand-led funding system operates.

5.12 A number of small providers said that they were confused by SLN calculations and that this confusion was often shared by the LSC at a local level. One provider, for example, told us that in 2008/09 they were having to calculate SLNs for the first time, as well as having to deal with a wide range of different funding rates (higher and lower rates for Train to Gain, apprenticeship rates, fully funded and co-funded rates and three different programme weightings).
5.13 Some providers felt that it was more difficult with demand-led funding to accurately predict the income they expected to receive, based on learner numbers and age bands. With demand-led funding, they told us, there were numerous variations which affect the income, that cannot easily be calculated prior to full data entry on their PICs system.

5.14 In addition, the situation appeared to be particularly complex for providers delivering long Apprenticeship frameworks in sectors such as Engineering and Construction, where funding rates and allocation processes changed from year to year. As part of transitional arrangements, overall Apprenticeship framework (and Train to Gain) rates were maintained; however one provider told us:

"Whilst providers of Employer Responsive provision are happy that any shortfall in funding has been addressed, the method of claim has been very onerous on providers, particularly if you are delivering long frameworks."

5.15 Some providers felt that LSC documentation was often confusing. For example, one provider believed that the LSC Provider Funding Report had become an awkward document to use as learner names have been removed and the only way to identify a learner is by the 12 digit learner reference number.

5.16 Providers in general were positive about the new system of Train to Gain monthly payments (compared to the previous system of payment on starts and completions) and recognised that this had had a beneficial impact on their cash flow position. One provider however said that it was difficult in practice to predict the likely length of programmes and this made the management of contracts difficult. However, the general view was summed up by the following provider:

"The monthly payment profile for Train to Gain has been beneficial and reflects the actual delivery and costs much better."

5.17 The way in which LSCs have split contracts between financial and academic years was a cause of concern amongst a few providers and often appeared to them to be arbitrary and unworkable. One college for example said:

"The split of the contract for 2009/10 means that the College cannot plan and cannot deliver the full contract. The period between April and July has a contract value of more than 50%!"
5.18 Demand-led funding has resulted in a number of different funding rates for NVQs (depending on whether the qualification is delivered as part of an Apprenticeship programme, in the workplace as a standalone qualification though Train to Gain, or predominately in the classroom) and they straddle three different funding streams. Many providers told us that as a result of this change, the funding for classroom based NVQs declined dramatically and some were converted into Employer Responsive provision in order to attract more funds. However, the large increase in demand for Train to Gain, combined with funding constraints, meant that these qualifications could no longer be funded through the Employer Responsive budget and were shifted back to Learner Responsive funding. Whilst this volatility is possibly short term, there is a potential danger that differential funding rates might have a long term impact on enrolments to college taught NVQs, removing a useful route for adult re-training.

5.19 All providers that we spoke to felt that the transfer of E2E from work based learning into 16-18 funding was logical and appropriate. However, providers would welcome greater opportunity to vire money between different funding streams. For example, as a result of the recession, some providers had under-recruited on Apprenticeships (funded through the Employer Responsive model) and at the same time faced increased demand for E2E (funded through the 16-18 funding model). The demand-led funding system makes it extremely difficult to transfer money between these two funding streams.

5.20 One stakeholder was particularly pleased to see a relaxation in the geographical funding restrictions, stating that it is now much easier for providers to deliver across multiple regions. However, a couple of further education providers felt that operating across regional boundaries had become more difficult.

5.21 Most providers said that they would like to have greater flexibility over funding and felt that the LSC should avoid any attempt to micro-manage budgets. Providers and stakeholders said that they had to respond directly to employer demand and it was impossible to plan this in detail a year in advance or on a month by month basis. It is impossible, they said, to plan detailed provision for the future in a dynamic, technology driven economy. Responding to these types of changes requires local flexibility, not a top-down approach. Several providers told us that re-profiling on the basis of part year performance was often carried out too early and this did not always reflect the distinctive recruitment patterns in different sectors and areas.

5.22 ALP suggested clear contracts for providers giving overall volumes, based on a robust and rigorous license to practice system that specifies a provider's area of expertise. Within these parameters a provider should have the flexibility to respond to local demand, taking on board particular regional or national priorities. ALP recognised that such a system could not be introduced overnight and welcomed the new funding model as being the first step on a journey towards a full demand-led system.
6. Conclusions and Recommendations

6.1 The introduction of a new post-16 funding system, affecting thousands of providers, is a complex and ambitious task. The mechanics of the transition appears to have been handled well, with very few operational problems reported by providers. This seems, in a large part, due to the detailed planning and consultation that took place in the years prior to the implementation. Providers, and in particular stakeholders, felt they had been extensively involved in the development of the model.

6.2 Providers, in general, found the new funding formula easier to comprehend than the previous funding system and welcomed the fact that the new formula allowed the funding of different providers and between different funding streams to be easily compared. Providers also raised a number of potential problems or issues with the new funding methodology. Some of these issues, however, were linked to the overall level of allocations and the allocations process rather than the mechanics of the formula itself.

6.3 The research found no evidence that the introduction of demand-led funding had led to direct or indirect discrimination against learners according to gender, ethnicity or disability. Changes in participation within these categories, from 2008/09 onwards, appear to follow long-term trends (resulting partly from broader Government policy aims) rather than being linked to the introduction of demand-led funding.

6.4 The current evidence also suggests that learners living in deprived areas have not been adversely affected by the new funding model. In practice providers working in deprived communities appear to have higher average funding per SLN than those in more affluent areas, suggesting that the Disadvantage Uplift more than compensates for the perceived risk of lower success rates.
Recommendations

1. Continue with the current funding system, with minimal changes, in order to ensure that providers have a period of stability in which they can effectively plan and model future activity. It is noted that only critical changes have been made for 2010/11 in line with this recommendation. Many aspects of the demand-led funding system have been welcomed by providers and several of the issues that have been raised are a consequence of introducing a new system. These will tend to become less important over time.

2. The Skills Funding Agency should seek to ensure that providers fully understand the rules regarding the funding of young adults between 18 and 19. The Skills Funding Agency will need to ensure that the introduction of three distinct funding models does not adversely affect the learning opportunities available for young adults over the age of 18 and should ensure that providers continue to recognise these individuals as a priority.

3. Ensure that the most recent data possible is used to calculate the Provider Factor. For example the Skills Funding Agency should investigate the possible impact of calculating the Disadvantage Uplift using updated versions of the Multiple Indices of Deprivation as these become available. Similarly the Success Factor should look to incorporate the most recent success rate evidence possible, in order not to disadvantage institutions where success rates have risen significantly. To support this recommendation, providers will need to ensure that data returns are accurate and delivered in a timely manner.

4. Ensure that adequate support and communication is offered to 19+ providers particularly smaller independent providers who do not have the capacity to check or verify the details of funding allocations. Skills Funding Agency Account Managers should ensure that they are in a position to explain the details of an individual provider’s allocation.
Appendix 1: Single Equality Impact Assessment Update

Introduction

1 In February 2008, the LSC published a *Single Equality Impact Assessment (SEIA) of the Introduction of Demand-Led Funding*. The assessment was based on a wide range of evidence sources including:

- desk analysis of responses to a January 2007 consultation;
- follow-up individual interviews with a small group of respondents;
- a seminar with selected providers, provider representative bodies, the National Union of Students and SKILL;
- individual interviews and discussion groups with learners;
- observations at two regional road shows for providers;
- depth interviews with two regional LSC teams; and
- telephone interviews with seminar invitees who were unable to attend.

2 The main issues arising out of the consultation phase of the SEIA were:

- a need to clarify the process for determining the allocation of additional learning support to providers because of concerns that the funding was being uncoupled from the individual needs at the lower level;
- concern that relative exclusion of certain groups within labour markets could lead, by extension, to disadvantage in the Adult Learner Responsive and Employer Responsive models;
- concern that some vulnerable groups might not be in a position to articulate their needs in a demand-led model, for example adults looking to escape from current low-skilled (and low prospect) employment, adults in casual or seasonal employment and adults holding down a number of part-time jobs;
- concern that, within commissioning models, resources would go to organisations with skilled bid-writers rather than the most effective providers (some of whom may be small niche specialists);
- concern that learners with poor previous experiences of education or training might perceive limited added value from further learning and therefore be unlikely to take up Skills Accounts or to consider fee-bearing provision;

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5 The Bureau for Students with Disabilities.
- doubts over the strength of employer demand necessary to support the planned expansion of Apprenticeships and concerns that the gender, race and disability imbalance of learners on Apprenticeships would be perpetuated due to the structure of the industries in which many women and ethnic minorities work.
- a perceived risk that the separation of funding steams within demand-led funding would fail to recognise inter-dependencies in provision, for example cross-subsidisation between priority and non-priority learning in rural areas and progression from non-accredited to accredited provision in inner-city areas.
- concerns over the cohesion of provision for learners whose programme straddles the 16-18 and 19+ dividing point under new funding arrangements.

3 The SEIA noted a number of actions taken by the LSC during the development of the demand-led funding model to ensure equity and avoid unintended consequences. The report noted that the design of the funding model had not been intended to address equality and diversity issues, but that there had been an over-riding aim to produce a fairer and simpler system and to address perceived inequalities between past funding of different types of provision.

4 The report noted that LSC modelling had confirmed that the overall impact of the Provider Factor was neutral overall. However, it was hoped that the removal of inconsistencies between funding streams might remove past indirect discrimination as learners were not evenly spread among funding streams in terms of gender, age or ethnicity. The intention was to ensure that any learner could choose any learning route and that the choice would not be determined by funding differences.

**Impact on Trends in Learner Participation**

5 Appendix 2 of the SEIA examined key trends in learner participation in the run-up to the introduction of demand-led funding. The model was not designed, in itself, to have an impact on participation but was intended to reflect the broad steer of learning and skills policy and public expenditure priorities.

6 The modelling in the SEIA indicated a high differential impact of demand-led funding on provision currently accessed by adult females, Asian and Chinese heritage learners, Black or Black British African learners and adults with learning difficulties and/or disabilities. Recommendation 2 of the SEIA noted the LSC’s plans to run year-on-year modelling of the impact and advised that this needed to include:

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6 Please see the SEIA for details of the approaches taken during the development of the model to address some of the concerns raised during the consultation.
• analysis by learner groups set out in the SEIA in addition to monitoring the impact on providers; and
• modelling of the impact on financially vulnerable but strategically important providers in areas of high deprivation and/or relative population sparsity, where alternative provision might not be available.

7 The analysis that follows over the next few pages fulfils the LSC’s commitment to monitor the impact of the introduction of demand-led funding on different learner groups. The analysis focuses on the Adult Learner Responsive Model as Train to Gain (a key component of the Employer Responsive Model) was only introduced as a national programme a year prior to the start of demand-led funding.
Adult Learner Responsive Further Education Participation Trends

Gender

8 The chart below shows the proportion of females and males in Adult Learner Responsive provision education from 2004/05 to 2009/10. Employer Responsive data have not been included, since the demand-led funding model did not significantly change the funding basis for Employer Responsive provision. Any trends would therefore have reflected changes in the nature of provision rather than its funding methodology. The data relate to end year records with the exception of 2009/10 (which is shown with diagonal stripes to indicate part data).

9 The chart shows a small but consistent narrowing in the gender imbalance in Adult Learner Responsive learning between 2004/05 and 2008/09. Early indications from 2009/10 indicate a slight reversal of this trend, but care should be taken as the data are derived from the first data return of 2009/10.

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7 Throughout this section, the definition of 19+ adult learners is based on learner age at the start of the academic year. NVQs delivered in the workplace are excluded (since these relate to Employer Responsive Funding).
Ethnicity

10 The chart below shows the proportion of Adult Learner Responsive learners in different ethnic groups over the past three years (with the 2009/10 bars shown with diagonal stripes to reflect initial returns for the year). The bars for White British learners are shown separately because of the difference in scale. Trends are difficult to discern due to the relatively low numbers and the relatively high proportion of unknown destinations in the F01 return for 2009/10. There is a slight upward trend across most ethnic minority categories, which appears not to have been affected by the introduction of demand-led funding. There was no evidence in the SEIA that elements of the model would impact directly on the participation of different ethnic groups, but it did indicate an expectation that some groups would be under-represented in Employer Responsive provision due to labour market factors. In 2008/09 77.0% of adults on Employer Responsive provision were of White British heritage compared to 85.4% in the overall adult population.  

Source: - ILR F01 09/10, ILR F05 08/09, ILR F05 07/08.

8 Based on 2001 Census of Population data rolled forward to project those aged 16-74 in 2008/09.
Learning Difficulty and/or Disability

11 The chart below examines the trends in the proportion of Adult Learner Responsive learners who have identified themselves as having learning difficulties and/or disabilities. Care should be taken with the 2009/10 data (shown with diagonal stripes), which are derived from the initial F01 return.

12 The proportion of learners identifying themselves as having a learning difficulty and/or disability has been rising slightly year-on-year, balanced by a gradual reduction in the proportion for whom no information was provided. This trend appears to have been unaffected by the introduction of demand-led funding and is likely to be explained by the increasing focus of Adult Learner Responsive Funding on priority areas.

Source: - ILR F01 09/10, ILR F05 08/09, ILR F05 07/08, ILR F05 06/07, ILR F05 05/06 & ILR F05 04/05.
Relative Deprivation

13 The chart below examines the trends in the proportion of Adult Learner Responsive learners from different bands within the Index of Multiple Deprivation, based on their home postcode. The Indices of Multiple Deprivation ranks super output areas from the most deprived (left-hand side of the chart) to the least deprived. The rankings are grouped in bands of 2,000 other than the final grouping which contains 2,482 (explaining the discontinuity in the proportions).

14 There is strong evidence that the recent trend of rising participation from the areas of highest deprivation has continuing unchanged by the introduction of demand-led funding. The seven highest bands all showed a proportionate increase in the early 2009/10 dataset while the nine bands with the lowest deprivation showed a proportionate drop.

Source: - ILR F01 09/10, ILR F05 08/09, ILR F05 07/08, ILR F05 06/07, ILR F05 05/06 & ILR F05 04/05 and the Indices of Multiple Deprivation 2007.

9 For information see http://www.communities.gov.uk/communities/neighbourhoodrenewal/deprivation/deprivation07/.
Relative Population Sparsity

15 The chart below examines the trends in the proportion of Adult Learner Responsive learners set against the relative population sparsity in the learner’s home location. This is based on a categorisation of neighbourhoods previously devised by RCU for the South West LSC in 2006.\textsuperscript{10} The trends evident since 2004/05 appear to have continued into 2008/09 and 2009/10 without any discernible impact from the introduction of demand-led funding. The proportion of learners from densely-populated areas (also associated with relatively high levels of deprivation) has increased steadily. The proportion of the overall population living in each area has been broadly flat across the same time period.

![% Sparsity Breakdown by Year](chart.png)

Source: - ILR F01 09/10, ILR F05 08/09, ILR F05 07/08, ILR F05 06/07, ILR F05 05/06 & ILR F05 04/05 and the Census of Population 2001.

\textsuperscript{10} For more information see \url{http://www.rcu.co.uk/downloads.php?cat=2#}.
Appendix 2: Technical Summary of Research Methodology

Governing Research Principles

All RCU’s research and consultancy work is governed by a rigorous quality assurance system that is accredited under the market research industry kitemark ISO 20252, the policies and guidelines of the Market Research Society and relevant Data Protection Legislation. For more details of ISO 20252 and the Market Research Society codes of conduct see www.mrs.org.uk.

Project Team

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Madeleine King – Associate Consultant
Paul Smith – Associate Consultant
Graham Whalley: Senior Systems Analyst – Database analysis and ILR matching
Mohammad Naeem Kazi: E-Services Manager - survey design, setup and implementation
Stacy McMullen – Project Administrator
Anne Mercer – Project Administrator

ISO 20252 quality standard which covers all aspects of the survey work carried out.

Key Quantitative Research Elements

- **Description:** The survey took place in August and September 2009 and was carried out using an on-line SNAP based system. The survey duration was approximately 15 minutes. The questions were agreed with the LSC and were pre-tested prior to the interviews. The questions explored a range of issues including the impact of demand-led funding in terms of transparency and simplicity, detailed issues related to the funding formula, issues relating to the three different models and the overall strengths and weaknesses of the funding methodology.

- **Target Population:** The research was intended to produce an initial impression of the views of providers. The target population did not include schools because this stage of the research coincided with the school vacation period.

- **Sampling:** A target number of 50 on-line responses were planned from an overall contact list of 104 providers.

- **Sampling Results:** A total of 41 responses were received from an overall database of 104 providers.

- **Sampling Effectiveness:** The survey response rate was 39.4% which was realistic given the period of the year that the research took place. No significant provider groups were under-represented as a result of the shortfall.

- **Data Entry and Verification:** Response data collected on-line and verified by the user before being submitted.
• **Weighting of Survey Results**: All figures in the report are based on unweighted results. Where potential distortion could arise from differential response rates by key sub-samples, the results are reported within the sub-samples rather than being aggregated.

• **Estimates**: All quoted figures are actual survey responses and no use of estimated or imputed data has been made.

• **Storage of Raw Data**: As part of our quality assurance arrangements we will keep evidence of individual survey responses for at least 18 months after the closure of the project.

### Key Qualitative Research Elements

Qualitative research is not intended to produce results that are statistically representative of a wider population. However, selection arrangements were planned to ensure that evidence was gathered from a mix of respondents that was appropriate to the project’s information needs.

• **Description**: Detailed Interviews took place with 36 providers of which 33 were face to face interviews and 3 were telephone interviews. Face to face interviews typically lasted between 1.5 and 2 hours. Telephone interviews typically lasted around 45 minutes. The interviewer completed a summary of the interview and these were forwarded to the interviewee for verification.

• **Target Participants**: Interviews were conducted with individuals responsible for funding and planning. In a school this was typically the Head teacher and the Business Manager. In a college this typically included the Director of Finance, Head of MIS and the Deputy Principal responsible for planning. In an independent learning provider interviews were typically conducted with the individual responsible for funding.

• **Recruitment and Selection**: The sample of interviews for the 16-18 and adult research included the main provider types of school sixth forms, sixth form colleges, general further education colleges and independent learning providers.

• **Recruitment Results**: The sample of interviews combined with the online survey of providers ensured that the views of all of the main provider types were represented in the research methodology.

<table>
<thead>
<tr>
<th>Provider Type</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>School Sixth Forms</td>
<td>14</td>
</tr>
<tr>
<td>General Further Education Colleges</td>
<td>9</td>
</tr>
<tr>
<td>Sixth Form Colleges</td>
<td>5</td>
</tr>
<tr>
<td>Independent Learning Providers</td>
<td>7</td>
</tr>
<tr>
<td>Local Authorities</td>
<td>2</td>
</tr>
</tbody>
</table>
• **Recruitment Effectiveness**: The number of interviews with Local Authorities was low and the report therefore does not include specific recommendations relating to this provider type. The issues raised by Local Authorities (in both the qualitative interviews and survey responses) broadly covered the same themes as the issues raised by colleges.

• **Broad Topic Areas**: The issues list for the interviews is available in a separate appendix.

• **Analysis**: Respondent views have been analysed by an experienced researcher who has reported the views of respondents in a way that supports the intended project outcomes but does not risk identification of individual respondents.

• **Verification**: Records of individual interviews are provided to interviewees for the purposes of verification. Unless specifically stated otherwise in advance of an interview, respondents will have been given a guarantee of confidentiality, which would prevent access to raw responses directly. However, as part of our quality assurance arrangements we will keep interview/discussion records, and (where appropriate) evidence of verification for at least 18 months after the closure of the project. These will be made available for examination by an agreed third party in the event of a need for further verification.

**Data Mining Elements and Interrogation of Datasets**

This report has been informed by analysis of the following electronic datasets:

- ILR F01 09/10
- ILR F05 08/09
- ILR F05 07/08
- ILR F05 06/07
- ILR F05 05/06
- ILR F05 04/05

• The main fields used within this report are age (L_age), gender (L13), ethnicity (L12), learning difficulty and/or disability (L14) and learner postcode. The learner postcode is used to link to the Indices of Deprivation 2007 and the Census 2001 to identify population density (sparsity). The charts have used various filters including filtering by LSC funded aims (A10/L_fund).

• The methodology used to interrogate datasets was subject to consideration and approval by an appropriately experienced peer reviewer.

• Analysis was conducted in accordance with detailed protocols laid down by the Learning and Skills Council. These protocols are primarily designed to protect the confidentiality of individual learners and require the suppression of some reporting fields if low numbers could lead to the identification of individuals. Tables and other research outputs that have required this approach are clearly identified in the text.

• All analysis was carried out by suitably experienced data analysts. Internal records of the stages in each data analysis process will be kept for at least 18 months from the completion of the project. This will enable the outputs from data analysis to be checked or to be repeated accurately in subsequently linked projects.
Reporting

The report contains a combination of absolute figures and relative figures, such as percentages or variations from national averages or benchmarks. Tables and references contained in the report are labelled in such a way as to make their nature clear. Where sub-sets of the data or weightings have been used this is clearly identified.

The report includes a combination of direct reporting of survey outcomes and the interpretations/recommendations of RCU staff. The latter approach is clearly identifiable from the report context and/or section headings.
Appendix 3: Issues List for Face to Face Interviews

1. Overview of your provision and the balance of your LSC funding streams.
2. Overview of the overall impact the introduction of demand-led funding has had.
3. For providers with more than one LSC funding stream only impact of the transition to up to three separate funding models.
4. For providers with more than one LSC funding stream only have you had any issues around provision or learners that appear to straddle boundaries between the funding streams?
5. Overall perception of the transparency of the model(s) with specific follow-up on any aspects you believe lack clarity.
6. Overall perceptions of the simplicity of the model(s): has DLF made funding simpler and more predictable with specific follow-up on aspects you believe need attention.
7. For providers with concerns over transparency or simplicity are these aspects that will settle down over time as the sector becomes used to the new model(s) or is change required?
8. Have you been affected by the funding cap in the 16-18 and adult learner responsive models? If so, what has the impact been and how have you reacted?
9. Have you been affected by in-year and end-year reconciliation in the adult learner responsive model. If so, what has the impact been and how have you reacted?
10. When modelling/assessing your funding do you consider the separate impact of each aspect of the model or just the overall impact on funding levels?
11. Which of the following have particularly affected you, what has the effect been and how have you reacted?
   - The Disadvantage Uplift?
   - The Success Factor?
   - The Short Course Modifier?
   - The new arrangements for providers of specialist provision (e.g. land-based learning)?
12. Which aspects of the model(s) do you feel have been particularly successful and why?
13. Which aspects of the model do you feel need to be reviewed and why?
14. Any other comments or issues.