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

16-18 Responsive Funding Model

Final Report

Richard Boniface - Project Manager

Project Team
Gordon Aitken
Jeff Alterman
Rick Anson
Madeleine King
Phil Lucas
Stacy McMullen
Anne Mercer
Paul Smith
Graham Whalley

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© RCU Ltd. 2010
Buckingham House
Glovers Court
Preston, PR1 3LS
Tel : 01772 885999  Fax : 01772 887336

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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; and
- 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 a short on-line survey of a representative sample of FE providers and detailed interviews with 36 providers, including 14 school sixth forms, 4 sixth form colleges, 4 independent learning providers and 9 FE colleges. Where appropriate the research was supported by data analysis.

1.5 This report provides details of the outcomes of the research project for the 16-18 funding model. The report looks specifically at the impact of the demand-led funding formula on school sixth forms, sixth form colleges and general FE colleges. The report concludes with a summary of the key issues and recommendations for the future.

1.6 A companion report focuses on the impact of the Adult Learner Responsive and Employer Responsive funding models. 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 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 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.

2.5 Central to the demand-led funding system is a new funding formula used to calculate funding values for all three of the funding models. The formula is intended to be simpler than the previous funding mechanism, which involved separate funding calculations for each and every enrolment. The new formula aims to be easier for providers to understand and operate and was also intended to 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.

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\(^1\) The report, written by RCU, can be found at [http://readingroom.lsc.gov.uk/lsc/National/07.206_SEIA_V3.0_Final.pdf](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, for the 16-18 year funding model, 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.

![Diagram of the Demand-Led Funding Formula]

2.7 Standard Learner Numbers (SLNs) provide a measure of the total volume of supported learning activity. Each qualification undertaken 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 are greater than 450). However, within the 16-18 model there is a maximum value (cap) of 1.75 SLNs per learner.

2.8 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 two different National Funding Rates in the 16-18 model; £2,860 for colleges and £2,945 for school sixth forms. In 2009/10 these rates were £3,007 and £2,920 respectively. Transitional rates were set for providers who appeared to be significant winners or losers as a result of the introduction of the demand-led funding formula.

2.9 The actual allocation for each provider is weighted by the Provider Factor. This is calculated individually for each provider 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. The Provider Factor is calculated in the 16-18 funding model by multiplying together the four factors listed below.

![Diagram of the Provider Factor Calculation]
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.

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.

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 previous funding methodologies took disadvantage into account, the calculation has now been updated and uses 2004 Indices of Multiple Deprivation focusing on small areas called Super Output Areas.

2.13 The **Success Factor** 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 (Success Rate + 50%)/2. The success rate for school sixth forms is based on a retention rate for Year 12 and a success rate for Year 13 and 14 learners.

2.14 Learners need to pass a minimum attendance period before they can be defined as a start, generate funding and count towards targets. 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. This approach replaces the tri-annual census dates used within the previous funding methodology.

2.15 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 managed effectively to control unit costs.

2.16 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% in the rate per SLN. In addition, for school sixth forms transitional protection was applied to the funding per learner in 2009/10 to moderate changes resulting from data issues. Further details of the funding formula and the allocations process are given in LSC Funding Guidance documents.²

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² For a list of the key LSC: [http://www.lsc.gov.uk/providers/funding-policy/strategic-overview/](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 16-18 year old education from the LSC to Local Authorities. 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 research team needed to take into account the different historical perspectives of school sixth forms, FE colleges and sixth form colleges. The introduction of the demand-led funding system meant that, for the first time, a single unified funding formula was applied across all 16-18 year old providers. Prior to this school sixth forms had a very different funding system to FE providers. Apprenticeships, predominately delivered by Independent Providers and FE colleges, had yet another funding formula. The report therefore includes separate sections looking at the impact of demand-led funding on each type of provider.

3.3 Due to the different historical contexts of schools and FE providers, no single or consistent data source exists that can be used to model the overall impact of demand-led funding. The Individualised Learner Record (ILR) provides a detailed and comprehensive source of data on FE providers allowing comparisons to be made before and after the introduction of demand-led funding. However, equivalent detailed data records do not exist for school sixth forms. Data analysis within the report, therefore primarily focuses on FE provision. The report uses ILR data to assess evidence for the potential impact of the new funding methodology on gender, age, ethnicity and disability.

3.4 The research activity primarily involved qualitative interviews with providers and key stakeholders. The interviews were supported by an on-line questionnaire, identifying the key areas for further discussion.
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 FE 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. Due to the timing of the survey it was not possible to include schools in the sample. School participants for face to face interviews were therefore identified by Regional LSC teams.

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 model 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 42 responses were received, covering all of the main provider types except school sixth forms.
3.8 Detailed face to face interviews with 36 providers took place between December 2009 and February 2010. 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 school sixth forms, general further education colleges, and sixth form colleges;
- 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 providers offering a predominately academic curriculum at Level 3 and those offering more vocational provision at all Levels.

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. The Issues List is given in Appendix 2.

<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>

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. School Sixth Forms

Introduction

4.1 Demand-led funding was a significant new development for school sixth forms. Under the previous funding system schools were funded for every learner, with the money paid a year in arrears. The amount of funding that a school would have received, for example, in the current year was based on the number of learners recruited in the previous year, weighted according to the subjects that they were taking. There was no experience of recruiting learners who were not receiving funding.

4.2 Demand-led funding meant that for the first time schools would be having a dialogue with the LSC about allocations, which would aim to agree the school's contribution to the 14-19 plan and the local area prospectus. The allocation would be informed by the previous year's delivery, current recruitment, anticipated recruitment for next year and significant changes to the mix and balance of provision. Funding allocations would then be calculated using the demand-led funding formula, with an agreed SLN target and a Provider Factor based on historic data.

Overall Views on the Funding Formula

4.3 The majority of schools that we spoke to thought that the funding formula was straightforward and logical as a concept. They appreciated that the formula allowed the LSC to easily compare funding allocations for different types of providers and that the funding formula took into account important issues such as success rates and relative disadvantage.

4.4 However, many schools that we spoke to thought that the details of the model were too complex. The model was considered to be more difficult to understand than the previous funding system and many Head Teachers and Business Managers were unsure about how individual terms within the formula were calculated. Several schools felt that, whilst the formula might be appropriate for FE colleges, it was less relevant for schools, which have predominately full time students and a smaller range of subjects. A few other schools, however, said that they found the system relatively simple and thought that over time other schools would get used it.

4.5 Initial briefings about the demand-led funding system were felt to be useful and the quality of information received was good. Briefing events were normally attended by either the Head Teacher or the Business Manager, although most value seems to have been obtained when both individuals attended together (ensuring both strategic buy in and oversight, alongside an understanding of practical issues related to the allocations process and data collection).
4.6 The LSC publish specific funding guidance documents for school sixth forms and these were considered to be both detailed and comprehensive. However, some found them hard to follow, and written in an unfriendly style. This is possibly because schools have less experience than FE colleges in dealing with funding methodologies and formulae. Many schools also found the details within other funding documents, such as allocation letters, hard to follow at times, suggesting that there is a need for both training sessions for schools as well as a review of the style and format of documentation.

4.7 Many schools have found it quite difficult to get detailed answers to specific questions that they have raised about their funding allocations. LSC staff changes, linked to the transfer of responsibilities from the LSC to local authorities, have undoubtedly contributed to this problem. From April 2010 local authorities will have a key role to play in supporting schools and ensuring that issues related to funding allocations are fully explained.

4.8 Most schools welcomed the stability inherent in the new model. However a number of schools, particularly those that had seen rapid growth in the past few years, or had seen a significant improvement in their success rates, thought that the model was too inflexible and failed to respond rapidly enough to changes.

**Standard Learner Numbers**

4.9 Whilst many schools were confident with using Standard Learner Numbers (SLNs) a surprising number were still struggling with the concept and were unsure how to convert learner numbers into SLNs. This suggests that simple software modelling tools for school sixth forms would be helpful. A software tool could allow, for example, a Business Manager to select specific courses, type in the number of learners on each course and easily generate the SLNs for the whole school, with a breakdown by department (most courses are listed qualifications, so would not require additional information such as guided learning hours). The tool could be further extended to estimate funding, by entering known or approximate values for the Provider Factor and National Funding Rate.

4.10 The 1.75 SLN cap was not a major issue for most schools. Whilst many schools felt that some of their learners would be affected by the cap, they recognised that a limit on the funding per pupil was probably necessary and justified. In practice, if there were a relatively small number of learners on programmes longer than 1.75 SLNs, this did not lead to significantly higher teaching costs - learners were fitting more into existing timetables or they were in-filling into existing classes.
4.11 The SLN/learner ratio measures the average size of learning programmes across a whole institution. The LSC is looking to monitor and manage the SLN/learner ratio to ensure that, wherever possible, additional funding is supporting new learners rather than leading to larger programmes for existing learners. Knowledge and understanding of this ratio was mixed, with many schools unaware of it and others using it to provide (reasonably accurate) forecasts of future funding.

**Provider Factor**

4.12 The vast majority of schools accepted the Provider Factor as a fixed term (given to them by the LSC) and did not understand the details of how it was calculated or how the individual elements of the formula were derived. Whilst some schools were content to accept this approach, many others were frustrated that they were unable to check or verify the LSC data.

4.13 Some schools said that they would like more information on how their Provider Factor terms compared with other schools and were unaware that this information was already available on the LSC website. In general there was less variability in the Provider Factor amongst schools than amongst colleges.

![Variance from 16-18 Provider Factor](image)

**Source:** - LSC Provider Factor data.

4.14 Schools, in general, were supportive of the Disadvantage Uplift, and felt that a system based on Indices of Multiple Deprivation, was fairer than one based on free school meals. Several schools pointed out that free school meals are often not claimed by parents due to a fear of pupils being singled out by their classmates.
4.15 Views on the Success Factor, however, were mixed. Most schools saw the need for it and thought that it was fair and appropriate to take into account success rates in the allocation of funding. Many schools though were confused about how the Success Factor was actually calculated and were concerned that they could not easily reproduce the same calculation themselves (in order to check the LSCs figures). Some schools thought that the Success Factor did not respond rapidly enough and failed to reflect the improvements in performance that had happened in the past year.

4.16 The Success Factor calculations were based on historical success rate data (from PLAMS for 2008/09 and School Census returns for 2009/10 allocations respectively) which were not robust enough to generate accurate figures. Robust success rates require accurate recording of learner start and end dates, withdrawals/transfers, and completions and in the school sector (unlike in FE colleges) there was no history of recording and monitoring this type of data. However, over a period of time this should improve and the benefits of having comparable success rates across all post-16 providers should be significant.

4.17 Some schools were concerned that in 2008/09 Success Factor calculations did not take into account Level 1 and Level 2 qualifications and were predominately based on A Level pass rates. A number of schools that we visited had diverse curriculum offerings and A Levels were not always the most important qualifications in terms of learner numbers.

4.18 Some schools were concerned that funding allocations based on success rates might encourage selective recruitment and discourage the recruitment of learners who were less certain to succeed (many of these learners, they felt, would be from more deprived backgrounds). These schools did not feel that the Disadvantage Uplift would provide sufficient compensation to overcome this problem. However, there was no evidence from any of the schools that we visited, that they had changed their curriculum offering or entry policy as a result of the introduction of the Success Factor.

4.19 The chart on the next page provides some additional insight into this issue and suggests that, in general (and particularly in areas of high disadvantage), the Provider Factor is more influenced by the Disadvantage Uplift than by the Success Factor. The chart shows the average Provider Factor for school sixth forms, grouped by ten disadvantage bands (1= lowest Disadvantage Uplift band and 10 = highest Disadvantage Uplift band, with equal numbers of schools in each band). In general, the average Provider Factor increases as the Disadvantage Uplift increases, with a particularly noticeable increase for schools that have the highest Disadvantage Uplift. The Provider Factor also appears to be relatively high in Band 2 (second lowest disadvantage band), but this is due to higher programme weightings within this band, rather than significantly higher success rates.
4.20 The introduction of demand-led funding appears to have made partnership activity more complicated to organise and fund. Schools engaged in joint delivery need to transfer cash from the funded institution to the partner organisation. However, the funding received is calculated using a historic Provider Factor, based on the overall curriculum of just one of the institutions. It is not clear from the formula how much cash needs to be transferred and one or other of the two institutions might feel that, as a result of this, they are not getting a fair deal.

4.21 Some schools also felt that the demand-led funding system made it difficult to calculate how much income was being earned by individual curriculum areas. Under the previous system, they told us, it was quite straightforward to calculate income based on learner numbers and subject area. The introduction of an institutional Provider Factor had made this more difficult.

4.22 Schools recognised that checking and verifying data was vital if funding allocations were to be seen as fair and accurate. This requires schools to carry out detailed checks on their census returns. It would also be helpful if the LSC could supply more detailed information on how individual terms within the Funding Formula were calculated, so that schools could carry out independent verification of allocations themselves. Carrying out both types of checks would help to “close the loop” and show the implications on initial data errors on final allocations. Over time this would drive up the accuracy of data and would provide the sector with better quality participation and success rate information. This would also help schools to plan their future budgets.

Source: LSC Provider Factor Data.

Data Issues
Allocations Process

4.23 Dialogue with the LSC about the planning of provision in a local area (and its implications for funding), appears to have varied significantly, with some regions being more pro-active than others. In some areas very little dialogue has taken place and, in general, communication appears to have declined in the past year. Schools were generally supportive of greater coordination and planning and welcomed the fact that Local Authorities would take responsibility for this area from April 2010.

4.24 A number of schools were concerned that allocations kept changing (some schools received four different letters between January and June 2009) which made it difficult to plan provision in the following year. It was not always clear to them why the allocation had changed and they were not able to check the data for themselves. Schools felt that the term ‘demand-led’ was misleading since actual allocations were ‘plan-led’ and driven by the amount of money that the LSC had available.

4.25 Some schools raised the issue of the discrepancy in timing between allocations for 16-18 year olds and under 16 year olds (starting in April and August respectively). However, this was largely a technical issue that could be worked around and was not a significant problem for most schools.

4.26 Some schools were receiving relatively large transitional payments, in recognition of their high historical funding allocations per learner. This transitional protection is being gradually reduced in line with the procedures outlined within the 2009/10 School Sixth Form Guidance document. Schools understood the need for transitional protection but were not always clear about how much they received and how quickly it would be reduced.
5. Sixth Form Colleges

Introduction

5.1 The majority of sixth form colleges obtain their funding primarily through the 16-18 Learner Responsive funding stream, with small elements of funding derived from the Adult Learner Responsive stream (mainly young adults). Some sixth form colleges deliver Train to Gain provision and/or programmes for older adults, but the issues they face in respect of this provision are common to all providers and are not therefore discussed in detail in this report. The 2008/09 Allocations Spreadsheet indicates that sixth form colleges account for around 20% of 16-18 Learner Responsive funding.

5.2 16-18 Learner Responsive funding is based on the same formula used for schools and Adult Learner Responsive provision, with the key difference being that the National Funding Rate is different in each case. The difference between the National Funding Rate for schools and sixth form colleges remains an area of concern for sixth form colleges, although this falls outside the scope of the current report. However, the sixth form colleges felt that the transparency of the model had made the differential National Funding Rate clearer.

5.3 Many sixth form colleges are over-subscribed and this can result in them accepting learners beyond the level of their allocation. Under the previous funding arrangements, such colleges would often pick up additional in-year numbers as a result of under-recruitment elsewhere in their local areas. Under the new arrangements, learner demand will be taken into account in the setting of the following year’s allocation, but allocations are not revised in-year. Despite this, the sixth form colleges interviewed for the evaluation felt the benefits of stability within the new model outweighed the lost potential for in-year growth.

The 1.75 SLN Cap for Individual Learning Programmes

5.4 Sixth form colleges identified three main sets of circumstances in which they found individual learners passing through the 1.75 cap.

1. Learners competing for places at the highest ranking universities where the college believes they will require curriculum additionalities (for example the Extended Project or Critical Thinking) in addition to four A Level qualifications in Year 13 in order to improve their prospects of a place.

2. Learners completing an International or Welsh Baccalaureate, where an uneven loading of the two years of the programme (including the Entitlement) can take a learner over 1.75 SLN.

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3 19 year-olds are funded at the 16-18 Learner Responsive rate but funded from the Adult Learner Responsive allocation.
4 In addition to those mentioned by respondents, there are thought to be similar issues with the Level 2 Diploma.
3. Learners in Catholic sixth form colleges who are required to take a religious studies qualification as part of their learning programme. In the past these were often not accredited learning programmes but colleges have now moved to accredited qualifications to comply with policy guidelines. Where learners’ other studies are equivalent to the profile of qualifications taken by sixth formers elsewhere, the result can be programmes in excess of 1.75 SLN.

5.5 The evaluation visits found no evidence that learners in such circumstances were having their learning programmes artificially constrained by the cap. Instead, sixth form colleges felt able to carry the extra elements, especially where the proportion exceeding the cap was relatively small (or where the practice was well-established and therefore was reflected in the college’s overall SLN ratio). However, some of the colleges reported that they would have to review the breadth of the curriculum if they suffered a reduction in overall funding levels. For example one Catholic sixth form college with a strongly academic intake reported that around 16% of its cohort were on programmes exceeding the cap.

5.6 There was no consensus among the sixth form colleges regarding the cap. While some voiced concern over the (potential) constraint on responding to learners’ preferred learning programmes others argued that it was “a luxury the sector can no longer afford”. The latter view related to the fact that resources were finite and that it was unacceptable for some learners to be funded to study a very broad programme while others were not able to be funded.

5.7 Interestingly, the cap had contributed to the decision of one sixth form college to relax a previous requirement for all learners to carry at least four subjects through to A Level in Year 13. The college speculated that this could lead to an improvement in success rates if some learners had previously viewed one of their A Levels as a lower priority.

The Impact of the SLN per Learner Ratio

5.8 The impact of the average SLN per Learner ratio on funding was a more significant issue for some of the sixth form colleges than the 1.75 individual programme cap. The Sixth Form College Forum (SFCF) has advocated greater flexibility in the ratio and proposed a curriculum-driven debate around the ideal breadth for sixth form study. Where colleges had traditionally offered a broad curriculum, their ratio was relatively close to the 1.6 upper limited suggested by SFCF. However where colleges had recently revised their view of the best curriculum balance for sixth form studies, or wished to respond to recent curriculum initiatives such as the Extended Project, the ratio had proved inflexible.
5.9  The model includes local flexibility in respect of the historical ratio where circumstances have changed (for example introduction of Diplomas, a fall in the proportion of part-time learners or an increase in vocational provision) but in the perception of the colleges this was not always taking place. The sixth form colleges visited were unclear on when the current ratios might be reviewed and would welcome clarity on this.

5.10  The issue of the SLN per Learner ratio appeared to be causing most concern where colleges had a relatively low historical ratio but were now under pressure to make efficiency gains in response to reduced allocations.

Treatment of Key Skills

5.11  This was not an issue for the interviewed sixth form colleges, as key skills were embedded rather than being free-standing qualifications.

Transparency and Fairness of the Provider Factor

Success Factor

5.12  The colleges tended to view the fairness or otherwise of the Success Factor based on its impact on them, rather than by any objective measure, although there was broad support for consideration of success rates within the model. Finance Managers reported that internal colleagues tended to view a beneficial Success Factor as a reward for good performance, rather than a recognition of additional costs. This impression is reinforced by the fact that the Success Factor includes retention (which providers accept is related to costs) and achievement (which is not).

5.13  There was some concern that success rates were a lagged measure and could be relatively volatile for smaller colleges (like sixth form colleges). One sixth form college had argued that 2007/08 success rates (the basis for 2009/10 funding) were a blip in an otherwise positive trend, but accepted that the Provider Factor had to be fixed before the start of the new financial year.

5.14  Two sixth form colleges serving relatively disadvantaged areas (and with a relatively high proportion of provision below Level 3) expressed concern that the presence of the Success Factor could mitigate against providing opportunities for young people perceived as “high risk”. The consequence could be a more selective approach to entry requirements if allocations failed to match growth in demand. The Principal of one college was keen to stress that this was a risk rather than the reality at present but was unconvinced that the Disadvantage Factor would compensate in such circumstances.
5.15 Another Principal expressed the view that the Provider Factor had been designed to bring positive pressure on quality but had done so at the cost of failing to promote equality. Not surprisingly, colleges found it hard to separate the impact of the Success Factor from the introduction of Minimum Levels of Performance, although the fact that the latter operates at a course level might be expected to have a greater impact on “marginal” provision.

Disadvantage Uplift
5.16 The inclusion of the Disadvantage Uplift was generally recognised as a positive factor, although most colleges struggled to model its impact. This is because the basis of judgement is at Super Output Area. While downloads provided by the LSC make it possible for providers to assess the correct disadvantage status for any given learner, most colleges do not report management information at that level. This meant that few managers within the colleges understood the mechanics of the Disadvantage Uplift.

5.17 The sixth form colleges in the sample did not, other than in exceptional circumstances, submit claims under the Disadvantage Uplift based on learners' personal circumstances. They explained this on the basis that many learners who could trigger an uplift on personal grounds already triggered (generally higher) uplifts based on their home location. Where there was a marginal difference, providers felt that the potential funding gain was not worth the intrusive process of gathering evidence.

Area Costs Uplift
5.18 None of the colleges in the sample had issues concerning the Area Costs Uplift, however the Sixth Form College Forum reported continuing problems for some sixth form colleges located just outside the London Band B area.

Additional Learning Support
5.19 Additional Learning Support is the subject of a separate evaluation and is therefore outside the scope of this report. However, it is worth noting that sixth form colleges feel that the use of GCSE points scores to project needs in the 16-18 ALS Allocation formula misses a relatively high incidence of conditions such as dyslexia and Aspergers Syndrome in sixth form colleges.

Protection from In-Year Reconciliation
5.20 The sixth form colleges interviewed welcomed the protection from in-year reconciliation in the 16-18 Learner Responsive Funding model. They stressed the relatively fixed nature of their cost base, deriving from the historically high proportion of full-time staff.
6. General Further Education Colleges

Introduction

6.1 The 2008/09 Allocations Spreadsheet indicates that further education colleges account for around three-quarters of 16-18 Learner Responsive Funding, with sixth form colleges accounting for around 20%. The demand-led funding formula is applied in the same way to school sixth forms as colleges, although the National Funding Rate is different.

6.2 The colleges interviewed for the research had relatively few concerns about the design of the 16-18 Learner Responsive funding formula, which they generally found easy to comprehend, but did have some concerns about the way in which it had been applied during the first year of operation. In particular there was a view that allocations were not responsive to learner preferences and that the model was therefore plan-led rather than demand-led. This meant that funding allocations could be viewed as lacking transparency, a view that is exacerbated by a perceived lack of effective response from local LSC office staff when aspects of an allocation are queried and a general lack of dialogue during the allocations process.

Transparency and Fairness of the Funding Model

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

6.4 The logic of the funding formula had made it easy for college leaders to explain the importance of driving success rates and supporting learners from areas of relative disadvantage change, to Governors and curriculum managers.

6.5 However, a number of colleges 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. One provider for example said:

“It’s still a complex model whichever way you look at it. Some aspects appear simple in terms of a single funding rate, but the reports seem to be harder to follow than previously.”

6.6 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.
6.7 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.

6.8 Despite the relative simplicity and transparency of each funding stream, colleges 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 less an issue for 16-18 funding because this was only reconciled annually.

6.9 Colleges also welcomed the stability and certainty within the 16-18 model, which they hoped could be extended to other aspects of provision as a sign of growing trust in the sector.

Threshold Issues

6.10 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. There are clear guidelines on what happens in such circumstances.

6.11 In a linked but separate point, providers noted the large numbers of “young adults” in general FE colleges. The learner characteristics, curriculum models, learner 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. These learners would, of course, be priority learners for Adult Learner Responsive funding.

Transparency and Fairness of the Provider Factor

Overview

6.12 In contrast to most schools and some sixth form colleges, 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 who can help unpick the dynamics within the funding model. One college had developed an on-line tool to model the new funding system for each course, allowing profiling by age group and funding stream.
6.13 Some colleges 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**

6.14 Colleges were generally supportive of the Success Factor, and felt that this was a simpler system than monitoring retention at census dates and a separate achievement factor. A single Success Factor also aligned well to their internal quality drivers, although there was some concern that it might potentially dissuade colleges from extending provision to learners perceived as "high risk", for example former NEETs.

6.15 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 had a significant net impact on its funding.

**Disadvantage Uplift**

6.16 Colleges welcomed the inclusion of the Disadvantage Uplift, which aligned closely to the mission of most colleges, although most colleges struggled to model its impact. This is due to the calculation being based on Super Output Areas (which few colleges can link to their management data). 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 potentially exacerbated by the use of the 2004 Index of Multiple Deprivation rather than the 2007 version.

6.17 The colleges in the sample did not, other than in exceptional circumstances, submit claims for a Disadvantage Uplift based on learners' personal circumstances. As was the case in sixth form colleges, 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**

6.18 None of the colleges in the sample had issues concerning the Area Costs Uplift, however colleges that substantially operated in rural areas felt that the extra costs this generated were not recognised.
Additional Funding Allocations

6.19 There was some concern raised, during the research 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 were concerned that they could be 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 provision which had inflated the whole institution’s Provider Factor, making provision in other curriculum areas seem relatively expensive compared to competitors.

The 1.75 SLN Cap for Individual Learning Programmes

6.20 The colleges visited generally welcomed the 1.75 cap, which they saw as an improvement on the previous taper. However some expressed concerns that the cap might be viewed as a target by some more academic providers, leading to unnecessary loading of programmes. In practice, the management of the SLN per learner ratio should prevent this.

6.21 There was some concern that the cap could constrain instances where there was a strong curriculum justification for a heavier programme, for example one college delivered, via a partner, a BTEC National Diploma in a year. The programme generated good results but the college in question was concerned that the system would not be flexible enough to support innovation of this kind. Colleges still tended to deliver such programmes, but resented the lost income that resulted.

6.22 Land-based organisations, who responded to the review, felt that it was essential to offer 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 residential 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 the land-based sector and disadvantages our 16-18 year old learners.”

The Impact of the SLN per Learner Ratio

6.23 FE colleges in general had less concern about the SLN per Learner ratio than sixth form colleges. Concerns relating to the average SLN per Learner ratio generally related to the historical basis of the calculation. Where colleges had a significant proportion of their provision in 16-18 Learner Responsive provision there was a concern that the frozen nature of the baseline failed to take curriculum developments (for example the Extended Project) into account.
6.24 One higher education institution delivering a large volume of 16-18 further education provision raised concerns about the accuracy of FE in HE datasets and the resultant impact on their SLN ratio.

Protection from In-Year Reconciliation

6.25 Colleges welcomed the stability that resulted from the protection from in-year reconciliation in the 16-18 Learner Responsive Funding model
7. Conclusions and Recommendations

7.1 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 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.

7.2 Colleges, 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.

7.3 School sixth forms thought that the funding formula was straightforward and logical as a concept, but many of them found the details of the model complicated. This was largely because demand-led funding was a significantly new development for them and, unlike colleges, did not have experience with previous detailed funding formulae. They also lacked specialist data staff who could interrogate the data behind the funding.

7.4 Providers 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.

7.5 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.

7.6 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 YPLA should monitor the pattern of allocations to ensure that providers with relatively high Provider Factors are not suffering any disadvantage in the allocation of growth funding and should communicate with the sector to ensure wider understanding of the safeguards that are in place to prevent this happening.

3. Ensure that the most recent data possible is used to calculate the Provider Factor. For example the YPLA and 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. This can only be done within the confines of using the most robust data available and 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 16-18 providers particularly school sixth forms who do not have the capacity to check or verify the details of funding allocations. The support should focus on explaining the details of an individual provider’s allocation rather than the general concept of demand-led funding itself. For example, every provider should have access to a named individual at the local authority who will be able to provide answers to detailed questions (either directly or with support from staff at the YPLA).

5. The YPLA should support the development of a set of software tools for schools and local authorities that would simplify the process of budget planning within the context of demand-led funding. This could also form the basis of partnership working between schools. It will be important to ensure that the language of any tool links clearly to the terminology and layout of allocation letters.

6. The YPLA should review the way in which the SLN per learner ratio is explained and updated in order to ensure that it achieves the Government’s goal of providing improved value for money, whilst being seen to be fair and transparent to all providers.
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;\(^5\)
- 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;

\(^5\) 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.\(^6\) 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:

\(^6\) 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.
Further Education Participation Trends Among 16-18 Year-olds in Learner Responsive Provision

Gender

8 The chart below shows the proportion of females and males in 16-18 year-old further education from 2004/05 to 2009/10. The data relate to end year records with the exception of 2009/10 (which is shown as diagonal stripes to indicate partial year data).

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.

9 The chart shows that previous falling trend in the proportion of 16-18 learners who are female appears to have slowed. Early indications from 2009/10 indicate that 49% of 16-18 year-olds in further education were female, which was broadly unchanged from 2008/09. The reversal of the previous gender imbalance appears to have resulted from a growth in male numbers rather than a reduction in female participation. There was around a 20% rise in the number of 16-18 year-old males in further education between 2004/05 and 2008/09, compared to a rise of 10% for females. There is no reason to conclude that the introduction of demand-led funding has impacted on the figures.

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7 Throughout this section, the definition of 16-18 year-olds is based on learner age at the start of the academic year. Apprenticeships and NVQs delivered in the workplace are excluded (since these relate to Employer Responsive Funding) and Entry to Employment has been removed from the most recent years. This is because E2E was previously reported under work-based learning returns and would have been a discontinuity.
Ethnicity

10 The chart below shows the proportion of 16-18 year-old learners in different ethnic groups over the past three years (with 2009/10 shown as diagonal stripes to indicate partial year data). The bars for White British learners are shown separately because of the difference in scale. Trends in some of the ethnicity categories 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 are apparent reductions in the proportion of learners of Chinese and of Asian or Asian British – Indian heritage and across the range of Black or Black British categories. These apparent trends will need to be checked against the end year return for 2009/10 once this becomes available. There was no evidence in the SEIA that elements of the model would impact directly on the participation of different ethnic groups, but if the trend is confirmed there may be a need to examine areas of provision in which affected groups had a high relative concentration.
Learning Difficulty and/or Disability

11 The chart below examines the trends in the proportion of 16-18 year-old learners who have identified themselves as having learning difficulties and/or disabilities. Care should be taken with the 2009/10 data, which are derived from the initial F01 return (and are shown as diagonal stripes to indicate partial year data). Identification of learners with learning difficulties and/or disabilities could be expected to become more comprehensive during the course of the year.

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 continued in 2008/09 with no discernible impact from the introduction of demand-led funding.

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 16-18 year-old 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 evidence that the recent trend of rising participation from the areas of highest deprivation is continuing, with the eight highest bands all showing a proportionate increase in the early 2009/10 dataset while the five bands of 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 Index of Multiple Deprivation 2007.

[Chart showing % Deprivation Breakdown by Year]

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 16-18 year-old 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 2006.9 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 trend in respect of densely populated areas does not appear to reflect demographic factors as the distribution of 16-18 year-old residents in urban and suburban has not changed significantly throughout the period. There are two possible explanations. The first is that the trend in densely-populated areas reflected tight urban labour markets (and therefore more alternatives to learning) until unemployment began to rise towards the end of 2009. The second consideration is the growth in Apprenticeship numbers10 which does not impact on these figures as Apprenticeships are funded as Employer Responsive provision.

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.

9 For more information see http://www.rcu.co.uk/downloads.php?cat=2#.
10 See, for example, the latest Statistical First Releases on www.thedataservice.org.uk.
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

RCU Staff
Richard Boniface: Project Manager and Strategic Consultant
Gordon Aitken – Strategic Consultant
Jeff Alterman – Associate Consultant
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>
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<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 subsets 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 add 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 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?