Introduction

1 The LSC is revising the rates for Train To Gain provision in 2009/10. Full guidance on the new rates can be found in the LSC Funding Guidance 2009/10 Update v1 document available on the LSC website. This document provides supporting information on these changes and the likely impact of the changes.

2 A summary of the changes for 2009/10 is as follows:

- The “15 hour rule” is being removed to reduce bureaucracy and allow providers scope for adopting innovative methods of delivery. NVQs will now be funded at the higher rates of 0.429 SLN for level 2 and 0.644 SLN for level 3 without any need to evidence 15 hours of support, learning and training.
- The weighting factors for NVQ provision will be changed to 1.00, 1.20 and 1.30 to better reflect the cost of delivery for the same levels of activity. The 1.20 weighting will be reduced to 1.15 in 2010/11.
- Specific NVQs will be reviewed to see if it is appropriate to fund them at increased rates above the existing higher rates. This process should mean that there is sufficient funding available to deliver all aims to a high standard.
- Taking into account the 4.5% rates increase, all provision at the existing 1.0 and 1.25 weightings will experience an increase in their funding between 2008/09 and 2009/10. Most provision at the 1.5 weighting is also likely to experience an increase.
- Transitional protection will be available in 2009/10 to providers who would experience a reduction in funding on a like for like basis as a result of these changes.

3 This guidance document will be updated in March 2009 with further detail on the reviews of specific NVQs, the changes to audit requirements and the impact on providers in consortia arrangements.

Background

4 The LSC commissioned work into the ‘activity costs’ of Train to Gain provision during 2007, following a similar approach to that adopted previously for Apprenticeships. Based on the recommendations of the first phase of that work, the lower and higher rates for this provision were re-balanced in 2008/09.
5 Following the second phase of this work and feedback from providers we are making two further changes to the rates for Train to Gain in 2009/10. Firstly, we are removing the lower and higher rates for this provision and the associated 15 hour rule. This will mean that all aims within Train to Gain will each have a single listed SLN value. This single rate will be equivalent to the 2008/09 higher SLN rates.

6 Secondly, the research also showed that the standard range of programme weightings was too wide. Therefore the existing factors of 1.0, 1.25 and 1.5 will be replaced by factors of 1.0, 1.15 and 1.3. The reduction of the weighting factors also allows the listed SLN values to be set at the higher rates.

7 These changes will reduce the bureaucracy related to delivering Train to Gain and the new weightings mean that the rates will better reflect the costs of delivery. The LSC is also reviewing the rates of some specific NVQs in early 2009 based on the findings of the ‘activity costs’ work to see if it is appropriate to fund them at an increased SLN rate from 2009/10.

Changes to SLN rates

8 The SLN values which will apply to Train to Gain provision in 2009/10 are shown in the table below. The SLN values given apply whether the provision is fully-funded or co-funded. The rates paid for co-funded provision are adjusted to take into account the expected employer contribution of 47.5 per cent.

<table>
<thead>
<tr>
<th>Programme</th>
<th>2008/09</th>
<th>2009/10</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Higher</td>
<td>Lower</td>
</tr>
<tr>
<td></td>
<td>rate</td>
<td>rate</td>
</tr>
<tr>
<td>Full Level 2 or below</td>
<td>0.429</td>
<td>0.286</td>
</tr>
<tr>
<td>Full Level 3 or above</td>
<td>0.644</td>
<td>0.429</td>
</tr>
<tr>
<td>Skills for Life - Literacy &amp; Numeracy</td>
<td>0.180</td>
<td>0.193</td>
</tr>
<tr>
<td>Skills For Life - ESOL</td>
<td>0.180</td>
<td>0.193</td>
</tr>
</tbody>
</table>

Changes to weighting factors

9 The new weighting factors to be adopted are shown below.

<table>
<thead>
<tr>
<th>Weighting factors</th>
<th>2008/09</th>
<th>2009/10</th>
<th>2010/11</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>A 1</td>
<td>A 1</td>
<td>A 1</td>
</tr>
<tr>
<td></td>
<td>J 1.25</td>
<td>L 1.2</td>
<td>L* 1.15</td>
</tr>
<tr>
<td></td>
<td>K 1.5</td>
<td>C 1.3</td>
<td>C 1.3</td>
</tr>
</tbody>
</table>

* The naming of the 1.15 factor used in 2010/11 is yet to be confirmed

10 The reductions to the weighting factors will be moderated in 2 ways. The change to the 1.25 weighting will be phased over 2 years with a weighting of 1.2 used in 2009/10 and a weighting of 1.15 used in 2010/11. This means
that the reduction in the weighting is cancelled out by the increase in the national funding rates for this provision.

11 The reduction to the 1.5 weighting will be made in a single year, but this will be mitigated by the payment of transitional protection and by this provision receiving the most significant overall benefit in the adoption of a single SLN rate for each NVQ. The table below shows that there is significantly more lower rate delivery for 1.5 weighting courses than for other weightings.

<table>
<thead>
<tr>
<th>Weighting</th>
<th>% of higher rate</th>
<th>% of lower rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.00</td>
<td>83%</td>
<td>17%</td>
</tr>
<tr>
<td>1.25</td>
<td>84%</td>
<td>16%</td>
</tr>
<tr>
<td>1.50</td>
<td>63%</td>
<td>37%</td>
</tr>
<tr>
<td>Total</td>
<td>76%</td>
<td>24%</td>
</tr>
</tbody>
</table>

12 This means that, as a whole, provision with a 1.5 weighting benefits the most from the move to pay all NVQs at the higher rates. A review of the rates for some specific NVQs with this weighting may also reduce the potential impact on providers. This review is covered in more detail later in this document.

**Impact on providers**

13 The effect of moving to a single rate for each NVQ rather than having higher and lower rates linked to the number of contact hours will vary between providers. Overall in 2007/08 76% of provision was delivered at the higher rate. However the table below shows that at individual provider level there was a wide variation in the proportion of provision that was delivered at the higher rate. Due to this it is not possible to move to a single rate for each NVQ without causing volatility in the funding received by providers between years.

<table>
<thead>
<tr>
<th>% Of Higher Rate Provision</th>
<th>No. of providers</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%-19%</td>
<td>63</td>
</tr>
<tr>
<td>20%-39%</td>
<td>34</td>
</tr>
<tr>
<td>40%-59%</td>
<td>55</td>
</tr>
<tr>
<td>60%-79%</td>
<td>133</td>
</tr>
<tr>
<td>80%-99%</td>
<td>294</td>
</tr>
<tr>
<td>100%</td>
<td>314</td>
</tr>
<tr>
<td>Total</td>
<td>893</td>
</tr>
</tbody>
</table>

14 The following sections give an idea of the possible impact on providers based on the type of aims they deliver. Annex B gives worked examples of these calculations.

**Impact – 1.50 weighting provision**

15 The Activity Costs work found the 50% uplift currently paid through the 1.5 weighting did not reflect the cost incurred where an equivalent level of activity is undertaken. As such, as part of these changes, one of the intended consequences is to reduce the relative level of funding paid to the 1.50 weighting band in comparison with the other bands.
Due to the 1.50 weighting band having significantly above average levels of lower rate provision it benefits most from the adoption of a single rate. As such it is appropriate to move to the new, lower weighting factor of 1.3 in a single year to allow the impact of these two changes to compensate for one another.

**Impact for 1.50 weighting provision in 2009/10 (includes 4.5%)**

- Impact on average provider\(^1\) (63% higher rate provision) = 3% increase
- Impact on provider delivering 72% at higher rate = 0% increase
- Impact on provider delivering 100% at higher rate = 9% decrease

For 2009/10 the reviews of specific NVQ aims will be focussed on the 1.50 weighting band. In particular NVQs such as Business Improvement Techniques and Maintenance Operations will be considered for increased SLN rates. This will reduce the impact on provision in this area.

Where a provider is likely to experience a reduction in funding between 2008/09 and 2009/10 on a like for like basis they will be considered for transitional protection. This will be paid as a lump sum in 2009/10 based on the providers historical mix of provision and level of delivery. This will mean that providers should not receive less funding in 2009/10 for delivering the same provision as in previous years.

**Impact – 1.25 weighting band**

Based on the Activity Costs work the LSC has taken the view that there should not be any overall reductions in the funding for 1.25 weighting band provision as a result of these changes. In order for this to occur the move from a weighting of 1.25 to 1.15 will occur over 2 years with an interim weighting factor of 1.2 used in 2009/10.

**Impact for 1.25 weighting provision in 2009/10 (includes 4.5%)**

- Impact on average provider (84% higher rate provision) = 6% increase
- Impact on provider delivering 100% at higher rate = 0.3% increase

By staggering the reduction in the weighting we are in effect paying a premium in 2009/10 as this provision is being paid at an SLN rate in line with a 1.15 weighting, but is receiving a 1.20 weighting. This approach means that transitional protection is not required for this provision reducing the burden on the allocation process. By paying this premium in 2009/10 there will then only be a minimal increase in funding in 2010/11 as the weighting is then reduced to 1.15.

**Impact – 1.00 weighting band**

The Activity Costs work indicated that provision at the 1.00 weighting band should have its relative level of funding increased. As such even providers currently delivering 100% of their provision at the higher rate will receive the full 4.5% rates increase in 2009/10. A provider delivering at the average level will receive an increase of around 10%.

**Impact for 1.00 weighting provision in 2009/10 (includes 4.5%)**

\(^1\) Note – an ‘average’ provider in this context is a provider delivering at the average level of higher and lower SLN rate delivery.
• Impact on average provider (83% higher rate provision) = 10% increase
• Impact on provider delivering 100% at higher rate = 4.5% increase

Summary of impact on providers
22 Overall the proposed approach would mean that around 45% of providers are likely to receive an increase in funding above the 4.5% increase in the national rates. Around 15% of providers may experience a reduction in funding and would be eligible for transitional protection. These providers will be those delivering 1.5 weighting provision predominantly at the higher SLN rate. The reviews of specific NVQ rates may reduce the number of providers receiving a reduction in funding.

Skills For Life
23 Skills for life aims within Train To Gain are currently funded at an SLN value of 0.180 with a weighting factor of 1.5. This is different to the FE Skills for Life weighting of 1.4. In order to increase consistency the LSC is intending to adopt the 1.4 weighting for Skills for Life provision within Train To Gain and to increase its SLN value to 0.193 to ensure an equivalent amount of funding is paid

<table>
<thead>
<tr>
<th>Skills for Life</th>
<th>SLN</th>
<th>Weighting</th>
<th>Funding rate (08/09)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current weighting</td>
<td>0.180</td>
<td>1.5</td>
<td>£782.97</td>
</tr>
<tr>
<td>New weighting</td>
<td>0.193</td>
<td>1.4</td>
<td>£783.55</td>
</tr>
</tbody>
</table>

Units and Thin Qualifications Offered to SMEs
24 In December 2008 it was announced that a range of units and thin qualifications would be offered to small and medium sized employers (SMEs) through Train To Gain. These units current have a single rate based on assumed delivery hours and use the existing Train To Gain weightings of 1, 1.25 and 1.5. The assumed delivery costs are linked to guided learning hours and to the QCF credit values. The changes to weighting factors outlined for Full Level 2 and Full Level 3 aims will also apply to the units and thin qualifications in 2009/10.

Accounting for rate changes in the allocations
25 The Employer Responsive allocations data used by the LSC utilises ‘SLN per Learner’ and a ‘Cost per SLN’ ratios. Both of these will be impacted by the NVQ rate changes. The LSC can quantify the impact of these based on historical data. This information will be considered by the LSC when setting maximum contract values for 2009/10.

Transitional protection
26 For providers who deliver aims with a 1.5 weighting the NVQ rates changes may lead to a reduction in funding. Transitional protection will be available in 2009/10 to compensate for this.

27 LSC National Office will undertake a calculation for all providers which shows the amount of funding that they would have got under Demand Led Funding based on the current rates and how much they will get based on the 2009/10 SLN rates and weightings. Where the 2009/10 SLN rates and weightings give
a lower funding value, the difference represents the maximum transitional protection the provider is eligible to. The exact amount of transitional protection will be agreed as part of the allocation process between the providers or consortia and the LSC. Examples of the calculation are shown in Annex C.

28 This transitional protection will then be paid in 12 equal monthly instalments as a separate allocation line, outside of the maximum contract value. The transitional protection will not be directly linked to actual delivery in 2009/10, although regions will be able to vary the transitional protection values in year where there is significant reduction from the planned level of delivery.

29 The transitional protection is only designed to cover historical levels of provision and would not be scaled up if a provider was delivering significantly higher levels of provision in 2009/10. The transitional protection will be paid at the level of the 2008/09 delivery as we are seeking to protect a historical level of funding.

30 Where transitional protection is awarded to a provider it is expected that this is taken into account during the allocation process when setting the maximum contract value.

31 Where a provider is reducing their Train To Gain delivery or significantly increasing provision in areas which will not be affected or will gain from the changes (such as Skills for Life or weighting A provision) it is expect that the level of transitional protection would be reduced in line with the impact of the change.

32 There are no plans for additional transitional arrangements to compensate individual aims for carry-over learners continuing from 2008/09 into 2009/10 as the transitional protection already covers this.

Reviews of specific NVQs

33 As part of the Activity Costs research that looked at the weightings, the sector was asked whether there were NVQs which they felt were not receiving an appropriate level of funding. Based on this work there were a number of NVQs that were identified where it may be appropriate to consider higher rates. The LSC will be reviewing the 2009/10 rates for some NVQs between January 2009 and March 2009. The NVQs being reviewed are Business Improvement Techniques, Maintenance Operations Construction, Food Manufacture, Professional Cookery, Gas Network Operations, Driving Goods Vehicles and Road Passenger Transport.

34 Further details on the rate reviews will be included in an updated version of this document due to published in March 2009.

35 From 2009/10 providers will record planned group based and contact hours on the ILR. This information will be considered when reviewing the listed rates used in employer responsive in future. The collection of this information has been based on planned hours for typical learners to minimise bureaucracy.
Impact on apprenticeships

36 Weightings for the competence-based elements of Apprenticeship frameworks were aligned in 2008/09 with Train to Gain weightings. As outlined above, the Train to Gain weightings will be changing over the next 2 years. It is not planned to change the weightings for Apprenticeships until the Train to Gain changes are fully implemented, that is in 2010/11. As such there are no changes to the weighting structure for Apprenticeships in 2009/10.

37 The change in weightings is not intended to affect apprenticeship funding. SLN values for the competence-based elements of frameworks will be adjusted in order to maintain the level of funding when the changes to weightings are made in 2010/11.

Recording data on the ILR

38 Currently providers record whether a Train To Gain aim is being delivered at the higher or lower rate using field A18 on the ILR. The information authority is currently looking at how this field needs to be updated in line with the rate changes for 2009/10. Currently Skills for Life courses and the Employability Skills Programme record delivery as being at the “higher” rate despite there only being a single rate for these qualifications. A similar approach is being considered for Train To Gain aims in 2009/10.

39 Aims that are currently being delivered at the lower rate in 2008/09 will move to being paid on the new rates from the 1st August 2009. Where providers are starting learners on a higher rate course in 2008/09 that is due to be completed in 2009/10 they are expected to be able to show an intention to deliver at least 15 contact hours over the duration of the aim for the purposes of the 2008/09 audit. For provision delivered in 2009/10 evidence of having at least 15 contact hours is not required in order to claim the new rates.

40 Providers are reminded of the LSC’s standard guidance in relation to prior attainment as set out in paragraphs 251 to 255 of LSC Funding Guidance 2008/09: Principles, Rules and Regulations. The ILR field A51a should be used to reduce the funding for a learning aim that does not require the full level of expected input due to either a curriculum overlap or prior certificated attainment. The guidance relating to discounting funding in relation to prior attainment is being reviewed for 2009/10.
## ANNEX A – Comparison of rates in 2008/09 and 2009/10

### 2008/09 Train To Gain Funding Rates

<table>
<thead>
<tr>
<th>Programme Weighting</th>
<th>Level 2 or below</th>
<th>Level 3 or above</th>
<th>National Funding Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Higher SLN</td>
<td>Higher SLN</td>
<td>Base Rate*</td>
</tr>
<tr>
<td>A - 1.00</td>
<td>0.429</td>
<td>0.644</td>
<td>£2,775</td>
</tr>
<tr>
<td>J - 1.25</td>
<td>0.429</td>
<td>0.644</td>
<td>£2,775</td>
</tr>
<tr>
<td>K - 1.50</td>
<td>0.429</td>
<td>0.644</td>
<td>£2,775</td>
</tr>
</tbody>
</table>

*Includes 3% uplift as announced in Train To Gain flexibilities on top of the national funding rate.

### 2009/10 Train To Gain Funding Rates

<table>
<thead>
<tr>
<th>Programme Weighting</th>
<th>Level 2 or below</th>
<th>Level 3 or above</th>
<th>National Funding Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>SLN</td>
<td>SLN</td>
<td>Base Rate</td>
</tr>
<tr>
<td>A - 1.00</td>
<td>0.429</td>
<td>0.644</td>
<td>£2,987</td>
</tr>
<tr>
<td>L - 1.20</td>
<td>0.429</td>
<td>0.644</td>
<td>£2,987</td>
</tr>
<tr>
<td>C - 1.30</td>
<td>0.429</td>
<td>0.644</td>
<td>£2,987</td>
</tr>
</tbody>
</table>

£ = SLN x Programme Weighting x TtG Uplift x National Funding Rate

Calculation of cash values excludes Area Costs

All figures use the Fully-Funded National Rate.

Skills For Life rates are not shown
ANNEX B – Worked examples of the impact on providers

Notes:
The average funding rate = National rate x SLN rate x weighting factor
The National Rate in 2008/09 was £2775 with a 3% uplift for Train To Gain. This is equivalent to a rate of £2858. The calculations below show the £2858 rate for brevity. The national rate in 2009/10 is £2987, a 4.5% increase from 2008/09.

Example 1:
A provider delivering 90% of their NVQ level 2 aims at the higher rate and 10% at the lower rate with 1.0 programme weightings.

Funding rate in 2008/09:
Average 2008/09 SLN rate = (0.9 x 0.429) + (0.1 x 0.286) = 0.415
Average 2008/09 funding rate = £2858 x 0.415 x 1.0 = £1185

Funding rate in 2009/10:
Average 2009/10 SLN rate = 0.429 (all provision now at high rate)
Average 2009/10 funding rate = £2987 x 0.429 x 1.0 = £1281
Impact of changes = 8% increase (including 4.5% national rate increase)

Example 2:
A provider delivering 80% of their NVQ level 2 aims at the higher rate and 20% at the lower rate with 1.25 programme weightings.

Funding rate in 2008/09:
Average 2008/09 SLN rate = (0.8 x 0.429) + (0.2 x 0.286) = 0.400
Average 2008/09 funding rate = £2858 x 0.400 x 1.25 = £1431

Funding rate in 2009/10:
Average 2009/10 SLN rate = 0.429 (all provision now at high rate)
Average 2009/10 funding rate = £2987 x 0.429 x 1.2 = £1538
Impact of changes = 7% increase (including 4.5% national rate increase)

Example 3:
A provider delivering 70% of their NVQ level 2 aims at the higher rate and 30% of their aims at the lower rate with 1.5 programme weightings.

Funding rate in 2008/09:
Average 2008/09 SLN rate = (0.7 x 0.429) + (0.3 x 0.286) = 0.386
Average 2008/09 funding rate = £2858 x 0.386 x 1.5 = £1655

Funding rate in 2009/10:
Average 2009/10 SLN rate = 0.429 (all provision now at high rate)
Average 2009/10 funding rate = £2987 x 0.429 x 1.3 = £1666
Impact of changes = 1% increase (including 4.5% national rate increase)
Annex C – Transitional Protection example calculations

Notes:
Refer to Annex B for the formulas used.
In the examples all aims are delivered in year, completed and achieved.
The SLN and funding figures shown are rounded.

Example 1:
A provider delivering 70 NVQ level 2 aims at the higher rate and 30 NVQ level 2 aims at the lower rate with 1.5 programme weightings.

Funding using current SLN rates and weightings:
Total SLNs = (70 x 0.429) + (30 x 0.286) = 38.6
Total funding = £2858 x 38.6 x 1.5 = £165,536

Funding using 2009/10 SLN rates and weightings:
Total SLNs = (70 x 0.429) + (30 x 0.429) = 42.9
Total funding = £2987 x 42.9 x 1.3 = £166,585
Impact on funding = £166,585 - £165,536 = +£1,049
Maximum transitional protection = £0
(No transitional protection because there is an increase in funding)

Example 2:
A provider delivering 80 NVQ level 2 aims at the higher rate and 20 NVQ level 2 aims at the lower rate with 1.5 programme weightings.

Funding using current SLN rates and weightings:
Total SLNs = (80 x 0.429) + (20 x 0.286) = 40.0
Total funding = £2858 x 40.0 x 1.5 = £171,666

Funding using 2009/10 SLN rates and weightings:
Total SLNs = (80 x 0.429) + (20 x 0.429) = 42.9
Total funding = £2987 x 42.9 x 1.3 = £166,585
Impact on funding = £166,585 - £171,666 = -£5,082
Maximum transitional protection = £5,082

Example 3:
A provider delivering 90 NVQ level 2 aims at the higher rate and 10 NVQ level 2 aims at the lower rate with 1.5 programme weightings.

Funding using current SLN rates and weightings:
Total SLNs = (90 x 0.429) + (10 x 0.286) = 41.5
Total funding = £2858 x 41.5 x 1.5 = £177,797

Funding using 2009/10 SLN rates and weightings:
Total SLNs = (90 x 0.429) + (10 x 0.429) = 42.9
Total funding = £2987 x 42.9 x 1.3 = £166,585
Impact on funding = £166,585 - £177,797 = -£11,212
Maximum transitional protection = £11,212