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Adult Funding Summit

Russell Hotel, London

22nd March 2011

Twitter

#Lsect

Lsect

Learning & skills ~ events,
consultancy and training

Summit programme

10.30 Welcome and introductions

10.40 Adult funding update ~ summary and what we know

11.40 Ice-cream break!

12.00 Fee remission and fees - pre-conference survey

13.00 Lunch

13.50 Single-line budgets, MCLs and sub-contracting

14.45 Doing more for less

15.30 Summit end

Who will you hear from?



Nick Linford
Managing Director of Lsect and author
of *The hands-on guide to post-16 funding*

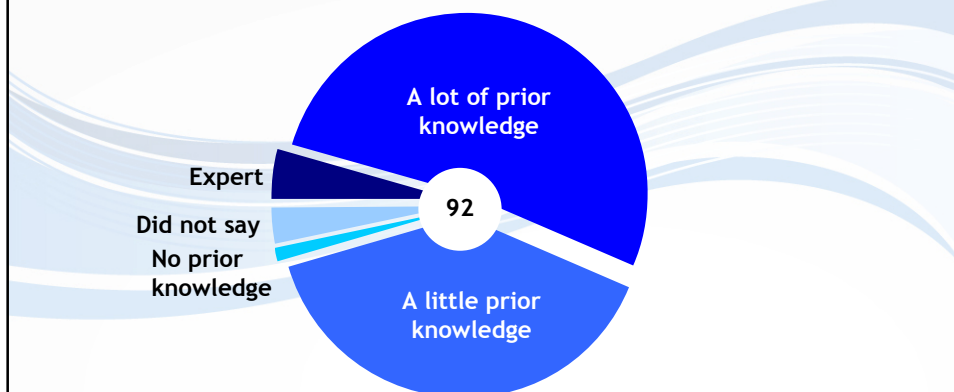


What you said before today
(pre-conference survey and Lsect ILR Utility)

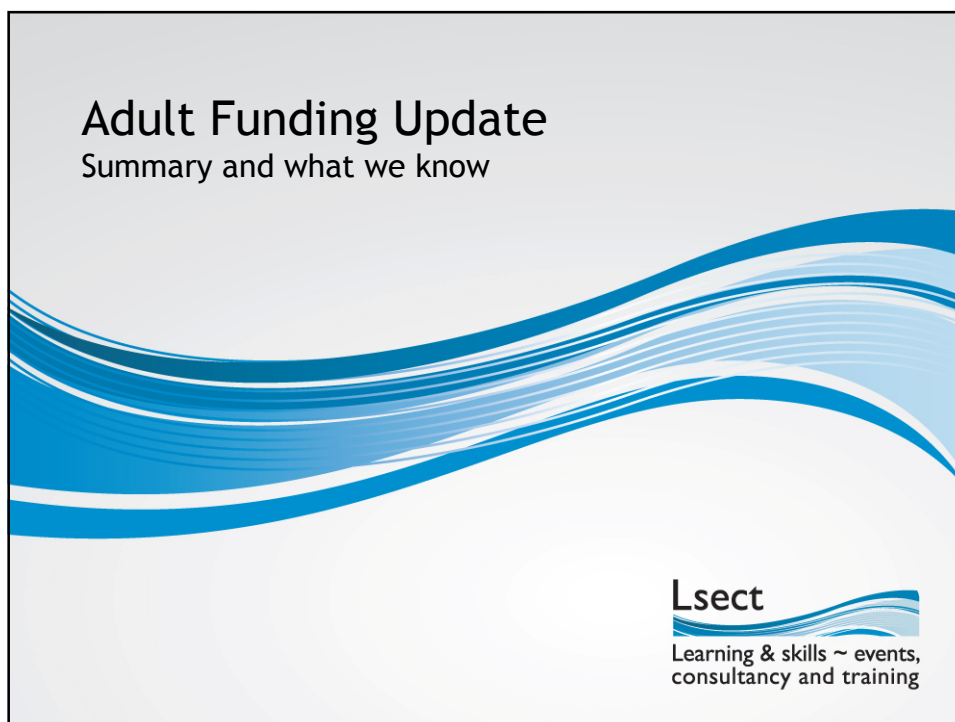
What you say today
(Q&A)

And you, the 92 delegates

When you registered you were asked how much you already
know about Adult Learner-Responsive (ALR) funding



So fairly knowledgeable, but lets see if we can
ensure everyone catered for



Demand Led Funding formula stays for 11/12

The DLF funding formula is an enrolment based funding methodology

Therefore, every enrolment has an individual value

Elements in the demand-led funding formula:

- > Standard Learner Number (SLN)
- > National Funding Rate (NFR)
- > Programme Weighting Factor (PWF)
- > Disadvantage Uplift (DU)*
- > Short Programme Modifier (SCM)**
- > Area Cost Uplift (ACU)
- > Success Factor (SF)**

Formula elements multiplied together equals maximum funding for the enrolment (although Provider Factor used in-year)

* Not included for Train to Gain

** Not included for ER (Apprenticeships or Train to Gain)

The slide has a light blue and white wavy graphic at the bottom. The title 'Demand Led Funding formula stays for 11/12' is in a bold, black font. Below it, three paragraphs of text describe the funding methodology. A list of seven elements follows, with a bracket on the right side grouping them and pointing to a summary sentence: 'Formula elements multiplied together equals maximum funding for the enrolment (although Provider Factor used in-year)'. Two footnotes at the bottom explain the asterisks used in the list.

Funding formula examples for 2010/11

Example fully-funded 19+

SLN	1.02
NFR	£2,732
PWF	1.2564
DU	1.0946
SPM	1.04
ACU	1.2
SF	0.9
Funding	£4,304

Co-funded 19+ using example

$$\text{NFR} - (\text{NFR} \times \text{AFI} / \text{PF}) = \text{Co-funded rate}$$

$$£2,732 - (2,732 \times 0.5 / 1.545) = £1,848$$

$$1.02 \text{ SLN} \times £1,848 \text{ CFR} \times 1.545 \text{ PF} = \mathbf{£2,912}$$

$$\text{Assumed fee} = (1.02 \times £2,732) / 2 = \mathbf{£1,393}$$

Provider
factor
1.545
for 19+

$$\text{Assumed Fee Income per SLN GLH this year} \\ = (£2,732 / 450) / 2 = \mathbf{£3 \text{ per hour}}$$

Sources of the DLF funding formula

SLN	SLN GLH (on the Learning Aim Database else the provider recorded glh) divided by 450
NFR	Set each year nationally 2010/11 figures shown here: ~ 16-18 school = £3,007 ~ 16-18 non-school = £2,920 ~ 19+ = £2,732
PWF	On the Learning Aim Database (LAD) for the relevant qualification and funding type
DU	Based on an postcode file and the <u>learner home postcode</u> (no uplift, or between 8 and 32%)
SPM	Uplift for learner programmes of less than 225 hours
ACU	South East England weighting based on the provider location (LR) or delivery location (ER)
SF	Calculation based on success rates, where achievement = 1 and non-retained or non-achievement = 0.5

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Learning Aim Database http://providers.lsc.gov.uk/LAD/

Search Tip:
 Aim Reference: 50090768
 Awarding Body Aim Reference:
 Show: Current Aims only Any Aim
 Teaching Year: 2010/11

Learning Aim Title: Diploma in Beauty Therapy (GCF)
Learning Aim Reference: 50090768
Awarding Body: City & Guilds of London Institute
Learning Aim Type: 0000 - Diploma
Teaching Year: 2010/11

SLNs and PWFs on the LAD

16-18 LR: Validity Start Date: 01/08/2010 Last Date for New Start: 31/07/2012

Funding	SLN1	SLN2	SLN3	SLN Type	Programme Weighting Factor
468				SLN_GLH	C

Adult LR: Validity Start Date: 01/08/2010 Last Date for New Start: 31/07/2011

Funding	SLN1	SLN2	SLN3	SLN Type	Programme Weighting Factor
459				SLN_GLH	C

ER TtG: Validity Start Date: 01/08/2010 Last Date for New Start: 31/07/2011

Funding	SLN1	SLN2	SLN3	SLN Type	Programme Weighting Factor
0.515				SLN	L

16-18 LR SSF: Funding

SLN1	SLN2	SLN3	SLN Type	Programme Weighting Factor
468			SLN_GLH	C

Programme Weighting Factors

A	1
B	1.12
C	1.3
D	1.6
E	1.72
F	1.4
G	1.92
H	1.2
J	1.25
K	1.5
L	1.15

SLN GLH / 450 = SLN

Minimum attendance

This is commonly referred to as the 'definition of a start'

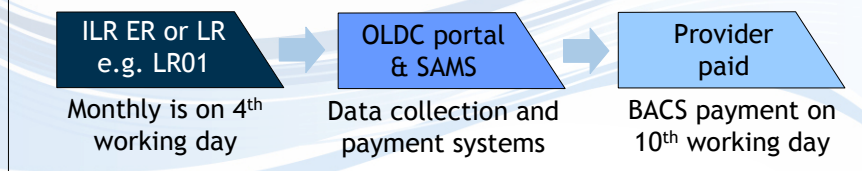
If an LR or ER withdrawal is before the minimum attendance period no funding is generated and the enrolment is not counted as a start

Planned duration (calendar days)	Minimum attendance
24 weeks or more	6 weeks
2 to 24 weeks	2 weeks
Less than 2 weeks	Once

Claiming demand-led funding

Providers submit Individualised Learner Record (ILR) data online for funding and performance purposes

Monthly for ER (01-13) and less frequently for LR (01-05)



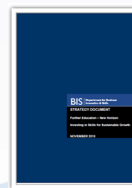
Other related software and databases:

- > Learner Information Suite (LIS)
- > Learning Aims Database (LAD)
- > Data Self-assessment Toolkit (DSAT)

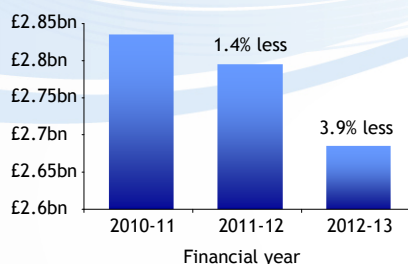
The 19+ spending for 2011/12

Skills Strategy published November 2010

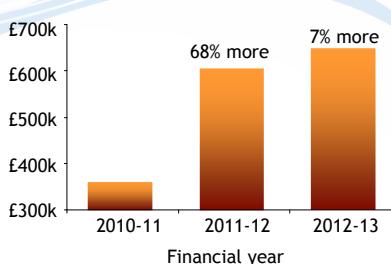
- ~ FE resource budget reduced by 25% by 2014-15*
- ~ Growth in 19+ Apprenticeships but 4.3% national rate reduction
- ~ Introduction of OIPs and £500k Minimum Contract Levels (MCL)



19+ Adult Skills Budget which includes



19+ Apprenticeship funding



* Biggest 'cuts' kick in for 2013-14 and 2014-15 when L3+ loans introduced

19+ Detail in Guidance Note 6

Many significant changes for 2011/12

- ~ 19+ national funding rate reduction of 4.3%*
- ~ 1.2 PWF uplift removed for Skills for Life (excl. Entry Level Numeracy)*
- ~ Non-entitlement Level 3 Train to Gain not funded
- ~ Non-entitlement Level 2 Train to Gain for non-SMEs (250+) not funded
- ~ No ESOL funding in the workplace
- ~ Fee remission only for those on 'job ready' income support (e.g. JSA), so no longer those on 'inactive benefits' nor their dependents
- ~ £80m pilot for Outcome Incentive Payments (OIPs)
- ~ Minimum Contract Level of £500k
- ~ Single ER and LR budget, and SFA will pay 16-18s on behalf of YPLA



* Only the rate changes 'will apply for all new and existing learners'

What we still don't know from the SFA

- ~ Application of Minimum Contract Level for 16-18 Apprenticeships?
- ~ Criteria for payment of Outcome Incentive Payments in 2011/12?
- ~ Fee collection/income review and adjust future allocations for non-collection?
- ~ Further details on Subcontracting rules?
- ~ Changes to ALS audit requirements?
- ~ Details on arrangements for funding LLDD learners?
- ~ Details of any changes to OLASS provision?
- ~ Will Aylum Seekers & Cat D Prisoners be treated as on 'inactive-benefits'?
- ~ Foundation Learning learners on inactive benefits to remain fully-funded?
- ~ Will the 1.75 SLN cap be reduced in line with the 16-18 reduction?
- ~ Will there be an ESOL Equalities Impact Assessment leading to a change?

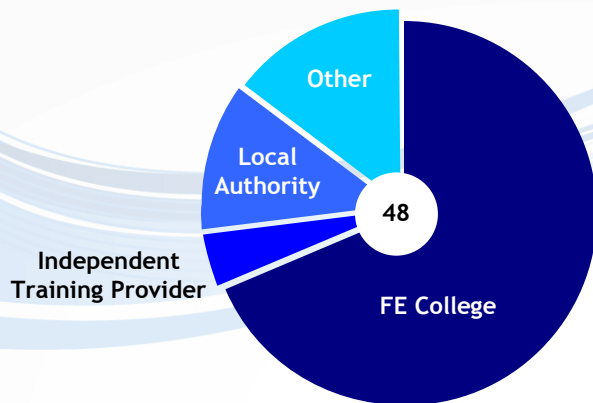
“Guidance Note 7 due out end of March or early April”

Fee remission and fees

Pre-conference survey

Pre-conference survey

Q1. Which kind of organisation do you work for?



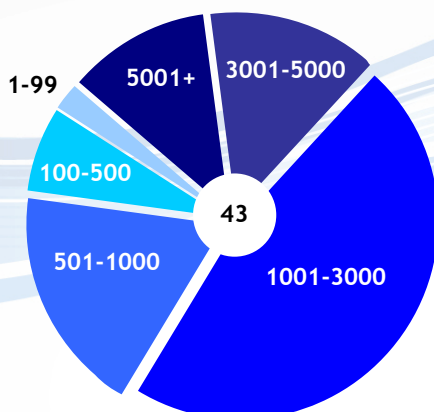
Q2. Are you attending the Adult Funding Summit?

A2. 44 (92%) said they were attending today

Q3. A control question to avoid same organisation responding more than once

Pre-conference survey

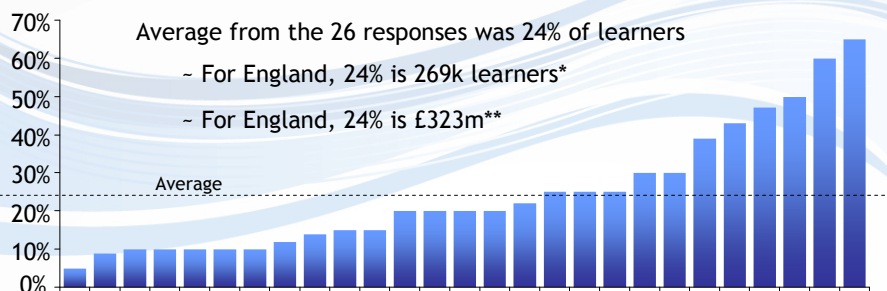
Q4. Approx how many 19+ learner-responsive learners will you deliver to this year (2010/11)?



So fairly board range in terms of volume by learners

Pre-conference survey

Q5. Based on the changes to Government fee eligibility policy next year (such as for those on 'inactive benefits') what percentage of all your adult learners do you think will no longer be able to attend because they cannot afford to pay the fee?

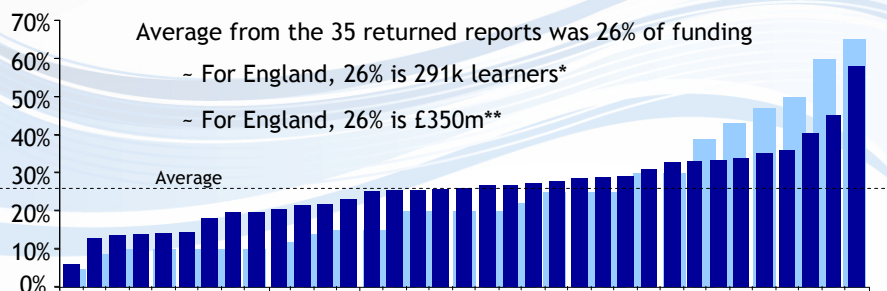


* Source: 2010/11 BIS Skills Investment Strategy planned for 1.12m ALR learners

** Source: SFA spreadsheet show 2010/11 ALR allocations currently total £1,346,807,291 with average contract £2.8m (largest £21m excluding £110m for UFI and smallest £3k). 24% of average contract is £645k

Lsect free ILR Utility (Q5 in background)

I sent out a free tool, into which colleges can import their current ILR and it tells them what percentage of their adult funding is for learners recorded as being on, or dependents of those on, inactive benefits.



* Source: 2010/11 BIS Skills Investment Strategy planned for 1.12m ALR learners

** Source: SFA spreadsheet show 2010/11 ALR allocations currently total £1,346,807,291 with average contract £2.8m (largest £21m excluding £110m for UFI and smallest £3k). 24% of average contract is £645k

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On that basis it feels safe to say that approximately 25% of learners (300k) and funding (£350m) are currently recoded as being on, dependents of those on, inactive benefits

Top five ILR Utility Report returns (by funding volume)

College	Inactive benefit funding	Percentage of 19+ funding
A	£1,979,658	29%
B	£2,672,663	26%
C	£3,243,720	31%
D	£5,333,347	58%
E	£5,795,779	45%

Pre-conference survey

Q6. Have you estimated the financial impact (£ and %) of the fee remission policy change, and if so please describe below

16 said they have not yet estimated the impact

Examples of answers: £3m £500k £500k £200k £850k
 £121k £121k £30k £500-700k £300k

Q10. Is there a message that you would like to give to the Government and Skills Funding Agency, in terms of the ALR policies for 2011/12?

“The impact will be devastating for some College's and needs a re-think”

“Colleges are given no choice but to charge higher fees, meaning less enrolments”

“I would ask them to consider the real and devastating impact of widespread policies on communities and individuals that rely on learner-responsive provision”

“When is the LSC coming back? All is forgiven!”

Pre-conference survey

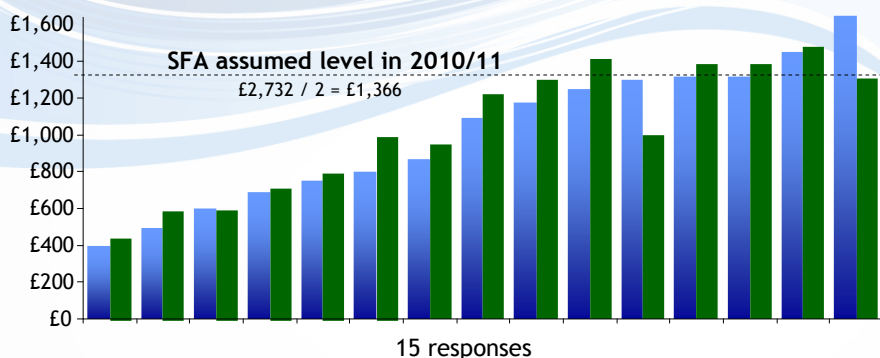
Q7 and 8. What is your full time fee this year and next year?

Average in 2010/11 = £1,011 (£1,366 SFA assumed)

Average in 2011/12 = £1,041 (£1,307 SFA assumed)

Average increase 3%, and SFA assumed falls 4.3%

But some colleges reducing their FT fee (two by more than 20%)!



Pre-conference survey

Q9. Do you think employers are willing to pay the learner-responsive tuition fees for their employees?



Perhaps it would actually be to the advantage of the sector if the Government introduced a minimum employer fee?

Single-line budgets, MCLs and sub-contracting

Single line budgets

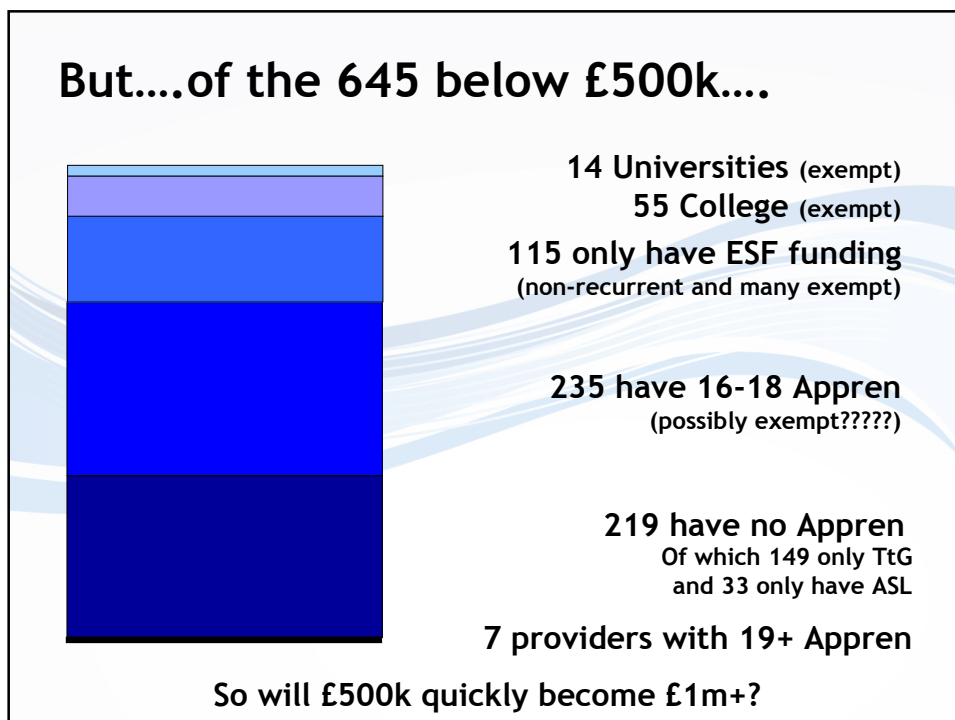
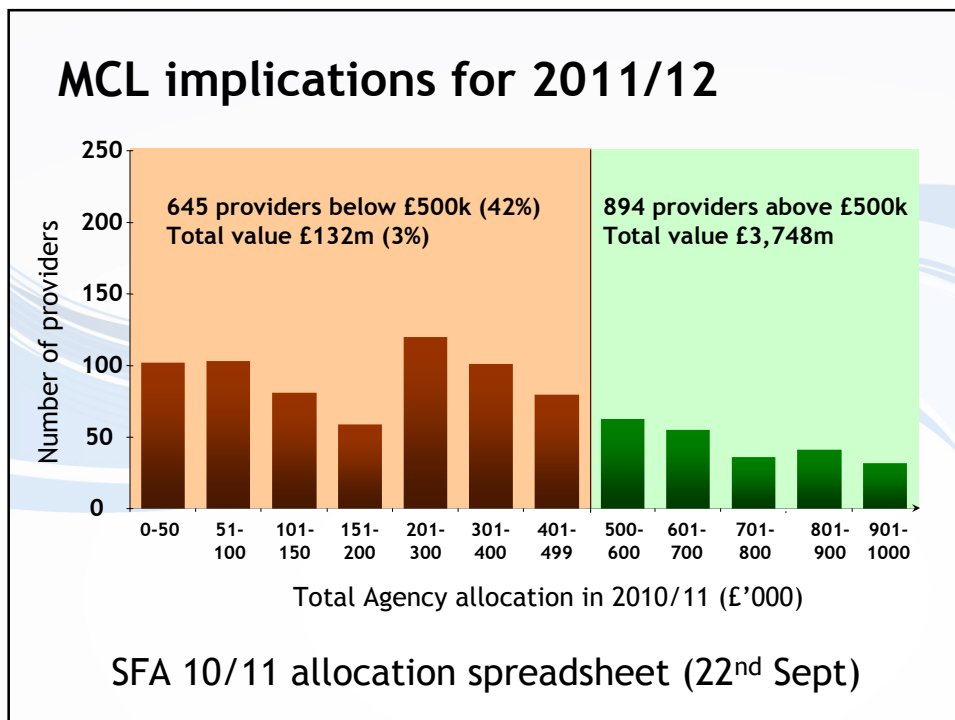
- ~ 19+ Learner-responsive
- ~ 19+ Apprenticeships
- ~ Train to Gain

Underperformance in one area can be
off-set by overperformance in another

But....

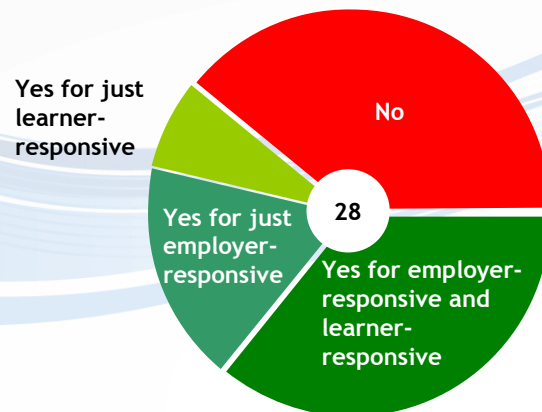
- ~ We can't afford to miss Apprenticeship targets
- ~ There will be lots of things that can no longer
be fully-funded or funded at all

How much Adult Skills Budget will go unspent???



Pre-conference survey

Q10. Are you planning on entering into new sub-contracting arrangements for 2011/12?



Are you getting pre-nups?
Sub-contracting has a track record of being high risk.

Find out about a potential partner

- ~ Allocations spreadsheet (22nd Sept <http://tinyurl.com/2u4n4gm> and 15th Dec <http://tinyurl.com/3ajecbm>)
- ~ Framework for Excellence <http://tinyurl.com/26w85ex>
- ~ Ofsted www.ofsted.gov.uk
- ~ UK Register of Learning Providers www.ukrlp.co.uk
- ~ ACTOR <http://tinyurl.com/33bpclx>
- ~ New MI Library <http://tinyurl.com/38p6ojz>
- ~ Companies House <http://tinyurl.com/5afua>

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Official guidance

Skills Funding Agency Guidance Note 6 v2
Latest policy on Minimum Contract Levels for 2011/12
<http://tinyurl.com/2ugc9t5>

2010/11 Apprenticeship Funding Requirements v2
Sub-contracting Requirements (Section 8)
<http://tinyurl.com/2w5ltke>

2009/10 LSC Funding Guidance v4.2
ILR Funding Compliance Advice & Audit Guidance (Section 6)
<http://tinyurl.com/yzvxx2w>

2008/09 ILR Funding Compliance Advice and Audit Guidance
Advice on Provision Delivered with a Partner Provider (Section 3)
<http://tinyurl.com/3a6wcq2>

SFA Policy Statement

Higher Risk Providers & Persons and Agency Contracting (03/11/10)

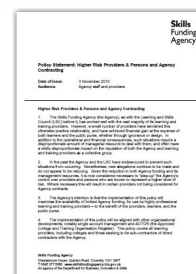
“a small number of providers have tarnished this otherwise positive relationship, and have achieved financial gain at the expense of both learners and the public purse, whether through ignorance or design.”

Additional criteria for rejection of providers

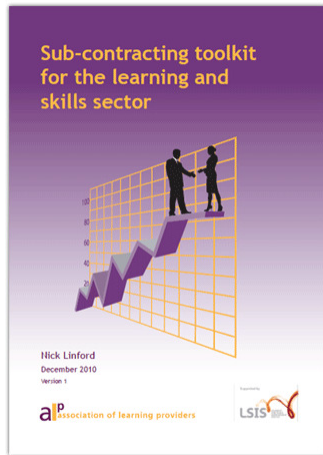
“previous activities that have resulted in significant repayment of funding (£100k or more)”

“two or more instances where the Agency’s staff have audited the provision of the bidder and identified significant concerns resulting in a qualified opinion”

ACTOR helps implement this



Sub-contracting toolkit



- ~ New policy context
- ~ Implications
- ~ Risk and Reward
- ~ Working principles
- ~ Handy guides
(funding, data, performance)
- ~ Contract contents

Download at www.lsect.co.uk/toolkit.asp

Doing more for less

Can you reducing costs via:

- ~ Staff contracts (e.g. increasing the contracted teaching hours and making redundancies) – a non-starter?
- ~ Decreasing the permanent to temporary teaching staff ratio?
- ~ Merging groups and improving room utilisation?
- ~ Stop running courses with relatively low (or negative) contribution rates?
- ~ Trimming delivery hours on listed courses without compromising quality?
- ~ Eradicating unfunded hours (defined as delivery hours exceeding listed hours)?
- ~ Using support or voluntary staff when double staffing large class sizes
- ~ Innovative uses of the Additional Learner Support funding?
- ~ Negotiating hard (or tendering) with the awarding bodies for reduced fees etc?
- ~ Think of sickness and absense as cost, so how can you reduce it?

What else?

Can you increase supply and contribution rates (margins) via:

- ~ Larger class sizes where possible (without compromising quality)?
- ~ Increasing the SLN per learner ratio (e.g. incl. employability and/or enterprise qualifications)?
- ~ Collecting greater fees from learners and employers?
- ~ Improving retention beyond mimimum attendance (e.g. six weeks)?
- ~ Improving success rates, and therefore improving the success factor?
- ~ Identify where there are large waiting lists for courses (with high contribution rates) that can be satisfied?
- ~ Identifying demand and curriculum gaps in the local offer that would have high contribution rates?
- ~ Improve the progression rates into sustainable jobs
- ~ Growth in other areas such as pre-employment provision and Apprenticeships?

What else?

Success factor simplifies and terrifies

Do staff know the impact class size, retention and achievement have on income?

Target group size of 16 at £5k each (£80k income budget)

$$0.5 + \frac{\text{Weighted average success rate}}{2} = \text{Success Factor}$$

$$0.5 + \frac{80\% \text{ for College X}}{2} = 0.9$$

$$0.5 + \frac{0\% \text{ for College Y}}{2} = 0.5$$

Learners	Income lost	Success rate
2 leave within first 6 weeks	£10k	14 start
3 more do not finish	£7.5k	79% retention
3 finish but don't pass	£7.5k	73% achieve
8 succeed	£25k	57%

Although historical, think of this as 50% lost if a learner does not finish and achieve

Budget missed by 31%! Next allocation cut by 31%?

Tell us something about you we wouldn't necessarily know...
(Pre-conference survey question 11)

I shall be appearing at the Edinburgh Fringe for a fortnight this summer.

I was once almost shot by the Red Army Guard at Lennin's tomb.

I was once stuck on an Isle of Man Ferry with Barbara Streisand for 5 days!

Because of my 3 year old I secretly like the Waybuloo's

I spent last Friday with my face painted as a harlequin to raise money for Comic Relief!

It would be nice to have the time to have an interesting hobby.

I encourage my team to keep a broad perspective and told them to look at the 'supermoon' last Saturday night which only happens every twenty years.

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Thank you

Have a safe journey home

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at www.lsect.com

