

Funding report for Edexcel

Level 3 GNVQ successors

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FUNDING FOR GNVQ SUCCESSOR QUALIFICATIONS

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1. SUMMARY AND RECOMMENDATIONS

1a) Rate changes and impact

In March 2007 the LSC, with reference to level 3 GNVQ successor qualifications, stated that 'significant rate changes have been considered by the LSC in its annual review of funding rates...with a view to revising the rates in line with the awarding body glh [guided learning hours] in 2008/09' (LSC, 2007a, 2).

The proposed changes to the glh on which the funding is based are as follows:

	Current glh	Awarding body glh	Glh reduction
National Diplomas (18 units)	1,440	1,080	- 25%
National Certificates (12 units)	900	720	- 20%
National Award (6 units)	450	360	- 20%

These glh rate reductions certainly appear 'significant'. For example, a 25% reduction in funding for the 18 unit qualification would represent an annual cut of more than half a million pounds for Lewisham College. However, within the current funding formula a 25% reduction in the glh on which the funding is based does not necessarily result in a 25% reduction in the funding rate. In fact, in the case of the 18 unit qualification the modelling within this report suggests there would be a 17% funding reduction. If the LSC implements a new funding formula as planned in 2008/09, unpublished LSC modelling which is replicated within this report suggests that two year courses benefit most, and the funding reduction for the 18 unit qualification would be as little as three percent.

Impact on funding with reduced rates, as modelled within this report:

	Funding reduction (current funding formula)	Funding reduction (new funding formula)
National Diplomas (18 units)	- 17%	- 3%
National Certificates (12 units)	- 30%	- 20%
National Award (6 units)	- 33%	- 9%

As shown in the above table, the actual impact on the funding will differ depending on the qualification and whether the new funding formula is introduced.

More significantly, whilst LSC analysis strongly supports a rate reduction for the 18 unit qualification, the case is far less convincing for the 12 unit and 6 unit qualifications. In fact, the LSC's own analysis shows that the most popular duration for the 6 unit qualification in 2005/06 was 450 to 570 glh, which is in line with the current funding rate.

1b) Increasing divide between academic and vocational

When comparing academic qualifications such as AS levels with vocational qualifications such as 6 unit National Awards there are a growing number of disparities in the way they are categorised and measured:

- With the introduction of a new funding methodology combined with the proposed rate reductions, the National Award funding would fall by 9%, whilst the funding for an AS level would rise by 14% (see Section 5).
- Academic qualifications such as GCSEs and AS levels are assigned a percentage of a full level 2 or 3 which is then categorised as priority provision by the LSC. Yet vocational qualifications such as Edexcel First Certificates and National Awards are not assigned a percentage of a full level 2 or 3 thus the LSC categorise them as 'residual' and low priority.
- New LSC success rate performance reports known as Minimum Levels of Performance (MLP) have been introduced to identify and ultimately remove poor performing provision. Yet MLPs have a single minimum performance threshold which does not take account of well established success rate benchmarks for qualification or provider type. Therefore GNVQ successors in an MLP report might appear as poor performing (even if above the equivalent benchmark) whilst AS levels might appear high performing (even if below the equivalent benchmark).

If disparities in the way these qualifications are funded and categorised continues to grow, colleges delivering vocational qualifications will increasingly be disadvantaged and may feel under pressure to remove vocational provision and/or switch to academic qualifications instead. These appear to be unintended consequences which are contrary to current curriculum reform and both the Government 14-19 and adult skills agenda.

1c) Recommendations for Edexcel

1. **Support the rate reduction for the 18 unit National Diploma** from one based on 1,440 glh to one based on 1,080 glh. Firstly, average glh analysis published by the LSC supports a rate based on 1,080 glh. Secondly, with the likely introduction of a new funding formula for 2008/09 combined with a rate reduction, the funding impact will only be - 3%. Finally, without a rate reduction the maximum funding per learner would be exceeded if they enrol for one or more Key Skills.
2. **Challenge the rate reduction for the 12 unit National Certificates and 6 unit National Awards.** The LSC's average glh analysis does not strongly support a rate reduction. If applied, the percentage point reduction in funding would be far greater than it would be for the 18 unit qualification. The LSC suggests that a rate change to the 12 and 6 unit qualifications would have a limited impact as they 'have much lower learner numbers' (LSC, 2007c, 5). However, LSC FE funding data shows that in 2005/06 a not insignificant 26,000 National Certificates and 11,000 National Awards were delivered (LSC, 2006a). Although unpopular with the LSC, a compromise position worth

considering is to base the rate on the actual glh for each enrolment (referred to as loadbanded in the current funding formula), as is the case for most Skills for Life qualifications. This would not be an unprecedented decision, as Edexcel and OCR level 1 and 2 GNVQ successors were loadbanded for this very reason in 2005/06 (LSC, 2005b).

- 3. Undertake recommended glh reviews with support from the QCA and LSC.** The LSC is increasingly setting rates based on awarding body recommended glh. If these are out of line with actual delivery, Edexcel and other awarding bodies (such as OCR in the case of level 3 GNVQ successors) should support learners and providers by adjusting their recommendations where necessary. For example, the LSC is also considering reversing their decision to loadband the level 1 and 2 GNVQ successors, and instead to list the rate based on the recommended glh. As has been the case for the level 3 GNVQ successors, research should be published to demonstrate whether the recommended glh is in line with actual delivery before funding rates are changed.

The outcome of such research might include a review of the unit structures and unit volume per qualification to support the learner, provider delivery pattern and LSC priorities for funding. Failure to do so could result in reduced volumes of delivery for Edexcel vocational qualifications.

- 4. Challenge the lack of full percentages for some level 2 and 3 Edexcel qualifications.** With limited exceptions (e.g. NVQs), vocational qualifications below a recommended glh (325 at level 2 or 595 at level 3) are categorised as low priority or residual by the LSC owing to the lack of a full level 2 or 3 percentage within the Learning Aims Database (LAD). To safeguard this provision, a robust challenge beyond arguments about the way qualifications are categorised within the Labour Force Survey will be needed. This was recognised by the National Audit Office and National Foundation for Education Research when they reviewed the way in which this target is measured and concluded that 'the main risk is that new qualifications that have no previous equivalent [and therefore are not included as potentially target bearing] are being introduced each year' (NFER, 2006a, 33). In addition, changes to recommended glh could impact on the target bearing potential of a qualification (e.g. increasing the level 3 Diploma in Foundation Studies from 540 to 595) which further complicates the way in which recommended glh are set and these targets are measured.
- 5. Briefings for providers should be published, but only once the LSC confirms the rates for these qualifications.** At this stage it has not been confirmed that there will be rate changes, nor what the new rates would be. In addition, the LSC has consulted the sector but not published the final funding formula for 2008/09. Once both of these have been published an Edexcel briefing to providers, perhaps jointly published with the LSC, should outline the changes, impact and any future planned developments.

2. RATE CHANGES AND IMPACT

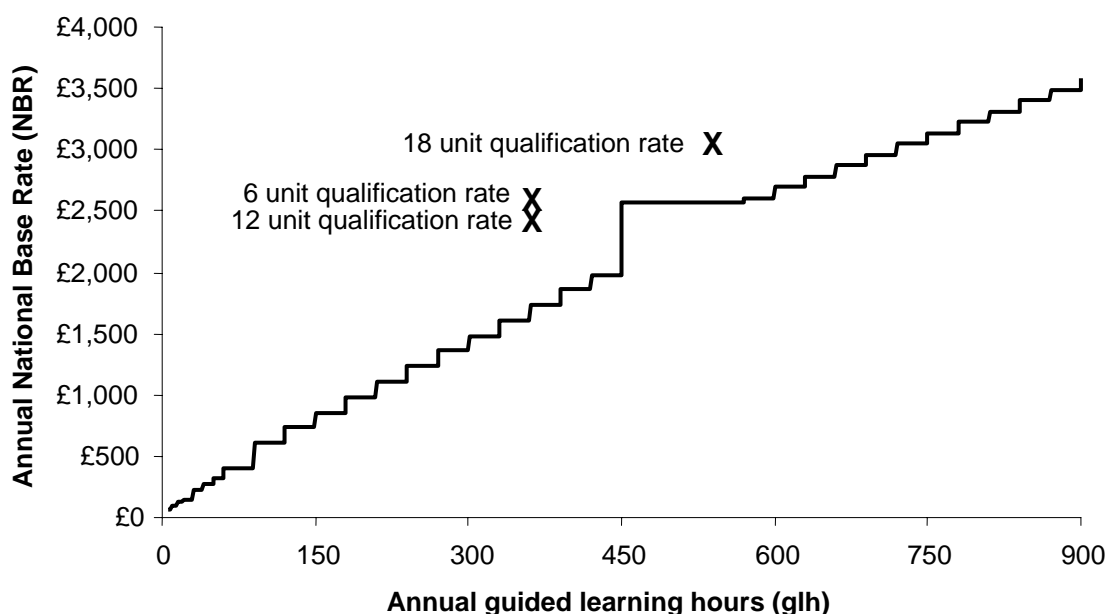
2a) LSC method for assigning rates

The LSC assigns a rate for each enrolment, which is either a fixed value for a particular qualification regardless of the actual duration (e.g. level 3 GNVQ successors) or is not fixed and dependant on the actual duration (e.g. Skills for Life). Within the current funding formula fixed value rates are known as 'listed' and rates which are not fixed are known as 'loadbanded' (LSC, 2007d, 19).

The LSC states that 'qualifications are listed at the loadbanded rate equivalent to the recommended number of guided learning hours provided by the awarding bodies' (LSC, 2004a, 2). However, 'statistical analysis would also involve re-listing learning aims where the actual number of guided learning hours delivered is significantly different from the number implied by the initial listed value [thus] listed rates will be determined by a mixture of recommended and actual guided learning hours' (ibid, 3). In other words, whilst listed rates are usually set by comparing the awarding body recommended glh to the rate for the loadbanded equivalent, there are exceptions.

In the case of the level 3 GNVQ successor qualifications, the annual listed rate¹ is currently higher than the awarding body recommended glh loadbanded equivalent, as shown in Figure 1 below:

Figure 1: Loadbanded and L3 GNVQ successor rates 06/07 (LSC, 2006b, 76)

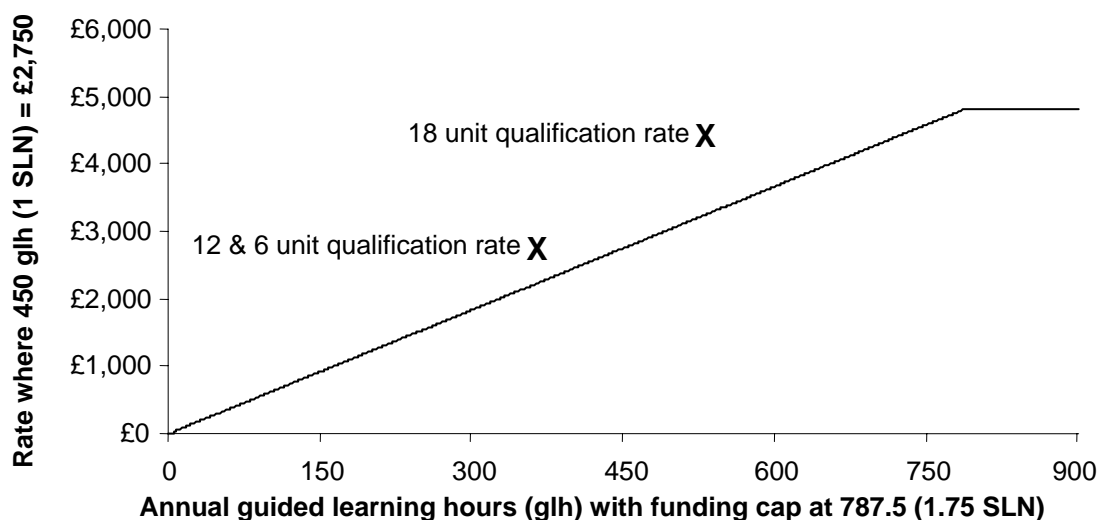


With the planned introduction of a new FE funding formula in 2008/07 the way in which the rates are set would remain the same, although the value of the rate will be expressed as a Standard Learner Number (SLN) where 450 glh is equal to 1 SLN. Using a National Funding Rate of £2,750 in 2006/07 (see section 2d) the annual

¹ The 18 and 12 unit qualifications are two year qualifications, so the full listed rate is double the annual listed rate.

listed rate² for these qualifications remains higher than the awarding body recommended glh SLN equivalent as shown in Figure 2 below:

Figure 2: SLN rates and L3 GNVQ successor rates 2006/07³



2b) Proposed changes to rates

Each year the LSC considers changing the rates for qualifications where historical glh delivery analysis supports the listing of a loadbanded rate or the changing of a listed rate. For example, in January 2007 the LSC published recommendations to change the listed rate for 75 qualifications from August 2007 (LSC, 2007a, 3).

At the same time, the LSC announced that they were considering a reduction to the listed rates for the 18, 12 and 6 unit level 3 GNVQ successor qualifications⁴, but from August 2008. Although the value of the reduced rate has not been published, the LSC has published the number of glh on which the rate is currently based, and said that this rate would be reduced to reflect a lower glh (the glh recommended by the awarding body). Table 1 below lists the current and recommended glh on which the funding rate would be based:

Table 1: Level 3 GNVQ successor current and recommended glh

	Current glh	Recommended glh	Glh reduction
National Diplomas (18 units)	1,440	1,080	- 25%
National Certificates (12 units)	900	720	- 20%
National Award (6 units)	450	360	- 20%

The LSC is considering these reductions because 'the delivery of these qualifications is consistent with the awarding bodies' recommended glh rather than

² The 18 and 12 unit qualifications are two year qualifications, so the full rate would double the annual rate.

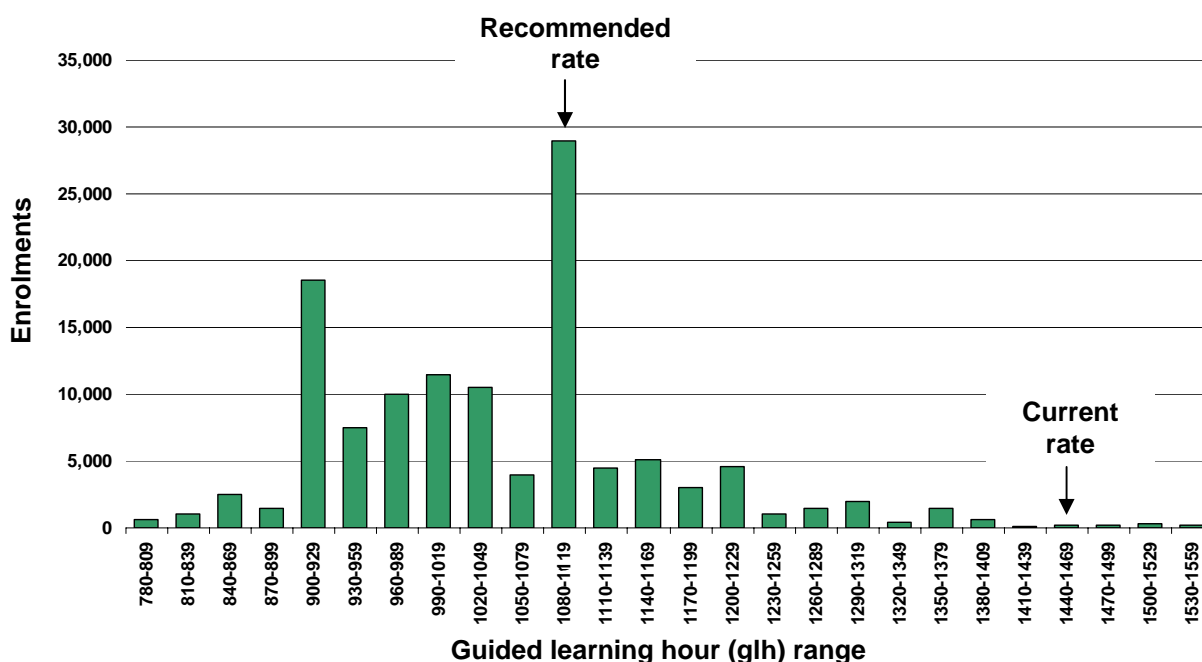
³ Excluding the short course modifier which is an uplift applied where the glh is below 225.

⁴ Confusingly, these are also referred to as GNVQ precursors in success rate reports.

the current funding rates which are significantly higher for historical reasons' (LSC, 2007a, 2). The LSC believes this to be the case following analysis of the actual glh used to deliver these qualifications in 2005/06.

For example, Figure 3 below shows that for the 18 unit qualification, the most popular number of glh per enrolment in 2005/06 was in fact 1080-1119, in line with the 1,080 glh recommended by the awarding body⁵. In contrast, very few enrolments required the 1,440 glh on which the funding rate is based. In this case, it seems reasonable to assert that the delivery is consistent with the awarding bodies' recommended glh and therefore to reduce the funding rate accordingly.

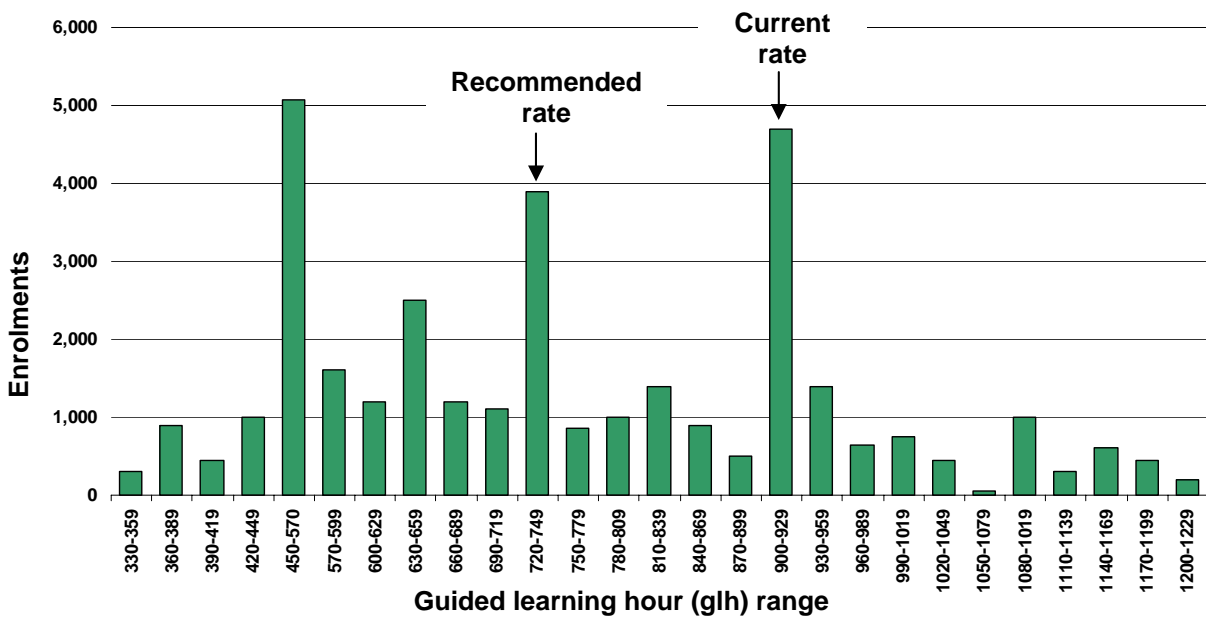
Figure 3: 18 unit L3 GNVQ successor: Average glh 2005/06 (LSC, 2007a, 29)



However, the claim that delivery is consistent with the recommended glh for the 12 unit qualification seems less clear, as shown in Figure 4 on the following page:

⁵ It is worth noting that colleges with 19+ learners may be reluctant to plan qualifications in excess of 1080 glh (which equates to 15 hours per week for 36 weeks for two years) because once a learner reaches 16 hours per week they would no longer be eligible for the Job Seekers Allowance.

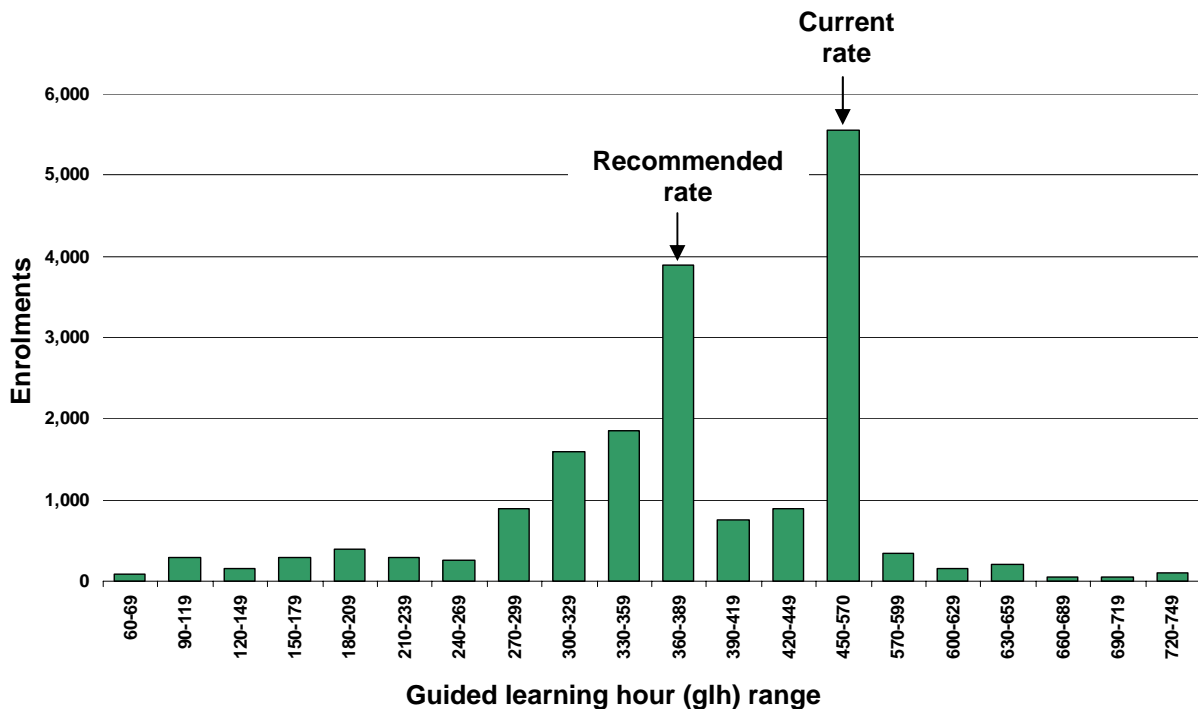
Figure 4: 12 unit L3 GNVQ successor: Average glh 2005/06 (LSC, 2007a, 30)



Clearly a significant number of enrolments are delivered in 900-929 glh, in line with the funding rate rather than the awarding bodies' recommended glh. However, with a peak at 450-569 it could be considered that reducing the rate to the recommended glh of 720 is a compromise position.

In the case of the 6 unit qualification, it is simply not true to say that delivery is in line with the recommended 360 glh. Figure 5 below shows that the most common glh per enrolment is in fact 450-569 glh, which is in line with the current funding rate based on 450glh

Figure 5: 6 unit L3 GNVQ successor: Average glh 2005/06 (LSC, 2007a, 30)



To summarise, the LSC is considering reducing the glh on which the funding is based by up to 25% because delivery is in line with the recommended glh rather than the glh on which the funding rate is currently based. This is a significant reduction, and if translated into a 25% reduction to the funding it would, in the case of Lewisham College, reduce annual funding by as much as half a million pounds.

However, there are two important caveats:

1. In the case of the 12 unit and 6 unit qualification the LSC's conclusion that providers deliver them in line with the recommended glh is not proven. In fact, in the case of the 6 unit qualification the LSC's own evidence shows that the most popular glh is actually in line with the current funding rate (see Figure 3). It is also worth noting that colleges approach the recording of glh for qualifications which form part of larger qualifications in different ways. Therefore, making funding rate changes to the 6 and 12 unit qualification based on glh analysis is higher risk than it might be for the full 18 unit qualification.
2. Whilst the proposal is to reduce the glh on which the funding is based by up to 25%, this does not necessarily translate into a 25% reduction in funding. The following sections will demonstrate that, for example, within the current funding methodology the funding for the 18 unit qualification would likely fall by 17%, whilst it would fall by just 3% within the proposed funding methodology for 2008/09.

2c) Impact on funding within the current funding formula

The size of the impact on funding within the current funding formula will depend on the new base rate that the LSC assigns. This is not immediately clear because the LSC has only referred to the glh value, and not published a corresponding funding rate. However, there is generally a close relationship between the glh and the rate; therefore it is possible to forecast what the new rate might be.

The 18, 12 and 6 unit qualifications all have listed rates, which are referred to as the Full Listed National Base Rate (NBR) in the Table 2 below.

Table 2: Comparing NBR for GNVQ successors with current glh in 2006/07

	Full Listed NBR	Annual Listed NBR	Equivalent Loadbanded Annual NBR with current glh
National Diplomas (18 units)	£6,178.35	£3,089.18	£3,046 (720 glh)
National Certificates (12 units)	£4,978.09	£2,489.05	£2,576 (450 glh)
National Award (6 units)	£2,576.65	£2,576.65	£2,576 (450 glh)

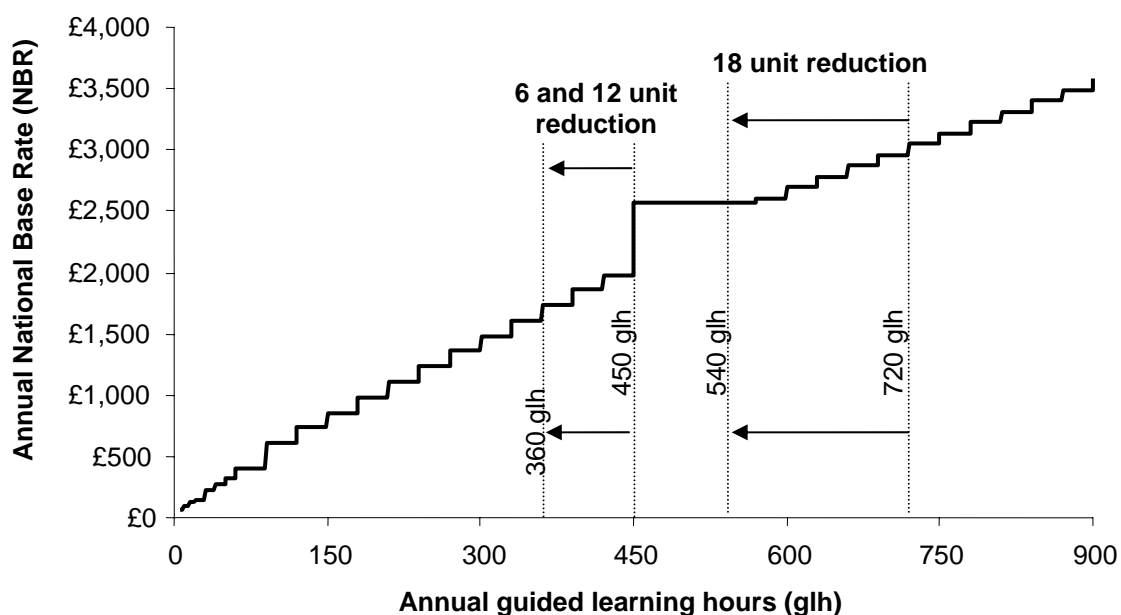
By annualising the two year qualifications and including the loadbanded equivalent, Table 2 also demonstrates that the current listed base rates closely correlate to the glh values of 1,440 (720 per year) for the National Diploma, 900 (450 per year) for the National Certificate and 450 for the National Award. With this analysis in mind it is possible to forecast the funding impact of a glh reduction as described below.

The LSC have concluded that the glh values should be reduced as follows:

- National Diploma from 720 to 540 glh per year (1,440 to 1,080 in total)
- National Certificate from 450 to 360 glh per year (900 to 720 in total)
- National Award from 450 to 360 glh in total

These glh reductions have been plotted in Figure 6 below, which is mapped against the relevant base rate.

Figure 6: Loadbanded rates and glh reductions in 2006/07 (LSC, 2006b, 76)



These figures have been placed in the Table 3 below to demonstrate the impact on funding (including the percentage shift from the current rate to the predicted rate following a glh reduction).

Table 3: Comparing current GNVQ successor annual NBR with reduced NBR in 2006/07

	Annual current NBR	Potential annual NBR after reduced glh	Impact on funding
National Diplomas (18 units)	£3,089.18	£2,576 (540 glh)	-17%
National Certificates (12 units)	£2,489.05	£1,732 (360 glh)	- 30%
National Award (6 units)	£2,576.65	£1,732 (360 glh)	- 33%

These annual current and predicted NBRs can then be converted into the full base rate (multiplied by two in the case of the two year 18 and 12 unit qualification), as shown within Table 4 on the following page.

Table 4: Comparing current GNVQ successor full NBR with reduced NBR in 2006/07

	Full current NBR	Predicted full NBR after reduced glh	Impact on funding
National Diplomas (18 units)	£6,178.35	£5,152 (540 glh)	-17%
National Certificates (12 units)	£4,978.09	£3,464 (360 glh)	- 30%
National Award (6 units)	£2,576.65	£1,732 (360 glh)	- 33%

To summarise this section:

- The LSC has not published what the NBR would be after reducing the glh, but it is possible to use the published loadbanded rates to forecast the likely rate change.
- The likely rate change within the current funding methodology is a 17% reduction for the 18 unit qualification, a 30% reduction for the 12 unit qualification and a 33% reduction for the 6 unit qualification.
- Clearly within the current funding methodology, reducing the glh by 25 or 20 percent does not necessarily translate into the same reduction in the rate. The reason for this is most apparent when considering the gradient of the loadbanded rates in Figure 6 (such as the large jump in the rate at 450 glh, which rises more gradually thereafter).
- The rates for 12 and 6 unit qualifications would, based on these forecasts, reduce by almost twice as many percentage points than the 18 unit qualification. In addition, the delivery analysis in section 2b suggests many providers deliver these qualifications in excess of the reduced rate. These findings add weight to the argument that whilst the 18 unit qualification should have a reduced rate, the rates for 12 and 6 unit qualifications should remain unchanged.

2d) Impact on funding within the new SLN funding formula

It is relatively straightforward to measure the impact of a rate change within the current funding formula, but this becomes far more difficult if the formula changes. The task would then be to compare current funding rates within the current funding formula, with reduced funding rates within the new funding formula.

In January 2007, the LSC confirmed its plans to introduce a significantly different funding formula for 2008/09.

The proposed new formula is as follows:

$$\text{Funding} = \text{SLNs} \times \text{NFR} \times \text{PF} + \text{ALS}$$

Where:

- SLNs are Standard Learner Numbers, calculated by dividing the total glh (usually a value assigned to a qualification rather than the actual delivery) per learner by 450 with a per learner cap of 1.75 SLN per year.
- NFR is the National Funding Rate for each SLN. 'There will be two NFRs, one for youth and the other for adults. These will be published each year and will depend on priorities' (LSC, 2007b, 38)
- PF is the Provider Factor, a collection of uplifts (average programme weighting, disadvantage, area costs, short programme modifier and success rate) based on providers' historical data and is calculated annually in advance for each provider.
- ALS is Additional Learning Support, an annual allocation of funding provided to support learning for those learners with additional needs.

To compare the base rate funding in this new formula with the current funding formula, only the SLN and NFR need to be considered as the PF and ALS contain non-base rate related characteristics.

To establish the SLN value (calculated as 450 divided by the glh) the LSC is proposing to list the SLN value based on the awarding body recommendation (not actual learner glh). These SLN values are shown in the Table 5 below:

Table 5: Awarding body recommended SLN for GNVQ successors

	Awarding Body Recommended SLN
National Diplomas (18 units)	2.4 (1,080 glh)
National Certificates (12 units)	1.6 (720 glh)
National Award (6 units)	0.8 (360 glh)

Having established the SLN value, this is converted into a funding rate by multiplying it by the National Funding Rate (NFR) per SLN. The first NFR value to be used from August 2008 will not be published by the LSC until November 2007. However, unpublished modelling carried out by the LSC 'suggests that the national funding rate that would apply in 2006/07 is £2,750' (LSC, 2007c, 3).

Table 6 on the following page compares the current 2006/07 rate within the current funding formula to the SLN values within Table 5 where one SLN is equal to £2,750. For example, the 18 unit qualification would be worth 2.4 SLN (1,080 divided by 450), which when multiplied by a NFR of £2,750 is £6,600 (7% more than the current 2006/07 rate of £6,178.35).

Table 6: Comparing the current rates with the proposed SLN rates

	Current base rate	Base rate with awarding body SLN @ £2,750 per SLN	Impact on funding
National Diplomas (18 units)	£6,178.35	£6,600 (2.4 SLN)	+ 7%
National Certificates (12 units)	£4,978.09	£4,400 (1.6 SLN)	- 12%
National Award (6 units)	£2,576.65	£2,200 (0.8 SLN)	- 15%

However, in a paper to the Technical Sub Group the LSC points out that the current and new funding formula takes a very different approach to the funding of retention and achievement, particularly for the 18 and 12 unit qualifications as they are generally studied over two years. For example, the current funding formula contains three funding census dates per year (to take account of retention) to calculate the annual programme funding and then separately calculates achievement funding where applicable. In contrast, the new SLN formula no longer separates retention and achievement for funding purposes, as a success factor has been included within the Provider Factor (LSC, 2007b, 40).

In an attempt to model the impact of retention and achievement the LSC devised a 'National Diploma Ready Reckoner' which compares funding rates between the current and new funding methodology, after applying assumptions for 'typical retention and success rates' for the 18 unit qualifications. Although unpublished, this modelling was presented to the Technical Advisory Finance and Funding Sub-Group. The calculations for the National Diploma within the Ready Reckoner have been replicated within the Funding Comparison Calculator (see section 5), along with the comparisons (using the same assumptions for retention and achievement), for a two year National Certificate and a one year National Award. The results can be seen in Table 7 below:

Table 7: The impact on funding with reduced rates in the new funding formula, taking account of 'typical retention and success rates'⁶

	Total funding with current rate and formula	Total funding with new rate and formula	Impact on funding
National Diplomas (18 units)	£4,851 (1,440 glh)	£4,683 (1,080 glh)	- 3%
National Certificates (12 units)	£3,909 (900 glh)	£3,122 (720 glh)	- 20%
National Award (6 units)	£1,962 (450 glh)	£1,789 (360 glh)	- 9%

If the glh on which the funding is based remained at 1,440 for the 18 unit qualification, the Ready Reckoner suggests 29% more funding would be generated. This is contrary to the evidence of delivery for the 18 unit qualification in section 2b,

⁶ The intention here is not to outline the details of the funding formulas nor multiple calculations which generate these figures. However, the Funding Comparison Calculator (see section 5) has been created in MS Excel, and users can view all the values and formulas.

therefore it seems reasonable to reduce the glh on which the funding is based from 1,440 to 1,080. However, if the 12 unit qualification remained at 900glh the Ready Reckoner shows that there would be no change to funding, and in the case of the 6 unit Certificate it would increase by 14% (the same increase achieved by a daytime AS level). When considered alongside the evidence of delivery in section 2b it seems the case for reducing the glh on which the funding is based for the 12 and 6 unit qualification is far less convincing.

To summarise this section:

- It is difficult to compare funding rates between the current and new funding formulas as they fund retention and achievement differently and not least because the LSC has yet to announce the value of the National Funding Rate.
- The LSC has not published what the impact on funding would be within the new SLN funding formula, but unpublished modelling does exist.
- This unpublished modelling, known as the Ready Reckoner, can be used to model the impact on funding for a variety of qualifications. This shows that the likely impact on funding for the 18 unit qualification is only a 3% reduction in funding, although when applying the same assumptions the reduction is far more significant for the 12 and 6 unit qualifications.
- It seems reasonable to reduce the glh on which the funding is based for the 18 unit qualification, but not (particularly when considering the actual delivery analysis in section 2b) for the 12 or 6 unit qualifications.

2e) Impact of different delivery models

When considering the impact on funding and modelling within this document it is worth considering the following with regard to different delivery models for individual colleges:

- This paper considers the funding impact of a rate change to an individual qualification. However, many colleges deliver more than one qualification per learner. In addition to the main qualification there may be one or more key skill qualifications or perhaps an AS level. If the 18 unit qualification rate remained unchanged at 1,440 glh this would leave little room for the funding of any additional qualifications within the new funding formula. This is because 1,440 glh equates to 3.2 SLN, which at 1.6 SLN per year is only 0.15 SLN less than the annual maximum of 1.75 SLN per learner. Therefore, an additional key skills (0.25 SLN each) or AS level (0.5 SLN) would exceed the maximum SLN. By reducing the glh on which the funding is based from 1,440 to 1,080 the SLN falls to 2.4 (1.2 SLN per year), leaving 5.5 SLN per year available for an additional AS level or two key skills qualifications. This is important because it supports the case for reducing the glh on which the funding is based, and demonstrates that the SLN rate of one qualification could impact on the funding of other qualifications and the delivery model at a college.

- The LSC's Ready Reckoner assumes that in the current funding formula non-retained learners will generate half of the programme funding, and the non-achieving learners will generate half of the achievement funding. This assumption is based on the average funding for non-retained and non-achieving enrolments within unpublished modelling by the LSC, yet the reality may be different for individual providers. In an extreme example where non-retained and non-achieved learners do not generate any funding at all (therefore withdrew before the first census date and there were no partial achievements), the funding reduction for the 18 unit qualification would be as much as 11% (rather than 3%).
- The Ready Reckoner applies average retention and achievement rates based on unpublished LSC modelling. These are: 74% retention in year one; 98% retained starts in year two; 94% retention in year two and 92% achievement. The Ready Reckoner also includes a success factor of 1.81 applied within the SLN funding formula. The funding impact will clearly differ depending on a college's individual retention, achievement and success factor. For example, if the year 1 retention was actually 80% the funding reduction for the 18 unit qualification would be 6%. If the provider success factor (based on a historical average success rate) was 1.9 the funding for the 18 unit qualification actually increases by 7%.

3. INCREASING DIVIDE BETWEEN ACADEMIC AND VOCATIONAL

When comparing academic qualifications like AS levels with vocational qualification equivalents such as 6 unit Edexcel National Awards there appears to be a growing number of disparities. It seems appropriate to explore them here as a number of the issues relate to glh and the proposed rate reductions for the GNVQ successors. Like any rate reduction, the consequence is likely to be reduced demand for some Edexcel vocational qualifications.

3a) Funding rates

The Ready Reckoner demonstrates that if the rates remained unchanged both an AS level and a National Award would increase in funding by 14% with the introduction of the SLN funding formula. However, if the rate for the National Award is brought in line with the recommended glh the funding would fall by 9% with the introduction of the SLN funding formula. Therefore, the academic AS level would become more financially attractive in 2008/09 whilst the vocational National Award would become less financially attractive.

3b) Contribution to Government targets

The Treasury set Public Service Agreement (PSA) targets for each government department. Before the Department for Education and Skills (DfES) was split in two, they were set challenging PSA targets associated with the number of learners achieving their first full level 2 and 3 qualification⁷. The government's annual Labour

⁷ The Government's Leitch Implementation Plan suggests that the Comprehensive Spending Review 2007-10 will revise the current PSA targets and the first full level 3 PSA for 19 year olds will be extended to include adults (DIUS, 2007a, 17).

Force Survey (LFS) is then used to measure progress towards these PSA targets, and the LSC takes guidance from the LFS as to which qualifications do or do not count. With a limited number of exceptions (such as NVQs), if the qualification is on the National Qualification Framework and the awarding body recommend 325 or more glh at level 2 or 595 or more glh at level 3 the LSC will count a qualification as a full level 2 or level 3 (LSC, 2005a, 1).

For level 2 and 3 qualifications which are not defined as full, the LSC can assign a percentage below 100% within the Learning Aim Database (LAD). This is significant as multiple qualifications can then reach or exceed 100%, thus the learner can still achieve their first full level 2 or 3. The LSC uses the LAD and a college's funding data to quantify the volume of provision categorised as high priority (has the potential to contribute to PSA targets). Provision which has not been assigned a percentage of a full level 2 or 3 is considered a lower priority, and London Regional LSC even refers to it as 'residual'. Even the LSC's new Framework for Excellence performance rating system being piloted with 100 providers in 2007/08 will incorporate a grade for 'proportion of income spent on priority provision' (LSC, 2007e, 50).

The problem is that there is a significant difference in the way the LSC set full level 2 and full level 3 percentages between academic and vocational qualifications. For example, AS level qualifications have been assigned 25% of a full level 3 whilst level 3 Edexcel National Awards are not assigned any percentage, even though they are exactly half the units and duration of the full level 3 National Certificate. Even the level 3 Edexcel Diploma in Foundation Studies (Art & Design), which has a recommended glh of 540 (only 55 below the 595 full level 3 threshold) has not been assigned a full level 3 percentage. This problem also occurs at level 2, where for example GCSEs are assigned 20% of a full level 2 whilst Edexcel First Certificates (half the duration and units of a full level 2 First Diploma) are not assigned a percentage.

The lack of a full level 2 or 3 percentage is significant for these qualifications as they cannot be combined with other qualifications to contribute to PSA targets. For example, a learner could do 4 AS levels and achieve a full level 3, but if they did 3 AS levels and an Edexcel level 3 National Award they would not achieve a full level 3. In addition, and as referred to earlier, London Regional LSC categorises provision without a percentage as 'residual' and the funding for this provision is unlikely to count as priority provision in the Framework for Excellence scoring system. When the LSC has been challenged regarding this inequality between academic and vocational qualifications, they refer to the permitted qualification categories within the Labour Force Survey. When the Government is challenged they will agree (off the record) that the Labour Force Survey rules are outdated.

The problem for colleges delivering these vocational qualifications increases each year because the LSC is paying increasing attention to funding priority provision and reducing non-priority provision. Colleges will inevitably begin to move away from qualifications such as the 6 unit National Award or the First Certificate. This is likely to be detrimental to the learner and their learning experience and is at odds with current qualification and curriculum reform.

3c) Performance measures

In January 2007 the LSC introduced a new performance measure known as Minimum Levels of Performance (MLP) as part of the 2007/08 commissioning round. In short, the MLP methodology calculates a weighted success rate where there is a significant volume of similar provision. This weighted success rate will then be compared to a national threshold (minimum level) and where sufficient provision falls below this threshold Improvement Indicators and/or a Notice to Improve would be required. 'Withdrawal of LSC funding, restructuring or intervention options will be considered in cases of outright failure, defined as where 25 per cent or more of the provision on offer has failed to reach the minimum performance levels' (LSC, 2007f, 2).

The MLP methodology is problematic for vocational colleges because it does not take account of the types of qualifications nor the type of institution. For example, published data for 2004/05 shows that the average success rate across the FE sector for AS levels was 71.7%, whilst for level 3 GNVQs and GNVQ precursors it was 64.3%. The gap is even wider when making the same comparison between all Sixth Form Colleges (77.4%) and FE colleges in areas of high deprivation (59.1%). Clearly, these averages (also referred to as benchmarks) demonstrate that a college delivering academic qualifications like AS levels is less likely to fall below MLP thresholds than a college delivering vocational qualifications like GNVQ precursors. To put this in context, if the MLP threshold amounted to a 70% success rate, a Sixth Form College delivering AS levels with a success rate five percentage points below the AS benchmark of 77.4% would exceed the MLP threshold, whilst the FE College in a deprived area delivering GNVQs and GNVQ precursors ten percentage points above the benchmark of 59.1% would fall below the MLP threshold.

Fundamentally, these new MLP reports are used to cut provision, yet they ignore LSC published reports of benchmarks by type of qualification or provider (reports that have for many years been used by both providers and OfSTED). It does not seem extreme to suggest that by ignoring benchmarks in MLP reports, it is likely that as the threshold rises, poor performing academic provision in affluent areas will remain hidden from sight, whilst high performing vocational provision in deprived areas will gradually see the 'withdrawal of LSC funding'. Having said this, the indications are that this issue is being addressed, as the Framework for Excellence pilot methodology states there will be two separate scores, one for FE long courses excluding A Levels and another for A Levels (LSC, 2007g, 31).

4. REFERENCES

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5. Funding Comparison Calculator

These calculations replicate a 'National Diploma Funding Ready Reckoner' produced by the LSC in an unpublished paper which was presented to the Technical Advisory Funding Group
An MS Excel version, in which the rates and assumptions can be altered, is available on request.

06/07 base rate		SLN		Yr 1 In year retention		Yr 2 Retained starts		Yr 2 In year retention		Yr 2 Achievement		Level 3 National Diploma (18 Units)		
06/07 base rate	£6,178	SLN	2.4	Yr 1 In year retention	74.2%									
07/08 base rate	£6,332	SLN Rate 06/07	£2,750	Yr 2 Retained starts	98.0%									
Achievement in 07/08	£633	SLN Rate 07/08	£2,819	Yr 2 In year retention	94.3%									
		SLN Success factor	81.3%	Yr 2 Achievement	92.0%									
										Success	63%			
Current method	NBR	NBR excl. Achievement	Starts	Non-retained (50% funding)	Retained (100% funding)	Partial achieved (50% funding)	Achieved (100% funding)	Non-retained Programme Funding	Retained Programme Funding	Retained Partial Achievement	Achievement funding	Total funding	Total funding per learner	
Year 1	£3,089	£2,780	1000	258	742	0	0	£358,633	£2,062,834	£0	£0	£2,421,467	£2,421	
Year 2	£3,166	£2,850	727	41	686	55	631	£59,055	£1,954,006	£17,369	£399,486	£2,429,916	£2,430	
												£4,851,383	£4,851	
SLN Method	SLNs	Starts	SLN rate	SLNs	Funding	Success factor	In year funding	Total funding per learner						
Year 1	1.2	1000	£2,750	1200	£3,300,000	0.813	£2,682,900	£2,683						
Year 2	1.2	727	£2,819	873	£2,459,619	0.813	£1,999,670	£2,000						
							£4,682,570	£4,683	Variance		-3%			

06/07 base rate		SLN		Yr 1 In year retention		Yr 2 Retained starts		Yr 2 In year retention		Yr 2 Achievement		Level 3 National Certificate (9 Units)		
06/07 base rate	£4,978	SLN	1.6	Yr 1 In year retention	74.2%									
07/08 base rate	£5,103	SLN Rate 06/07	£2,750	Yr 2 Retained starts	98.0%									
Achievement in 07/08	£510	SLN Rate 07/08	£2,819	Yr 2 In year retention	94.3%									
		SLN Success factor	81.3%	Yr 2 Achievement	92.0%									
Current method	NBR	NBR excl. Achievement	Starts	Non-retained (50% funding)	Retained (100% funding)	Partial achieved (50% funding)	Achieved (100% funding)	Non-retained Programme Funding	Retained Programme Funding	Retained Partial Achievement	Achievement funding	Total funding	Total funding per learner	
Year 1	£2,489	£2,240	1000	258	742	0	0	£288,978	£1,662,184	£0	£0	£1,951,162	£1,951	
Year 2	£2,551	£2,296	727	41	686	55	631	£47,585	£1,574,493	£13,995	£321,896	£1,957,971	£1,958	
												£3,909,133	£3,909	
SLN Method	SLNs	Starts	SLN rate	SLNs	Funding	Success factor	In year funding	Total funding per learner						
Year 1	0.8	1000	£2,750	800	£2,200,000	0.813	£1,788,600	£1,789						
Year 2	0.8	727	£2,819	582	£1,639,746	0.813	£1,333,113	£1,333						
							£3,121,713	£3,122	Variance		-20%			

06/07 base rate		SLN		Retention		Achievement		Success		Level 3 National Award (6 Units)			
06/07 base rate	£2,577	SLN	0.8	Retention	68%								
Achievement in 06/07	£258	SLN Rate 06/07	£2,750	Achievement	92%								
		SLN Success factor	81.3%	Success	63%								
Current method	NBR	NBR excl. Achievement	Starts	Non-retained (50% funding)	Retained (100% funding)	Partial achieved (50% funding)	Achieved (100% funding)	Non-retained Programme Funding	Retained Programme Funding	Retained Partial Achievement	Achievement funding	Total funding	Total funding per learner
One year	£2,577	£2,319	1000	320	680	54	626	£371,038	£1,576,910	£14,017	£0	£1,961,964	£1,962
SLN Method	SLNs	Starts	SLN rate	SLNs	Funding	Success factor	In year funding	Total funding per learner					
One year	0.8	1000	£2,750	800	£2,200,000	0.813	£1,788,600	£1,789	Variance -9%				



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