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Leading learning and skills

# Framework for Excellence: Provider Guide 2008/09

**September 2008**

Of interest to everyone in the learning and skills  
sector, including employers and learners

### **Further information**

For further information, please contact the appropriate Learning and Skills Council office. Contact details for each office can be found on the LSC website: [www.lsc.gov.uk](http://www.lsc.gov.uk).

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# Introduction

**1** The Framework for Excellence (the Framework) is the Government's new performance-assessment framework for colleges and providers. It is formed from a small, core set of verifiable indicators that give an overall picture of performance for all providers. These indicators are combined in a clear, transparent way to provide an overall performance rating for each provider. The Framework will therefore provide an independent, quantitative assessment of the performance of individual providers and of the whole sector, which will enable it to demonstrate that it is rigorously and effectively self-regulating.

**2** This document is an updated edition of the *Framework for Excellence: Provider Guide 2008/09* (LSC, 2008). Its purpose is to provide a comprehensive and detailed description of the Framework as it will be implemented in the academic year 2008/09.

**3** The document contains details of the scope of the Framework during this period, including guidance on which organisations are covered in 2008/09. It also outlines the actions to be taken by individual providers covered by the Framework in 2008/09, and provides specifications for each performance indicator, including:

- scope and definition of the indicator;
- source(s) of evidence for that indicator;
- method for data collection, analysis and distribution;
- descriptions of the calculations to be used to derive the score for each key performance area, including any weightings;
- details of any exemptions from performance indicators and key performance areas; and
- a description of the method for calculating each provider's overall performance rating.

**4** We will publish updates to this document, as appropriate, to take account of further developments. Updated editions will be announced on the Framework for Excellence website.

**5** The Framework for Excellence is a central feature of the new performance-management arrangements proposed in the recent consultation document *Raising Expectations: Enabling the system to deliver* (Department for Children, Schools and Families (DCSF), March 2008). The Framework was first announced in the 2006 Further Education White Paper *Raising Skills, Improving Life Chances*, and is intended

to support its overall themes, including economic mission, employability, and learner and employer choice. It is a key element of the 2008–11 Public Service Agreement 2: *Improve the skills of the population, on the way to ensuring a world-class skills base by 2020.*

**6** The policy for the Framework is summarised in *Framework for Excellence: Putting the Framework into Practice* (LSC, June 2008). The consultation on the Machinery of Government changes proposed that the Framework be developed to underpin a single, unified provider performance-assessment framework post-16, to include sixth forms in schools from 2010. In response to this, it has been agreed with ministers that the Framework will be piloted in school sixth forms from September 2009.

**7** The Framework arrangements for 2008/09 take account of the first phase of piloting of the Framework during 2007/08.

**8** If any colleges or providers have queries on the Framework, in the first instance they should contact their Learning and Skills Council (LSC) local partnership team.

**9** New guidance on self-assessment that refers to the use of the Framework in self-assessment procedures will be published in autumn 2008.

# Scope

**10** The Framework is being rolled out to the further education (FE) system over three years. This detailed description of the Framework relates to the academic year 2008/09, during which – subject to certain eligibility criteria – it applies to all general FE, tertiary, sixth-form, agriculture and horticulture, and art and design colleges, and to most private training providers (including employers who train only their own staff) that deliver Apprenticeships, Train to Gain (TtG) and other employer-responsive funded provision. It should be noted that the Framework does not apply to a college’s higher education (HE) provision, which is funded by the Higher Education Funding Council for England (HEFCE).

**11** The list of organisations and providers definitely **not** in scope for the Framework in 2008/09 is set out in Table 1.

**Table 1: Provider types not in scope for the Framework in 2008/09**

- Independent specialist colleges
- Specialist designated institutions
- Local authorities
- Schools
- Former external institutions
- Providers funded solely by the European Social Fund (ESF)
- Providers funded solely by Ufi
- HE institutions (including those in receipt of LSC funding)
- Independent colleges
- Dance and drama academies
- Offender learning and skills-only providers
- Organisations reporting directly to another central government department (for example, Ministry of Defence) and training only staff from that department.

Note: To be read in conjunction with Figure 1.

**12** There are additional rules governing inclusion in the Framework that concern mergers and minimum volumes of activity. For example, a minimum value of £30,000 relevant funding for 2008/09 will be applied to determine whether a provider is included in the Framework in 2008/09.

**13** The flowchart in Figure 1 illustrates the application of the scoping rules for 2008/09.

**14** Given the diversity of provider types and missions across the FE system, a set of rules has been developed to determine which indicators should apply to which type of provider. These are outlined in Table 2.

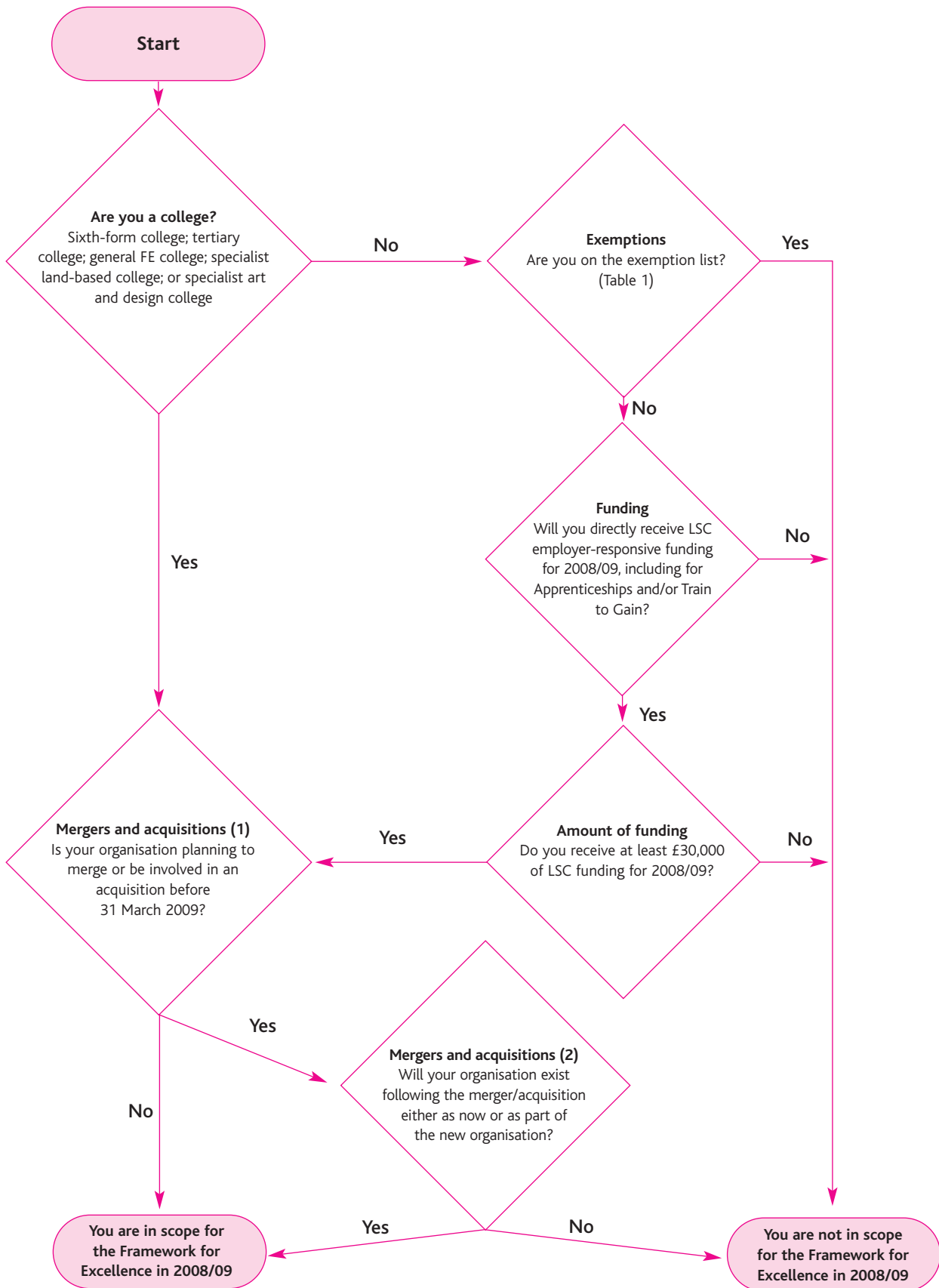
**15** The LSC, in consultation with providers and other stakeholders, has developed a number of exemptions to enable the components of the Framework to be applied appropriately to all provider types. These are described later in this document, in the relevant sections on each performance indicator.

**16** Subject to these exemption rules, and in line with the overall approach of the Framework, the indicators will apply to all provision made by a provider that is in scope for the Framework. In the first year of implementation, there are some common-sense restrictions in the scope of performance indicators. By definition, non-accredited learning, for example, falls outside the scope of qualification success rates (QSRs).

**17** For those providers not in scope for the Framework, the LSC will continue to use other indicators as a measure of their provision, such as inspection grades, robust evidence of past performance and self-assessment reports. We will, however, ask providers to include in their self-assessment reports details of how they will incorporate the Framework and other quality-assurance mechanisms into their systems and processes.

**18** Whenever a provider contracts with the LSC for the first time, it will be required to fulfil the data-collection requirements of the Framework from the start of its contract. Whenever possible, the data available from the first year will be used to calculate whatever scores are possible for 2008/09.

Figure 1: Flowchart for eligibility for Framework for Excellence in 2008/09



**Table 2: Performance indicators applying to different provider types in scope in 2008/09**

Dimension	Key performance area	Performance indicator	Colleges (general FE college; sixth-form college; specialist land-based; specialist art and design)	Employer training		Other private providers
				Own staff	Other staff	
Responsiveness	Responsiveness to Learners	Learner views	Y	Y	Y	Y
		Learner destinations	Y	N	Y	Y
	Responsiveness to Employers	Employer views	Y	N	Y	Y
		Amount of training	Y	N	Y	Y
	<b>OR</b> Training Quality Standard (TQS)*		Y	N/A**	Y	Y
Effectiveness	Quality of Outcomes	Qualification success rate	Y	Y	Y	Y
	Quality of Provision	Inspection grade	Y	Y	Y	Y
Finance	Financial Health	Financial health	Y	N	Y	Y
		Note: A provider is exempt if LSC funding is less than 5% of turnover and training is incidental to the business				
	Financial Management and Control	Financial management and control	Y	Y	Y	Y
	Use of Resources	Funding economy	Y	Y	Y	Y
		Resource efficiency	Y	N	Y	Y
Capital	Y	N	N	N		

\*TQS accreditation automatically results in an outstanding grade for the Responsiveness to Employers key performance area in the Framework, superseding both Responsiveness to Employers performance indicators.

\*\* Employers training only their own staff are exempt from the Responsiveness to Employers key performance area, and so TQS status will not contribute to their Framework for Excellence assessment.

## Mergers and acquisitions

**19** In the case of institutional mergers and acquisitions, we will adopt a pragmatic approach and, wherever appropriate and in liaison with the new institution, will combine the data from the former organisations to generate Framework scores. For example, if an organisation is merging with, or being subsumed by, another organisation before 31 March 2009, then it will be the new organisation that is in scope for the Framework. The Framework policy for calculating scores for the new organisation will follow LSC practices. When the LSC collects a single data set under a single unique provider identification number (UPIN), the Framework will produce a single set of performance indicators.

**20** It is recognised that, even taking this approach, there may be gaps in the data that prevent all dimensions from having grades assigned to them; the LSC will derive grades for as many parts of the Framework as appropriate.

## Consortia

**21** Provision delivered by a TtG consortium or a Diploma consortium is treated as belonging to the contract-holder or the learner's home institution, respectively. Thus 'lead' providers must ensure that they have sufficient confidence in the providers to whom they subcontract and with whom they work in partnership.

**22** In the longer term, we are exploring:

- the possibility of developing data systems so that different elements of a TtG contract can be attributed to the delivery institution for Framework purposes; and
- ways in which a component of a Diploma delivered in a second institution could properly be attributed to the second institution, while overall progress remains the responsibility of the home institution.

## Future extension of scope

**23** The application of the Framework to those providers not in scope in 2008/09 will be explored through a second phase of piloting during 2008/09. This will include, for example, local authorities, independent specialist colleges, and personal and community development learning (PCDL) and Offenders' Learning and Skills Service (OLASS) providers. A guidance document for that pilot will be published separately in early autumn 2008.

**24** From summer 2009, following this second phase of pilot activity, the Framework will apply to all providers that receive some element of LSC funding, except for universities and other higher education institutions (HEIs) that deliver FE provision, learndirect providers that are funded solely by Ufi, and providers that only

deliver ESF provision. From summer 2010, the Framework will apply to all providers of FE.

**25** The current consultation on the Machinery of Government changes proposes that the Framework be developed into a single, unified provider performance-assessment framework post-16, to include school sixth forms from 2010. This is discussed further in *Framework for Excellence: Putting the Framework into Practice*.

## Contextual factors

**26** Several performance indicators incorporate elements of contextualisation. QSRs, for example, take account of the very different success rates on short courses, Apprenticeships, A-levels and other long courses.

**27** Our analytical work so far suggests that we have taken sufficient account of contextual factors. We will, however, review the position early in 2009, when full data will be available for colleges and work-based learning (WBL) providers. The full report of the research undertaken following the 2007/08 pilot will be available by autumn 2008 on the Framework for Excellence website.

**28** Further work will be undertaken in 2008/09 to test the influence of external factors on the outcomes of the Framework, for example in relation to the Learner destinations performance indicator (see paragraph 101) and on any new measures introduced into the Framework in future years.

## Splitting performance data

**29** No outcomes from the Framework will be disaggregated into 16–19 and 19+ age groups in 2008/09. However, we recognise that it may in future be desirable to split some performance data – for example, QSRs.

## Confidentiality and data protection

**30** We will ensure that any and all personal data are collected and held in accordance with the requirements of the Data Protection Act and LSC data-security protocols and systems.

## Data queries

**31** National data-collection operations will be performed in due course by the FE Data Service. The LSC will check the data and raise any issues with providers, after which the usual procedures for data validation and moderation will apply. The validated set of data will then form the basis for all subsequent analyses, including the calculation of Framework for Excellence scores.

**32** National data-collection processes and data content are subject to approval by the Information Authority. The Framework has been considered by the Information Authority and the Bureaucracy Reduction Group on several occasions over the past 18 months. The 2008/09 arrangements take account of their views and suggestions.

**33** Each provider is responsible for ensuring that data used for the Framework are complete, accurate and available by the required date (including the individualised learner record (ILR) and financial returns). For a more detailed discussion of missing data, see paragraphs 57–61.

**34** Providers who want to query their Framework result or data should, in the first instance, contact their LSC partnership manager.

**35** Details of the complaints procedure are set out at [www.lsc.gov.uk/ComplaintsProcedure.htm](http://www.lsc.gov.uk/ComplaintsProcedure.htm).

# Structure of the Framework

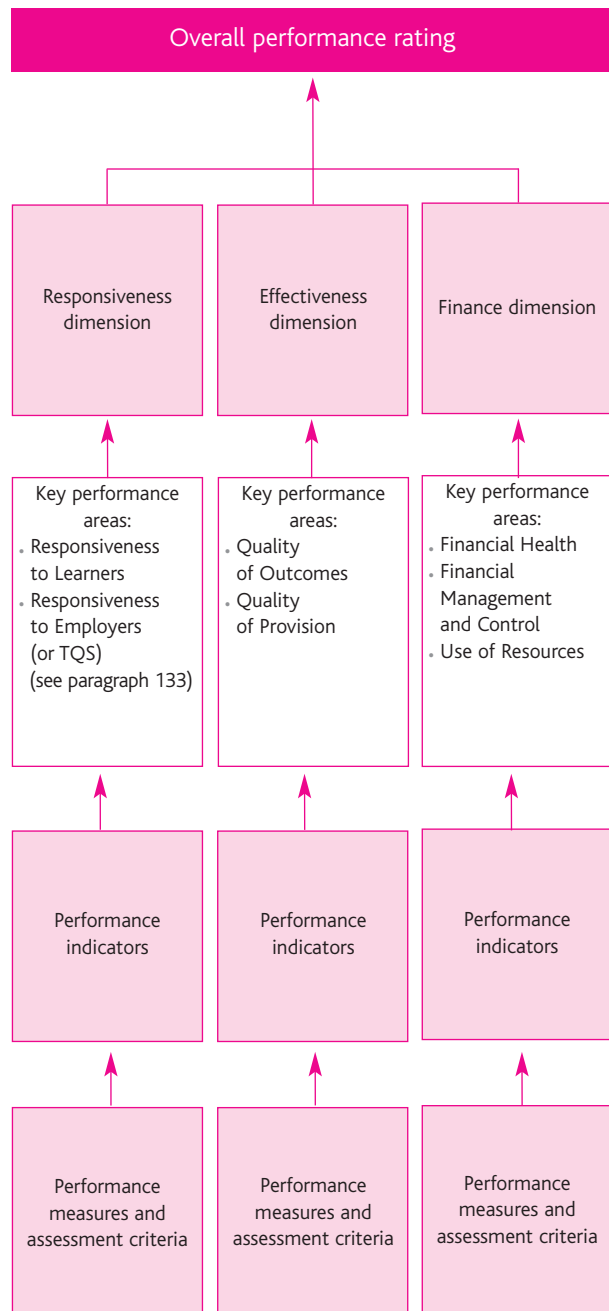
**36** The structure of the Framework is illustrated in Figure 2 and is described in the following paragraphs.

**37** The performance of providers across a range of areas is assessed through a number of **performance indicators (PIs)**, which are derived from **performance measures** (drawn from appropriate sources) combined with appropriate **assessment criteria** (which specify the standards for each indicator).<sup>1</sup>

- The performance indicators are organised into seven **key performance areas (KPAs)**.
- Each college's or provider's performance in the KPAs is aggregated to produce grades for three **dimensions** (Responsiveness, Effectiveness and Finance).
- The **overall performance rating (OPR)** for each provider is then derived from its performance for the three dimensions.

**38** As described in *Framework for Excellence: How the Framework will work* (LSC, June 2007), each PI is assessed against a four-point scale, according to its own assessment criteria. The pilot exercise identified some issues in the combination rules that gave rise to a lack of differentiation in the overall ratings. In the light of this, further adjustments to this aspect of the Framework for Excellence have been made during 2008/09 (see paragraphs 43–50 and Annex D).

**Figure 2: Structure of the Framework for Excellence**



<sup>1</sup> Thus, a performance indicator is more than just a measure of performance: it includes information on the expected standard of performance. For example, the outcome for a provider might be that it has achieved a score of 83 per cent for Learner views. If the assessment criteria for this performance indicator specify that a score of 80–89 per cent is good, then this provider will have a grade of good for this performance indicator.

## Assessment criteria

**39** The Framework assessment criteria are specified standards for performance in relation to each PI. They apply across all provision and provider types and have been defined at levels to ensure that Framework ratings and results are broadly consistent with inspection assessments across the sector. The assessment criteria have been developed in a way that gives all providers the opportunity to achieve a 'good' or 'outstanding' rating.

**40** The assessment criteria for 2008/09 are provisional. They have been set taking into account:

- evidence from the first phase of piloting;
- available inspection grades;
- the views of a wide group of stakeholders;
- the distribution of inspection grades and self-assessment grades across all providers, where appropriate;
- the sensitivity of the PI grade to the assessment criteria; and
- the discrimination offered by the assessment criteria.

**41** We will review and confirm the assessment criteria in spring 2009, when we have data for all PIs for those providers in scope for 2008/09. The criteria will then be specified for a three-year period covering the years 2009/12, rather than 2008/12, as previously proposed.

**42** In 2008/09, the dimensions of the Framework will be weighted equally. However, we will review and revise this principle, if necessary, in the light of future decisions about assessment criteria and combination rules.

## Rules for combining Framework results for different performance indicators

**43** To derive the indicative OPRs for the pilot providers, we based our approach on the proposals we set out in the publication *Framework for Excellence: How the Framework will work*. The approach essentially used a provider's Framework grades for each PI to derive its grades for the KPAs and, similarly, to derive its grades for the dimensions and its OPR. The pilot revealed that this approach was insufficiently discriminating because it did not fully reflect differences in performance, and it also produced certain anomalies.

**44** We have therefore developed a more sensitive and discriminating approach to calculating grades for the KPAs, dimensions and the OPR. The approach we are using in the Framework in 2008/09 is primarily based on the provider's score for each PI when deriving the scores and grades for the KPAs, dimensions and OPR.

**45** Each PI is based on a different performance scale, with different associated assessment criteria. For the sole purpose of combining the PI scores for each provider, each performance measure score is converted to a common scale.

**46** For each PI that has grades but that does not have scores or assessment criteria, a proxy score is used for each grade band on the common scale. These proxy scores are used only for the combination rules.

**47** The combination rules approach deals with exemptions by ignoring the exempted PI for the provider in question when deriving its scores and grades for the relevant KPA and dimension.

**48** The combination rules approach also recognises each provider that has consistently good performance by adding additional performance points (APPs) to that provider's score in certain specified circumstances.

**49** As indicated in the document *Framework for Excellence: How the Framework will work*, rules will be applied to encourage providers to address any inadequate performance.

**50** Annex D to this guide contains more detail on the combination rules.

## Analysis of results

**51** To enable providers to understand how their grades were derived, the dissemination of the grades through the Provider Gateway will be supported by a facility allowing each provider access to the data that have been used to derive the Framework measures that have contributed to its own grades. The degree of access to the data used to derive each performance measure, and therefore the level of detail of data, will differ for each PI. The intention is to provide information that will be sufficient to explain each PI grade. The levels of analysis of the data used to derive each performance measure available in 2008/09 are shown at Annex A.

**52** We are exploring the potential (and the demand) for refining this facility to allow learners, providers and employers to access the data that have been used to derive the Framework measures.

## Rules for deciding when an overall performance rating will not be calculated for a provider

**53** For the first year of the Framework in 2008/09, it is possible that there will be instances when it is inappropriate to calculate an OPR for a provider because certain data are unavailable or are unreliable

for reasons outside the provider's control – for example, in the case of providers contracting with the LSC for the first time.

**54** The LSC will not calculate a provider's OPR if there are no scores available for one of the three dimensions. To ensure that an OPR is based on a broad base of data, it seems desirable to specify a minimum number of PIs for which data need to be available.

**55** For this reason, there are two rules that determine whether an OPR will be calculated for a provider in 2008/09. An OPR will be calculated if:

- a. there is robust data/evidence for at least one PI in six or more of the KPAs (for providers that are principally employers, this rule is relaxed from six to five); and
- b. there is robust data/evidence for at least one PI in each of the three dimensions.

**56** The seven KPAs for 2008/09 and the three dimensions are set out in Table 3.

### Late, missing and inadequate data

**57** High-quality Framework information will be of benefit to providers themselves, their learners and other users. Providers should therefore ensure that their data for the Framework are accurate, complete and provided on time. If a provider fails to supply the required data, or prevents the LSC or its contractors from collecting them, the LSC may note the absence of the data in both the Framework report that is sent to the provider and in any Framework publication of the PIs.

**58** In 2008/09, some PIs will be calculated from data returned prior to 31 July 2008. It is acknowledged that providers are unable to influence the completeness of these data in any way that could impact on their Framework outcomes; therefore, where data are missing for one of these PIs, the LSC will regard the provider as exempt from that PI for 2008/09.

**59** Inspection grades will be published by Ofsted and so do not require a separate provider return. The data for the Qualification success rate and Amount of training PIs are returned routinely through the ILR, and therefore it is not expected that for these PIs there will be any missing data as a result of inappropriate provider actions.

**60** Three performance indicators are new for 2008/09: Employer views, Learner views and Financial management and control. If data for one or more of these measures are not supplied by a provider that is not specifically exempted from them, then no score will be calculated for that provider, and the lack of submitted data will be highlighted in any Framework reports.

**61** As part of the second phase of piloting in 2008/09, throughout the year we will explore ways in which data returns for each PI can be maximised. On the whole, this will focus on ways in which awareness of the benefits of fully engaging with the Framework can be raised and best communicated. However, we will also explore whether a penalty system could be introduced for providers that refuse to supply data or that obstruct the collection of data.

**Table 3: Key performance areas and performance indicators used to calculate overall performance ratings**

Dimension	Key performance areas	Performance indicators
Responsiveness	• Responsiveness to Learners	• Learner views • Learner destinations
	• Responsiveness to Employers	• Employer views or TQS • Amount of training
Effectiveness	• Quality of Outcomes	• Qualification success rate
	• Quality of Provision	• Inspection grade
Finance	• Financial Health	• Financial Health
	• Financial Management and Control	• Financial management and control
	• Use of Resources	• Funding economy • Resource efficiency • Capital

# Key Performance Areas and Performance Indicators

**62** The Framework arrangements over the next 12 to 18 months will involve some changes and additions to procedures. Most importantly, colleges and other providers in scope in 2008/09 will be expected to conduct two surveys: one of their learners in early 2009, and one assessing the views of employers to whom they provide services in autumn 2008. These surveys need to produce data that are robust and comparable, without imposing unnecessary burdens on providers.

**63** The following sections set out the scope of application, exemptions, definitions, data sources and data-submission requirements for the KPAs and PIs in 2008/09.

## Responsiveness to Learners

### Overall key performance area score

**64** The Responsiveness to Learners KPA will consist of two PIs:

- the results of a survey of learners' views; and
- Learner destinations.

### Performance indicator 1: Learner views

#### Applicability

**65** All providers in scope for the Framework during 2008/09 will be included in this indicator.

**66** Providers were invited in the document *Framework for Excellence: How the Framework will work*, and again by their LSC partnership managers early in 2008, to undertake the voluntary survey of learners' views in the period from early February to 16 June 2008.

**67** Those providers that did not participate in the voluntary survey of learners' views, and those that participated but did not deliver statistically robust results will be expected to undertake the mandatory survey between 2 January and 13 February 2009.

**68** In 2008/09, the survey will apply to learners on LSC priority provision. These learners are defined as:

- all learners aged 16–18;
- all learners on Apprenticeships and Advanced Apprenticeships;
- all learners on TtG programmes;
- all learners on target-bearing Skills for Life programmes;
- all adults on programmes contributing to a full Level 2 or full Level 3 qualification, as flagged on the ILR; and
- learners with learning difficulties and/or disabilities (at the discretion of providers).

**69** For learners with learning difficulties and/or disabilities, the aim in 2008/09 is to encourage maximum inclusion, while giving providers the discretion not to involve learners for whom the survey methods available would be inappropriate or distressing. We would expect this discretion to be based on case-by-case judgements rather than block exclusions. Providers are also asked to exercise judgement in the provision of additional support to help learners access the survey. The guiding principle must be that the support will enable learners to express their views effectively, without influencing the nature of the views expressed. Guidance from awarding bodies on the provision of support in examinations may be useful as a starting point for judging this. As the survey will be applicable to all learners from 2009/10, participating in the survey in January and early February 2009 will give an opportunity to test the system.

**70** The adaptation of the web-based survey so that it can be used with appropriate technology for learners with learning difficulties and/or disabilities is currently under way. Updates on capability will be placed on the 'learner views' pages of the Framework website. The web-based survey will be suitable for learners with a Level 1 reading ability.

**71** Providers can use summative feedback from their learners with learning difficulties and/or disabilities.

**72** In 2009/10, the survey will be extended to all learners.

### Definition

**73** The performance measure is a score derived from the questionnaire on learners' views that captures learners' perceptions about:

- the information, advice and guidance they have received from their provider;
- the quality of teaching and learning on their programme;
- their overall satisfaction with their learning experience;
- their satisfaction with the level of support available to them from their provider; and
- whether they are treated fairly and with respect.

**74** Learners also have the opportunity to give feedback on how their provider could improve and whether their provider is responsive to their views.

### Data source

**75** The data are obtained from the survey of learners' views. It is envisaged that, from 2009/10, the survey will be carried out annually in January and early February.

**76** The questions and wording are currently undergoing cognitive testing and will be placed on the Framework for Excellence website by early December 2008. Providers will access the questions directly via a weblink.

### Data-submission requirements: voluntary survey (February 2008 to 16 June 2008)

**77** The deadline for completion of the voluntary survey was 16 June 2008. Those providers that submitted data have received feedback. Those that submitted unrepresentative or late data have been informed that the voluntary survey data cannot go forward to their OPR in spring 2009, and that they must upload the learner views survey in January/February 2009.

**78** Providers that did submit data from a representative sample on time have been given the option of participating in the survey in January and early February 2009.

**79** For those providers that do opt to undertake the survey in January and early February 2009, their voluntary survey scores will not be used, and it will be their 2009 scores that are used to calculate their March 2009 Framework outcomes.

### Data-submission requirements: mandatory survey (January 2009 to early February 2009)

**80** This survey is mandatory for all providers in scope who chose not to take part in the voluntary survey, or who participated but did not deliver statistically representative results.

**81** Should a provider undertake both the voluntary and the mandatory surveys, the score from the mandatory survey supersedes any score gained in the voluntary survey.

**82** As a result of findings from the pilot for 2008/09:

- the survey will have a five-point response scale;
- the wording of questions will be amended; and
- the language used will be changed to be accessible to a Level 1 learner.

**83** The LSC will test a web-based methodology in autumn 2008. The link to the survey website will be available to providers to facilitate delivery of a provider-led survey in January and early February 2009. This is the only method that providers should use to generate survey results. For details, please refer to the Framework for Excellence website at <http://ffe.lsc.gov.uk/>.

**84** Providers will be sent guidance on how to generate their sample, but to ensure that they meet the required sample size, they are encouraged to ask all their learners (in priority learning) to undertake the survey. This will also increase the chance of providers gaining a representative survey.

### Preparation for the survey

**85** A 'frequently asked questions' document and a step-by-step guide to preparing for the survey can be found on the 'learner views' pages of the Framework website at <http://ffe.lsc.gov.uk/>. Providers should check the website periodically, as it will be updated regularly. Providers are reminded of the terms outlined in paragraphs 57–61 of this document, and are asked to encourage their learners to respond to the survey.

### Accessibility issues

**86** If there are specific accessibility issues for your learners that make a web-based survey impossible for them, you have been asked to let us know in advance by downloading the form from the Framework for Excellence website at <http://ffe.lsc.gov.uk/>, and returning it to the address given on the form by 30 September 2008.

For genuine accessibility difficulties (for example, where learners are unable to use a computer), alternative methods will be made available for use at the same time as the web-based survey is undertaken.

### Assessment criteria

**87** Owing to the changes made in response to the pilot findings (paragraph 82), the assessment criteria used in the pilot are not appropriate for the 2008/09 survey and cannot be used. New assessment criteria will be published in late 2008.

### Calculating the score

**88** The methodology for calculating the score of the mandatory learner survey is shown in Figure 3.

## Performance indicator 2: Learner destinations

### Applicability

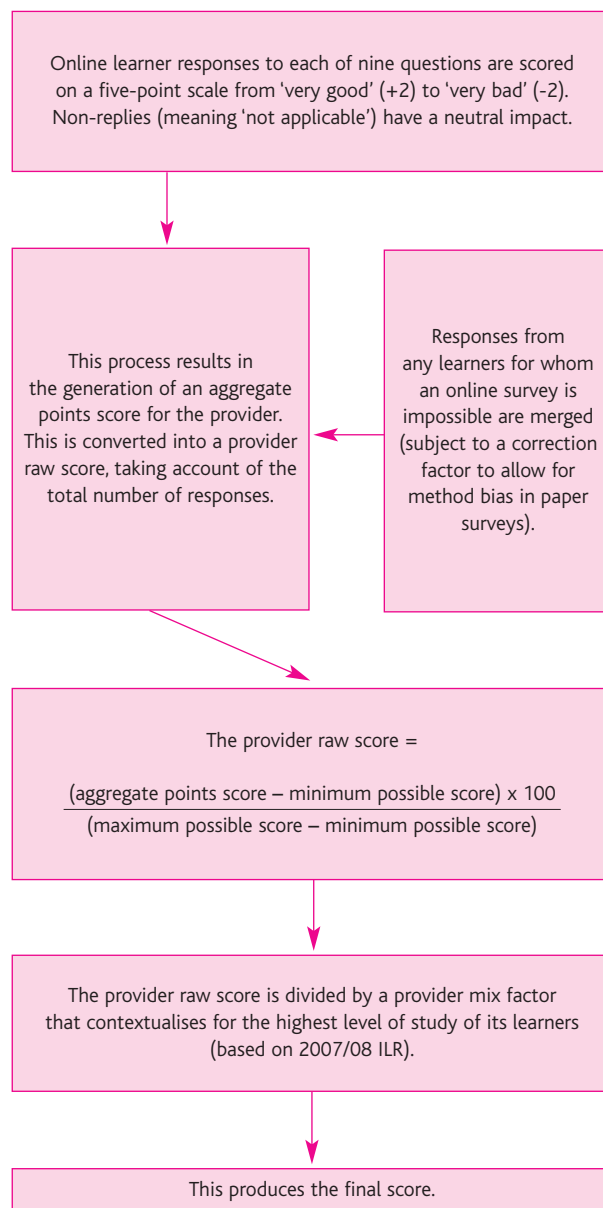
**89** This indicator includes all learners on a priority programme who achieved at least one relevant qualification. These learners are investing significant time and energy in a programme of learning that is designed to affect their lives in a significant way, and they are defined as follows:

- all learners aged 16–18;
- all learners on Apprenticeships and Advanced Apprenticeships;
- all learners on TtG programmes;
- all learners on target-bearing Skills for Life programmes; and
- all adults on programmes contributing to a full Level 2 or full Level 3 qualification, as flagged on the ILR.

### Exemptions

**90** This PI does not apply to employers who deliver training solely to their own employees. However, if an employer also delivers training to staff other than its own employees, then it will be in scope for the Learner destinations performance indicator, which will be calculated for those other (non-staff) learners.

**Figure 3: Mandatory survey of learners' views, 2 January to 13 February 2009, summary of scoring mechanism**



### Definition

**91** The performance measure for Learner destinations is the proportion of priority learners completing an LSC-funded programme in one academic year and progressing in the next academic year to a destination defined in codes 1–5 of Table 4. In 2008/09, these destinations are:

- enrolled in priority learning with the same level of highest learning aim;
- progressed to learning with a higher level of highest learning aim;
- remained in employment or self-employment, with improved job security or enhanced career prospects;

**Table 4: Categories of destinations used in the Learner destinations PI**

Code	Description
Code 1m Code 1i	Enrolled in priority learning with the same level of highest learning aim
Code 2m Code 2p Code 2i Code 2h	Progressed to learning with a higher level of highest learning aim
Code 3	Remained in employment or self-employment, with improved job security or enhanced career prospects
Code 4	Entered employment or self-employment, having been in learning prior to the destination year where the completion year's learning had an impact
Code 5	Entered employment or self-employment or training, having previously been outside the labour market
Code 6	Not in employment, education or training, but activity category neutral for the purposes of the measure
Code 8	Learner not tracked into further learning and ILR L27 field prevented further contact
Code 9	No contact made with the learner
Code 10	Current activity does not meet any of the criteria for a positive outcome

Note: Code 7 is for administrative purposes only.

- entered employment or self-employment, having been in learning prior to the destination year where the completion year's learning had an impact; or
- entered employment, self-employment or training, having previously been outside the labour market.

#### Data source

**92** For the year 2008/09, the Learner destinations PI will relate to the 2007/08 destinations of those learners completing in 2006/07. ILR data will be used to match priority learners from one year to the next. Learners that cannot be matched will be contacted by means of a telephone survey. Only completers of courses are included in the matching and survey. Learners attending the second year of a course are ignored. Other sources of data that are being considered include HEFCE records and the providers' own records of HE progression.

#### Data-submission requirements

**93** The LSC already has the ILR records for the two years in question (2006/07 and 2007/08). The other sources of data under consideration would be supplied by HEFCE and the providers.

**94** In the 2007/08 pilot, there were a significant number of learners who could not be contacted for the telephone survey. The reasons for this included:

- the ILR L27 field prevented the LSC from contacting the learner; and
- a missing, incorrect or incomplete contact telephone number.

**95** Therefore, in 2008/09, we will be looking for providers' help in increasing the number of learners we can include in this measure. To achieve this, a provider needs to ensure that:

- learner contact details are updated regularly and are as accurate and complete as possible; and
- as many learners as possible have an opportunity to participate in the questionnaire on learner destinations, through appropriate use of ILR L27 responses.

#### Calculating the score

**96** The total number of qualifying priority learners is identified. These learners are then classified into one of the codes in Table 4 either through matching or on the basis of their response in the telephone survey. After classification, a calculation is made to determine the overall Learner destinations score.

**97** Although a score is calculated for each provider, quality threshold checks are then made to see if this score is robust enough to be graded. Even if the quality threshold checks are passed, it may not be possible to calculate a score for several reasons:

- fewer than 50 learner destinations are established;
- less than 15 per cent of the final unmatched learners were interviewed;
- unless 20 per cent of the total cohort destinations are established.

**98** Providers who do not meet the above tests will have their data examined on an individual basis. In exceptional cases, it may be determined that we have sufficient returns to calculate a robust enough score for a grade to be awarded.

**99** An example of the scoring methodology for Learner destinations is provided at Annex F.

### Assessment criteria

**100** The assessment criteria are based on the views of the development team and pilot providers. They are shown in Table 5.

**Table 5: Assessment criteria**

Score	Grade
85% or greater	Outstanding
72.5% to less than 85%	Good
60% to less than 72.5%	Satisfactory
Less than 60%	Inadequate

### Future developments

**101** Analysis of the pilot data has shown that the age of the learner and their mode of study (full time or part time) could be significant factors in determining whether the learner progresses to a positive destination. The small sample of data available in the pilot is not sufficient to allow reliable corrections for these factors to be determined at present. The second phase of piloting is currently investigating whether (and, if so, how) these factors might be included in the Learner destinations PI through the assessment criteria, as recommended by a recent contextualisation study of the pilot outcomes. Should it be appropriate, these factors will be accounted for in the Learner destinations score calculation method from 2009/10.

## Responsiveness to Employers

### Applicability

**102** The Responsiveness to Employers KPA is applicable only to those providers that have already been assessed as being eligible for Framework for Excellence assessment and that are contracted by the LSC to deliver training to employers.

**103** Any provider that is eligible for Framework for Excellence, is contracted to deliver any volume of TtG or Apprenticeship training and/or receives £30,000 per annum of employer-responsiveness funding, is included for assessment against this KPA.

**104** Providers in possession of TQS accreditation at the end of August 2008 (see [www.trainingqualitystandard.co.uk](http://www.trainingqualitystandard.co.uk) for live listing) will automatically be awarded a grade of 'outstanding' for the Responsiveness to Employers KPA in May 2009.

### Overall key performance area score

**105** The Responsiveness to Employers KPA measures:

- the **quality** of employer experience through the survey of employers' views; and
- the **quantity** of training delivered, measured by the Amount of training indicator.

### Performance indicator 1: Employer views

#### Applicability

**106** Providers are required to ask **all the employers** who have had any publicly funded training from them during the relevant Framework for Excellence period (2007/08 for Version 1) to participate in the survey of employers' views.

**107** Provider lists of individual employer customers are available via a link on the Framework for Excellence website (<http://ffe.lsc.gov.uk/>) to a secure, password-protected portal. Providers will be sent their passwords for this portal in September 2008. Providers will be contacted and have the opportunity to access the portal and check that:

- their entry represents a full and accurate list of all the employers to whom they have supplied LSC-funded training in the academic year 2007/08; and
- contact details are available for each of the employers on the list.

**108** This list includes those employers that have had subsidies for only a portion of their training costs, as well as those who have accessed fully subsidised training. Where a training package for an individual employer has involved both LSC and employer-funded activity, the employer should, wherever possible, be encouraged to complete the survey for all the training undertaken.

#### Exemptions

**109** Any employer receiving training that has not involved any public subsidy or been recorded on the ILR does not need to be surveyed.

#### Definition

**110** This is a performance measure of each employer's views of its provider's responsiveness to it. Each provider will receive results that will enable it to make comparisons with national standards.

**111** Ratings are based on employers' views of providers in key areas of delivery. These key areas correspond to the core elements of the TQS for Responsiveness to Employers – in particular the 'Respond', 'Deliver', 'Relate' and 'Perform' elements.

#### Data source

**112** Data for assessment will come from the collation of employers' survey returns.

#### Data-submission requirements

**113** The survey methodology, including quality assurance, has, wherever possible, been aligned to that used for the survey of learners' views in the Framework for Excellence.

**114** The survey will be based on the process outlined in Figure 4.

**115** The survey questions are available on the Framework website (<http://ffe.lsc.gov.uk/>).

**116** For 2008/09, the survey must be completed during the two-month window of October to November 2008. From spring 2009 onwards, we expect the survey to be completed by employers three to six months after training has been completed, on a rolling basis, with results 'banked' and available to view as they are captured. More details about next year's survey will be made available early in 2009.

**117** Providers will supply employers with the common questionnaire (electronic or paper-based) following the guidance on the Framework website <http://ffe.lsc.gov.uk/>.

**118** Ipsos MORI, a professional survey company, has been selected to assist in managing the process, and, if required, may be used to audit, validate and supplement a provider's results through an additional survey.

**119** Providers are reminded of the terms outlined in paragraphs 57–61 of this document, and are asked to encourage their employers to respond to the survey.

#### Data and recording of data

**120** To minimise bureaucracy, providers should try to align this survey with their own wider quality-management processes, as far as possible.

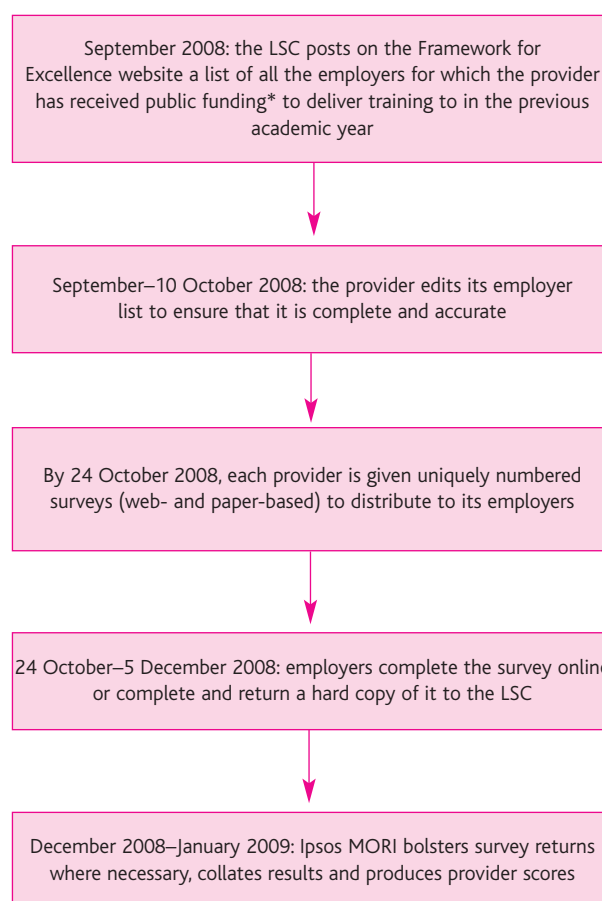
#### Calculating the score

**121** The PI grade will be calculated by combining employer responses to individual questions to produce a total score – see Table 6.

**Table 6: Employer views PI scoring table**

Total mean average provider survey score	Provider grade
9.05 or greater	Outstanding
8.05 to less than 9.05	Good
6.05 to less than 8.05	Satisfactory
Less than 6.05	Inadequate

**Figure 4: Process for survey of employers' views**



\* Public funding being a partially and/or wholly LSC-administered fee subsidy for any part of any training delivered to an employer.

## Performance indicator 2: Amount of training

### Applicability

**122** This PI is applicable to all providers that are eligible for the KPA (see paragraphs 102–104) and that were funded to deliver more than £30,000 worth of employer-responsive training in 2007/08.

### Exemptions

**123** Providers not eligible for this KPA are exempt from this PI (see Table 2).

**Table 7a: Amount of training scores (illustrative) – provider size**

Provider size (in 07/08)	Points
Below 11 SLN*	Ineligible
11–49 SLN	0
Thereafter points awarded in increments of 50 SLN	
50–99	1
100–149	2
150–199	3
200–249	4
250–299	5
[...]	
500–549	10
[...]	
1,000–1,049	20
[...]	
above 1,250 SLN	25

\*Standard learner numbers

**Table 7b: Amount of training scores (illustrative) – provider growth**

Provider growth (06/07–07/08)	Points
above 50%	75
25%	50
20%	45
10%	35
5%	30
No growth	25
-5%	20
below -25%	0

**Table 8: Amount of training performance indicator scoring**

Grade ranges	
Provider score	Grade
0–20	Inadequate
21–50	Satisfactory
51–75	Good
76–100	Outstanding

Note: the scoring and grade boundaries may be revised in November 2008 when the 2007/08 ILR F04 results are available.

**Definition**

**124** The Amount of training performance indicator will be based on the amount of training that is delivered by providers, with particular emphasis on rewarding strong performance in key areas such as TtG and Apprenticeships.

**125** The volume of learners on these key programmes, weighted by provider size, will be used to calculate the score for this indicator.

**126** An Amount of training indicator is believed to be appropriate because:

- it provides a 'quantity' context for the Employer views score, recognising that satisfying a large or growing number of customers is difficult; and
- it recognises those providers that are contributing significantly to government targets.

**Data source**

**127** The data source for the 2008/09 grade will be 2006/07 and 2007/08 ILR records.

**Data-submission requirements**

**128** There are no new requirements. Providers will not need to submit any additional data for this measure, but they will need to ensure that all employer-sponsored training, including training undertaken by self-employed people, is identified on ILR returns.

**Calculating the score**

**129** Scores will be based on annual growth, weighted by volumes. Relative weights for both growth and volume will be agreed and communicated by December 2008, following analysis of 2007/08 ILR data. Tables 7a and 7b are illustrative of how this may be done.

**130** The proposed grading for the Amount of training indicator is shown in Table 8. Note that the scoring and grade boundaries may be revised in November 2008, when the 2007/08 data (ILR F04 results) become available.

**Training Quality Standard accreditation**

**Applicability**

**131** The TQS is applicable to all providers (LSC-funded or not) as a mark of excellence in employer responsiveness.

**Definition**

**132** The TQS is a comprehensive quality badge that is available to all providers across the entire training market. Assessment is voluntary and is verified in consultation with employers. The TQS was launched in May 2008, and is applicable across publicly and privately funded provision. Accreditation to the TQS is based on assessment against criteria that look at the ways in which providers meet employers' needs, and the outcomes achieved by providers.

**133** The evidence used to assess the Employer views measure in the Framework for Excellence will be based on a subset of the assessment criteria from the TQS. Providers that achieve the TQS for their whole organisation will automatically be rated 'outstanding' across the whole Responsiveness to Employers KPA for the period for which the TQS is awarded (normally three years).

**134** In a reciprocal arrangement, from summer 2010 any provider that is in scope for the Responsiveness to Employers KPA may need to achieve a rating of 'good' or 'outstanding' in the Responsiveness to Employers KPA **before** it can apply for the TQS.

**135** Framework for Excellence evidence will be highly relevant to support an application for the TQS, not least because the Framework's Employer views survey is based on elements of the TQS.

**136** For detailed information about the TQS, please see [www.trainingqualitystandard.co.uk](http://www.trainingqualitystandard.co.uk).

## Quality of Outcomes

### Applicability

**137** The Quality of Outcomes KPA is applicable to all provider types delivering learning aims that contribute to QSRs.

### Performance indicator: Qualification success rates

#### Exemptions

**138** Providers with fewer than 10 learning aims that contribute to QSRs will be exempt from this PI. This rule mirrors the LSC process used to generate benchmarking data.

#### Definition

**139** The success rate measure is obtained by combining the QSRs for the five qualification types together with the A-level value-added score from the LSC's Learner Achievement Tracker (LAT):

- FE long courses, excluding A-levels;
- FE short courses;
- A-levels, including A2 and AS;
- Apprenticeships, including Advanced Apprenticeships (overall success rate); and
- Train to Gain (TtG) qualifications (overall success rate).

### Data source

**140** The data sources for this PI are LSC qualification success rates derived from 2007/08 ILR data and 2007/08 LAT A-level value-added, based on the final data release. The success rates and value-added results, together with a facility for accessing the constituent data, are available through the Provider Gateway or the online data-collection service.

### Data-submission requirements

**141** Pre-defined grids, matching QSRs and value added to scores, are used to derive the performance measure. FE long and short courses, Apprenticeships and TtG are scored on a 130-point scale (see Table 9). Points for A-level outcomes are supplemented by value added from the LAT. Accordingly, the grid scale for A-level success rates has a ceiling (100 points) below the maximum set for FE long and short courses, Apprenticeships and Train to Gain QSRs (130 points), with a difference equal to the highest possible value-added score supplement (30 points) – see Table 10.

**142** A value-added score with a confidence interval entirely below zero (that is, the national average) indicates a value-added performance significantly below the national average, while a score with a confidence interval entirely above zero indicates that the value-added performance is significantly above the national average. Alternatively, if a provider has a value-added score with a confidence interval that straddles zero, it means that the provider's value-added performance is not statistically different from the national average.

**143** Value-added information for A-level provision is available from the LAT for most providers that have such provision. Where this value-added information is unavailable, the calculation process will assume that the provider's value-added performance is not statistically different from the national average. This assumption is supported by available evidence and analysis.

**144** Where the provider's QSR for a qualification group falls between any two grid QSRs and their respective grid points, a score is calculated that corresponds to the distance between the two grid points. For example, a Train to Gain QSR of 73.75 per cent (the middle distance between 72.5 per cent and 75 per cent in the grid) would be assigned 55.25 points (the middle distance between the respective grid points of 52 and 58.5).

**Table 9: Qualification success rates scoring grid**

Points Benchmark		FE long excl. A-level	FE short	A-level	Apprenticeships and Advanced Apprenticeships	Train to Gain
130	100	0.0%	0.0%	0.0%	0.0%	0.0%
0	0	0.0%	0.0%	0.0%	0.0%	0.0%
6.5	5	55.0%	55.0%	73.0%	21.0%	35.0%
13	10	60.0%	65.0%	76.0%	34.0%	45.0%
19.5	15	63.0%	70.0%	77.0%	43.0%	55.0%
26	20	65.0%	73.0%	79.0%	47.0%	60.0%
32.5	25	66.0%	75.0%	80.0%	50.0%	65.0%
39	30	67.0%	77.0%	81.0%	53.0%	67.5%
45.5	35	68.0%	79.0%	82.0%	55.0%	70.0%
52	40	69.0%	80.0%	82.5%	57.0%	72.5%
58.5	45	70.0%	81.0%	83.0%	59.0%	75.0%
65	50	71.0%	82.0%	84.0%	60.0%	77.5%
71.5	55	72.0%	83.0%	84.5%	62.0%	80.0%
78	60	73.0%	84.0%	85.0%	64.0%	82.5%
84.5	65	74.0%	85.0%	86.0%	66.0%	85.0%
91	70	75.0%	86.0%	86.5%	67.0%	87.5%
97.5	75	76.0%	87.0%	87.0%	70.0%	90.0%
104	80	78.0%	89.0%	88.0%	73.0%	92.5%
110.5	85	79.0%	91.0%	89.0%	76.0%	95.0%
117	90	83.0%	92.0%	90.0%	80.0%	97.5%
123.5	95	86.0%	96.0%	92.0%	86.0%	99.0%
130	100	100.0%	100.0%	100.0%	100.0%	100.0%

**Table 10: A-level value-added scoring grid**

Value added		
Significantly negative value added	Non-significant value added	Significantly positive value added
0 points	15 points	30 points

**Table 11: Assessment criteria**

Provider score	Provider grade
97.5 points or more	Outstanding
65 points to less than 97.5 points	Good
32.5 points to less than 65 points	Satisfactory
Less than 32.5 points	Inadequate

**Table 12: Quality of Outcomes example**

	A	B	C	D = A x C
	Proportion of learners gaining the qualification (learner volumes)	QSR	Points from scoring grid	Learner weighted points*
FE long excluding A-levels	0.49	69%	52	25.5
FE short	0.27	77%	39	10.5
Apprenticeships and Advanced Apprenticeships	0.08	55%	45.5	3.6
Train to Gain	0.06	65%	32.5	2
A-levels	0.1	83%	45	6
Value added		Non-significant	15	
<b>Performance measure: learner weighted points</b>				<b>47.6</b>
<b>Quality of Outcomes KPA grade</b>				<b>3</b>

\*Rounding used for illustrative purposes.

<sup>2</sup>This method mirrors the LSC process used in aggregating QSRs.

**145** Points are assigned to the QSR and are then weighted by QSR learner starts (or, in the case of Apprenticeships, completers) for the qualification type. This produces an aggregate points score, which is the performance measure.<sup>2</sup> A grading table (incorporating the assessment criteria) is then applied to the performance measure to derive the QSR indicator and the Quality of Outcomes KPA grade for the college or provider. Assessment criteria and an example are shown in Tables 11 and 12.

## Quality of Provision

**Performance indicator: Inspection grade**

**Applicability**

**146** All providers are in scope.

**Exemptions**

**147** There are no exemptions to this PI, as all providers in scope in 2008/09 are eligible for inspection.

**Definition**

**148** The Framework for Excellence score for the overall Quality of Provision will be the same as the current inspection view of overall effectiveness. This will be derived from the most recent inspection judgement.

**Data source**

**149** The data source is Ofsted's inspection reports.

**Data-submission requirements**

**150** There are no new requirements.

## Calculating the score

**151** There is no score calculated for the Inspection grade as the grade for the PI is taken directly from the Inspection grade.

## Assessment criteria

**152** Assessment criteria are determined by Ofsted as part of its judgements. Only the grade is recorded.

## Financial Health

### Scope

**153** All providers in scope for the Framework (other than those listed in Table 13) are in scope for the Financial Health KPA.

**Table 13: Providers exempt from the Financial Health key performance area in 2008/09**

- Non-departmental public bodies
- Other public bodies and agencies
- NHS Trusts, primary care trusts and strategic health authorities
- Police and fire authorities
- Designated charities and voluntary organisations whose main source of funding is not the LSC (for example, Red Cross)
- Established public listed companies and other registered companies for which total LSC contract values are no more than 5 per cent of annual turnover.

### Definition

**154** Financial Health is a measure of a provider's financial status in terms of current financial performance and ability to meet ongoing financial commitments.

**155** Financial Health will be graded, based on the following three elements:

- current ratio (solvency);
- operating surplus or deficit as a percentage of turnover/income (sustainability); and
- borrowing as a percentage of certain reserves and debt (status).

**156** Definitions of these elements are given at Annex B.

### Data source

**157** For 2008/09, the data required to calculate the three elements will be sourced as follows:

- for colleges – from the Finance Record for the year ending 31 July 2008; and
- for other providers in scope – from the latest available statutory financial statements (full accounts or equivalent, not abbreviated accounts).

**158** Colleges and other providers already have to prepare accounts for both internal management and audit purposes. Also, the LSC already requires organisations that tender for LSC-funded provision to provide a full set of accounts within 15 months of year end. Therefore, the Financial Health KPA involves no additional data burdens.

### Data-submission requirements

**159** Colleges are required to submit their Finance Record returns to the LSC in accordance with the published timetable.

**160** Other providers will continue to be required to make their financial statements available to the LSC on request.

### Scoring and weighting

**161** Each element will receive a score, up to a maximum of 100 points. Scores for the three elements will be aggregated, and a factor (maximum of 100) for consistent performance will be applied to arrive at a total maximum achievable autoscore of 400 points.

### Step 1 – Initial scoring

**162** For each of the elements a score of 0 to 100 points will be awarded, based on performance as shown in Table 14.

**Table 14: Scoring for Financial Health ratios**

Score	Adjusted current ratio	Operating surplus as a percentage of income	Borrowing as a percentage of reserves and debts
0	<0.2	<-4	>=95 or negative
10	>=0.2	>=-4	<95
20	>=0.4	>=-3	<90
30	>=0.6	>=-2	<85
40	>=0.8	>=-1	<80
50	>=1.0	>=0	<75
60	>=1.2	>=1	<60
70	>=1.4	>=2	<45
80	>=1.6	>=3	<30
90	>=1.8	>=4	<15
100	>=2.0	>=5	>=0

### Step 2 – Recognition of consistency

**163** The scores for the three ratios above will be aggregated, and a bonus for consistent performance will be added to the subtotal, as shown in Table 15.

**Table 15: Recognition of consistency**

Two ratios scoring >=60	Add 50 points
Three ratios scoring >=60	Add 100 points

**164** An initial grade assessment of 1 to 4 will be made by comparing the aggregated points score with the assessment, as shown in Table 16.

**Table 16: Assessment criteria for Financial Health key performance area**

Provider score	Provider grade
310–400 points	Outstanding
220–300 points	Good
120–210 points	Satisfactory
<=110 points	Inadequate

### Step 3 – Grading the Financial Health score (with consistency)

**165** The resulting total score out of 400 will be graded as shown in Table 16.

**166** The Financial Health assessment criteria were developed based on the existing financial health assessment methodology, which uses ABC grades. General descriptions associated with the four Financial Health grades are shown in Table 17.

**Table 17: Financial Health descriptions**

Grade	Description
1 Outstanding	A provider that has very robust finances to fulfil its contractual obligations and to respond successfully to opportunities or adverse circumstances
2 Good	A provider that has sufficiently robust finances to fulfil its contractual obligations, and to respond successfully to most opportunities or adverse circumstances
3 Satisfactory	A provider that appears to have sufficient resources to fulfil its contractual obligations, but also appears likely to have limited capacity to respond successfully to opportunities or adverse circumstances
4 Inadequate	A provider that is in financial difficulty and very likely to be dependent on the goodwill of others. There is a significant risk of providers in this group not being able to fulfil contractual obligations because of weak financial health

**167** Colleges will continue to carry out a self-assessment of their financial health in accordance with the annual guidance published in relation to their financial returns. Non-college providers may also carry out a self-assessment if they wish, but this is not a requirement. The autoscore and the self-assessment will then be subject to possible moderation by regional provider financial management teams, on a consistent basis, to take account of the approved policy items listed in the paragraphs below.

#### a. Capital uplift (colleges only)

It is recognised that it is common for a college's financial health to deteriorate during the build period and early post-completion years of a capital project. For colleges undergoing a capital project at their 31 July year end (that is, where 31 July lies within the capital project lifecycle, which is defined as date of first claim to the financial year in which the project ends, plus three years), the following procedure applies:

- **where** a college is graded 'outstanding', 'good' or 'satisfactory' at the time of detailed project approval; **and**
- if it will return to at least a grade of 'satisfactory' by the third year following project completion; **then**
- **if**, in the intervening years, the reported Financial Health grade becomes 'inadequate' solely as a consequence of the project being undertaken; **then**,
- **provided** it performs during the intervening years at least as well (in the opinion of the LSC) as it forecast in its project proposal, its Financial Health grade will be maintained on record as being 'satisfactory' rather than 'inadequate'.

**However**, if a college performs less well than it forecast, its grade will reflect this.

**168** Under this approach, there will be a reference point within the project proposal; this will reduce to a minimum any need for judgement to be exercised and will provide a clear basis for LSC validation.

#### **b. Moderation criteria**

**169** The expectation is that moderation will be required only in a small proportion of cases. The criteria are as follows:

i. A college or provider may make a case to its LSC regional provider financial management director seeking moderation to one grade higher or one grade lower on the following grounds:

- where a college or other provider operates with a revolving credit facility, reducing the reported current ratio; **or**
- where a college incurs impairment charges in relation to (or in advance of) a capital project; **or**
- where, in relation to a capital project proposal, a college has incurred professional fees that could not be capitalised. (The LSC will only accept this argument if, in its opinion, there is adequate subsequent confirmation that the project will proceed and that the fees will be shown as capitalised in future financial statements.)

ii. In addition, the LSC will moderate a grade on the following grounds:

- where a college is in receipt of exceptional financial support in-year, this would normally lead to an 'inadequate' grade for Financial Health being reported for that year;
- where a college is operating with LSC consent for solvency-related borrowing in excess of the limits set out in the financial memorandum, this would normally lead to an 'inadequate' grade for Financial Health being reported for that year; and
- where information other than the latest available audited financial statements, supported by factual evidence, indicates that the Financial Health grade is significantly different from the grade implied by the autoscore, a grade may be moderated. 'Significantly' is here defined as being sufficiently different to generate an auto grade at least one grade lower. A grade will not normally be raised until the relevant evidence is confirmed in the subsequent audited financial statements. Examples may include (but are not limited to):
  - a court ruling that has financial consequences;
  - the loss of a material contract or area of provision; or
  - a contingent liability crystallising.

**170** A grade may be moderated with reference to group/parent company financial health and any parent company guarantees. (This is applicable mainly to private sector providers, and may result in a grade being moderated or may support an increase or decrease in the level of contracted activity.)

## **Financial Management and Control**

### **Applicability**

**171** All providers that receive LSC funding will be subject to the Financial Management and Control KPA.

### **Exemptions**

**172** There are no exemptions to this KPA.

### **Definition**

**173** Providers will self-assess and grade their financial management and control arrangements using the financial management and control evaluation (FMCE) document. The LSC will provide guidance to help providers do this in a consistent manner, and the LSC's audit teams will validate the assessments, taking account of the results of audit work at providers and any other relevant, available information.

### **Data-submission requirements**

**174** Providers will be required to complete the FMCE, which includes areas relating to:

- accountability;
- financial planning;
- internal control; and
- financial monitoring.

**175** Providers are required to respond to a series of questions within each area. Each area will require a self-assessed grade, which forms part of the overall self-assessment grade for the FMCE.

**176** It is envisaged that colleges and providers will complete the FMCE annually as an integral part of their own self-assessment reporting process and will share it with the LSC. The FMCE will supersede three existing questionnaires (the self-assessment review questionnaire, the business environment questionnaire and the provider control risk assessment) that colleges and other providers are required to complete under the current audit arrangements. The introduction of the FMCE is not expected to increase information requirements from providers. Further information and guidance can be found at:

[www.lsc.gov.uk/providers/pfm/financial-assurance/](http://www.lsc.gov.uk/providers/pfm/financial-assurance/).

## Assessment criteria and the assessment process

**177** The self-assessment grade within each provider's latest FMCE document will be reviewed by the LSC regional audit teams and validated, subject to strict criteria and in line with the LSC's audit cycle. The form needs returning by 12 December 2008.

## Use of Resources

### Scope

**178** The Use of Resources KPA assesses economy and efficiency within the overall value for money assessments made by the Framework for Excellence as a whole.

### Applicability

**179** There are five use of resources (UoR) measures:

- UoR1 – proportion of LSC funding applied to priority provision;
- UoR2 – delivery as a percentage of funding allocation or contract value;
- UoR3 – LSC funding per successful outcome;
- UoR4 – the provider-level unit cost, obtained by dividing a college's total operating cost by a weighted standard learner number (WSLN); and
- UoR5 – the capital performance indicator.

**180** The applicability of these is shown in Table 18. The five measures are classified within three performance indicators, as follows:

- PI 1: Funding economy, which includes UoR1 and UoR2;
- PI 2: Resource efficiency, which includes UoR3 and UoR4;
- PI 3: Capital (UoR5).

**Table 18: Applicability of all five UoR measures in 2008/09**

	Funding economy		Resource efficiency		Capital
	UoR1	UoR2	UoR3	UoR4	UoR5
Colleges (general FE college, sixth form college, land-based, art and design, and tertiary)	Y	Y	Y	Y	Y
Other	Y	Y	Y	N	N

## Performance indicator 1: Funding economy

**181** The Funding economy PI assesses the extent to which a provider has used LSC funds to deliver priority provision and has delivered in relation to its original allocation or contract value.

**182** The Funding economy PI comprises two performance measures: UoR1 and UoR2. The points from each of the two measures are averaged, and a grade for the PI is found from Table 19.

**Table 19: Points scores for Funding economy grade**

Score	Grade
Greater than or equal to 80	Outstanding
Greater than or equal to 50 and less than 80	Good
Greater than or equal to 15 and less than 50	Satisfactory
Less than 15	Inadequate

### UoR1

#### Definition

**183** This measure is the 'proportion of LSC funding applied to priority provision'.

**184** Based on learner numbers and priority funding data, expressed as a percentage, the methodology calculates the amount of LSC funding spent on LSC priorities.

#### Data definition and source

**185** This indicator requires a specification of priority areas and funding data by the provider, both in total and for the priority areas (excluding any safeguarded funding).

**186** The definitions are those used by the Summary Statement of Activity (SSoA)/mix of provision, and the sources of the data are the various categories of LSC funding and aims originating from the ILR (F05), with planning data being taken directly from the SSoA.

#### Data-submission requirements

**187** There are no new requirements. The data will be collected through LSC existing systems.

#### Assessment criteria

**188** The assessment criteria for UoR1 are set out in Table 20.

**Table 20: Assessment criteria for UoR1: percentage of LSC funding applied to priority provision**

The provider's overall points score is averaged across all types of provision.

Points	16–18 provision	Adult learner-responsive	Employer-responsive (including TtG)
	Percentage of LSC funding applied to priority provision>=	Percentage of LSC funding applied to priority provision>=	Percentage of LSC funding applied to priority provision>=
100		95.0	
95		90.0	
90		85.0	
85	100.0	82.5	
80	99.0	80.0	100.0
75	98.0	77.5	98.0
70	97.5	75.0	97.5
65	97.0	72.5	97.0
60	96.5	70.0	96.5
55	96.0	67.5	96.0
50	95.0	65.0	95.0
45	92.5	62.5	90.0
40	85.0	60.0	85.0
35	80.0	55.0	80.0
30	75.0	50.0	75.0
25	70.0	45.0	70.0
20	60.0	40.0	60.0
15	50.0	35.0	50.0
10	40.0	30.0	40.0
5	20.0	20.0	20.0
0	0.0	0.0	0.0

**189** All providers can receive an additional five points if they demonstrate greater than 10 per cent year-on-year improvement in the percentage of their provision that is in priority areas (measured in planned enrolments for 2009/10). Providers will have five points deducted if the percentage of provision in priority areas decreases by more than 10 per cent year on year. If the planning data indicate substantial differences in planned learner numbers between years, and if there are substantial differences between these numbers and actual learner numbers for the early planning years (that is, greater than 25 per cent difference), then the assessment is that the validity of the planning data is uncertain and no points are added or subtracted.

**190** The assessment criteria reflect the relative challenge in achieving 100 per cent priority provision for different types of provision. Hence the maximum points that can be achieved for employer-responsive provision is 80 points, as all employer-responsive provision is regarded as priority. A score of 80 points reflects the UoR threshold for 'outstanding' provision, but does not give the provider any further advantage that could unfairly offset poor performance in the other UoR measures.

**191** A worked example of a UoR1 calculation is given at Annex C.

#### *Weighting*

**192** Funding economy (UoR1 and UoR2 combined) represents one-third of the Use of Resources KPA (see Table 18).

#### **UoR2**

##### *Definition*

**193** This measure is 'delivery as a percentage of funding allocation or contract value'.

**194** The measure is calculated by taking the reported out-turn value of training supplied and expressing it as a percentage of the final allocation before the start of the year concerned. Where a provider supplies training across more than one funding stream, the measure is calculated for each funding stream, and the score applied to the provider takes account of the performance in each funding stream.

**Table 21: Assessment criteria for UoR2: delivery as a percentage of allocation**

Provider's overall points score is averaged across funding streams

Points	16–18 and adult learner-responsive	Employer-responsive (including TtG)
	Delivery as percentage of allocation>=	Delivery as percentage of allocation>=
100	106.0	106.0
95	105.0	105.0
90	103.0	103.0
85	101.5	101.5
80	100.0	100.0
75	99.5	98.0
70	99.0	96.5
65	98.5	95.0
60	98.0	93.5
55	97.5	92.0
50	97.0	90.0
45	not applied	not applied
40	96.0	87.0
35	94.5	84.5
30	93.0	82.0
25	92.0	80.0
20	91.0	77.5
15	90.0	75.0
10	67.5	60.0
5	22.5	20.0
0	0.0	0.0

*Data definition and source*

**195** The relevant data are the funding allocation (16–18 and adult learner-responsive) or original contract (employer-responsive) and out-turn by provider for each funding stream (16–18, adult learner-responsive).

**196** These data will be obtained from the funding database/allocations management and payments system (AMPs) and out-turn records.

*Data-submission requirements*

**197** There are no new requirements. The data will be collected through existing LSC systems.

*Assessment criteria*

**198** The assessment criteria for UoR2 are set out in Table 21. Owing to historical differences in the treatment of WBL funding and FE funding, different assessment criteria have been applied to these two funding streams.

**199** The 16–18 and adult learner-responsive funding stream uses as thresholds the criteria used in assessment of contract performance against allocation, with less than 97 per cent delivery against allocation being the trigger for action on funding. Given the 97 per

cent threshold, any performance below 97 per cent receives a maximum of 40 points rather than 45 points.

**200** Scores above 100 per cent delivery against allocation reflect the fact that the sector routinely delivers greater than 100 per cent allocation, and additional payments are made for performance above 105 per cent.

**201** A worked example of a UoR2 calculation is given at Annex C.

*Weighting*

**202** Funding economy (UoR1 and UoR2 combined) represents one-third of the Use of Resources KPA (see Table 18).

**Performance indicator 2: Resource efficiency**

**203** The Resource efficiency PI assesses a provider's use of LSC funds per successful outcome and its comparative cost per learner.

**204** The Resource efficiency PI comprises two performance measures: UoR3 and UoR4. The points from each of the two measures are averaged and a grade for the PI found (see Table 22).

**Table 22: Points scores for Resource efficiency grade**

Score	Grade
Greater than or equal to 80	Outstanding
Greater than or equal to 50 and less than 80	Good
Greater than or equal to 15 and less than 50	Satisfactory
Less than 15	Inadequate

### UoR3

#### Definition

**205** This measure is 'LSC funding per successful outcome'.

**206** The methodology follows demand-led funding principles and uses a provider's average national funding rate, adjusted by a) a provider QSRs to represent outcome performance, and b) a programme weighting and disadvantage factor to represent the additional resources that a provider uses.

#### Data definition and source

**207** National funding rates, standard learner numbers (SLNs), disadvantage factor, programme weighting and success factor by provider for each funding stream (16–18, adult learner-responsive funded and co-funded provision, and employer-responsive funded and co-funded provision) use the definitions of the Funding Calculation. The QSRs for each type of provision follow the standard LSC definitions.

**208** The data sources for this performance measure are LSC success rates, derived from the 2007/08 FE and 2007/08 WBL ILRs, and the funding data from the demand-led funding models, which are sourced from ILR and funding data for 2007/08.

#### Data-submission requirements

**209** There are no new requirements. The data will be collected through existing LSC systems and spreadsheets.

#### Assessment criteria

**210** The assessment criteria for UoR3 are set out in Table 23.

**211** For UoR3, lower overall funding per successful outcome is taken to indicate better performance (more efficient use of resources). While provision-specific criteria were considered, the more robust assessment came from using a provider's overall performance, taken across all provision types.

**212** Thresholds for lower levels of performance were, therefore, set in comparison with the national funding rate. Providers consuming, on average, funding that is more than 10 per cent above the national rate for each successful outcome they deliver are considered to be only 'satisfactory' on this measure, given that the measure recognises the additional resources required due to programme type and learner characteristics.

**213** A worked example of a UoR3 calculation is given at Annex C.

#### Weighting

**214** Resource efficiency (UoR3 and UoR4 combined) represents one-third of the Use of Resources KPA (see Table 18).

**Table 23: Assessment criteria for UoR3: funding per successful outcome**

Points	Overall funding per successful outcome <=
100	£2,282
95	£2,386
90	£2,542
85	£2,646
80	£2,760
75	£2,801
70	£2,848
65	£2,895
60	£2,941
55	£2,988
50	£3,035
45	£3,081
40	£3,164
35	£3,242
30	£3,320
25	£3,398
20	£3,476
15	£3,579
10	£3,683
5	£5,187
0	£15,562

#### Notes:

These criteria are based on 2007/08 funding rates – the criteria will need to be recalibrated each year.

The same scoring system applies to all providers.

### UoR4

#### Definition

**215** This measure is the 'provider-level unit cost, obtained by dividing a college's total operating cost by a WSLN'.

**216** The weights are college-level factors that are regarded as representing the additional costs that a provider incurs in delivering an SLN, relative to other providers. The factors are the provider’s funding factors for that type of provision: area costs, programme weighting, disadvantage factor, short-course modifier and long-term residential factor. While UoR4 has currently been developed for colleges, its applicability to non-college providers is being tested for possible inclusion in the Framework in 2009/10.

**217** Recognition is given to the costs that a college incurs in servicing other income and funding by assigning a level of additional WSLN to this other income or source of funding, as follows:

$$\frac{\text{other income}}{\text{college's weighted average national funding rate per SLN}}$$

where the weights are the provider’s SLN in each funding stream.

*Data definition and source*

**218** ‘Total operating cost’ comprises staffing costs and other operating expenses. ‘Other income’ is other funding and other income, less any capital grants. Account is also taken of SLNs, area costs, programme weighting, disadvantage factor, long-term residential and short-programme modifier by provider and by funding stream (16–18, adult learner-responsive fully funded and co-funded, and employer-responsive fully funded and co-funded).

**219** Cost and income data are obtained from the Finance Record. SLNs are obtained for FE and WBL from the 2007/08 ILR (F05) and demand-led funding models.

*Data-submission requirements*

**220** There are no new requirements. The data will be collected through LSC existing systems and spreadsheets.

*Assessment criteria*

**221** The assessment criteria for UoR4 are set out in Table 24.

**222** This measure applies to the total population of colleges, and the same assessment criteria are applied to all types of provision within a provider.

**223** For UoR4, lower operating costs per WSLN indicate better performance through more efficient use of resources. While provision-specific criteria were considered, the more robust assessment came from using a college’s overall performance, taken across all activities.

**Table 24: Assessment criteria for UoR4: comparative cost – operating costs per WSLN**

Points	Operating costs per WSLN ≤
100	£2,075
95	£2,334
90	£2,438
85	£2,490
80	£2,521
75	£2,594
70	£2,646
65	£2,697
60	£2,749
55	£2,775
50	£2,800
45	£2,853
40	£2,905
35	£2,957
30	£3,009
25	£3,112
20	£3,216
15	£3,361
10	£3,631
5	£7,262
0	£17,637

Note: These criteria are based on 2007/08 funding rates – the criteria will need to be recalibrated each year.

**224** Performance in terms of the national unit funding rate is used to differentiate ‘good’ from ‘satisfactory’ performance, on the rationale that providers whose unit operating costs are substantially higher than the unit funding rates are not demonstrating efficient use of resources, given that the measure takes account of the additional relative cost of the college’s provision.

**225** Any college with average unit operating costs that are 10 per cent or more below the national unit funding rate is awarded points for a high level of performance. Equally, colleges whose costs are 20 per cent or more above the national unit funding rate are assessed as not making efficient use of resources.

**226** A worked example of a UoR4 calculation is given at Annex C.

*Weighting*

**227** Resource efficiency (UoR3 and UoR4 combined) represents one-third of the Use of Resources KPA (see Table 18).

## Performance indicator 3: Capital

### Definition

**228** The performance measure UoR5 is the Capital PI.

**229** UoR5 consists of two measures:

- condition; and
- renewal.

**230** 'Condition' is defined as the current condition of the college's building stock. The regional property advisers (RPAs) assess the proportion of the total gross internal area (GIA) of each college in each of the following Royal Institution of Chartered Surveyors (RICS) categories:

- as new;
- sound;
- operational; and
- inoperable.

**231** Their assessment draws on data from the e-mandate returns and a number of other sources. For scoring, the different categories are given different points and a weighted average, by GIA, calculated for each provider. The e-mandate data reflect colleges' own self-assessment of the condition of their estate.

**232** 'Renewal' is defined as the progress a college is making in renewing its building stock. Renewal is based on the current capital application approvals, which go through three main stages:

- stage 2 fee support (submissions);
- approval in principle (AIP); and
- detailed.

**233** Applications may concern all or part of the college's total GIA. If part, there may be several applications, at different stages, for the same provider. The applications may involve new build and/or demolition, so the total GIA after completion may differ from that at the start. For scoring, the different stages are given different points and a weighted average, by final GIA, calculated for each provider.

**234** A renewal factor that takes into account the current condition, i.e. the base from which the renewal is taking place, is used to adjust the renewal measure.

**235** The condition and adjusted renewal measures are added, and a scoring grid is used to set the UoR5 grade.

### Data source

**236** The data sources are:

- the e-mandate return;
- data obtained from condition-assessment spreadsheets supplied to the LSC National Office's infrastructure and property services team by the RPAs;
- other condition data contained within property strategies, feasibility studies and capital applications; and
- approval record spreadsheets held by the LSC National Office's infrastructure and property services team.

**237** The data are moderated by the RPAs' professional assessment.

### Data-submission requirements

**238** There are no new requirements. The data will be collected from the data sources listed above.

### Assessment criteria and calculating the score

**239** The Capital PI is calculated as set out in the following paragraphs.

**240 Step 1:** First, the RPAs provide a condition assessment of the GIA of each college in each of the categories set out in Table 25.

**Table 25: Condition assessment - categories and points**

Category	Points
As new	100
Sound	50
Operational	20
Inoperable	0

**241** The condition measure then multiplies the proportion of the total area in each category shown in Table 25 to give a score (rounded to the nearest whole number) from 0 to 100 for each college. For example, a newly rebuilt college scores 100, and a college that is 50 per cent 'sound' and 50 per cent 'operational' scores 35, i.e. (50% x 50) + (50% x 20).

**242 Step 2:** Capital applications progress through the main levels of approval set out in Table 26.

**243** The renewal element multiplies the proportion of the (final) total area of a college being improved at the furthest level reached by each project as shown in Table 26 to give a score (rounded to the nearest whole number) from 0 to 50 for each college.

**Table 26: Renewal assessment – categories and points**

Approval level	Points
Stage 2	10
AIP	25
Detailed	50

**244** For example, a college with an AIP to improve 100 per cent of its final area scores 25, and a college with detailed approval to improve 50 per cent of its final area also scores 25 (50% x 50). A college with no approved plans scores 0 on this element.

**245 Step 3:** The renewal element is then adjusted by a renewal factor that takes into account the current condition, i.e. the base from which the renewal is taking place.

**246** This is to distinguish, for example, a college whose current condition is 100 per cent 'operational' from another whose condition is predominantly 'inoperable', where both have plans at a similar stage to improve 100 per cent of their final area and therefore have a similar renewal score.

**247** The renewal factor is calculated from the condition measure, by dividing by 100 and rounding to one decimal place.

**248** Continuing the example above, a college condition measure of 35 will have a renewal factor of 0.4 (35/100, rounded to one decimal place).

**249 Step 4:** The overall capital score for each college is calculated as follows.

<p><b>Capital score = condition measure + (renewal measure x renewal factor)</b></p> <p>(rounded to the nearest whole number)</p>
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**250 Step 5:** The Capital PI grade is then determined using Table 27. In the example, the score of 45 would be graded under the Framework for Excellence Capital PI as 'satisfactory'.

**Weighting**

**251** UoR5 represents one-third of the Use of Resources KPA (see Table 18).

**Table 27: Capital assessment criteria**

Score	Grade
80–100	1 (Outstanding)
50–79	2 (Good)
20–49	3 (Satisfactory)
0–19	4 (Inadequate)

**Rationale for UoR5 capital assessment criteria**

**252** The UoR5 Capital PI comprises two elements for condition and renewal, and these will distinguish between colleges whose buildings are:

- as new; and
- currently in a poorer state but with approved plans to renew them.

**253** They will also distinguish between colleges whose buildings are:

- 100 per cent 'sound' (the second category of condition); and
- currently 'inoperable' (the last category of condition), but with approved plans to renew them.

**254** Equally, it would be difficult to grade a college:

- as 'good' or above where the buildings were at best 'sound' and there were no approved plans to renew any part; or
- as 'satisfactory' or above where the buildings were at best 'operational' and there were no approved plans to renew any part.

**Table 28: Assessment criteria for UoR5 (Capital)**

Outstanding (80–100)	<ul style="list-style-type: none"> <li>• Over 80 per cent as new, with no plans to renew</li> <li>• At least 55 per cent as new, with final-stage plans to renew the rest.</li> </ul>
Good (50–79)	<ul style="list-style-type: none"> <li>• Over 50 per cent as new, with no plans to renew</li> <li>• At least 30 per cent as new, with final-stage plans to renew the rest</li> </ul>
Satisfactory (20–49)	<ul style="list-style-type: none"> <li>• Over 40 per cent at least sound, with no plans to renew</li> <li>• A mix of operational and inoperable, with final-stage plans to renew</li> </ul>
Inadequate (0–19)	<ul style="list-style-type: none"> <li>• A substantial proportion of the estate is classified as inoperable and the rest only as operational</li> <li>• A mix of operational and inoperable, with no plans to renew</li> </ul>

**255** Assessment criteria have been selected to award grades as set out in Table 28.

**256** A worked example of the UoR5 calculation is given at Annex C.

# Timetable of Activities and Reporting

	New or existing data collection	Data source	Data for 2008/09 relates to year...	Deadline for data submission/collection	Action required
<b>Responsiveness to Learners</b>					
Learner views	New, web-based	Learner views survey (mandatory for those providers who chose not to take part in the voluntary survey, or who participated but did not deliver statistically robust results)	2008/09	February 2009 (exact timings will be confirmed on the Framework for Excellence website)	Administer the web-based learner views survey
Learner destinations	New	Dataset matching and learner destinations questionnaire	2007/08	Dataset matching February 2009; learner destinations questionnaire November 2008	Ensure that learners have the opportunity to participate in the learner destinations questionnaire
<b>Responsiveness to Employers</b>					
Employer views	New, web- or paper-based	New survey of employers who have used FE	Grade given in spring 2009 will be based on the views of employers using FE in 2007/08	December 2008	Ensure that the LSC's list of all the employers worked with in the past 12 months is correct. Distribute survey to all employers on this list
Amount of training	Existing data, new report	ILR	Grades given in spring 2009 will be based on growth between 2006/07 and 2007/08	December 2008 for April 2009 grades	Complete relevant ILR fields
<b>Quality of Outcomes</b>					
QSR	Existing Existing	FE ILR WBL ILR	2007/08	Date set by LSC for final ILR returns	Complete relevant ILR fields
Value added	Existing	LAT value added final	2007/08	Date set by LSC for final ILR returns	Nothing new

		New or existing data collection	Data source	Data for 2008/09 relates to year...	Deadline for data submission/collection	Action required
<b>Quality of Provision</b>						
Inspection grade		Existing	Ofsted	Year of inspection	None	Nothing new
<b>Financial Health</b>						
Financial health		Colleges: existing Other providers: existing	Colleges: Finance Record 2007/08 Other providers: Latest financial statements	Colleges: Year ended 31 July 2008 Other providers: Varies	Colleges: 31 December 2008 Other providers: Varies	Nothing new
<b>Financial Management and Control</b>						
Financial management and control		New format of existing data collections	FMCE	Year ended 31 July 2008	12 December 2008	Complete and submit FMCE forms to LSC
<b>Use of Resources</b>						
Funding economy	UoR1	Existing	FE and WBL ILR Planning and contracting systems 2009/10 planning data (refer to paragraph 189)	2007/08 2009/10 planning data (refer to paragraph 189)	Date set by the LSC for final ILR returns Date as set by LSC planning and contracting process	Complete relevant ILR fields
	UoR2	Existing	AMPs and FE and WBL ILR (refer to paragraph 189)	2007/08 (refer to paragraph 189)	Date set by the LSC for final ILR returns	Complete relevant ILR fields
Resource efficiency	UoR3	Existing	FE and WBL ILR, DLF AMPs	2007/08	Date set by the LSC for final ILR returns	Complete relevant ILR fields
	UoR4	Existing	DLF AMPs, Finance Record	2007/08 Colleges: Year ended 31 July 2008	Date set by the LSC for final ILR returns 31 December 2008	Complete relevant ILR fields
Capital	UoR5	Existing	e-mandate Approval system	Year ended 31 July 2008	December 2008 Ongoing	Nothing new

# Publication and Reporting

**257** We will share each provider's Framework outputs and ratings with it as soon as possible each year. This will give it the opportunity to consider its own outputs and ratings before they are shared widely and published.

**258** We are committed to publishing the results for individual PIs as soon as they are of sufficient quality and robustness. On an annual cycle, we want to publish in time to inform learner and employer choices and commissioning decisions.

**259** In spring 2009, there will be a limited publication of Framework elements for 2008/09. These will be restricted to the following:

- Learner destinations;
- Qualification success rate;
- Inspection grade;
- Financial health; and
- Financial management and control.

**260** Thus, OPRs and certain scores for the Responsiveness and Finance dimensions for 2008/09 will not be published. However, they will be shared with the individual provider and the relevant regional and local LSC teams, Ofsted, HEFCE and the Learning and Skills Improvement Service for support and liaison purposes.

**261** The ability to access the data that have been used to derive the Framework measure, as defined at Annex A, will allow providers to view the information from which the ratings were derived.

**262** In spring 2010, all the Framework for Excellence outputs for 2009/10 will be published. These will include the OPRs, the grades for each dimension, KPA and PI together with the same facility to access the scores that have been used to derive the measures.

**263** The outputs and ratings from the Framework will be made available through a range of media, including Directgov for learners ([www.direct.gov.uk](http://www.direct.gov.uk)) and Business Link for employers ([www.businesslink.gov.uk](http://www.businesslink.gov.uk)), in line with the transformational government strategy.

**264** The detail of the outputs and dissemination processes will be subject to further consultation with national stakeholders and provider representative bodies.

## Software to enable providers to derive their own ratings

**265** In response to requests from the sector, software to enable providers to derive their own Framework for Excellence ratings will be provided in late autumn 2008. This software will aim to support provider self-assessment, performance modelling and planning, and may also provide a mechanism for providers to test developments within their own quality information systems.

**266** This software will be made available for downloading from the Framework for Excellence website, and will:

- be consistent with the details of the Framework as set out in this document;
- be able to be used to support staff development in the understanding of how the Framework will work;
- be able to be used for planning purposes, by allowing entry of data based on planned performance;
- be able to be used to develop an understanding of the sensitivity of the Framework in respect of planned quality improvements; and
- take data inputs in a format compatible with their expected availability.

**267** The software is likely to be based on Microsoft Excel and should run with any of the Excel versions 9.0 to 11.0 (Excel 2000 to Excel 2003). In 2008/09 it will not be linked to the rest of the Framework for Excellence infrastructure, and so will be a 'stand-alone' system.

**268** The software, which will require data input from providers, will calculate the provider's performance-measure scores and its scores and grades for its PIs, KPAs, dimensions and OPR. Clearly, not all the final data required to calculate a provider's 2008/09 OPR will be available when the software tool becomes available in late autumn 2008, and to some extent this limits the use of the tool. The LSC will issue guidance with the tool, describing when and how such data should be available. Further details of the provider software is provided in Annex E.

**269 Even when all the input data are available, the software tool may produce outputs for a provider that differ from its Framework scores and grades, including its OPR.** This is because some factors or coefficients used in the final Framework calculations are derived from data or analyses for the full population of providers. In 2008/09, Framework population calculations will be available only just in time for the release of the Framework grades. Therefore, some aspects of the calculation will differ between this software and the operational Framework. It is expected that these differences will be small, but this cannot be guaranteed in advance of the 2008/09 outcomes.

**270** We are working with Becta to ensure that the Framework takes account of activity that has been developed as part of the implementation of the Harnessing Technology strategy, to increase provider capability in the effective use of technology in training provision and business systems. There has already been consultation with providers on how the Framework software described in the previous paragraphs would be used and what outputs would be appropriate. Becta is working to align its e-maturity self-assessment tool with the needs of the Framework. If this software is found to be useful, there will be further consultation on how the software should be developed. Any future changes will be subject to the priorities and resources available.

# Using the Framework

## Use by learners and supporters

**271** We want the Framework to provide information for learners and their supporters – parents and guardians – to enable them to make informed choices as users of our FE system. They have told us that the most useful information will relate to:

- the views of other learners;
- the quality of provision, including facilities and resources, and whether learners' needs are being met;
- learners' success rates, which are particularly significant when there is a choice of providers offering similar courses; and
- destination information, which will enable them to evaluate the worth of their investment of time, effort and money.

**272** We will continue to work with learners, employers, information brokers and other interested parties to ensure that information meets the needs of all its users. In particular, we want to explore the potential of interactive and rapidly evolving web-based information sites where learners can record their views directly about individual providers, courses and qualifications.

**273** Information will be available from Connexions services, the new Adult Advancement and Careers Service, careers teachers, 14–19 area prospectuses, the National Apprenticeship Service and providers themselves, as well as from Directgov. This information will be fully and widely available to learners for the first time in March 2010, although some data will be available from spring 2009.

## Use by employers and skills brokers

**274** The Framework will provide a consistent employer-generated rating of government-funded providers, which employers will be able to factor easily into their decision-making process when selecting training providers. The rating will be based on employer views and on the volumes of training delivered.

**275** Skills brokers and, in future, the integrated brokerage service delivered by Business Link will use the Framework scores to support recommendations to employers.

**276** Currently there are several quality marks presented to employers and employer representative bodies, and from research we know that these are not universally recognised. We will replace these with just two: the Training Quality Standard (formerly known as the New Standard) and the Framework for Excellence.

**277** We are exploring how we might present QSR data to employers and brokers on a sectoral basis, so that an engineering company, for example, can find out about a provider's engineering provision. For the longer term, we will work with providers and other stakeholders to consider whether it would be appropriate and possible for sectoral data relating to other Framework PIs to be published.

## Use by providers

**278** The Framework should be used by colleges and providers to assess and improve their own performance, with the findings of self-assessment incorporated into reports for governing bodies and boards. The LSC will expect all providers in scope to use the Framework scores as part of the evidence for self-assessment from the academic year 2008/09 and to refer explicitly to the Framework PIs in the self-assessment reports submitted to the LSC in December 2009.

**279** This will mean two things:

- making reference to Framework scores for 2008/09, which will have been shared with the institution in May 2009; and
- considering Framework scores and grades for 2008/09 and referring to them in the self-assessment report, as data become available.

**280** Colleges and providers should carry out self-assessment as part of their wider processes of organisational review and development. College corporations and provider company directors will be encouraged to use the Framework to set and monitor their own strategic goals and targets. There will also be an increased emphasis on validating self-assessment judgements, both internally and externally, utilising evidence such as Framework outcomes and processes such as peer review. The targeting of underperformance and the management of performance risk will also be highlighted as key elements of organisational review and development. The emphasis is on driving up standards.

**281** New guidance on self-assessment will be published shortly to reflect the implementation of the Framework and moves towards a more self-regulating FE system.

**282** The new guidance will offer case study examples of how providers are seeking to develop their approaches to self-assessment in order to incorporate the new Framework and to address other policy drivers within the FE system.

**283** The LSC is aiming to issue a software toolset by late autumn 2008, to enable providers to derive their own Framework ratings in real time and in line with the provider guidance (see Annex E).

## Use by the Learning and Skills Council

**284** The Framework will be incorporated within LSC business processes for commissioning, procurement and challenging performance.

**285** From spring 2009, a consideration of published Framework ratings and indicators will become part of the strategic commissioning dialogue with providers, and will inform the process of negotiated commissioning.

**286** From spring 2009, the LSC's financial and wider intervention policy will have regard to the publicly available elements of the Framework. From spring 2010, interventions such as Notices to Improve, and other actions such as contract withdrawal and removal of funding set out in *Identifying and Managing Underperformance* (LSC, January 2008), will be triggered by Framework for Excellence scores of inadequacy.

**287** The LSC will incorporate the Framework, as a minimum quality threshold, into the tendered commissioning process for provision to be delivered in 2010/11.

**288** It is intended that, from 2009/10, the requirements of the Framework will be incorporated into the 'quality assurance' section of the financial memorandum and the Contract for Services – Education and Training.

**289** The LSC will discharge its responsibilities in relation to monitoring the financial health of providers and their operation of financial control with reference to the requirements of the Framework. The LSC's assessment of college capital projects will also refer to the requirements of the Framework.

## Use in inspections

**290** Within the single framework for provider performance assessment, the Framework for Excellence and inspection complement and are strongly linked to one another.

**291** Ofsted is currently reviewing its approach to risk assessment, to guide its assessment of the urgency/priority for inspection of a provider/service and the degree of the inspection intervention.

**292** Ideally, Ofsted's criteria for risk assessment will use Framework scores, paying particular attention to inadequate levels of performance. The LSC and Ofsted are working together to develop the relationship between the two processes.

**293** The revised inspection handbook will include information on how inspectors will begin to take account of performance scores from the Framework.

**294** The Framework for Excellence score for the overall quality of provision will be based on the current inspection view of overall effectiveness. This will be derived from the most recent inspection judgement.

**295** The OPR generated by the Framework, and the overall judgement that comes from Ofsted inspections, will not necessarily be the same in every case. There are good reasons why these outcomes will differ: the Framework produces a set of PI scores measured against assessment criteria whereas inspection considers a wider range of quantitative and qualitative evidence, including (in many cases) observation of teaching and learning, consideration of equality and diversity, and assessment of different aspects of a provider's work, all underpinned by inspectors' professional judgement.

## Use by the Learning and Skills Improvement Service

**296** The Learning and Skills Improvement Service will use the Framework data to inform the development and targeting of its programmes and services.

**297** Where the Framework identifies colleges or providers that require additional support to improve their performance, the new body will provide that support. During 2008, it will also work to incorporate appropriate Framework for Excellence ratings in its corporate and performance-management processes.

**298** Since 2002, the award of Learning and Skills Beacon status has been a mark of organisational excellence, demonstrating a high level of confidence in the provider by both the inspectorate and the funding body. Increasingly, we look to Beacons to be agents of change as the FE system moves towards self-regulation. The new improvement body will use the Framework to consider the conditions under which Beacon status is awarded – and those under which it may be withdrawn.

# Reducing Bureaucracy

## Key principles

**299** Our aim is to keep the Framework as simple as possible, using existing data and systems wherever possible, and with any new data requirements and assessment methods kept to a minimum. We do not want to add to the burden on colleges and providers unnecessarily. As far as possible, the Framework should be based on the information that providers can reasonably be expected to use to manage their business.

**300** The arrangements aim to achieve an appropriate balance between the Framework being fit for purpose and minimising additional bureaucracy and cost. They take account of numerous discussions with providers and other bodies over the past 18 months. Finally, the 2007/08 pilot, involving 100 colleges and other providers, was a genuine trial of the emerging Framework proposals. The 2008/09 arrangements build on that pilot and its evaluation.

**301** Wherever possible, additional information required by the Framework is collected through ILRs, through colleges' and providers' standard financial returns, or directly from awarding bodies and other organisations such as HEFCE and sector skills councils. We are adhering to the managing information across partners (MIAP) principles, including using consistent definitions and gathering information once but using it many times.

## Consultation and endorsement

**302** The 2008/09 Framework arrangements take account of a very large number of discussions and meetings with providers and other bodies. These have included pilot development groups, visits to providers, larger-scale conferences and other events.

**303** In 2006, the Government established the Information Authority to set and regulate consistent data standards for all FE organisations, and to act as a single gatekeeper for balancing need against burden in deciding what data to collect and report. The evolving Framework arrangements were considered by the Information Authority board in December 2006, May and November 2007, and March and June 2008, and were broadly endorsed by that board.

**304** Also, the Framework arrangements were considered by the Bureaucracy Reduction Group in autumn 2007. Its main suggestions were that:

- teachers and other front-line staff in providers should be involved in the design, implementation and evaluation of the Framework;
- the overall evaluation of the Framework should focus on bureaucracy and the burdens on providers, front-line staff, learners and employers; and
- the broader performance assessment and management arrangements for the education and training system should be rationalised.

**305** Since then, we have taken on board these suggestions in our work.

# Review and Evaluation

**306** The Framework is being reviewed and evaluated regularly. The 2008/09 arrangements take account of the conclusions from the 2007/08 pilot. A report on the evaluation of the pilot was published in May 2008 on the Framework for Excellence website at <http://ffe.lsc.gov.uk/>.

**307** The LSC has also commissioned a longer-term evaluation of the Framework. This will assess the Framework's processes; seek to establish its impact on providers and their staff, learners, employers, other users and national organisations such as Ofsted; and consider whether its objectives and expected benefits have been realised.

# Sustainability and Cost of the Framework

**308** The Framework is designed to have an appropriate balance between fitness for purpose, sustainability, cost and bureaucracy. Improved decision making, resulting from better information at both provider and national level, is expected to justify the investment and resources involved.

**309** During the initial implementation of the Framework, the work will be partly managed and conducted by the LSC. In future, we envisage that the Framework will increasingly form part of providers' mainstream activity.

# Further Development of the Framework

## New performance indicators

**310** Additional PIs will be developed to provide appropriate information only where existing PIs are insufficient for the performance of a provider to be assessed by the Framework. We will explore the need for additional indicators during the second phase of pilot activity in 2008/09.

**311** In particular, three additional PIs have been proposed:

- retention rates (for non-accredited learning);
- achievement qualifications by 16–19-year-olds that are equivalent to full Level 2; and
- achievement qualifications by 16–19-year-olds that are equivalent to full Level 3.

**312** We will address the implications of the new Qualifications and Credit Framework (QCF) for the Framework for Excellence. This will include the development and trialling during 2008/09 of a credit success rate indicator that can take account of the achievement of credit. Further details will be disseminated by the autumn.

## Future piloting

**313** The second phase of pilot activity will commence with the publication of new pilot guidance for 2008/09 in the autumn of 2008. Around 100 providers will be involved in piloting activities. As well as colleges and WBL providers, other provider types taking part will be local authorities, specialist designated colleges, independent specialist colleges, PCDL providers, offender learning providers and HEIs with FE provision.

**314** The objectives of the second phase of pilot activity will be to test the validity and robustness of new and revised performance-assessment indicators proposed for use in the Framework, and to engage with types of provider that will be in scope for the Framework from summer 2009.

**315** Following the pattern of the first pilot, an evaluation will take place that will inform the development and roll-out of the second phase of the Framework in summer 2009.

## Future vision for the Framework

**316** On 17 March 2008, the Government published a consultation document, *Raising Expectations: Enabling the system to deliver*. This document makes proposals to give effect to the Machinery of Government changes announced in July 2007 – notably the transfer of funding responsibilities for 16–18-year-old learners to local authorities.

**317** The Government proposes that local authority commissioning and learner choice should be informed by a clear framework for assessing performance – a framework that is common across all providers of education and training for young people and adults. To inform this, the Framework will be piloted in school sixth forms from September 2009.

**318** This Framework should include:

- information about standards achieved and the quality of provision;
- information about the views of young people and (where appropriate) of employers, and about the value for money achieved; and
- key performance measures of individual achievement at age 19.

**319** We are also working with colleagues in the Department for Work and Pensions (DWP) to continue to develop the relationship between the Framework for Excellence and the Star Rating model developed by DWP to improve the performance of its contracted employment provision.

## Information and support

**320** During the implementation and live operation of the Framework, colleges and providers will have access to information and support from a range of sources. These will include detailed guidance on the Framework website; preparation, advice and support from regional and local LSC teams; and, where necessary, more specialist support from the LSC National Office.

**321** A series of regional briefing events for providers is being held to coincide with the publication of this policy document. These will be organised and led by partnership teams to ensure maximum engagement with providers, and they will also be supported by the national Framework for Excellence team.

**322** The Learning and Skills Improvement Service will continue the Support for Excellence programme. The programme helps providers improve their self-assessment and builds their capacity for self-improvement.

**323** This programme will provide specific support for those providers in scope for the Framework in 2008/09, through a series of workshops and guidance placed on the Provider Gateway. In spring/summer 2009, events will be held for those providers coming into scope for the second phase of the Framework in 2009/10. These events will help those providers prepare for implementation of the Framework.

# Annex A: Data Analysis Available to Support Each Indicator

Performance indicator	Level of analysis available
Learner views	<ul style="list-style-type: none"> <li>• Number of respondents</li> <li>• Number of responses by response method</li> <li>• Scoring responses by response method</li> <li>• Resultant points score for each method/questionnaire combination compared with the maximum score that could have been achieved across each method/questionnaire combination</li> <li>• Average score by question</li> <li>• Resultant scores</li> <li>• Weight applied</li> <li>• Comparison to survey average</li> <li>• Variance from baseline score</li> <li>• Final score</li> </ul>
Learner destinations	<ul style="list-style-type: none"> <li>• Number of learners in scope for the Learner destinations indicator (Total)</li> <li>• Number enrolled in priority learning with the same level of highest learning aim, found by ILR data matching (code 1m)</li> <li>• Number enrolled in priority learning with the same level of highest learning aim, found through telephone questionnaire (code 1i)</li> <li>• Number progressed to learning with a higher level of highest learning aim, found by ILR data matching (code 2m)</li> <li>• Number progressed to HE, as declared by the provider (code 2p)</li> <li>• Number progressed to learning with a higher level of highest learning aim, found through telephone questionnaire (code 2i)</li> <li>• Number progressed to HE, found by HEFCE data matching (other than those already found in codes 2p or 2i) (code 2h)</li> <li>• Number remained in employment or self-employment with improved job security or enhanced career prospects (code 3)</li> <li>• Number entered into employment or self-employment having been in learning in 2006/07, where the 2006/07 learning had an impact (code 4)</li> <li>• Number entered into employment, self-employment or training having previously been outside the labour market (code 5)</li> <li>• Number not in employment, education or training but activity category neutral for the purposes of the measure (code 6)</li> <li>• Number not tracked into further learning where ILR L27 field prevented further contact (before HEFCE data matching) (code 8)</li> <li>• Number where no contact was made (before HEFCE data matching) (code 9)</li> <li>• Number whose current activity does not meet any of the criteria for a positive outcome (code 10)</li> <li>• Number of unmatched learners (Total – code 1m – code 2m – code 2p)</li> <li>• Number of learners on interview list</li> <li>• Number of learners actually interviewed</li> <li>• Learner destinations score</li> <li>• Learner destinations grade (if awarded)</li> </ul>
Employer views	<ul style="list-style-type: none"> <li>• Number of employers surveyed</li> <li>• Number of responses by response method</li> <li>• Average score by question by method</li> <li>• Weights applied</li> <li>• Final score</li> </ul>

<b>Performance indicator</b>	<b>Level of analysis available</b>
Amount of training	<ul style="list-style-type: none"> <li>• Provider-level ILR details</li> </ul>
Quality of outcomes	<ul style="list-style-type: none"> <li>• Standard QSR results for FE long courses excluding A-levels, FE short courses, A-levels, Apprenticeship completion rates and Train to Gain completion rates</li> <li>• LAT value-added scores (further QSR information is available through the Provider Gateway)</li> </ul>
Quality of provision	<ul style="list-style-type: none"> <li>• Inspection grade</li> <li>• Date of inspection</li> </ul>
Financial health	<ul style="list-style-type: none"> <li>• Financial ratios as set out in Annex B</li> <li>• Financial data used to calculate the ratios</li> <li>• Any consistency points applied</li> </ul>
Financial management and control	<ul style="list-style-type: none"> <li>• No further analysis</li> </ul>
Funding economy	<ul style="list-style-type: none"> <li>• Funding spent on priority provision</li> <li>• Total funding</li> <li>• Funding claim</li> </ul>
Resource efficiency	<ul style="list-style-type: none"> <li>• Provider factors</li> <li>• Success rates</li> <li>• Funding rates</li> <li>• Total operating cost</li> <li>• Weighted standard learner numbers</li> </ul>
Capital	<ul style="list-style-type: none"> <li>• Total gross internal area (GIA)</li> <li>• Year of condition survey</li> <li>• Proportion of GIA in each of four conditions</li> <li>• Proportion of GIA under each stage of renewal</li> <li>• GIA total after renewal</li> <li>• Renewal score</li> </ul>
<b>TQS</b>	
TQS accreditation	<ul style="list-style-type: none"> <li>• No further analysis required. A public list of accredited providers is available at <a href="http://www.trainingqualitystandard.co.uk">www.trainingqualitystandard.co.uk</a></li> </ul>

# Annex B: Definitions of Financial Health Elements for 2008/09

Ratio	Definition
Solvency	<p><b>For colleges</b></p> <p>The adjusted current ratio is defined as: <math display="block">\frac{\text{current assets}^*}{\text{current liabilities}}</math> where current assets are listed in the Finance Record 2007/08, Table 2, section 3, and current liabilities are listed in the Finance Record 2007/08, Table 2, section 4.</p> <p>The components of current assets and current liabilities reported by colleges are as follows:</p> <p>Current assets:</p> <ul style="list-style-type: none"> <li>• stocks and stores in hand;</li> <li>• trade debtors; and</li> <li>• fixed assets held for resale;</li> <li>• other debtors; and</li> <li>• other short-term investments and cash.</li> </ul> <p>*Fixed assets held for resale (Table 2, section 3a(i)) and restricted cash from disposal of fixed assets and held for future fixed asset acquisitions (Table 2, section 3c(i)) will be excluded from the current fixed assets figure.</p> <p>Current liabilities (creditors: amounts falling due within one year):</p> <ul style="list-style-type: none"> <li>• overdrafts;</li> <li>• loans;</li> <li>• local education authority deficit loan;</li> <li>• capital element of finance leases;</li> <li>• trade creditors;</li> <li>• tax and pension contributions;</li> <li>• payments on account;</li> <li>• fixed asset creditors; and</li> <li>• other.</li> </ul> <p><b>For work-based learning and all other provider</b></p> <p>The current ratio is defined as: <math display="block">\frac{\text{current assets}}{\text{current liabilities}}</math></p>

Ratio	Definition
Sustainability	<p><b>For colleges</b></p> <p>Operating position after tax as a percentage of income is defined as:</p> $\frac{\text{Adjusted operating position after tax}}{\text{Income used in ratio analysis (as listed in the Finance Record 2007/08, Table 4, line 1)}}$ <p>Where the adjusted operating position after tax comprises:</p> <ul style="list-style-type: none"> <li>• operating position after tax* (Finance Record 2007/08, Table 1, line 12b)</li> </ul> <p>less:</p> <ul style="list-style-type: none"> <li>• exceptional support income (Finance Record 2007/08, schedule 1c, line 1)</li> <li>• pension finance income (Finance Record 2007/08, schedule 1a, line 5c)</li> </ul> <p>add:</p> <ul style="list-style-type: none"> <li>• FRS 17 adjustments (Finance Record 2007/08, schedule 1d, line 12 + schedule 1e, line 12b)</li> </ul> <p>* FE corporations are exempt from most taxation.</p> <p><b>For all work-based learning and other providers</b></p> $\frac{\text{Net profit after tax}}{\text{Turnover}}$
Status	<p><b>For colleges</b></p> <p>Total borrowing as a percentage of reserves and debt (as listed in the Finance Record 2007/08, Table 4, line 4e).</p> <p><b>For all work-based learning and other providers</b></p> <p>The figure is the total debt as a percentage of reserves* and debt.</p> <p>* Reserves are defined for this purpose as shareholders' funds less intangible assets.</p>

## Annex C:

# Worked Example of Use of Resources Calculation

In this example, the provider has an overall UoR grade of 2.

The example uses 2006/07 data, and thus 2006/07 funding rates.

	PI score	Scores out of 100
<b>Funding economy</b>	63	
UoR1: Proportion of LSC funding applied to priority provision		68
UoR2: Delivery as a percentage of funding allocation or contract value		58
<b>Resource efficiency</b>	67.5	
UoR3: LSC funding per successful outcome		70
UoR4: Unit operating cost per weighted SLN		65
<b>Capital</b>	26	

Note: The figures shown in these examples do not always combine to the totals indicated. This is because of the rounding of the figures.

### UoR1 example calculation

For UoR1 there is an overall score of 68 points.

For 16–18 provision there are 80 points because there are some non-accredited aims.

For adult learner-responsive (LR) provision there are 45 points because of the level of non-priority provision.

For employer-responsive (ER) provision there are 70 points because of the level of non-priority provision.

Details of the calculation are as follows:

UoR1 2006/07 data	16–18	Adult LR	Adult ER	Overall	Total
Total LSC funding	£8,275,169	£7,551,821	£65,361		
Funding of priority provision	£8,231,306	£4,908,495	£63,981		
Priority funding as a percentage of total funding	99.470%	64.998%	97.889%		
Points (see Table 20)	80	45	70		
Funding for this activity as a proportion of total funding	0.5207	0.4752	0.0041		
<b>Average points weighted by total funding</b>	41.7	21.4	0.3		63
2006/07 planned percentage of priority provision				55%	
2007/08 planned percentage of priority provision				71%	
Difference (rounded)				+16%	
<b>Points for increase in priority provision</b> (see paragraph 189)				5	
2006/07 planned overall provision				12,138	
2007/08 planned overall provision				11,782	
Percentage difference in learner numbers				-10%	
<b>Revised priority planning points</b> (see paragraph 189)				5	
<b>Total points</b>					68

## UoR2 example calculation

For UoR2 there is an overall score of 58 points.

For 16–18 provision there are 100 points because there was greater than 105 per cent delivery against the allocation.  
 For adult LR provision there are 10 points because there was less than 90 per cent delivery against the allocation.  
 For adult ER provision there are 65 points because there was less than 97 per cent delivery against the allocation.

Details of the calculation are as follows:

UoR2 2006/07 data	16–18	Adult LR	Adult ER	Rounded total
Allocation/contract amount	£9,376,900	£8,560,644	£3,459,215	
Claim	£10,052,096	£7,646,182	£3,299,599	
Claim as percentage of allocation/contract	107.20%	89.32%	95.39%	
Points (see Table 21)	100	10	65	
Proportion of total allocation/contract amount deducted to this activity	0.44	0.40	0.16	
<b>Weighted points</b>	43.8	4.0	10.5	<b>58</b>

## UoR3 example calculation

For UoR3 there is an overall score of 70 points.

There are 70 points because the funding used per successful outcome is nearly equal to the average national funding rate, having taken into account the resources used in providers' programmes and the disadvantage of their learners.

Details of the calculation are as follows:

UoR3 2006/07 calculation factors	FE 16–18	FE adult LR fully funded	FE adult LR co-funded	FE adult ER fully funded	FE adult ER co-funded	FE overall	ER 16–18	ER adult fully funded	ER adult co-funded	Entry to employment (16–18)	ER overall	FE and ER overall
Funding rate (FR)	£2,701	£2,667	£1,922	£2,667	£2,001		£2,746	£2,734	£2,734	£2,733		
Co-funded factor (CFR)									0.61			
Standard learner numbers	3,419	1,029	989	211	547	6,196	582	14	126	278	1,001	7,196
Success rate (SR = [success factor – 0.5] x 2)	0.66	0.69	0.69									
Retention/achievement rate (R/AR)				0.83	0.88		0.88	1.00	0.95	0.68		
Programme weighting factor (PWF)	1.20	1.21	1.21	1.18	1.18		1.15	1.12	1.12	1.30		
Disadvantage factor (DF)	1.10	1.10	1.10	1.10	1.10		1.07	1.07	1.07	1.11		
Weighting factor (WF = [SR or R/AR] x PWF x DF)	0.87	0.91	0.91	1.08	1.15		1.08	1.20	1.14	0.98		
Adjusted national funding rate (FR/WF)	£3,102	£2,931	£2,114	£2,474	£1,742		£2,546	£2,280	£1,462	£2,794		
Adjusted funding rate weighted by SLN proportion within funding stream (FE or WBL)	£1,712	£487	£337	£84	£154	£2,775	£1,481	£33	£184	£777	£2,475	
Adjusted funding rate of stream weighted by proportion of total SLN						£2,389					£344	£2,733
<b>Total points*</b>												<b>70</b>

\* These points were derived using the 2006/07 assessment criteria, where an overall funding level of £2,745 or less per successful outcome was worth 70 points; the threshold for achieving 75 points was £2,700 or less. The assessment criteria for 2007/08 are shown in Table 23.

## UoR4 example calculation

For UoR4 there is an overall score of 65 points

There are 65 points because the provider's cost per SLN is less than the maximum national funding rate, having taken into account all the weighting factors applicable to that provider.

Details of the calculation are as follows:

UoR4 2006/07 data	FE 16–18	FE adult LR fully funded	FE adult LR co-funded	FE adult ER fully funded	FE adult ER co-funded	FE overall	ER 16–18	ER adult fully funded	ER adult co-funded	Entry to employment (16–18)	ER overall	FE and ER overall
<b>Calculate WSLN (funded by the LSC)</b>												
SLN	3,419	1,029	989	211	547	6,196	582	14	126	278	1,001	7,196
SLN adjusted for co-funding			668		370	5,696			78		953	
Provider factor (all provider factors excluding Success Rate)	1.317	1.380	1.301	1.380	1.301		1.230	1.199	1.199	1.447		
WSLN (SLN x provider factor)	4,504	1,420	921	275	481	7,601	716	17	94	403	1,230	8,830
<b>Calculate additional WSLN due to other income</b>												
Proportion of SLN within funding stream	0.60	0.18	0.12	0.04	0.06	1.00	0.61	0.02	0.08	0.29	1.00	
Funding rate	£2,701	£2,667	£2,667	£2,667	£2,667		£2,746	£2,734	£2,734	£2,733		
Adjusted funding rate weighted by proportion of SLN within funding stream	£1,621	£482	£313	£99	£173	£2,687	£1,677	£41	£225	£798	£2,741	
Adjusted funding rate of funding stream weighted by proportion of total SLN						£2,302					£393	£2,695
Other revenue income												£9,101,000
Additional WSLN (other revenue income / funding rate)												3,377
<b>Calculate unit costs</b>												
Total WSLN (WSLN + additional WSLN)												12,207
Total operating cost												£31,650,000
Unit operating cost (total operating cost / WSLN)												£2,593
<b>Points*</b>												<b>65</b>

\*These points were derived using the 2006/07 assessment criteria, where a unit operating cost of £2,600 or less was worth 65 points; the threshold for achieving 70 points was £2,550 or less. The assessment criteria for 2007/08 are shown in Table 24.

## UoR5 example calculation

The Capital grade is 3, from a UoR5 with an overall score of 26 points.

This is because a substantial proportion of the provider's estate is either operational or inoperable. There are plans for renewal.

Details of the calculation are as follows:

Condition (RICS category)	A – As new	B – Sound	C – Operational	D – Inoperable	Total
<b>Calculate condition measure</b>					
Moderated condition points (see Table 25)	100	50	20	0	
Moderated condition assessment (sq. m.)	5,370	5,165	19,520	21,463	51,518
Proportion of estate	0.10	0.10	0.38	0.42	
Condition measure (points x proportions; total is out of 100)	<b>10</b>	<b>5</b>	<b>8</b>	<b>0</b>	<b>23</b>
<b>Calculate renewal measures</b>					
	<b>Detailed</b>	<b>AIP</b>	<b>Stage 2</b>	<b>Planned final GIA total</b>	
New or refurbished areas (sq. m.)	1,711	24,501		41,360	
Proportion of new or refurbished area	0.04	0.59			
Renewal points (see Table 26)	50	25	10		
Renewal measure (proportion of new or refurbished area / renewal points)	2	15			17
Renewal factor (condition measure / 100, rounded to one decimal place)					0.2
Adjusted renewal measure (renewal measure x renewal factor, rounded to a whole number)					<b>3</b>
<b>Capital score / (condition measure + adjusted renewal score)</b>					<b>26</b>
<b>Grade</b> (see Table 27)					<b>3</b>

# Annex D:

## Rules for Combining Framework Results for Different PIs

**1** The production of an OPR for each provider is an essential output from the Framework. This requires an approach for combining a provider's PI performance levels in order to produce its OPR. The approach must reflect the following key principles:

- it should be transparent and understandable by provider managers generally;
- it should safeguard the integrity of each of the Framework's constituent PIs and the associated processes on which they are based, for example inspection, audit, financial management, ILRs, surveys, etc;
- it should produce results that appear reasonable and sensible;
- it should discriminate appropriately between different levels of performance;
- it should encourage appropriate behaviours – for example, provider improvement, addressing underperformance, striving for excellence.

**2** When deriving the indicative OPRs for the providers in the 2007/08 Framework pilot, we based our approach on the proposals in the June 2007 publication *Framework for Excellence: How the Framework will work*, paragraphs 33 to 36. This combination-rules approach essentially used a provider's grades for each PI to derive its grades for the KPAs, and thus to derive its grades for the dimensions and its OPR. The pilot revealed that this approach was insufficiently discriminating between good and poor performance, and also produced certain anomalies.

**3** The LSC has developed a revised combination-rules approach to deriving each provider's scores, grades and OPR, based on the provider's score for each PI.

### Summary of revised approach

**4** Essentially, the new approach starts with the provider's score for each PI. It then produces a score for each KPA and dimension by deriving the mean score at each level in the Framework 'structure' from the relevant scores at the level below in the structure.

**5** Thus the main currency for the approach is scores (in terms of points – see paragraph 8 below) rather than grades. At each level in the structure (that is, for each KPA and dimension), the provider's grade will also be derived via the provider's score at that level, using the relevant assessment criteria as appropriate.

**6** The approach uses weightings as follows:

- a. between dimensions: each of the three dimensions will be equally weighted;
- b. within dimensions: weights are implied by the number of PIs and KPAs in each dimension.

### Main aspects of revised approach

#### Combining scores via a common scale for PI scores and assessment criteria

**7** Each PI is based on a different performance scale, often with associated assessment criteria reflecting the standards specified to be regarded as 'outstanding' for that PI.

**8** However, for the application of the combination rules only, the LSC will convert these scales and assessment criteria for each PI to a common scale of 0–100 points across all the PIs, with zero points being very bad performance and 100 points truly excellent performance.

**9** This adjustment process works for many PIs. In addition, for each PI that has grades but does not have scores or a set of assessment criteria (for example Inspection grade and Financial management and control), the approach uses a proxy score within each of the four grade bands. These proxy scores are used only for combination purposes.

**10** Paragraphs 21–24 in this Annex summarise the assessment criteria for each PI, together with the link to the 0–100 common scale. The provisional assessment criteria for 2008/09 are also shown in the PI-specific sections of the main text of this guide.

### Exemptions

**11** If a provider is exempt from a particular PI, the combination-rules approach ignores that PI for that provider. This means that the remaining aspects of performance in that KPA or dimension will effectively have a greater weight in the determination of the provider’s KPA and dimension grades.

### Recognising and encouraging consistently good performance

**12** To recognise good performance across the areas being combined and to encourage excellence, the LSC is introducing a system of additional performance points (APPs) for providers that score well across the spectrum of PIs, as part of the combination-rules approach.

**13** Broadly speaking, a provider will be given a small number of APPs if most or all of its scores at a particular tier in the Framework structure are above a defined threshold. The precise method will be finalised once we have data for all the PIs in the Framework in March 2009. The LSC reserves the right to finalise the details of these APP adjustments towards the end of the 2008/09 timetable.

**14** Any combination-rules approach tends to produce combined scores and/or grades that are distributed more narrowly across the performance spectrum, with more in the middle of the spectrum and fewer at the extremes. The use of APPs will also help to counter this.

### Addressing inadequate performance

**15** Paragraph 34 of *Framework for Excellence: How the Framework will work* outlined specific treatment of inadequate performance. The new combination rules use a similar approach to addressing such performance. Essentially, the approach incorporates caps that are applied to a provider’s Framework grades, where appropriate, after the calculation of scores and grades.

**16** For KPAs that contain constituent PIs (that is, the Use of Resources KPA and KPAs in the Responsiveness dimension), the caps are based on the rules for an individual provider, shown in Table D1.

**Table D1: Inadequacy rules for KPAs with constituent PIs**

Number of inadequate grades at PI level	Best achievable grade at KPA level	Best achievable grade at dimension level	Best achievable grade at OPR level
0	1 (Outstanding)	1 (Outstanding)	1 (Outstanding)
1	3 (Satisfactory)	2 (Good)	1 (Outstanding)
2	4 (Inadequate)	3 (Satisfactory)	2 (Good)
3	4 (Inadequate)	4 (Inadequate)	3 (Satisfactory)
4 or more	4 (Inadequate)	4 (Inadequate)	4 (Inadequate)

**17** For KPAs that do not have constituent PIs (that is, the Financial Health and Financial Management and Control KPAs and the KPAs in the Effectiveness dimension), the rules applying to an individual provider are shown in Table D2.

**Table D2: Inadequacy rules for KPAs without constituent PIs**

Number of inadequate grades at KPA level	Best achievable grade at dimension level	Best achievable grade at OPR level
0	1 (Outstanding)	1 (Outstanding)
1	3 (Satisfactory)	2 (Good)
2	4 (Inadequate)	3 (Satisfactory)
3	4 (Inadequate)	4 (Inadequate)
4 or more	4 (Inadequate)	4 (Inadequate)

### Implementation

**18** The new combination-rules approach will be implemented for the Framework in 2008/09, that is for scores and ratings to be produced in spring 2009. The broad approach outlined in this Annex will be refined, if appropriate, once data are available for each PI in March 2009.

**19** If necessary, the combination-rules approach will be further refined in early summer 2009, as part of the preparation for 2009/10. This will be done alongside the review of assessment criteria for the period 2009/12.

### Providers’ derivation of their own ratings

**20** The software tool that is to be made available to providers so that they can derive Framework ratings for themselves (see Annex E) will incorporate this approach to combination rules.

**Table D3: How the common scale for combination rules will be used for each PI**

	<b>Outstanding</b>	<b>Good</b>	<b>Satisfactory</b>	<b>Inadequate</b>
<b>Common scale</b>	75–100	50 to less than 75	25 to less than 50	Less than 25
<b>Original scales</b>				
Learner views	To be published in late 2008			
Learner destinations	85% or greater	72.5% to less than 85%	60% to less than 72.5%	Less than 60%
Employer views	9.05 or greater	8.05 to less than 9.05	6.05 to less than 8.05	Less than 6.05
Amount of training	76–100	51–75	21–50	0–20
Qualification success rates	97.5–130	65 to less than 97.5	32.5 to less than 65	Less than 32.5
Inspection grade	Proxy scores within each band in common scale			
Financial health	310–400	220–300	120–210	110 or less
Financial management and control	Proxy scores within each band in common scale			
UoR				
1. Funding economy	80–100	50 to less than 80	15 to less than 50	Less than 15
2. Resource efficiency	80–100	50 to less than 80	15 to less than 50	Less than 15
3. Capital	80–100	50–79	20–49	0–19

## Combining scores via a common scale

**21** As stated above, the common scale used for the combination rules is 0–100. This is divided into four equal bands: 75–100 (Outstanding); 50–75 (Good), 25–50 (Satisfactory), 0–25 (Inadequate).

**22** Many PIs already incorporate a scoring scale that spans the four grade bands ('outstanding', 'good', 'satisfactory', 'inadequate').

**23** Table D3 shows how each PI will be handled, for the application of the combination rules only, so that it is consistent with the common scale. This takes account of the provisional assessment criteria for each PI for the Framework in 2009/10. (These provisional assessment criteria are also shown in the PI-specific sections of the main text of this guide.) The formulae for the conversions from the original PI scales to the common scale will be set out in the documentation for the Single Provider Self-Assessment Modelling Tool – see Annex E.

**24** For the imaginary provider illustrated in Figure D1 at the end of this Annex, Table D4 below shows, for two selected PIs, both its original PI scores and its PI scores once they have been converted to the common scale of 0–100 points.

**Table D4: Example of conversion from original scores to common scale**

PI	Original score	Points score on common scale
Employer views	8.45	60.0
Quality of outcomes	91.65	70.5

## Illustrative example

**25** Figure D1 at the end of this Annex gives a fairly simple illustrative example showing how an imaginary provider's OPR will be derived from its constituent PI scores using these combination rules. Note that, to keep the example short, this provider deliberately has PI performance scores such that it neither qualifies for APPs nor is subject to the inadequacy rules.

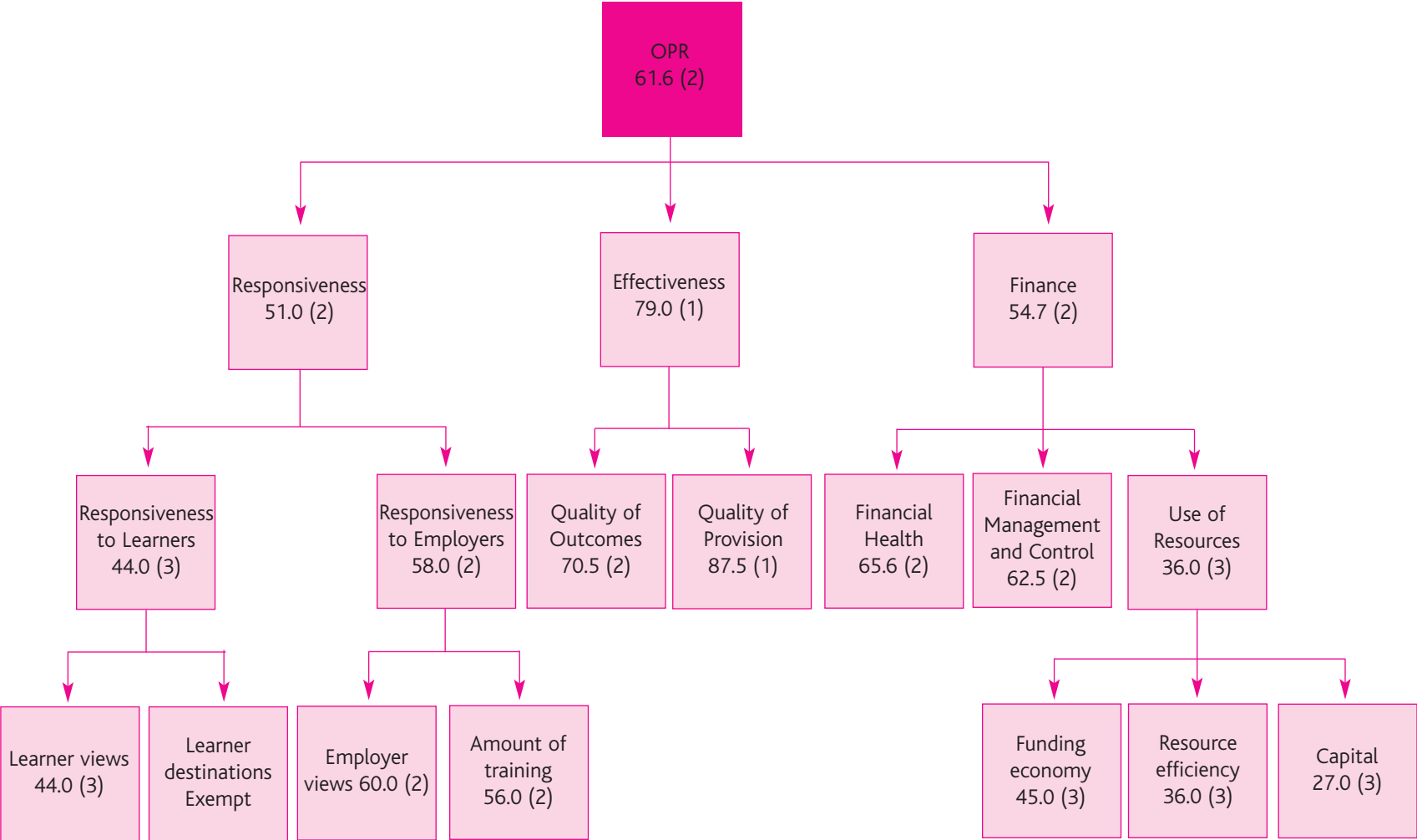
Figure D1: Illustrative example showing the derivation of an imaginary provider's OPR from its PI scores

OPR

Dimension

KPA

PI



Notes:

1. This example is deliberately simplified, in that it does not cover the application of APPs or inadequacy rules.
2. The example assumes that the provider's original Framework scores and grades have been converted to the common scale (0–100) as set out above.
3. Score and grade pairs are shown as score (grade) in each box in the diagram.
4. The example assumes that the provider is exempt from the Learner Destinations PI.
5. The example assumes that an appropriate proxy score for an 'Outstanding' grade for Quality of Provision is 87.5 points and an appropriate proxy score for a 'Good' grade for Financial Management and Control is 62.5 points.

# Annex E:

# Software to Enable Providers to Derive Their Own Ratings

**1** This software was described briefly in paragraphs 265–270 of the main text. This Annex goes into more detail.

## Introduction

**2** The Single Provider Self-Assessment Modelling Tool has been designed to support providers in assessing their own performance against the Framework for Excellence. In particular, it aims to help providers develop their understanding of how the Framework will work in 2008/09 and demonstrate how planned quality improvements might impact on their overall assessment.

**3** It is a stand-alone system, developed in Microsoft Excel, which will calculate a provider's scores and grades for its performance measures, PIs, KPAs and dimensions, as well as its OPR. Providers are required to input their own data, which are accessible from a number of existing data sources including their ILR returns, their funding allocation documents (such as the SSoA), their Finance Record and a range of reports produced by organisations such as Ofsted.

**4** However, it is important to note that this tool is for self-assessment purposes only, and has been developed according to the information and rules available at the time of issue. Therefore, providers should be aware that the official ratings published by the LSC could differ from those forecast by this model.

## System requirements

**5** To run the Single Provider Self-Assessment Modelling Tool, users need access to a PC with Windows XP and a copy of Microsoft Excel v9.0 (Office 2000) to v11.0 (Office 2003).

**6** The Single Provider Self-Assessment Modelling Tool needs to run as a single instance within Excel, that is, other spreadsheets should not be open at the same time.

**7** The software is designed to be transparent – formulae and table look-ups are clear to follow – but will be locked down in terms of the ability to change formulae.

## Where and when should the tool be available?

**8** The software tool should be available from November 2008. It will be made available through an LSC website in a form that can readily be downloaded. The aim is to incorporate user guidance into the model as far as possible, but there may also be a separate user guide which should be downloaded at the same time.

## What does the tool do?

**9** At its simplest, the tool is a ready reckoner that allows grades or performance measure scores to be entered into a Framework so that it can calculate scores and grades at KPA, dimension and OPR level.

**10** Each PI has the option of a more detailed data-entry form, designed to show how the performance score for that indicator is calculated. It is also expected that in some cases there will be intermediate data-entry points, where some ratios may be better known than the individual factors from which they are calculated.

**11** Users have the summary form as the point of entry, from where they can drop into (and return from) more detailed data-entry screens; in addition, there is a navigation facility which allows more experienced users to navigate quickly between screens.

**12** The summary screen also allows providers to model the impact of exemptions and moderation.

**13** To aid *what-if?* analysis, a reporting facility allows three different runs to be compared in summary form on the same screen and, if required, reported on the same printout.

**14** All printouts will reflect the run description of the calculation being printed and the date of that run. Outputs will contain a caveat (possibly as a footnote) saying that, although the software tool is as correct as possible at the time of issue, there will be adjustments and factors that can only be determined when the national population datasets are available. These values will be subject to estimates that may change when the national data become available. Thus, it is possible that scores and grades calculated by a provider may differ from those produced for that provider – and possibly subsequently published – by the LSC.

### How we expect the tool to be used

**15** The tool will be used to support self-assessment by providers. It can be used:

- to support staff development in understanding how the Framework will work in 2008/09;
- to support planning purposes by allowing data based on planned performance or planning scenarios to be entered; and
- to develop an understanding of the sensitivity of the Framework in respect of planned quality improvements.

### Guidance for using the tool

**16** Guidance will be designed to reduce the need for support. Using the tool should be simple and largely self-explanatory. Where guidance is needed, it will be made available from within the tool; relevant help should be accessible from any point in the tool.

**17** No training provision is planned for the introduction of the tool.

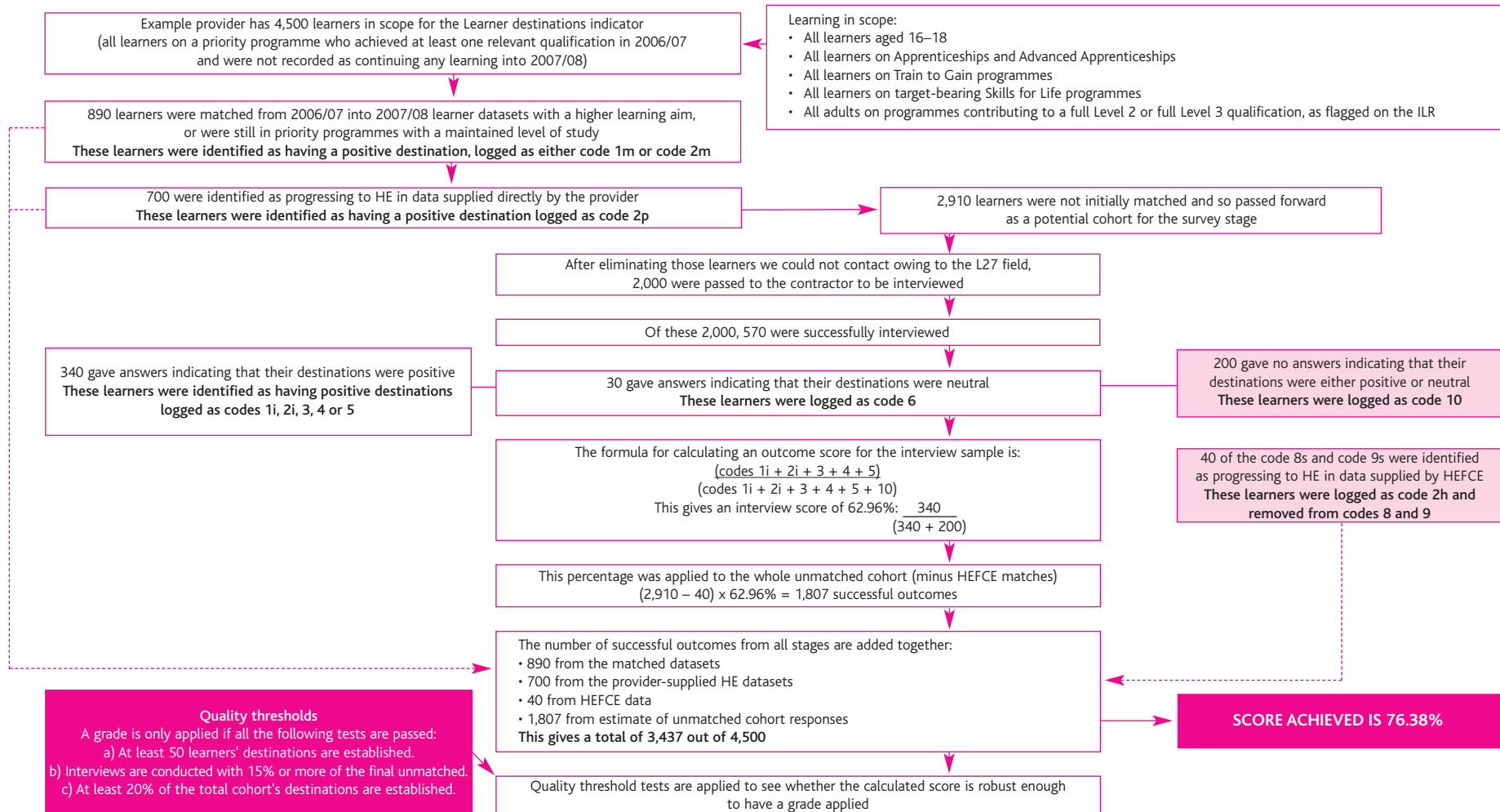
### Support arrangements

**18** If users find the guidance insufficient, they should first call their local LSC office. If the office is unable to help, it will be able to communicate the support query to the relevant body or organisation within the LSC.

### Future re-issues of the tool

**19** Consideration is being given to whether a subsequent version of the tool should be issued in early 2009, nearer the time for calculating the final Framework scores and grades. This will partly depend on whether there is sufficient time to achieve an update and release between calculation of all the Framework's national population parameters and the sharing of OPR grades. If the variation from the estimated values is small, it may be decided that an upgrade to the software is unnecessary.

# Annex F: Learner Destinations Scoring Methodology for 2007/08



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© LSC September 2008  
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Publication reference: LSC-P-NAT-080163