

Addendum to Funding Guidance for Further Education in 2003/04

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Summary of Addendum

The purpose of the document is to provide additional guidance which has been developed since the publication of the main document, *Funding Guidance for Further Education in 2003/04*. It also provides corrections and additions to the text of the main document, which aim to clarify specific points in the guidance.

The intended recipients are Principals, Chief Executives, Chief Education Officers, Heads of Institutions, Finance Directors and Management Information Officers of Further Education establishments.

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Introduction

1 The Learning and Skills Council (the Council) published *Funding Guidance for Further Education in 2003/04* (the guidance) in April 2003; a final draft of this document was available on the Council's website from March 2003. This *Addendum to Funding Guidance for Further Education in 2003/04* provides additional guidance, mainly of a technical nature, which has been requested by colleges and providers. It also provides corrections and additions to the text which aim to clarify specific points in the guidance.

Area Cost Uplift Factors for Merged Institutions and Geographically Dispersed Delivery

2 The area cost uplift factor may change when institutions merge, or where provision is delivered across a wide geographical area. The following principles will be applied in each appropriate situation.

- Where institutions merge, the area cost uplift will be determined by the geographical location of the headquarters of the merged institution. However each situation will be treated on its merits to ensure that no unanticipated outcomes occur as a consequence of applying the principle.
- Where Ufi hubs become directly funded and deliver to a wide geographical area, the geographical location of the hub does not affect delivery of the provision. Delivery centres, and not hubs, incur the costs

of delivery and therefore the area cost uplift for the hub will be calculated as a weighted average of the area cost uplifts for each delivery centre. This same principle is applied to provision delivered by the National Contract Service.

Basic Skills Learners and Disadvantage Uplift

3 The LSC issued guidance in June to clarify the criteria by which a basic skills learner becomes eligible for the disadvantage funding uplift. This is available on the Council's website: ([www.lsc.gov.uk/documents/subject_listing/Funding Learning/Basic Skills/Disadvantage Uplift - when does a basic skills learner become eligible for the disadvantage uplift?](http://www.lsc.gov.uk/documents/subject_listing/Funding_Learning/Basic_Skills/Disadvantage_Uplift_-_when_does_a_basic_skills_learner_become_eligible_for_the_disadvantage_uplift?)).

Calculation of FTEs

4 The Council has agreed to use "Full Time Equivalents" (FTEs) as a way of summarising overall volumes of learning activity. This has been set out in circulars 03/01 *Success for All: Implementation of the framework for quality and success* and 03/09 *Success for All: Implementation of the framework for quality and success*. The Council makes provisional allocations as a basis for discussion showing funding per FTE for full-time and part-time 16-18 and 19+ learners. The calculations made were largely based on funding for earlier years, that is before the FE funding changes for 2002/03 were introduced. A significant change arises from moving the first census date from 1 November to 1 October. This will produce extra funding for colleges as funding is now generated for learners who withdraw in October, whereas previously they were unfunded.

5 This has led to some incorrect funding forecasts in some colleges, based on the way the Council has made its funding per FTE calculations. Full time learners that withdraw count as 1 FTE, whereas the funding will be lower than the full rate. The October census date means that the average funding per FTE will be lower than under the previous arrangement.

Construction Apprenticeship Scheme

6 The Construction Industry Training Board has established a Construction Apprenticeship Scheme to provide a high quality route for young people entering the construction industry. For the first 39 weeks of the scheme, young people are not in employment and may be enrolled as full-time learners by FE institutions. Institutions should ensure that the learners' programmes lead to appropriate qualifications, normally an NVQ level 1 plus additional relevant qualifications.

7 Learners progressing to the next phase of the scheme under Foundation Modern Apprenticeship arrangements leading to NVQ level 2 should be funded through work based learning. FE institutions may not claim additional funding for provision funded through work based learning for learners in this phase of the scheme.

Distance Learning

8 The Distributed and Electronic Learning Group (DELG) recommended that funding should be mode free. From August 2003 the interim tariff for distance learning provision ("the 14 multiplier") is being replaced by a process of costing provision and agreeing the appropriate funding rate with the local LSC.

9 Guidance for providers and local LSCs on completing the data collection form was posted on the LSC website on 5th June 2003. This was followed on 19th June by data on weighted average guided learning hours per learning aim. The data includes learning aims with a listed rate as well as those funded

through the loadbands. Both these documents are available on the Council's website: ([www.lsc.gov.uk/documents/subject_listing/Funding Learning/Further Education/Guidance for providers and Local LSC's on completing the data collection form for loadbanded learning aims delivered by distance learning/Guidance for completing the data collection form, and weighted average guided learning hours spreadsheet](http://www.lsc.gov.uk/documents/subject_listing/Funding_Learning/Further_Education/Guidance_for_providers_and_Local_LSC's_on_completing_the_data_collection_form_for_loadbanded_learning_aims_delivered_by_distance_learning/Guidance_for_completing_the_data_collection_form_and_weighted_average_guided_learning_hours_spreadsheet)).

10 Providers who deliver learning aims with a listed funded rate by distance learning will be able to claim the listed rate. Where providers consider the listed funded rate does not adequately reflect their costs of delivery, they can agree a funding rate with the local LSC by:

- completing the data collection form
- or
- using one of the "short cuts" available for learning aims funded through the loadbands. These are described in the following paragraph.

11 Providers who deliver learning aims funded through the loadbands can agree a funding rate with the local LSC by:

- using the weighted average guided learning hours data for the learning aim to identify the appropriate loadband and claim this rate;
- or
- using the guided learning hour figure for the learning aim stated on the QCA website to identify the appropriate loadband and related national base rate;
- or
- completing the data collection form.

12 For all learning aims, both those with a listed rate and those funded through the loadbands, an "Agreement Form" should be completed. The local LSC will want to be reassured that the level of funding agreed is similar to that which is currently being claimed

for the provision. If the level of funding from the listed rate, or one of the short cuts, is significantly different the provider will need to demonstrate that:

- there has been a corresponding change in the levels of tutor:learner activity in course delivery;

or

- that the current rate in 2002/03 was insufficient to cover costs necessarily incurred in delivering the course.

13 Assuming that the level of tutor:learner activity involved in the distance learning programme is the same in 2003/04 as in 2002/03, the Council would expect that the the level of funding claimed in both years would be similar.

14 Some learning aims are not included in the list of weighted average guided learning hours. If providers can clearly demonstrate and evidence that the learning aims which are not included are equivalent in scale and volume to one that is included, with local LSC approval they will be able to agree funding based on the data relating to the equivalent qualification.

(i) abolition of funding caps

15 The funding caps on both distance learning and NVQs delivered in the workplace by support and assessment have been removed in 2003/04. Local LSCs are expected to exercise caution where providers start to claim a level of funding significantly different to the level of funding they are claiming in 2002/03.

(ii) data collection form

16 The data collection form allows providers to identify, where appropriate, indirect and overhead costs associated with the learning aim. The guidance accompanying the data collection form states that the indirect and overhead costs requested in Section B of the form relate to the provision of the distance learning course. The guidance then suggests

that providers should not apportion costs related to premises usage. This appears to be inconsistent with the form. Providers can apportion premises costs but only if the use of the premises can be clearly evidenced to be necessarily incurred in providing the distance learning programme.

(iii) distance learning provision beginning in 2002/03

17 Learners who began their distance learning programme in 2002/03 and whom will continue into 2003/04 are "crossing over" the change in funding approach. The provider will have calculated the funding for the whole programme at the beginning of the programme. This calculation would have used the 14 multiplier method. The provider should have reached agreement with the local LSC about the number of enhanced guided learning hours (eglh) it would deliver in the whole distance learning course. This figure would be included in the 2002/03 ILR. For 2003/04 the provider and local LSC should agree a monetary value equivalent to the eglh and claim this value in the 2003/04 ILR. Providers should use the loadband tables to identify an equivalent national base rate value for the eglh figure.

Edexcel First And National Qualifications

18 Paragraphs 13-17 of Annex D of the *Funding Guidance for Further Education in 2002/03* describe the funding rates for the revised Edexcel first and national qualifications which were introduced for 2002/03. Paragraph 17 states that Edexcel new awards delivered part time would be funded through the load bands. In 2003/04, Edexcel new awards with a listed rate will be funded at this rate.

Performance Against Funding Agreement

19 The Learning and Skills Council is committed to simplifying the way it funds colleges and other providers, working in partnership to create a planning led approach,

with the minimum of intervention and significantly reducing red tape and bureaucracy. These aims underpin both *Trust in FE* and *Success for All*, the Government's strategy for reforming further education and training.

20 A more flexible allocation system is detailed in Circular 03/11 *ILR Interim and ILR Final Funding Claims 2002/03*.

It includes:

- no clawback of funds or reduction in allocation for colleges and providers achieving 97% or more of their planned activity;
- the opportunity for institutions achieving below 97% of planned activity to bring themselves within the 97% threshold by returning baseline funds for the previous year; and
- unplanned growth payments for colleges and providers that over deliver in key priority areas will be fully funded.

21 Colleges and providers that are achieving between 94% and 97% of their planned activity have until the end of February 2004 to negotiate a reduced allocation for the current academic year. Those achieving below 94% must return baseline funds by September this year to bring themselves within the threshold.

Unitisation

22 The LSC will fund unitised programmes for adult learners which consist of one or more units of approved qualifications. In addition, unitised programmes for adults which consist of one or more units of other (ie non-approved) external qualifications will be eligible for funding, subject to the existing conditions attached to the funding of other provision.

23 Subject to the same conditions for the funding of other provision, the LSC will also regard unitised programmes comprising units from both approved and non-approved qualifications as eligible for funding.

24 Guidance on the coding of units of approved and non-approved external qualifications can be found at Annex H of the 2003/04 ILR guidance.

Corrections and Additions to the Text Relating to *Funding Guidance for Further Education in 2003/04*

Basic Skills and the Entitlement (additions to paragraph 158 and paragraph 20 of Annex D)

(i) Delivering basic skills to full-time, learners aged 16-18 years

25 While it is still the Ministers' expectations that the clear majority of full-time 16-18 year old learners should be undertaking the relevant key skills qualifications, the LSC acknowledges that for a small minority of these learners, basic skills qualifications (that is, the Certificates in Adult Literacy and Adult Numeracy) may be more appropriate as an initial aim. In such cases, the learners who undertake the Certificates in Adult Literacy or Adult Numeracy will continue to be eligible for the full entitlement funding.

(ii) Learners for whom basic skills qualifications are more appropriate than key skills

26 In addition to the learners described in paragraph 20 of Annex D, there may be other learners who would not normally be identified as having learning difficulties or disabilities, but for whom the achievement of the key skills qualification in Communication or Application of Number is shown, after appropriate diagnostic assessment, to be an unrealistic aim.

27 Where learners have identified basic skills needs at entry level, and diagnostic assessment indicates that it is more appropriate for them to register for approved qualification alternatives to key skills, that is,

entry level Certificates in Adult Literacy and Adult Numeracy, these qualifications may be funded as additional learning aims, at the basic skills programme weighting (i.e. 1.4), through the appropriate loadband. In addition, *and in exceptional cases only*, there may be learners with identified basic skills needs at levels 1 or 2, whose diagnostic assessment indicates that it would be more appropriate for them to register for approved qualification alternatives to key skills, that is, Certificates in Adult Literacy and Adult Numeracy at levels 1 or 2. Where this is the case, these qualifications may be funded as additional learning aims, at the basic skills programme weighting (i.e. 1.4), through the appropriate loadband.

The Council will carry out further work during 2003/04 to explore the effectiveness of these arrangements in relation to entitlement funding.

(iii) Additional learning support for full-time learners on entitlement programmes

28 Institutions may not claim funding through the Additional Learning Support mechanism, in respect of basic skills support, for learners who are already enrolled on literacy or numeracy learning aims. Please refer to Annex C, paragraphs 8, 19 and 20, for further clarification.

Resits – all qualifications (addition to paragraph 67 of Annex D)

29 Where a learner resits part of or all of a learning aim the institution should claim funding through the loadbands. The level of

funding will be determined by the number of guided learning hours delivered on the resit programme.

30 Where a learner resits part of or all of a learning aim delivered by distance learning, the provider should complete the data collection form and agree a rate with the local LSC. The agreed rate should reflect the level of activity needed to complete the resit programme.

New Tax Credits (addition to paragraph 5 of Annex K)

31 From April 2003 the New Tax Credits, comprising a Working Tax Credit (WTC) and a Child Tax Credit (CTC), have been introduced to replace Working Families' and Disabled Person's tax credits and (benefit related) child support payments. People claiming these credits will be provided with an award notice on form TC602, issued by the Inland Revenue.

32 Learners, or their partner, in receipt of WTC may be eligible for fee remission and should be asked to produce the award notice. The award notice will state the nature and amount of the award on page one of the notice and will detail whether it is for WTC or CTC only, or for both. Only those learners in receipt of WTC, or their partner, **and** with a household income of less than £14,200 will be eligible for full fee remission.

33 The required evidence is provided on pages 1 and 2 of the award notice. The 'Tax Credits Award' box on page 1 will indicate if a Working Tax Credit has been awarded and the 'Your income' section on page two will confirm the household income. A personal income of less than £14,200 is not acceptable evidence.

34 Learners claiming CTC only, will not be eligible for fee remission unless they are in receipt of another means-tested benefit or if they are an eligible partner of a WTC recipient. Learners with a household income of £14,200 or above will only be eligible for fee remission if they are receiving another means-tested benefit.

35 If an award notice is lost, the tax office should be asked for a duplicate. Photocopies of award notices are not acceptable.

Humanitarian Protection and Discretionary Leave – (addition to paragraph 185)

36 With effect from 1 April 2003, the Home Office is ending its 'Exceptional Leave' policy (ie. Exceptional Leave to Remain (ELR); Exceptional Leave to Enter (ELE)). This will be replaced by a new system of Humanitarian Protection (HP). In addition to this, the Home Office may also grant Discretionary Leave (DL) to those not given HP status.

37 This change will mean that those granted HP/DL status should be treated as 'home' learners in the same way that people with ELE/R are currently treated for tuition fee purposes. Those people granted ELE/R prior to 1 April 2003 will continue to be treated as now.

38 Paragraph 185(c) should now read: "Persons with exceptional leave to enter or remain, persons granted Humanitarian Protection or Discretionary Leave, their spouses and children."

Types of Learndirect Learner (addition to paragraph 42 of Annex F)

39 For 2003/04 individual 16-18 year old learners will be funded for **learndirect** provision. Groups of 16-18 year old learners, or where individuals are recruited on a systematic and regular basis, should not be funded for **learndirect** provision.

Other fees for 16-18 year-old learners (correction to paragraph 81)

40 No compulsory enrolment, registration or examination fees can be charged to students aged 16-18 in full-time or part-time education (see paragraph 288). (This is a correction to the paragraph reference number only. There is no change to the guidance).

Tuition fees (correction to paragraph 78)

41 If the tuition fees charged approach or exceed 75% of the national rate, institutions need to consult the guidance on full cost recovery courses in paragraphs 212-214 of the *ILR Audit Guidance for Further Education in 2002/03*. The 2003/04 ILR Audit Guidance, due to be published in July 2003, will also include guidance on full cost recovery courses.

42 Key Skills look-alike list (correction to paragraph 23). Examples of 'look-alike' qualifications are published on the LSC's website and can be accessed at:
<http://www.lsc.gov.uk/National/Documents/SubjectListing/FundingLearning/KeySkills/KeySkillsLookalikeList>

Annex A: Funding forecast using FTEs

Funding allocation in 2002/03 for FT 16-18 year olds

| | |
|--------------------|---|
| FTEs | 1,000 |
| Funding per FTE | £3,600 (calculated by local LSC based on 2001/02) |
| Funding allocation | = 1,000 x £3,600 = £3,600,000 |

Funding outturn – college estimate

College recruited 1,000 learners and believed that its funding outturn would be £3,600,000 as had been indicated by its funding allocation.

Funding outturn – correct calculation (as confirmed by LIS)

Of the 1,000 enrolments, 70 withdrew during October. These learners would not have been funded at all in 2001/02. They should have been regarded by the college as a 'bonus' and have been treated as such by the college in estimating the funding outturn.

The funding for each learner withdrawing in October is based on:

These learners do not achieve, hence 10% of funding is removed (£360)

Hence, balance of funding is £3,600 - £360 = £3,240.

Funding in first tri-annual period = £3,240 / 3 = £1,080

Hence, the funding for a learner withdrawing in October is £1,080.

However, each of these learners counts as 1 FTE

(This calculation ignores the effects of post-November retention and achievement rates).

Hence, the college should have based its calculation on the 930 learners that did study beyond 1 November as the funding for these learners offers direct comparison with 2001/02. The college should then add on the funding for the 70 who withdrew during October.

| | | |
|---|---------------------------|--------------|
| Funding for learners studying past Nov 1 | = 930 x £3,600 | = £3,348,000 |
| Funding for learners withdrawing in October | = 70 x £1,080 | = £75,600 |
| Total funding outturn | | = £3,423,600 |
| Funding shortfall compared with allocation | = £3,600,000 - £3,423,600 | |
| | = £176,400 | |

Outturn funding per FTE = £3,423,600/1,000 = £3,423.60 (*not* £3,600)

Notes

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