

Circular 00/03

Funding

Funding Guidance 2000-01

Summary

This circular provides guidance to institutions on the Council's funding allocation round for 2000-01. It explains how institutions' provisional allocations will be calculated, including the allocation of growth funding for full-time 16 to 18 year-olds and adults. The main changes to the 1999-2000 allocation round are: the introduction of curriculum 2000 and the associated set of changes to the funding of all students; the removal of funding associated with units for childcare (now to be distributed through access funds); an increase in the average widening participation uplift factor; and the allocation of specific targeted funds for Ufi students. The Council will inform institutions of their provisional allocations by the end of February 2000. Institutions will be asked to respond to these, through regional offices, by 14 April 2000. This circular is of interest to college principals, chief education officers, heads of external institutions and heads of higher education institutions receiving Council funds.

Contents	<i>paragraph</i>
Introduction and background	i
Funding round 2000-01	vi
Council's approach	1
Tariff	39
Learning accounts	44
Quality assessment	46
Local priorities	53
Tuition fees	64
Collaboration	67
Outstanding audit certificates	69
Mergers	70
Responses	75
Strategic planning information	86
Monitoring	116
Funding agreement	124
External institutions	131
Annexes	
A Response to provisional allocation	
B Funding and strategic planning information 2000-01	
C Regional offices	
D SP00 CHG (APR)	

Further information

Regional directors

or write to:

The Further Education
Funding Council
Cheylesmore House
Quinton Road
Coventry CV1 2WT.

Website www.fefc.ac.uk

Contents

Paragraph

Introduction and background	i
Secretary of state's priorities	ii
Summary of Council decisions	iv
Funding round 2000-01	vi
Timetable	x
Council's approach	1
Summary of the allocation process for 2000-01	2
• Base allocation	3
Convergence	7
• Colleges	7
• Higher education institutions	8
• External institutions	9
Performance against funding agreement	11
Targeted growth	22
• 16 to 18 year-old full-time students	25
• Curriculum 2000-01	29
• Adults	36
• University for Industry/learndirect	37
Tariff	39
London weighting	39
Effect of tariff changes on allocations	40
Learning accounts	44
Quality assessment	46
Local priorities	53
Local recruitment area	55
Franchised provision	57
• Arrangements for 2000-01	61
Tuition fees	64
Collaboration between Council-funded institutions	67
Outstanding audit certificates	69
Mergers	70
Responses to provisional allocations	75

Strategic planning information	86
Funding commentary	88
• Variations from 1999-2000	90
– Funding agreement	90
– Strategic planning information	93
– Most recent needs analysis	95
Partnership and collaborative activity	96
Strategic objectives	97
Risk analysis	99
Franchised provision	104
Exceptional features	107
Other factors	109
Return of strategic planning information	110
Requirements for July 2000-01	111
European social fund	113
Monitoring	116
Conditions of funding	116
Tolerance of performance against funding agreement	119
Funding agreement	124
Monitoring	126
External institutions	131
Mergers and consortia	133
Specific guidance	135
Existing sponsorship arrangements	136
Institutions not previously funded by the Council	143
External institutions	144
Higher education institutions	148
Annexes	
A: Response to provisional allocation	
B: Funding and strategic planning information 2000-01	
C: Regional offices	
D: SP00 CHG (APR) Withdrawal of provision	

Funding Guidance 2000-01

Introduction and Background

i This circular provides advice to institutions on the funding allocation round for 2000-01. It supersedes Circular 99/07, *Funding Guidance 1999-2000*. Advice on the tariff has been issued separately in Circular 00/02, *Funding Methodology: Review of the tariff 2000-01*.

Secretary of state's priorities

ii The government's priorities for further education for 2000-01 were set out in the secretary of state's letter of 23 November 1999 to the Council chair, which was circulated to institutions.

iii The key objectives that the secretary of state has set for the further education sector on the basis of the comprehensive spending review settlement are to:

- a. raise standards;
- b. widen participation; and
- c. meet the skills challenge.

Summary of Council decisions

iv The Council considered the letter from the secretary of state at its meeting of 8 December 1999. The outcome was reported in *Council News* No. 57. The key decisions were:

- a. £3,292 million will be made available for distribution to institutions for the 2000-01 teaching year;
- b. the average widening participation uplift factor will rise from 6% to 10% in two equal steps by 2001-02;
- c. childcare units and associated funding will be removed from the tariff and distributed through access funds;
- d. pending the review of the tariff for London costs, the provisional allocations to colleges in receipt of London weighting should reflect the same weighting factors as in 1999-2000;

- e. £25 million will be made available in 2000-01 to fund an increase of 9,000 16 to 18 year-old full-time students;
- f. £38.4 million will be allocated to fund an increase of 13,750 in numbers of adult students, 65% of which will be for widening participation and 35% for increasing participation. Of this allocation, £20.25 million will be specifically for 7,250 students in respect of University for Industry/learndirect provision.
- v The Council has also made available £34.4 million in 2000-01 to support the costs of implementing curriculum 2000.

Funding Round 2000-01

vi The guidance in this circular is intended to explain the procedures used by the Council to determine allocations of funding for each institution for 2000-01. It applies to all institutions receiving a funding allocation from the Council. The guidance also takes into account the particular circumstances that apply to some of the specialist designated institutions and to external institutions.

vii For the majority of institutions the funding process will be similar to last year's. The process is based on discussions between institutions and the Council's regional offices, following receipt of provisional allocations, within the framework set out in this circular. The introduction of curriculum 2000 is the most significant development. The Council's proposals for making provisional allocations in respect of this provision are set out in Circular 99/54, *Revised Funding Methodology for 2000-01 Including Curriculum 2000*.

viii The process is intended to reflect each institution's particular circumstances within a clear national framework. The Council has sought to respond to requests from institutions for more flexibility, for example in carrying forward underachievement of targets. The Council is concerned, however, that a number of institutions appear to be underachieving their funding agreements for more than one year.

The dialogue with regional offices will establish whether such institutions' baseline allocations should be reduced and whether it is prudent for the Council to allocate growth funds to them.

ix All queries regarding this circular should be made through the appropriate regional office. A list of regional offices is given in annex C to this circular. Council staff in Coventry will be supporting regional colleagues in their discussions with institutions.

Timetable

x The timetable for the funding allocations process in 2000-01 is as follows:

January 2000	Funding guidance circular published
January 2000	Tariff 2000-01 circular published
February 2000	Regional offices initiate discussions with institutions that appear not to be achieving their 1999-2000 target
16 February 2000	Annual conference: sessions on funding round 2000-01
End of February 2000	Provisional allocations for 2000-01 and all-year estimates for 1999-2000 issued to institutions
March 2000	Institutions wishing the Council to review their provisional allocations initiate discussions with regional offices

14 April 2000

May 2000

12 June 2000

July/August 2000

Closing date for responses to provisional allocations and receipt of strategic planning information

Adjustments to individual institutions' allocations

Operational allocations issued

Final funding allocations, funding agreements and any final reviews of provisional allocations issued to institutions.



Council's Approach

1 The key features of the Council's approach to the allocation of funding to institutions are as follows:

- a. the Council makes a main allocation of funding to institutions each year to support the provision set out in their strategic plans;
- b. the Council may also make separate allocations of funding to institutions in respect of targeted activity; for example, growth funds in 2000-01 for 16 to 18 year-old full-time students and for widening participation. Funds may not be vired between the various allocations without the Council's prior consent;
- c. the Council agrees with each institution the provision it will make in return for its funding. This provision will be expressed in units¹ and also the number of full-time 16-18 year-olds or full-time equivalent (FTE)² adult students;
- d. institutions are free to enrol additional students, without funding, as they consider appropriate. The Council cannot guarantee to fund such additional students in 2000-01 but unfunded students in priority growth areas are likely to be reflected to some extent in allocating growth in 2001-02, subject to the funding methodology adopted by the Learning and Skills Council, which comes into existence on 1 April 2001;
- e. in determining which programmes to offer, institutions need to consider the needs of their own locality and the secretary of state's wish to see collaboration between colleges and between colleges and other education and training providers;
- f. the Council has a duty to secure adequate and sufficient facilities for further education in England and may wish, from time to time, to make an agreement with an institution to provide particular provision;
- g. each institution's performance is monitored against its funding agreement each year and its funding will be reduced if it falls short of its agreement, subject to the conditions set out in paragraph 127.

¹ *The Council expresses its funding of institutions using a measure called a funding unit. A funding unit is a standard measure of elements of activity that make up a student's programme of study or support for their learning. Each category and aspect of provision that the Council has decided to fund differentially is assigned a value of funding units in a tariff. The Council's tariff is described each year in a circular. The relevant circulars for 2000-01 are Circular 99/01, Tariff 1999-2000, proposed changes are set out in Circular 99/54, Revised Funding Methodology for 2000-01 Including Curriculum 2000 and Circular 00/02, Funding Methodology: Review of the tariff 2000-01. Once the consultations on Circulars 99/54 and 00/02 have finished, and the tariff advisory committee has advised upon the outcome, the Council will publish a consolidated tariff for 2000 onwards.*

² *The Council's method of calculating FTEs is provided in annex A of Full-time Equivalent Student Numbers in Further Education 1997-98, published in September 1999.*

Summary of the allocation process for 2000-01

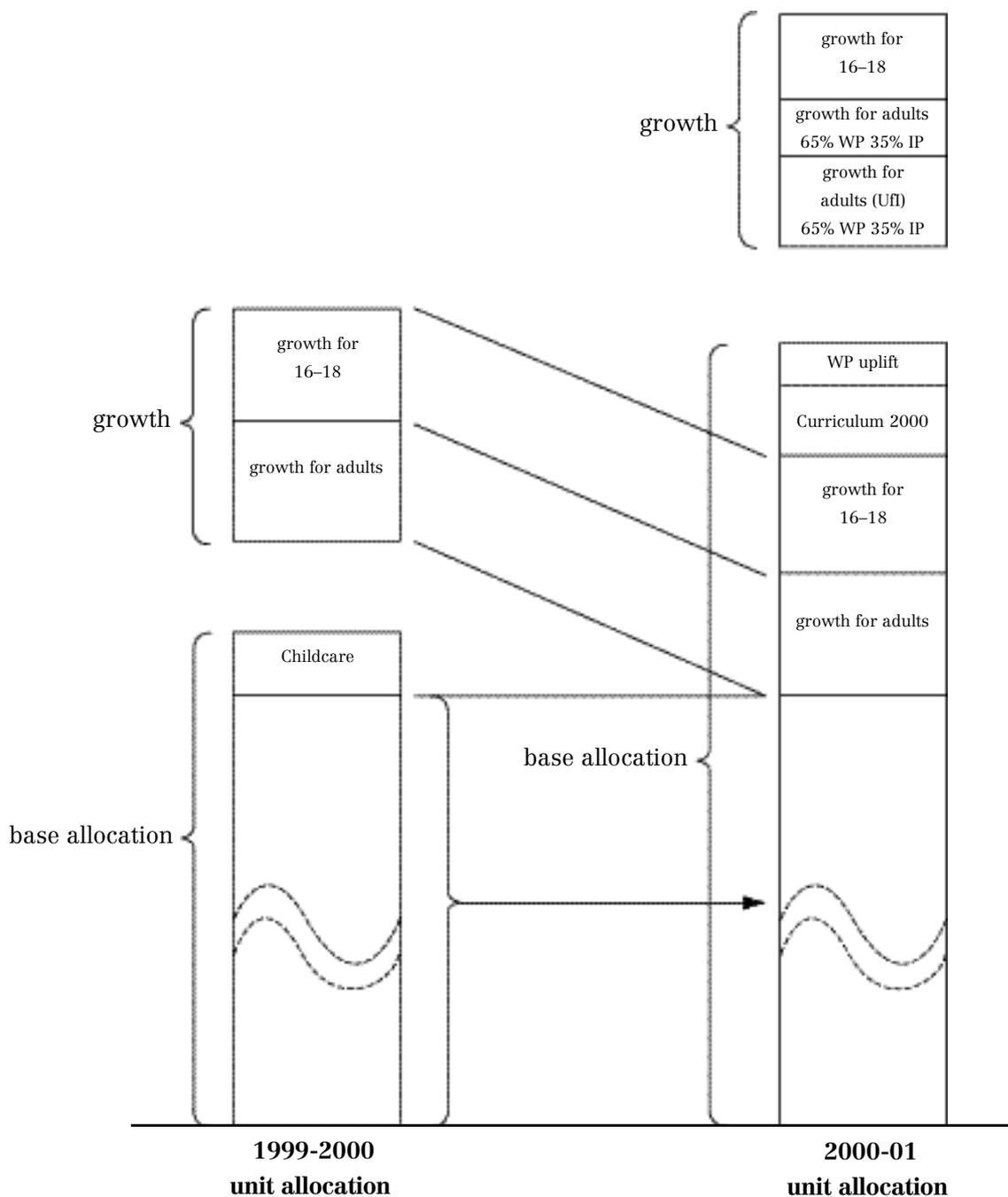
2 The Council will make a provisional allocation to each institution consisting of:

- a base allocation calculated from the institution's 1999-2000 allocation less any funding associated with units for childcare, which will now be distributed through access funds

- growth funding for full-time 16 to 18 year-olds
- growth funding for adults, 65% of which is targeted at widening participation (WP) and 35% is for increasing participation (IP) in the population as a whole.

This is shown in figure 1.

Figure 1. Construction of allocation for 2000-01



Base allocation

3 Most institutions will be offered a base allocation consisting of the same number of units for which they were funded in 1999-2000 less any units associated with childcare. Figure 1 illustrates how the base allocation will be constructed. The further £7 million to fund additional growth in 16–18 year-old student numbers in 1999-2000, to be allocated in spring 2000, will be consolidated into institutions' base allocations for 2000-01.

4 Each institution's total funded unit allocation will consist of its base allocation plus any growth elements; the total units to be delivered may exceed the funded units where an institution is carrying forward underachievement.

5 The Council will calculate a funded average level of funding (ALF) for each institution for 2000-01 as described in paragraphs 7 to 10. To arrive at the cash to be allocated, the unit allocation is multiplied by the institution's ALF, adjusted where applicable for London weighting and the institution's widening participation factor.

6 The Council may consider a cap to limit the percentage of growth allocated to any institution.

Convergence

Colleges

7 Following the secretary of state's letter, the Council has decided that colleges with an ALF exceeding £17.20 should converge to £17.20 in two equal steps by 2001-02. Colleges with an ALF below £17.00 will converge to £17.00 in 2000-01 and £17.20 in 2001-02. Colleges with an ALF between £17.00 and £17.20 will have an unchanged ALF in 2000-01 and will converge to £17.20 in 2001-02.

Higher education institutions

8 The Council has decided that higher education (HE) institutions with an ALF exceeding £17.20 will converge to £17.20 in two equal steps by 2001-02. HE institutions with an ALF below £16.89 will converge to £16.89 in 2000-01 and to £17.20 in 2001-02. HE

institutions with an ALF between £16.89 and £17.20 will have an unchanged ALF in 2000-01 and will converge to £17.20 in 2001-02.

External institutions

9 In 1999 the Council established an independent working group to advise on the contribution of external institutions to the government's lifelong learning objectives and a future approach to funding and quality assurance issues. The group was chaired by Professor Bob Fryer CBE, assistant vice-chancellor of the University of Southampton and director of distributed learning at the University for Industry.

10 The group reported in November 1999; *External Institutions: Final report of the review group* provides the group's recommendations. Following consideration of these recommendations, the Council has determined that external institutions should converge to £17.20, the same as for colleges, in 2001-02 in two equal steps. External institutions with an ALF between £16.80 and £17.20 in 1999-2000 will follow the convergence track for colleges.

Performance against funding agreement

11 The assessment of an institution's performance against its funding agreement for 1999-2000 will be based on the ISR15 (1 November 1999; 1999-2000) return made to the Council.

12 HE institutions will be given a provisional allocation based on an assumption of meeting target. They will be required to submit an all-year estimate with their response to their provisional allocation.

13 Institutions that are expected to be significantly below their target against their 1999-2000 funding agreement and those that have not returned their ISR15 (1 November 1999; 1999-2000) may be given an indicative growth allocation for 2000-01. Confirmation of the level of growth will result from discussions between the institution and the regional office. Any valid ISR15 or revised valid ISR15 received by the Council after 14 April 2000 will be

accepted but any positive impact on an institution's provisional allocation cannot be guaranteed.

14 Where an institution is not expected to meet its 1999-2000 funding agreement, it will be expected either to:

- identify in its strategic planning commentary how it intends to generate at least the number of units in its 2000-01 provisional allocation; or
- offer units back to the Council as part of its response to its 2000-01 provisional allocation.

15 If, after discussion, there is some doubt that an institution can deliver the number of units in its 2000-01 provisional allocation, the Council may offer it only the number of units it expects to generate in 1999-2000. Each institution will have a minimum funding allocation in 2000-01 of 90% of its 1999-2000 funding allocation, less any funding associated with the provision of childcare. This will be subject to any adjustment described in paragraph 17.

16 The Council monitors each institution's performance against its funding agreement. After the year-end, a final audited claim for funding units for the teaching year 1999-2000 will be required in February 2001 from each institution. Should the number of units achieved by an institution in a particular category be significantly less than set out in its 1999-2000 funding agreement, the Council may review the institution's 2000-01 funding allocation.

17 Where an institution has failed to achieve 90% of its 1997-98 unit allocation in 1998-99 and is expected to fail to achieve 90% of its 1998-99 unit allocation in 1999-2000, the Council will adjust the unit allocation for 2000-01 to reflect more accurately the institution's performance.

18 This would be reviewed in the light of the institution's audited final claim for 1999-2000. If the institution generated a greater number of units than originally used in calculating the allocation for 2000-01, all additional units achieved, up to 90% of the institution's 1999-2000 allocation, would be added back into the 2000-01 allocation.

19 If an institution generates fewer units in 1999-2000 than used in calculating the allocation for 2000-01, the Council may revise the allocation again in the light of the further shortfall in units.

20 Where an institution or its external auditors consider that they could be affected by recovery of funds arising from a failure to deliver targeted growth and/or failure to deliver the additional allocation made during 1999-2000, and the scale of this recovery could have significant financial implications for the institution, they should contact their regional finance director for further advice.

21 The Council, through its regional committees, will monitor the performance of institutions, individually and collectively, against their strategic plans, or equivalent, to assess whether it is meeting its statutory duty to secure sufficient and adequate facilities for further education in England. This monitoring will not have any immediate funding consequences for institutions. Should the Council conclude, however, that there is a risk that it will not meet its statutory duty, it will enter into discussion with the appropriate institutions to agree the action that should be taken to remedy the deficiencies that have been identified.

Targeted growth

22 In addition to the general distribution of funds using the above method, the Council will also allocate the additional funds made available to it for 2000-01, for the following purposes:

- additional 16 to 18 year-old full-time students
- additional growth for adults of which 65% will be for widening participation and 35% for increasing participation.

23 To estimate the ratio of 16 to 18 year-olds to adults in each institution, the Council will use the ratio applied for institutions' 1999-2000 allocations.

24 Institutions, in responding to their provisional allocations, will be offered the opportunity to make a specific case to the Council's regional director where, based on local circumstances, they believe they can deliver more provision than is funded in their provisional allocations.

16 to 18 year-old full-time students

25 The Council wants to encourage institutions to increase the number of 16 to 18 year-old students for which they make provision, particularly in those groups that have not traditionally taken part in further education. When planning for this, institutions should take account of their lifelong learning partnerships' local learning plans, or equivalent, to ensure there is no unnecessary competition. The Council will also take account of each institution's 1999-2000 actual enrolment data when calculating growth for 2000-01 and likewise, for 2001-02, take account of actual enrolments in 2000-01.

26 Growth for this category will be in three parts. The first element will be a fixed percentage growth in the units related to 16 to 18 year-olds. The second element will take account of local demographic growth and the institution's recruitment of 16 to 18 year-olds in 1999-2000. The third element will be a variable percentage linked to the participation rate in the institution's local area.

27 The Council will estimate the demographic growth element based on the number of 16 to 18 year-old full-time students each institution would have in 2000-01 were its market share to remain the same as in 1999-2000. This would be calculated using data from the ISR, together with Office for National Statistics population growth projections.

28 Although overall demographic growth in this age-group is predicted to be negative, participation rates are predicted to increase such that the overall growth in numbers of 16 to 18 year-olds is expected to be some 1.5% between 1999-2000 and 2000-01. This overall growth at a national level will mask considerable variation at a local level.

Curriculum 2000

29 Circular 99/54, *Revised Funding Methodology for 2000-01 Including Curriculum 2000*, describes in detail the Council's approach to funding curriculum 2000. It proposes a co-ordinated set of changes, relating to the funding of all students, which is intended to support the introduction of revised funding arrangements for curriculum 2000 whilst reducing the complexity of the current funding methodology.

30 The proposals for simplifying the funding methodology for all students are as follows:

- an option for entry units to be allocated on a per period basis
- the funding calculations for loadbanded qualifications to be brought into line with those for individually listed qualifications and the loadbands to be rationalised
- all funding calculations to be on a per period basis, to facilitate the funding of 'roll on, roll off' provision
- 'full-time' for funding purposes to be defined in terms of funding units rather than guided learning hours
- replace the complex funding rules for full-time GCE A level students with a funding taper
- alter the calculation of fee remission to remove the current cap of 33.3 units a year for full-time students and to correct an anomaly in the present approach which disadvantages high-cost provision
- introduce a 'student programme' ISR, which would support these changes and which would require less work from institutions.

31 The net effect of the funding arrangements for curriculum 2000 in 2000-01 will be to increase the total funding units that may be claimed for full-time programmes for 16-18 year-olds. The Council has made available £34.4 million of additional funds in 2000-01 to support the costs of implementing curriculum 2000. The funding arrangements will reflect the principle of entitlement to key skills, tutorial and

enrichment activities applying to all full-time 16–18 year-old students regardless of level of study. They will also support ‘roll on, roll off’ provision.

32 Another significant feature of the simplification of the funding methodology will be to correct an anomaly in the current methodology which disadvantages high-cost provision in the calculation of fee remission (as the cost-weighting factor will be applied to all basic units, including those for fee remission).

33 For 2000-01 an institution’s funding unit allocation will be calculated by taking the allocation for 1999-2000 and adding growth funding for 16–18 year-olds and adults in a similar way to 1999-2000, together with an estimated number of funding units to allow for the costs of implementing curriculum 2000. The additional funds of £34.4 million made available for curriculum 2000 in 2000-01 will be allocated in line with the expected number of 16 year-old students and represents an average increase of approximately £300 per curriculum 2000 student. The Council expects that there will be some degree of variation in the total additional funds made available to individual institutions, given that some institutions will be in a position to offer the curriculum 2000 programme to a large number of students whilst others will not yet be able to do so. This will be established through the dialogue between institutions and regional offices following receipt of provisional allocations.

34 Institutions will have the opportunity to seek an alternative allocation if their actual plans for curriculum 2000 differ from these planning assumptions.

35 Out-turn funding units for 2000-01 will be calculated using the revised funding methodology for 2000-01. The Council will compare for each institution the out-turn units in 2000-01 with the out-turn units for 1999-2000. The change in out-turn units will in turn be compared with the increased allocation made for 2000-01 to compensate the institution for the expected increased costs of curriculum 2000. Subject to the availability of sufficient

funds, the Council will retrospectively increase 2000-01 allocations where the actual increase in activity in respect of curriculum 2000 exceeds significantly the increase assumed. The Council reserves the right to adjust allocations downwards, where there is evidence to support this.

Adults

36 The Council will calculate each institution’s growth for adults in two parts. The first part will be based on the institution’s existing number of units associated with provision for adults as calculated in paragraph 23. This is intended to increase participation in the population as a whole. The second part will also take into account each institution’s existing WP factor.

University for Industry/learndirect

37 In 1999-2000 the Council made available £4 million to University for Industry (Ufi) learning hubs to deliver Ufi programmes to Ufi learners in development centres.

38 For 2000-01 the Council is currently finalising arrangements with the Ufi regarding the method of allocating the £20.25 million which has been set aside for students of the Ufi. Funds are likely to be allocated around the time that operational allocations are made in June 2000.

Tariff

London weighting

39 The Council implemented for 1999-2000 revised London weighting factors. The tariff advisory committee (TAC) is consulting on these factors for 2000-01 as part of the comprehensive review of institutional and geographic factors. Institutions in receipt of London weighting will receive the current rate as part of their provisional allocation for 2000-01. The Council will consider the results of the consultation and, in the light of the establishment of the Learning and Skills Council, if agreed, will revise London weightings when final allocations are issued.

Effect of tariff changes on allocations

40 The Council is allocating £34.4 million in 2000-01 to meet the increased costs of the funding tariff as it applies to 16-18 year-old full-time students. The increased costs will be a combination of increased funding levels and an increase in the size of students' programmes.

41 The Council does not intend to adjust funding allocations to match other changes in units as a result of the revised tariff for 2000-01. Such net changes are expected to be small at institutional level.

42 Subject to the availability of sufficient funds, the Council will consider increasing the funding allocation of an individual institution where the tariff changes for 2000-01 are likely to result in a significant shortfall between the number of units in the 2000-01 allocation and the number of units generated.

43 The Council will, if necessary, provide funding protection for institutions which fail to meet their 2000-01 funding agreement solely because of changes to the 2000-01 tariff. This is judged to be unlikely in practice.

Learning Accounts

44 The secretary of state has signalled the government's wish that the Council continue to fund pilot projects for learning accounts in 2000-01. The Council has also been requested to make arrangements to offer provision to attract an 80% discount for some basic IT-specific learning, from April 2000. These arrangements will operate in advance of the full national framework and will be superseded by the discounts coming into effect from September 2000, subject to the passage of forthcoming post-16 legislation.

45 A circular will be issued by the Council in spring 2000, providing further details of learning accounts and those courses which will be eligible for the 80% discount, and consulting institutions on a number of issues relating to the operation of the national framework.

Quality Assessment

46 Through the standards fund, the Council intends to introduce an achievement fund in 2000-01, to reward colleges which have improved their achievement rates or have maintained their achievement rates at a high level without significant deterioration in their rates of retention. A consultative circular will be issued early in 2000, outlining the Council's proposals for the achievement fund, together with other aspects of the standards fund for 2000-01.

47 Where the inspectorate has assessed a curriculum area as grade 4 or 5, it will be a condition of funding that the institution shall not increase the numbers of students taken on to the first year of programmes until the inspectorate is satisfied that the deficiencies have been remedied. An institution will not be allowed to increase its activity by replacing part-time students with full-time students and the Council would not expect an increase in the units in the curriculum area or areas in question. Where the proportion of an institution's provision that is graded 4 or 5 exceeds 20% of the total, the Council will consider whether to limit the number of units to be allocated to the institution.

48 Where an institution has assessed itself as having a curriculum area at grade 4 or 5, the Council would not expect it to plan to increase the numbers of students taken on to the first year of the programme in the curriculum area or areas in question.

49 In franchise arrangements, an institution is responsible for ensuring that quality assurance arrangements for the franchised provision, including the application, where applicable, of the college charter to the provision, are in place.

50 Where the inspectorate has assessed a college's quality assurance arrangements, governance or management as grade 4 or 5, the Council will make it a condition of funding that the college may not enter into new, or extend existing, Council-funded franchise arrangements until the inspectorate is satisfied that the deficiencies have been remedied. This will

require institutions not to increase either the student numbers or the funding units for franchise arrangements above the numbers at the date on which the institution was notified by the Council of the grading for its quality assurance arrangements. The college may claim units for all legally binding contractual commitments existing at the date on which the quality grade was notified. No new contracts should be entered into by institutions. Students enrolled after the date of notification are only eligible if there is a legally binding contractual commitment in existence at the date of notification.

51 Where an institution has assessed itself as having a grade 4 or 5 for quality assurance, governance or management, the Council would not expect it to increase its franchised provision, as described in paragraph 50.

52 There are a number of colleges where the Council has significant concerns about the quality of provision, governance, management and/or financial issues. Many of these colleges are receiving exceptional support in line with Circular 98/12, *The Council's Approach to Identifying Colleges Requiring Additional Support*. The Council will undertake detailed discussions with these colleges to assess their capacity to deliver growth. These may result in restrictions on the growth funding allocation for 2000-01.

Local Priorities

53 The Council's guidance in relation to local priorities is contained in Circular 99/39, *Local Priorities*, and the accompanying supplement, the *Local Priorities Toolkit*.

54 The local priorities policy is intended to ensure that there is adequate and sufficient provision of further education for the population of an area, provided mainly by local institutions and that wasteful and unhelpful competition is avoided. The Council is concerned to ensure that institutions focus on the needs of the local area.

Local recruitment area

55 An institution's 'local' recruitment area is defined as the set of local authority districts from which the institution recruits 80% of its direct provision. The district containing the most direct provision, measured in student numbers, is selected, followed by the district with the second highest amount of direct provision and so on until at least 80% of direct provision is included. Provision is defined as 'local' if it is made within the 'local' recruitment area and distant if it is made outside it.

56 Each institution has been given details of the local authority districts comprising its 'local' recruitment area.

Franchised provision

57 The term 'franchising' is taken to refer to outward franchising or subcontracting, that is, where a Council-funded institution delivers provision for students enrolled at the institution through a partner body. Where an institution makes provision for students enrolled at another institution, it is defined as inward franchising and such students should be recorded on the ISR form, FRANIN. The institution should not claim any funding units for inward franchising.

58 The Council's guidance in relation to franchised provision is contained in Circular 96/06, *Franchising*, and Circular 96/32, *Supplementary Guidance on Collaborative Provision* (except for collaborative provision as described in paragraph 67 below). Institutions are reminded to consult this guidance and any subsequent updates, including Circular 99/09, *Franchising, Fees and Related Matters*, and Circular 99/37, *Franchising and Fees*, before entering into franchise arrangements.

59 The secretary of state is concerned to ensure that franchise arrangements should not operate well outside an institution's area. The Council does not, therefore, expect any new contracts or increases in student numbers associated with distance franchise provision (see paragraph 101).

60 Whilst it is not envisaged that franchising will be prohibited by the Learning and Skills Council, the prospectus makes clear at paragraph 3.12 that subcontracting arrangements will need to be seen to add value. The Department for Education and Employment's consultation document, *Learning to Succeed: Post-16 funding and allocations*, also considers this issue at paragraphs 2.29 to 2.32. All training providers will be able to access Learning and Skills Council funds directly, provided they meet the required threshold standards. Colleges should be considering this position carefully, discussing future intentions with their franchisees and planning accordingly.

Arrangements for 2000-01

61 Institutions will be requested from time to time to provide details of their existing and planned franchised arrangements, and how they contribute to the achievement of their mission and strategic objectives. The information will usually complement the timing and structure of strategic plan returns.

62 Information from the ISR will provide the Council with an indication of each institution's franchised provision and information about the organisations with which institutions have franchise arrangements but Council regional office staff may request further information.

63 No Council funding should normally transfer from colleges to employers, including through third parties, as part of a franchise arrangement to provide education and training to their employees. Reasonable payments to employers for the use of premises and equipment may be appropriate. Arrangements for seconding an employer's staff may be contentious and the Council has given further guidance on this and other issues in Circular 99/09 and Circular 99/37.

Tuition Fees

64 The comprehensive spending review expects institutions to increase income from employers' contributions by £25 million in 2000-01, in addition to the £35 million increase announced for 1999-2000.

65 The Council has recommended that colleges should set a minimum tuition fee for employer-led provision funded by the Council, at rates equivalent to the fee remission element in the funding arrangements. In addition to addressing the expectation that income of £60 million in employer contributions will be obtained in 2000-01, this policy addresses concerns of many colleges about wasteful competition arising from the undercutting of fees charged by local colleges to employers, often by other colleges franchising out of their normal recruitment area. Colleges are asked to consider their fees policies in the context of their lifelong learning partnerships while taking account of the secretary of state's expectations of increased employer contributions.

66 Recommended minimum levels of tuition fees for employer-led provision are provided in Circular 99/37.

Collaboration between Council-funded Institutions

67 In Circular 96/32 it was stated that franchising arrangements between Council-funded institutions would not normally be eligible for funding. A particular concern was that institutions might engage in 'trading' of units resulting in disproportionate expenditure. The withdrawal of the demand-led element of funding has reduced the scope for this to occur. In addition, the secretary of state has encouraged institutions to promote more collaborative activity. This may include the transfer of units, either temporarily or permanently, to support partnership arrangements to enhance the educational opportunities for students within the local area.

68 Institutions are requested to contact their regional office to discuss any plans for partnership activities that may involve transfer of units between institutions receiving funding from the Council.

Outstanding Audit Certificates

69 A number of institutions have audit certificates relating to the use of funds or funding claims outstanding. The Council will consider, on an individual basis, whether to confirm the provisional allocations for such institutions and may choose to limit funding to them in 2000-01 unless appropriate action is taken.

Mergers

70 Where institutions of the same type are merging, separate provisional allocations will be calculated for each merging institution. The Council will then combine the individual provisional allocations to provide a single final allocation. The combined ALF, which will be used for any recovery of funds for 2000-01 and for the 2001-02 allocation, will be calculated from the combined funding and the combined units.

71 Where a college merges to become part of an HE institution and the ALF of the college is higher than that of the HE institution, the units will be transferred to the HE institution at the HE institution's ALF. The combined ALF calculated from the combined funding and the combined units will be used for any recovery of funds for 2000-01. Where the ALF of the college is lower than that of the HE institution the procedure at paragraph 70 will apply.

72 Where an external institution merges to become part of a college, the procedure in paragraph 70 will apply.

73 Colleges that have previously merged with external institutions and retained separate ALF tracking will now have these combined for the purposes of setting a 1999-2000 baseline and for calculating the 2000-01 ALF.

74 The Council's approach to considering mergers involving further education colleges is described in Circular 98/36, *Mergers, Transfers and Incorporations*. This does not, however, extend to mergers involving institutions outside the further and higher education sectors. The Council would advise colleges that are considering merger with external institutions to contact the appropriate regional director for guidance on whether it would be appropriate for an abbreviated version of the procedures in Circular 98/36 to be followed.

Responses to Provisional Allocations

75 The Council intends to notify each institution of its provisional allocation by the end of February 2000. Each institution will have an opportunity to respond to their provisional allocation before the Council issues operational or final allocations.

76 Institutions that wish to make significant variations to their provisional allocations are encouraged to start discussions with their regional office as soon as possible after receiving their provisional allocation, well in advance of the date for completed responses. The purpose of this dialogue is to provide the maximum time to gather appropriate information to support any proposed changes.

77 Institutions should use the 'response to provisional allocation' form that will accompany the provisional allocation. A draft of this form is included at annex A. The form must have an original signature of the principal or head of the institution to confirm that it is valid. A cover sheet should accompany all returns. A draft cover sheet is included at annex B.

78 For external institutions the response should be signed by the sponsoring college before it is returned to the appropriate regional office.

79 In responding to their provisional allocation, institutions will be asked to indicate, by category, either acceptance or a requested reduction in units. If institutions do seek a

reduction in units, these may become available for reallocation. Consequently, for the growth elements there will also be the opportunity to request additional units should they become available.

80 In respect of allocations for curriculum 2000 the Council has used broad assumptions on the likely take-up by students in 2000-01 and on the impact of the revised funding methodology. These assumptions will be explained as part of the information provided with provisional funding allocations. Institutions that consider that these assumptions do not broadly apply to their individual circumstances will need to engage in early discussions with their regional office.

81 In reallocating returned units, the Council, through its regional offices, intends to seek to reallocate first within a local area and secondly within a region. Any reallocation will be to meet the secretary of state's priorities (see paragraph (ii)).

82 The Council will consider increasing the units allocated to an institution in order to support further students requiring additional support. This would apply in the following circumstances:

- where the number of students for 2000-01 is expected to be significantly above those in previous years
- where the institution's projected profile of additional support units for 2000-01 is significantly different to that of previous years.

83 Institutions should discuss any proposals for adequacy and sufficiency with their regional office.

84 Supporting information, including the strategic planning commentary, should be sent by no later than **14 April 2000** to the appropriate regional director. The names and contact addresses of regional directors are provided at annex C.

85 In accepting the funding offered, the accounting officer for the institution is agreeing that:

- the provision the institution will make falls within the relevant definitions of schedule 2 in the *Further and Higher Education Act 1992* (the schedule and the Council's associated criteria are included in Circular 99/01, *Tariff 1999-2000*, and Circular 99/10, *Schedule 2*)
- the provision is consistent with the institution's strategic plan, or the equivalent
- the institution will accommodate any growth implied by the allocation without further specific funding from the Council beyond any amount that has already been agreed
- the institution considers that, with all reasonable endeavour, it will deliver the target units and student FTEs associated with its provisional allocation and that it will notify the Council at the earliest possible opportunity, through the regional office, of any likely significant shortfall.

Strategic Planning Information

86 Institutions are requested to provide a funding commentary and strategic planning information which should be consistent with their responses to their provisional allocations.

87 In line with the strategic planning consultation held during 1999, the amount of information requested from institutions has been reduced. Projected student number information by programme areas (SP NUM form) is not requested in April 2000 but will be collected from all institutions in July 2000 (see paragraphs 111 and 112). In addition, the request for franchised student numbers (SP FRAN) has been removed. This leaves the request for planned withdrawals of provision (SP00 CHG (APR) at annex D) which should be returned, if applicable, in April 2000.

Funding commentary

88 The funding commentary will be used by the Council to assist in considering each institution's strategic planning information in the following way:

- to test the second validation criterion, that is, that the provision for which the funding is to be provided is consistent with the institution's strategic plan, or equivalent
- to supplement the Council's general understanding of the institution's plans prior to the provision of strategic planning updates in July 2000.

89 The information requested in the funding commentary is set out below.

Variations from 1999-2000

Funding agreement

90 The Council will include with the provisional allocation an all-year estimate for 1999-2000. The calculation of the all-year estimate will consist of the following stages:

- the funding profile from ISR 14 (31 July 1999; 1998-99) will be used to indicate the percentage of provision made in the autumn, spring and summer periods
- the summer period will be increased to account for achievement units not included in ISR14, using the percentage of achievement units in the institution's ISR13 (31 December 1998; 1997-98) summer period
- the maximum of additional support units from the ISR14 autumn period or from the ISR15 (1 November 1999; 1999-2000) autumn period are used for the autumn period
- the revised profile is applied to the autumn period from ISR15.

91 Institutions are requested to set out the reasons for any significant differences between the total funding units allocated and estimated performance in 1999-2000. Where the Council's all-year estimate is significantly different from institutions' own calculations, institutions are

requested to provide details of their own all-year estimate and how it has been calculated.

92 If, exceptionally, an institution's all-year estimate cannot be calculated because of a failure to provide the necessary data, the growth element of the provisional allocation will be indicative only. Any confirmation of the growth in this case will result from discussions between the institution and the regional office which lead to the regional director supporting the allocation of growth.

Strategic planning information

93 Institutions are invited to comment on any significant changes that have occurred between the most recent overall projection of student numbers (provided to the Council in either April or July 1999), the reasons for them and the current situation at the institution. The difference may result, in whole or in part, from inaccurate information supplied in 1999. If so, it would be helpful if institutions identified this and confirmed in their response to their provisional allocation that the projected FTE student numbers recorded on their response form are an accurate and current estimation.

94 Institutions are asked to provide a brief assessment of the impact of any variations described above on the achievement of their strategic objectives. In addition, colleges that have recently been inspected may wish to comment on progress towards achieving the action plan prepared in response to the inspection report. Similarly, those colleges with recovery plans may wish to comment on their progress towards achieving their objectives.

Most recent needs analysis

95 An institution's projected student numbers and planned withdrawals of provision are underpinned by an assessment of the need for further education provision in the locality. The funding commentary should enable the Council to understand how any significant changes to the institution's assessment of need have influenced its planned provision. For this reason, institutions are asked to outline briefly

any changes to the full analysis of need last provided to the Council in their three-year strategic plan (July 1997 for colleges and HE institutions, and July 1998 for external institutions). Changes are likely to have been identified through regular contacts with major bodies in the institution's locality, for example the local training and enterprise council (TEC).

Partnership and collaborative activity

96 The secretary of state has made clear the expectation that colleges should operate on the basis of collaboration, both with other colleges and with other education and training providers outside the sector. The secretary of state also expects colleges to work closely with TECs, employers and regional development agencies (RDAs) to identify their potential contribution to the national skills agenda and the regional skills strategies. The Council has also emphasised, in previous strategic planning circulars, the need for colleges to consult local education authorities (LEAs) in assessing local needs. Evidence of how this collaboration agenda is being taken forward, particularly regarding the operation of lifelong learning partnerships and the development of joint needs analysis, should be given in this section of the commentary.

Strategic objectives

97 Institutions should indicate any significant change to their strategic objectives as set out in the latest planning information provided to the Council. Institutions should provide information on any factors that may have influenced these objectives. Such factors may include, for example, the availability of student finance or changes in the circumstances of major employers. Institutions are asked to identify the factors that pose the greatest risk to the achievement of their objectives and indicate their impact on projected student numbers or pattern of provision.

98 Institutions are also asked to provide an outline of their planned provision identifying any changes to the pattern of Council-funded and non-Council-funded provision and, in particular, comments on any new provision where this

involves a new or significant extension to a curriculum area, qualification aim or level of qualification. Equally, comments on the planned withdrawal of provision should be included in this section and accompanied by a SP00 CHG (APR) form.

Risk analysis

99 Institutions are asked to update their risk analysis, outlining the effects of variations in risk factors on their plans.

100 Institutions should explain how they intend to achieve any planned growth and manage convergence between 1999-2000 and 2000-01. The commentary should include reference to:

- planned changes in student numbers between 1999-2000 and 2000-01
- student retention and completion rates
- achievement rates
- changes in client groups (students eligible for a widening participation uplift or for whom tuition fees are remitted, childcare costs waived, or additional support provided)
- changes in programme areas (including consideration of lower or higher cost-weighting factors)
- other relevant factors.

101 In the light of the establishment of the Learning and Skills Council, institutions will wish to reflect on the medium-term viability of their franchising arrangements and make appropriate provision in their strategic plans.

102 The Council would expect that any planned changes in student numbers should be broadly consistent with an institution's allocation of units. Where there is a significant difference, institutions are requested to provide a full explanation of the factors involved.

103 The Council will wish to assure itself that the funding agreement it has with each institution for 2000-01 is realistic and can be achieved. Institutions should provide references to their strategic plan where appropriate, including references to their financial forecast and accommodation strategy.

Franchised provision

104 Although the request for franchised student numbers (SP FRAN) has been removed, institutions are nevertheless asked to outline broadly their plans for franchised provision with other organisations including:

- a. the rationale for franchised provision with other organisations and how this contributes to the achievement of the institution's mission and strategic objectives;
- b. identification of any marked change in level of franchised activity from the information given about 1999-2000 on the ADDCP return (provided to the Council in December 1999);
- c. identification of the level of risk which franchise provision poses to the achievement of the institution's strategic objectives, particularly where such provision is a significant proportion of the institution's total provision and/or is delivered by one large partner organisation;
- d. details of any franchise arrangements under which an institution wishes to transfer Council funds from the institution to employers, including through third parties. Institutions will be notified whether the Council accepts that funds may be transferred.

105 The Council does not expect institutions to develop any new franchise provision outside of their local recruitment area.

106 In all franchise arrangements, the Council expects institutions to comply with the requirements of Circular 96/06, *Franchising*, and any subsequent relevant circulars.

Exceptional features

107 Each institution is asked to identify whether it has any exceptional features it wishes the Council to take into account when considering its allocation. To have a potential impact on an institution's allocation any features identified should meet all of the following criteria:

- differentiation – the feature should be one that most institutions do not share, for example, being a sole provider of a specialism in a region
- scale – the feature should relate to a significant proportion of the institution's existing provision, that is, at least 30%. Institutions are expected to maintain small-scale specialisms with the funding allocated by the Council
- sufficiency and adequacy – the feature should have an evident bearing on the Council's duty to secure sufficient and adequate facilities for further education in England.

108 Where an institution has circumstances that are judged to be exceptional against these criteria, its allocation will be reviewed to ensure that the Council can meet its principal statutory duty of securing sufficient and adequate facilities for further education.

Other factors

109 Where there are other factors that the institution may wish the Council to note in considering its response to its provisional allocation, these should also be recorded in the commentary, for example, comments on:

- the curriculum 2000 allocation
- identified extra additional support needs
- local factors influencing 16–18 demographic changes
- information relating to the impact of any additional widening participation allocation.

Return of strategic planning information

110 Please send the information described in paragraphs 86 to 109 with the cover sheet (at annex B) and, if applicable, the strategic planning form SPO0 CH (APR) (at annex D), both to be provided with the provisional allocations, to the appropriate regional director, as part of the response to the provisional funding allocation, by 14 April 2000.

Requirements for July 2000

111 In line with Circular 99/32, all colleges will be required to provide a strategic planning update in July 2000. All external institutions will be required to provide an action plan which, in response to the Fryer group recommendation on convergence, sets out how the institution will manage the change to their funding levels. In addition, a few external institutions will also be requested to supply a strategic plan update in July 2000. The regional office will notify those external institutions that fall into this category. Strategic planning information required from HE institutions funded by the Council will be collected through the Higher Education Funding Council for England (HEFCE). A reciprocal arrangement will allow the HEFCE to receive relevant information about the provision it funds in further education colleges.

112 Early guidance to external institutions on the convergence action plan requirements will be issued in a March 2000 letter and later confirmed in a strategic planning circular in May 2000. The May 2000 circular will also confirm the update information requested from colleges. This will include:

- projected student numbers, by programme area (SP NUM form)
- withdrawal of provision, if necessary (SPOO CHG form)
- a financial forecast, with reduced level of detail in the latter years of the forecast period
- accommodation data, similar to that consulted on in Circular 99/11, *Strategic Planning 2000 and Beyond*
- a textual update.

European social fund

113 With respect to provision partly funded by European social fund (ESF) grants, institutions should include in their commentaries the assumptions underlying the number of funding units for ESF-supported provision included in their strategic plans or equivalent.

114 Government regional offices carry out the administration of ESF objective 3 applications for 2000. As the timetables for the selection and approval of applications are different in each region, colleges in some regions may not be notified of the outcome of their 2000 applications before they are required to send their strategic planning, or equivalent, information and commentaries to the Council.

115 In such instances it will be necessary, as in the case of the objective 1, 2, 4 and 5(b) ESF applications, for institutions to make a best estimate of the provision for which ESF grant is likely to be secured. Institutions should only take account of the appropriate percentage of units generated by those programmes for the matched funding element of Council-funded provision.

Monitoring

Conditions of funding

116 As in 1999-2000, the Council will attach conditions to its funding of institutions. Conditions (a) to (d) are required by the secretary of state for education:

- a. no tuition fees shall be charged to students aged 16 to 18 in full-time education. For the purposes of the funding agreement, '18', means 'under 19 on 31 August in the calendar year when the student commences a programme of study'; it is intended that such a student should continue to receive free tuition in any consecutive subsequent year of study of the same programme;
- b. colleges in the further education sector shall provide the data required by the secretary of state to permit the publication of comparative performance tables on student achievement and other matters in 1999, in the light of consultation. In particular, each college shall:
 - provide to the Department for Education and Employment (DfEE) in a form and at a time to be specified: summary data relating to student achievements in vocational qualifications; and

- subsequently publish, alongside its own section 50 information, national summary data relating to all qualifications;
- c. colleges in the further education sector shall have a college charter as envisaged in the *Charter for Further Education*;
- d. as required by section 30(3) of the *Disability Discrimination Act 1995*, colleges shall publish a disability statement, as described in the *Education (Disability Statements for Further Education Institutions) Regulations 1996*;
- e. funds identified in the college's funding agreement as being for capital purposes shall be used solely for direct expenditure on capital equipment and/or premises, and/or to support borrowing and/or finance leases for such purposes;
- f. where the inspectorate has assessed a curriculum area as grade 4 or 5, the college shall not increase the number of students taken onto the first year of programmes in the curriculum area or areas in question until the inspectorate is satisfied that the deficiencies have been remedied and the curriculum area has been regraded;
- g. if the inspectorate has assessed the college's quality assurance arrangements, governance or management as grade 4 or 5 the college may not enter into new, or extend existing, Council-funded franchise arrangements until the inspectorate is satisfied that the deficiencies have been remedied. The college shall not increase either the student numbers or the funding units for franchise arrangements above the numbers at the date on which the college was notified by the Council of the gradings for its quality assurance arrangements, governance or management;
- h. the institution shall endeavour to provide for at least the same number of students with learning difficulties and/or disabilities as it did in 1999-2000 and at least to maintain the proportion of such students in its overall enrolment total.

117 In addition, the Council proposes to attach the following specific condition in relation to sponsored institutions:

- where the sponsored institution is not subject to an Ofsted inspection, the sponsored institution shall provide access to the Council's inspectorate to assess the quality of its provision.

118 In certain circumstances, the Council may not wish its funds to be used by an institution for a particular purpose, for example, to develop provision outside its local recruitment area where such provision is already made. It may also wish specialist provision to be maintained. In such cases, following discussions with the institution, the Council may include a specific condition of funding in that institution's funding agreement.

Tolerance of performance against funding agreement

119 The Council introduced a 2% tolerance for performance against funding agreement from 1997-98. This tolerance will be expressed in units and will operate as follows:

- in a year where the institution exceeds its funding agreement the maximum credit that the institution can generate for that year will be 2% of its target units
- credits can be accumulated from year to year, subject to a maximum credit equivalent to 2% of the current funding target
- in a year where the institution does not meet its target then the debit will be calculated in full
- the debit will be abated by any accumulated credit from previous years
- if after abatement the institution still has a net debit then funds equivalent to the net debit will be recovered back at the rate at which it was funded
- the institution's cumulative credit position is reset to zero after clawback.

120 It is necessary to reset the credit position to zero after clawback, because recovery of funds will have taken account of any under-performance against target.

121 Illustrations of how the system works are included in annex E to Circular 99/07, *Funding Guidance 1999-2000*.

122 The 2% tolerance is intended to assist institutions to cope with short-term variations. The Council has also to deliver the secretary of state's growth targets. Failure to achieve specific growth targets, expressed by the DFEE, must be compensated for in subsequent years to achieve the overall target. If this is not feasible, funds must be returned to the Council.

123 The Council appreciates that from time to time exceptional circumstances may arise that could justify a higher tolerance, for example arising from the notification of better than expected successful ESF applications. If such circumstances do arise, institutions should contact their regional office to explore the possibility of carrying forward a higher figure.

Funding Agreement

124 As in previous years, the Council will enter into a funding agreement with each institution. For each college in the further education sector, the funding agreement will be part 2 of the financial memorandum between it and the Council. The funding agreement will set out the total funds that the Council has agreed to pay to the institution and the education and training programmes which the institution has agreed to provide in return. Specifically, the institution will be expected to provide the education and training programmes contained in its strategic plan, or the equivalent, subject to responding to unforeseen circumstances and to:

- generate at least the total number of funding units included in the institution's funding agreement with the Council
- generate the number of units in each category included in the institution's funding agreement with the Council

- increase the number of FTE students broadly in each growth category in line with their growth allocation
- maintain the number of FTE students in other categories where the institution's level of funding is maintained
- notify the Council at the earliest opportunity, through the regional office, of any likely significant shortfall.

125 The Council intends to develop a protection policy, if necessary, where institutions could potentially experience a significant shortfall in units as a result of changes to the tariff in 2000-01. Whilst it may be possible that institutions will be able to meet their unit funding targets with a reduced level of provision, as a result of these changes, the Council expects that institutions will plan to at least maintain the level of provision in FTE terms at the 1999-2000 level.

Monitoring

126 The Council will monitor each institution's performance against its funding agreement each year. The Council will ask each institution to provide in February 2002 a return of the total number of funding units achieved by the institution against its 2000-01 funding agreement. It will be a requirement that the institution's external auditors audit the return. The audit evidence to support the return of units is specified for each category of provision in the tariff circular.

127 Where there is a shortfall in funding units against the 2000-01 funding agreement, the Council will deduct funds from the institution's payments at the rate at which it was funded for each unit of the shortfall subject to:

- the 2% carry forward described in paragraphs 119 to 123
- each institution being guaranteed 90% of its 1999-2000 allocation even if its actual performance would imply a lower level of funding unless its performance in 1998-99 was also less than 90% of its previous year's allocation.

-
- a provision, that no reduction with a value of less than the lower of £5,000 or 5% of its main allocation will be made. Where appropriate, any such reduction in funding will reflect the London weighting allowance.

128 The Council will also recover funds for any shortfall in units allocated for growth in the FTE student numbers in each growth category.

129 At the same time, the Council will consider whether the shortfall against the 1999-2000 and/or 1998-99 funding agreement, or the institution's performance over a number of years, is so significant that its 2000-01 allocation of funds should be reduced in line with the institution's actual performance. If the institution's autumn 2000 ISR return indicates that it is achieving its 2000-01 funding agreement, there may be no need for any further adjustment. If, however, the institution is again falling significantly short of its funding agreement, the Council will further adjust its 2000-01 allocation of funds to reflect more closely its actual performance. Any institution that, on the basis of enrolments to date, considers it is likely to fall into this category is asked to consult their regional office.

130 In 2002, the performance of each institution will be monitored against its 2000-01 funding agreement. As described in paragraphs 126 to 129, consideration in the light of the institution's actual performance for 2000-01 will be given as to whether the institution's 2000-01 allocation should be reduced to take account of any shortfall in funding units against its 2000-01 funding agreement. Consideration will also be given as to whether to adjust further the 2001-02 allocation, which will have been based on the 2000-01 funded units. The institution's autumn 2001 return will be used in reaching any decision.

External Institutions

131 The guidance in the preceding sections applies to external institutions other than where the following additional and/or slightly different arrangements apply.

132 External institutions are reminded that provision for 16 to 18 year-old full-time students is not eligible for Council funding in sponsored external institutions.

Mergers and consortia

133 Some external institutions may decide to join consortia or to cease to seek Council funding as a discrete sponsored external institution. In the former case, the sponsorship arrangements under section 6(5) of the *Further and Higher Education Act 1992* will apply. In the latter case, where an external institution has ceased to seek Council funding as a result of a merger with another external institution, funding and units for the merged external institution will be calculated by adding together the funding and units for each external institution involved in the merger. External institutions intending to enter into such arrangements should notify the appropriate regional office as soon as possible.

134 External institutions maintained by LEAs that are considering withdrawing from consortia arrangements should seek the agreement of their LEA.

Specific guidance

135 The following variations in the main guidance apply specifically to external institutions:

- a. the 'response to provisional funding allocation' forms from external institutions must include an original signature of the head of the external institution and the principal of the sponsoring college. Where the external institution is an LEA service or an LEA-maintained school, the head of the external institution is the chief education officer;
- b. supporting information including strategic planning information from external institutions should be sent via the sponsoring college to the appropriate regional office as soon as possible;
- c. external institutions are advised to discuss their provision with their sponsor in advance so that the question of sponsorship has been settled before 22 February 2000,

the date by which the Council should have received from colleges any notification that sponsorship will not be continued. Colleges and external institutions in this position are advised to discuss the issue with their regional office. Arrangements for sponsorship are explained in paragraphs 136 to 142;

- d. the Council has decided not to introduce in 2000-01 a minimum funding threshold for an external institution. This may be reviewed for 2001-02. All external institutions funded by the Council, however, are expected to meet the Council's requirements for the provision of information and audit certificates.

Existing sponsorship arrangements

136 The following paragraphs apply to external institutions that are in receipt of Council funds in 1999-2000.

137 Section 6(5)(b) of the *Further and Higher Education Act 1992* requires the sponsoring college to pass an application for sponsorship to the Council where, within the locality of the sponsoring college:

- there are no arrangements made by any other institution for the provision covered by the application; or
- the arrangements for similar provision made by any other institutions are inadequate.

138 Where provision was sponsored in 1999-2000, the Council would not expect a sponsoring college to reject a response to its provisional allocation on the grounds that the external institution is making provision similar to that provided by other institutions in the locality of the sponsoring college. If the external institution changes its provision significantly and thereby makes provision in areas already provided by other institutions in the locality of the sponsoring college, there may be grounds for the sponsoring college to decide not to support the response to the Council on behalf of the external institution.

139 Where a college supports an allocation of funding to, or a response to a provisional

allocation from, an existing external institution, it should pass the response to the Council, making clear that the response is supported. The response to provisional allocation form issued to each institution provides for this.

140 Where a sponsoring college is inclined not to support a request from an existing external institution, the Council advises the college to discuss the request with staff in its regional office. If, after such discussion, the sponsoring college decides that it does not want to support the response to the provisional allocation on behalf of the external institution, it should inform the external institution and notify the Council's regional office of its decision and the reasons for it. Such notifications should be received by 22 February 2000.

141 The external institution may, upon being informed by the college of its decision not to pass the response to provisional allocation, ask the Council to review the college's decision.

142 Where, on reviewing the decision, the Council does not support the sponsoring college's reasons for rejecting the request, the Council will accept the external institution's response and will apply the validation procedures. Where the Council supports the sponsoring college's reasons, it will take account of the external institution's ability to manage a reduction in funding in deciding what allocation, if any, to make to the external institution. No additional funds would be allocated in such cases.

Institutions not previously funded by the Council

143 The closing date for consideration by the Council for institutions to be newly funded is 22 February 2000. If the Council has not already received notification of an institution that it will be seeking funding in 2000-01, there can be no guarantee that funding will be available. Institutions wishing to be considered should immediately contact the regional director in the appropriate region. The addresses of regional offices are provided at annex C.

External institutions

144 External institutions are reminded that sponsorship cannot be retrospective.

145 The Council will accept an application to fund sponsored provision where arrangements for similar provision in the locality are inadequate. For 2000-01, the Council will consider applications from new external institutions only where it is satisfied by the proposed sponsoring college that provision may otherwise be inadequate.

146 Where a college principal considers that an application from an external institution addresses an inadequacy of provision in the locality, they should contact their regional office. The Council will not normally fund an external institution that is not currently making eligible provision. It will seek evidence that a new applicant has in place proper systems and controls to adequately safeguard public funds.

147 Any units that the Council agrees to allocate to a new external institution in 2000-01 will be funded at the rate of £13.00 per unit. This figure is based on the rate of £6.50 for new external institutions in 1997-98 increased in line with changes to the ALF for external institutions between 1997-98 and 2000-01.

Higher education institutions

148 The Council will accept applications to fund further education provision in HE institutions where it is satisfied that such provision is not unnecessary duplication of existing provision in a local area.

149 Any units that the Council agrees to allocate to a new HE institution in 2000-01 will be funded at the rate of £16.89 per unit. This is the lowest amount that any HE institution will be funded at in 2000-01.

Response to Provisional Allocation 1 August 2000 to 31 July 2001

**THE
FURTHER
EDUCATION
FUNDING
COUNCIL**

(Reference Circular 00/03)

Please photocopy, complete columns C and D and return this form to the regional director at the appropriate regional office no later than 14 April 2000.

Cheylesmore House
Quinton Road
Coventry CV1 2WT

Telephone 024 7686 3000
Fax 024 7686 3100

Institution name Casterbridge College
FEFC code CASBR

	<i>A</i>	<i>B</i>	<i>C</i>	<i>D</i>
	<i>Provisional allocation (units)</i>	<i>Student nos (FT/FTE)</i>	<i>Institution's response (units)</i>	<i>Institution's response (FT/FTE)</i>
Base allocation				
16-18 growth				
Adult growth				
Curriculum 2000		N/A		N/A
WP uplift		N/A	N/A	N/A
TOTALS				

Declaration

I confirm that the provision proposed in response to this allocation is eligible for funding by the Council, the provision proposed is consistent with the institution's strategic plan and the institution can accommodate the growth implied without further specific funding from the Council beyond any amount that has been agreed.

Signature (*Principal/head of institution*)

Contact name

Name (*please print*)

Date

Tel

When completed by an external institution, the signed form should be passed to the sponsoring college in time for the college to consider the response before 14 April 2000. A copy of the signed form should also be sent direct to the regional director at the appropriate regional office to arrive by 14 April 2000.

Declaration by the sponsoring college *(where applicable)*

This provisional allocation is supported by the governing body of the sponsoring college.

College name

Signature *(Principal/head of institution)*

Contact name

Name *(please print)*

Date

Tel

DRAFT

Funding and Strategic Planning Information 2000-01

**THE
FURTHER
EDUCATION
FUNDING
COUNCIL**

(Reference Circular 00/03)

Please photocopy as necessary, complete this form and return it to the regional director at the appropriate regional office no later than 14 April 2000.

Cheylesmore House
Quinton Road
Coventry CV1 2WT
Telephone 024 7686 3000
Fax 024 7686 3100

Name of institution (*please print*)

Sponsoring college (*external institutions only*)

FEFC code

Returns enclosed

Item no.

Please tick

1 Response to provisional funding allocation

2 Commentary

3 Planned withdrawals of provision

SP00 CHG (APR)

nil return

4 All-year estimate (HE institutions only)

Signature (*Principal/head of institution*)

Name (*please print*)

Date

Regional Offices

East Midlands Region

Regional director: Christine Frost

Cheylesmore House

Quinton Road

Coventry CV1 2WT

Telephone: 024 7686 3000

Fax: 024 7686 3359

Eastern Region

Regional director: Martin Lamb

2 Quayside

Bridge Street

Cambridge CB5 8AB

Telephone: 01223 454500

Fax: 01223 454535

Greater London Region

Regional director: Jenny Burnette

Metropolis House

22 Percy Street

London W1P 0LL

Telephone: 020 7312 4100

Fax: 020 7312 4134

North West Region

Regional director: Emily Thrane

10 Brindley Road

City Park Business Village

Cornbrook

Manchester M16 9HQ

Telephone: 0161 877 3811

Fax: 0161 876 2936

Northern Region

Regional director: Ruth Bullen

Clough House

Kings Manor

Newcastle upon Tyne NE1 6PA

Telephone: 0191 211 2200

Fax: 0191 211 2235

South East Region

Regional director: Marilyn Frampton

3 Queens Road

Reading RG1 4AR

Telephone: 0118 955 4200

Fax: 0118 955 4220

South West Region

Regional director: Catherine Christie

Kempton House

Blackbrook Park Avenue

Taunton TA1 2PF

Telephone: 01823 444404

Fax: 01823 443815

West Midlands Region

Regional director: Celia Cohen

Cheylesmore House

Quinton Road

Coventry CV1 2WT

Telephone: 024 7686 3000

Fax: 024 7686 3358

Yorkshire and Humberside Region

Regional director: Patrick Rooney

1 Blenheim Court

Blenheim Walk

Leeds LS2 9AE

Telephone: 0113 245 2644

Fax: 0113 245 2477

SP00 CHG (APR) Withdrawal of Provision

(Reference Circular 00/03)

**THE
FURTHER
EDUCATION
FUNDING
COUNCIL**

Please photocopy as necessary, complete this form and return it to the regional director at the appropriate regional office no later than 14 April 2000.

Cheylesmore House
Quinton Road
Coventry CV1 2WT

Telephone 024 7686 3000
Fax 024 7686 3100

Name of institution (*please print*)

Sponsoring college (*external institutions only*)

FEFC code

Contact name for queries (*please print*)

Tel

Fax

If this form has been photocopied to record multiple withdrawals, please indicate how many copies of the form have been returned

Withdrawn provision that is being replaced by equivalent provision should not be recorded.
Assistance in completing the form can be obtained from your regional office.

Qualification aim code from version 12.3 of the qualifications database (eg. 00100486)

Qualification title

Last year of provision (eg. 2000-01)

No. of students (in last year)

Mode of attendance (*please tick*)

full-time

part-time

both

Is the withdrawn provision delivered through franchise arrangements? (*please tick*)

yes

no

Nearest centre making equivalent provision

(*please tick or specify under other*)

school

college

external institution

higher education institution

private provider

other

Name of provider

Approximate travelling time from institution

(*please tick*)

less than 30 minutes

30 minutes to one hour

more than one hour

Reason for withdrawal

(*please tick or specify under 'other'*)

fluctuation in student numbers

decline in student numbers

other

**Published by the
Further Education
Funding Council**

© FEFC 2000

January 2000

**Cheylesmore House
Quinton Road
Coventry CV1 2WT**

**Tel 024 7686 3000
Fax 024 7686 3100**

Website www.fefc.ac.uk