

ILR Audit Guidance for Further Education in 2002/03

Funding

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Executive Summary

This document provides audit guidance to institutions and their ILR auditors on completing the ILR for 2002/03.

This document includes general ILR audit guidance provided by the Learning and Skills Council (LSC). It also includes ILR audit guidance for areas of contention that have arisen during 2001/02 and concerns raised during 2000/01 external audits.

Further information

For further information, please contact the appropriate local Learning and Skills Council office.

Contact details for each office can be found on the Council's website:

www.lsc.gov.uk

ILR Audit Guidance for Further Education in 2002/03

Section One: Format and Background

Introduction

1 This document contains information and guidance to help institutions and external auditors satisfy the requirements of the Learning and Skills Council (LSC) for the audit of final funding claims for 2002/03.

2 The information in this document supersedes audit guidance for 2001/02 and **only refers to the 2002/03 funding claim audit**. This guidance does not impose any additional work for auditors for 2001/02 or earlier years.

3 This document provides audit guidance on the provision funded by the Council in 2002/03. It also contains any advice and guidance issued by the Council since the publication of *Funding Guidance for Further Education 2002/03*. Significantly, this audit guidance is being published at the beginning of the teaching year to which it applies. It is important to note that for planning purposes, this guidance should assist institutions in planning provision and ensuring that robust systems are in place for 2002/03 and 2003/04. The funding guidance for 2003/04 should be published in the spring term 2003, with the audit guidance following in the summer term.

4 The Council publication *Funding Guidance for Further Education 2002/03* provides the primary reference document to guidance for funding for 2002/03.

5 The Council provides both institutions and auditors with updates on audit guidance and information on its website. The information is usually located under ISR Audit Information in the Documents section of the site: www.lsc.gov.uk. Any references to the website in this document will usually refer to this page. A list of LLSC funding eligibility contacts is available on the website.

Format

6 This document is set out in the following way. Section 1 contains a general introduction and background for institutions and their external auditors. Section 2 sets out the specific audit evidence required by the Council for all learners and every effort has been made to provide comprehensive and clear guidance. If any further advice is necessary or an institution believes any particular circumstances are not covered by this guidance, the appropriate local Learning and Skills Council (LLSC) should be contacted in the first instance. Section 3 of this document gives general guidance to ISR auditors and institutions about the main stages of the annual audit process. Section 4 contains a glossary of terms. Section 5 provides

advice on primary reference documents.

7 This circular includes general ILR audit guidance provided by the Council. It also includes ILR audit guidance for areas of contention that have arisen recently.

Background

8 Institutions and auditors are reminded that the Council has set out in paragraphs 11-13 of *Funding Guidance for Further Education in 2002/03* the fundamental principles for claiming FE funding for 2002/03. This includes references to prioritising funding for provision (both traditional and distance learning) that meets local needs and targets set out in the local strategic plan. Institutions and auditors are also reminded that funding and audit guidance on provision applies regardless of the mode of delivery, physical location of learner or location of provision. Specific guidance on provision, recruitment area or delivery method should be read as additional to, rather than as a replacement to, the general guidance.

9 It is expected that institutions will fully comply with the spirit and intention of the funding principles set out in paragraphs 11-13 of *Funding Guidance for Further Education 2002/03* and properly consult their LLSC before undertaking any new or contentious provision. Those institutions whose funding claim complies with the guidance and who can demonstrate their arrangements are not challengeable by auditors under any “substance over form” rule should not expect to have funding eligibility issues with their auditors. Where either institutions or auditors refer to a LLSC for complex or contentious funding advice, the national funding eligibility team will assist, where necessary, in answering any queries through the LLSC.

10 External auditors are asked to audit the final funding claim, together with the ILR data, which is returned to the Council. Claims for Council funding are based on data relating to eligible individual learners enrolled on Council-funded provision at the institution.

11 The guidance and information in this document applies to further education sector colleges, as well as specialist designated institutions, directly-funded Ufi hubs, higher education (HE) institutions which receive funding from the Council and to former Eis (external institutions). The term ‘institutions’ is used throughout to reflect the terminology in the audit reports to be signed by external auditors. Guidance specific to particular types of institution is separately identified.

12 The interim and final funding claims circular for 2002/03 will be published in spring term 2003, together with the audit opinion. In particular, institutions that act as hub recipients from the Council must ensure their final claim fully complies with the additional requirements for hub funding. See section on Ufi at paragraphs 264-292 of this document.

13 As a result of the Council directly contracting the ILR and final claim audits for FE colleges, a number of colleges have different audit contractors for their financial accounts and ILR audits for 2002/03. To resolve the concerns raised by audit firms in signing off financial accounts, the Council has agreed to issue to institutions in December 2003, interim out-turn statements for 2002/03. Where ILR auditors have provided a clear audit opinion in the interim claim, the LLSC will issue an assurance letter to accompany the out-turn statement.

14 The *Audit Code of Practice*, issued in May 1998, reminds colleges that the responsibilities set out in the financial memorandum with the Council are with the governing body and the principal. The governing body of each college must ensure that there is a sound system of internal control within the college. The public nature of the governing body's role, its financial accountability through the Council to parliament, its stewardship of public funds, and not least the good name of the college and the interests of its learners, all demand high standards of conduct in the exercise of its functions. The existence of a rigorous framework of audit and internal controls can assist senior management and governors in this process.

15 The college principal is personally responsible for ensuring the proper and effective operation of these controls and may be required to appear before the Committee of Public Accounts of the House of Commons (PAC), alongside the chief executive of the Council, on matters relating to the funds paid by the Council to the college. The principal, or the equivalent postholder in other institutions, is responsible for signing off funding claims as eligible for Council funding.

16 In external institutions, there is no less a need for effective systems and controls to be in operation. The arrangements whereby they are monitored will be dependent, for example, on whether there is an audit committee, whether the institution is local education authority (LEA) maintained and, if so, the LEA's associated systems, and the proportion of an institution's functions supported by Council funding.

17 There are similar arrangements for the accountability of senior postholders and the governing body in higher education institutions. These are set out in the Higher Education Council for England (HEFCE) *Audit Code of Practice*, and its financial memorandum with HE institutions.

18 The Council requires colleges to adopt a rigorous and ethical approach to the use of public funds. It does not intend to penalise the vast majority of colleges that adopt a conscientious approach for the mistakes of a few highly publicised colleges, by requiring an even more onerous burden of detailed audit work than is necessary. The checks that are undertaken, however, should be focused on the areas most at risk and be thorough. It follows therefore, that a college with most of its provision in the higher risk categories should expect its external auditors to undertake more rigorous checks.

19 The Council has defined the following areas where provision may be contentious and more likely to put an institution in a higher risk category:

- significant use of the distance learning (funding) 14 multiplier;
- significant franchise and partnership provision;
- significant recruitment outside the institution's wider recruitment area;
- very significant volumes (more than 30%) of activity in loadbanded qualifications; and
- significant increase in the volume of activity in 'other provision'.

Activity that exceeds 5% of the overall activity of an institution will usually cross the significant threshold. The assessment of risk will, therefore, be broadly similar to that included in the circular *Interim and Final Funding Unit Claims 2001/02*, and the risk list for 2002/03 will be published in the funding claims circular in spring 2003.

20 The following provision may also be regarded as contentious, requiring prior consultation with LLSCs before commencement of delivery:

- provision which might be subject to the employer dedicated discount (see Table 2);
- provision which might be regarded as full cost recovery (see paragraphs 210-214);
- new provision in any of the following areas: distance learning, open learning, or accreditation of prior learning (APL); and
- OCN qualifications at higher than expected guided learning hours.

21 The Council's expectations of the audit of colleges with higher risk provision include:

- a more detailed audit, especially of the identified risk areas;
- the involvement of a more senior officer of the external audit firm in the planning and supervision of audit arrangements; and
- the external auditors to report their findings to the audit committee.

22 The associated risk factor include:

- key staff changes in an organisation, for example, a change in the management of data collection or management information systems;
- a change in management information software;

- a history of late data returns;
- a changed profile from year to year, for example, a move from full-time to part-time provision;
- a shortfall in funding identified by the institution at the end of the first term or later in the year which leads to hitherto unplanned franchising or partnership arrangements;
- franchising through college companies or joint venture companies; and
- overseas ventures.

23 Experience gained from former external institutions in difficulties indicates that a combination of the following features may represent associated risk factor and may indicate that more in-depth audit checks are required for external institutions where:

- it is an independent other institution (non-LEA maintained);
- has multiple income streams, including European Social Fund (ESF);
- Council-funded provision is further franchised to other organisations;
- there are multiple sites at a distance from the main site; and
- it is an independent other institution with different routes for Council funding for different parts of the organisation; for example, an institution receiving direct funding that also has some centres with franchising agreements with other FE providers.

24 Auditors are reminded that the Council can only fund provision for which it has been authorised by parliament and any provision found outside these terms must be excluded from final funding claims (for example, overseas learners).

Section Two: FE Funding Audit Guidance

General Guidance: All Learners

Audit evidence

25 The Council recognises that different procedures and different emphases will be appropriate to different types of learner, but evidence will be required of the process used for each learner. It is for each institution to decide the appropriate procedures to carry out, but any institution that chooses not to carry out any procedures at all will put their funding at risk.

26 The Council considers it is essential that learners have access to clear and full information on the costs of their programme before enrolment and that they are provided with pre-entry advice and guidance.

Learning agreement

27 The successful outcome of pre-entry advice and guidance is a learning agreement signed on behalf of the institution and the learner. Whilst recognising that different types of learners may require different approaches to advice and guidance, the learning agreement should provide confirmation that the following broad areas have been covered:

- implications of the choice of learning programme;
- entry requirements for each learning aim within the learning programme;
- an assessment of the suitability of the learning programme;
- support for the learner; and
- a brief description of the nature of the procedures involved in the process of advice and guidance.

28 An institution should retain as audit evidence to support their funding claim a learning agreement signed on behalf of the institution and by the learner. Whilst all learners funded by the Council should have a learning agreement, the detail should be proportionate to the length of the learning program. The agreement should include the following key details:

- the learner's name and address;
- where provision for the learner is franchised to another organisation, the name of the franchisee;
- the learning programme and expected learner outcomes, including start and end dates for all learning aims;

- the number of glh planned in each year of the programme for each learning aim – this includes both listed and loadbanded provision;
- the average weekly glh planned for the programme and the number of tri-annual periods in which it is planned to complete the programme;
- a summary of any additional learning support to be provided to the learner;
- where relevant, a statement that the learner falls within the Council's tuition fee remission policy and that the institution has agreed to remit 100% of the tuition fee that would otherwise be charged to the learner;
- evidence, where appropriate, that the learner is eligible to receive Council funding; and
- evidence of the assessment and guidance process by which the learning agreement was reached.

29 This information should normally be kept in a single document for reference by the institution and its auditors.

30 Institutions should not seek to divide programmes artificially in order to increase the amount of funding being claimed.

Enrolment form

31 Each learner should have completed an enrolment form relating to the learning programme for which Council funding is being claimed. This is the basis of the agreement between the learner and the institution and should be signed by the learner and the institution. The enrolment form for funding eligibility purposes should indicate as a minimum the learner's name, address (including the postcode), age and the residency status, which would indicate whether the learner is a home or overseas learner. The institution may wish to use the enrolment form to collect other information as necessary for learner record and monitoring purposes.

32 Institutions will wish to give particular attention to ensuring that there is appropriate evidence of assessment and guidance for short courses. Institutions may wish to consider including information on their assessment and guidance procedures in their prospectus, so that learners could be made aware of the matters to be considered when they enrol at the institution.

33 The enrolment form and the learning agreement may be combined to form one document, which should contain all the relevant information.

Learner attendance

34 There should be evidence that individual learners were undertaking the specified learning programme during the tri-annual period in question.

35 For most learners this will take the form of registers of attendance. Experience has shown these to be key records used by auditors in forming their opinion on the accuracy of institutions' ILR returns. Regular management review of registers may, therefore, be of benefit to institutions in ensuring the accuracy of ILR returns and reducing the extent to which additional audit work may be found to be necessary.

Register

36 Each specific course and/or learning aim should have a register including the title of the course, the course code, the intended start and end date, the day, time and duration of each session, and the number of guided learning hours to be delivered.

37 Each register should include the name of the learner, the learner reference number and the name of the tutor. It should be completed at the start of each session with the relevant date and should indicate attendance, absence or lateness. In the case of authorised absence, appropriate evidence of prior approval should be available.

38 The register should be signed or initialed by the tutor at each session.

39 It should also include the location at which the provision is being delivered.

40 Consideration should be given to sample checks on learner attendance in classes.

41 If attendance registers are missing, incomplete or incorrect, auditors are expected to qualify their audit report and undertake a sample to validate the institution's estimate of the amount of funding affected by the inadequacy. Affected funding is likely to be disallowed from final funding claims by the Council.

Cease to Attend/Withdrawal from Course/Learning Agreement amendment form

42 Where a learner withdraws, transfers to another programme, or changes one of their learning aims or their mode of study, this should be indicated on an appropriate pro forma within the institution. This should be signed by the tutor, and used to ensure that the information on the ILR is correct, and that the learning agreement is amended correctly.

Additional learning support

43 Where additional learning support funding is being claimed, the following documentary evidence should be available; evidence of initial assessment, an additional learning support plan, and a completed additional learning support costs form signed by the tutor, and the learner. Evidence of the provision of the additional learning support being claimed should be available.

Achievement

44 Evidence that a learner has achieved their learning goal should be available. This could be:

- an official results list/slip or a certificate issued by the awarding body; or
- for institution-accredited programmes, a record of achievement, institution certification and/or progress reports indicating achievement of the learners' learning programme.

45 Achievement should be accurately recorded and substantiated by appropriate audit evidence. The outcome field of the ILR includes values that distinguish between achievement for which achievement funding can be claimed, and achievement for which no achievement funding can be claimed. Auditors should check whether a learning aim is eligible for achievement funding, in addition to whether the learning aim was achieved.

46 Where achievement funding is to be claimed, institutions should retain learning outcomes records with the associated initial assessment records or learning agreements, showing that the learner has met the agreed learning aims and achieved the appropriate objective

47 A learning aim may only be recorded as partially achieved where the learner has achieved at least one of the credits or modules towards the final award.

48 Evidence should exist to show that claims for achievement funding were supported by the attainment of approved qualifications for the first time at the institution by learners.

49 Achievement funding may not be claimed where the learner is merely seeking an improved grade and the institution has previously claimed achievement funding for the learner.

50 Institutions are reminded that achievement funding may not be claimed for a learner where there is no corresponding claim for on-programme funding.

Documentation

51 In all circumstances, the college must retain original documents including, for example, attendance records, enrolment records and learning agreements. Under no circumstances must these be retained by partner organisations at their own premises. It is normally expected that the college itself will be registered with the awarding body for the qualification being studied.

Funding implications: general

52 Where data or evidence is identified as being incorrectly recorded in the ILR return the institution is expected to revise their ILR return and funding claim accordingly. Where auditors find inadequate or insufficient audit evidence this should be raised as a management letter point. They are also expected for material errors to identify the amount and type of funding affected, and remove it from the claim. For serious or systematic errors the ILR auditor will be expected to qualify the ILR audit report.

Specific Guidance: All Relevant Learners

Accreditation of prior learning (APL)

Audit evidence

53 Accreditation of prior learning and experience (APL) is a process where the learner is given exemption from particular elements of a programme because of prior knowledge and experience. For an individually listed learning aim, the full value of base-rate funding may be claimed when the programme is delivered wholly or partly by APL, subject to the minimum threshold of guided learning hours. For a learning aim that is not individually listed, the value of funding claimed for APL should be the value for the loadband into which the learning aim would normally fall. It would be unusual to gain a whole qualification by APL and it is expected that some guided learning would be required. Where institutions are carrying out assessment of, for example, employees leading to the award of an NVQ after little or no guided learning input, this would not be eligible for funding.

54 For qualifications gained by the accreditation of prior experience and learning (APL), evidence of the process leading to this accreditation should be checked, particularly if the extent of APL is significant. Staff logs of time spent with individual learners are an example of the type of evidence that may be available.

55 Where the programme is delivered wholly or partly by a process of accreditation of prior learning (APL), appropriate evidence of the process leading to the APL must be present. For example, a sufficiently detailed record or log of learner activity, should be sought. Further reference is provided in the Glossary of Terms.

56 Institutions must include module delivery data sets with their 2002/03 ILR returns where learners learning programmes involve APL. These should record the guided learning hour directly attributed to the APL in separate modules from those for other learning activities associated with the qualification. This must be a robust activity for which appropriate evidence has been retained, that is, a learner log of activity.

Achievement

Three hour guided learning hour programmes in Information and Communication Technology (3glh ICT provision)

57 These programmes have a listed rate of £32 in 2002/03 (see page 64 of *Funding Guidance for Further Education in 2002/03*). This figure includes an amount for achievement. Providers will need to demonstrate that learners have achieved their learning goal, for example by the award of a college certificate, if the achievement element is to be claimed. Where this is the case, a value of 1 should be entered in field A39 of the ILR. Where providers are not claiming the achievement element for learners, code 9 should be entered in field A39 of the ILR to ensure that the funding received will not include an achievement element.

Additional learning support

Audit evidence

58 In planning its provision for 2002/03, an institution will have prepared an estimate of the funding for additional learning support required for the year. The estimate of this funding will draw on information derived from strategic planning activities, including multi-agency collaboration, school links, career information and other activities.

59 Where the institution wishes to claim additional learning support funding, the learner's learning agreement should give a summary of the additional learning support to be provided to the learner and a copy of the additional learning support costs form should be retained with the learning agreement.

60 The additional learning support costs form provides information on the costs of providing additional learning support. It will form part of the audit evidence to be retained by the institution in support of its claim for additional learning support funds. Care should be taken to ensure that planned expenditure does not make disproportionate use of public funds. The claim made should reflect the actual costs incurred and institutions should retain evidence of the costings used.

61 Once the learners are engaged on their learning programmes, the institution should also be able to make available to its auditor sufficient evidence to show that the additional learning support or any extra funds allocated by the Council for which additional learning support funding is being claimed has been made available to the learner.

62 Where a learner incurs additional expenditure over and above £19,000 the college may approach the LLSC for additional funds. The college should retain the letter from the LLSC agreeing the claim and authorising the additional payment.

63 Additional learning support funding, or, where applicable, extra funds allocated by the Council in addition to the maximum rate of additional learning support, must relate to specific individuals.

64 The process of initial assessment for learning support should be integrated into the other processes carried out during the entry phase of the learning programme, and evidence should be available of the assessments that were carried out.

65 Institutions should consider how the various documents and auditable evidence required are co-ordinated, and the system for calculating additional learning support costs, and ascribing these costs to the appropriate support band, should be reviewed for compliance with current guidance.

66 The Council is concerned to ensure the eligibility of claims for additional learning support and would not normally expect institutions to:

- have large numbers of learners just triggering cost thresholds for each support band;
- significantly increase from year to year the proportion of additional learning support funding in the total;
- systematically extend the institution week or year for discrete groups of learners with learning difficulties and/or disabilities;
- claim additional learning support funding where the majority of learners in a group, studying for example a vocational A-level, appear to require additional help in order for them to succeed on their learning programme. This would not apply to discrete groups of learners with learning difficulties and/or disabilities;
- claim additional learning support funding for learners enrolled on franchised provision where the appropriate proportion of funding received is not then passed on to the franchiser; or
- systematically claim for literacy, numeracy or ESOL qualifications in addition to the primary learning goal of a learner.

67 These areas merit special checking by external auditors, especially where the percentage of additional learning support funding claimed is significant, or has changed significantly from the previous year.

68 A copy of the additional learning support form (available on the Council website under ISR Audit Information on the Documents page) should be retained with the learning agreement and should be signed by the learner/parent/advocate. An integral part of the establishment of the learning support plan is the scheduling of regular reviews. These reviews may result in a reassessment of the support programme. This may lead to changes in the cost. Institutions will find it helpful to ensure that this is systematically recorded.

69 Generally institutions should complete an additional learning support form when a learner's additional learning support needs are first identified, and may initially have to base them on estimated costs.

70 For the final funding claim the form must be completed to show actual additional expenditure incurred by the institution.

71 Where additional learning support funding is claimed for programmes in numeracy, literacy or English for speakers of other languages, it should be in accordance with one of the three options set out in paragraph 13-14 of Annex C of *Funding Guidance for Further Education in 2002/03*.

72 When checking the withdrawal mechanism, auditors should ensure that institutions have robust systems in place to ensure that learners with erratic attendance due to illness or other legitimate circumstances are identified. In the case of learners with mental ill health or other legitimate reasons for erratic attendance, the institutions should retain evidence of assessment and/or a notification from the learner/parent/advocate/medical adviser that there is a strong intention to return. In these exceptional cases, the learner need not be entered as withdrawn within the usual timescales. If the learner fails to return, the withdrawal date should be the last date of attendance.

73 Where additional learning support funds are claimed for counselling this should be in cases where it is necessary to enable learners to achieve their primary learning goal. In these cases, additional learning support may be claimed even where the provision made is confidential. In order to claim, the institution will need to make a 'manual adjustment' to the final funding claim. Where confidentiality is an issue, anonymised additional learning support forms can be prepared. These will need to justify the costs claimed.

74 Whilst the actual equipment costs cannot be included as additional learning support, a depreciation charge for equipment may be included. It should be calculated by dividing the actual cost of equipment used by the learner in accordance with the college's depreciation policy. Capital building works are not eligible for funding under the additional learning support mechanism.

75 Depreciation costs must be claimed in line with the college's depreciation policy and should be calculated by a college's finance department, as it must be shown in the college accounts. The same procedure applies to equipment that is leased rather than purchased.

Detailed guidance

76 Only costs which are wholly exclusively additional should be charged, i.e. posts that would exist without additional learning support cannot be charged as additional learning support (e.g. Principal, Finance Director or MIS Officer).

77 Overhead costs such as central services or premises costs already met from the base unit of resource in recurrent funding may not be charged to reflect the costs of additional learning support.

78 Overhead costs directly attributable to the provision of additional learning support and as such not funded from the base unit of resource in recurrent funding may be claimed where the college can clearly demonstrate that the extra costs have been incurred solely for the provision of additional learning support.

79 Lecturer cost should be calculated using total teaching staff salaries and on-costs for the year divided by total contracted teaching hours for the year.

80 Additional teaching costs could alternatively be calculated based on the actual costs of those involved.

81 Teaching support staff salaries should be based on staff salaries plus on-costs and contracted hours.

82 Additional hours added to a qualification cannot be reflected in additional learning support costs. These should be reflected in the loadband for the qualification.

83 The costs of administration that is directly linked to the delivery of additional learning support for individual learners may be calculated and claimed.

84 General costs need to be supportable (i.e. £100 added to each claim for administration and tests is not acceptable). Administration staff costs should not be charged per learner hour, but should be based on costs incurred.

85 Where specific administration is dedicated to just additional learning support then the costs could be spread evenly over all learners dealt with within the additional learning support department after excluding those costs allocated based on time records.

86 It is not acceptable to inflate the costs artificially by including management and administration that are not directly related to the delivery of additional learning support for learners.

87 Cost of initial review is claimable by all where needs are assessed.

88 Costs relating to a specific group of additional learning support learners, for example, travel on a Minibus, should be apportioned to these additional learning support learners only and **not** to all additional learning support learners.

89 Where extra IT technicians are employed to provide support to all learners this should only be allowable against learners identified with needs.

90 Costings should be reasonable in relation to expected costs. For example where averages, such as average teaching costs, are used in this calculation, the institution should have retained evidence that demonstrates that the values used are reasonable.

91 Cost per hour of teaching staff should not normally exceed £41 (London would be higher) without extra evidence (in addition to that provided through the audit programme) to ensure the cost is appropriate. Costs must be supported and compared with actual costs of the college. Standard rates are not to be applied.

92 Staff teaching for a proportion of their time at the institution should ensure that only the proportion of their salary related to teaching is included in any calculation of hourly rate.

93 Additional learning support costs should not be claimed where a learner requires support in the subject area of their qualification, for example, additional learning support should not be claimed for a learner studying Maths GCSE and receiving extra support in Maths.

94 A reasonableness check of actual costs incurred against the funding claimed may be used as an ultimate check on any claim.

95 Where additional learning support is given off-site as part of a business decision (for example, care homes) the small class size calculation should take account of the learner needs, and the level of learners available to be taught. As there may only be three learners on site the reduced class size may not be appropriate as it is the college's decision to provide the education. Reduced class sizes will need to be justified by the college.

96 The additional cost of a small or discrete group of learners with learning difficulties should be calculated by subtracting the average teaching cost per learner on a standard programme from the cost per learner on a discrete programme.

97 The programme weighting for basic skills reflects delivery in small groups. If basic skills are taught in groups smaller than usual for basic skills because of learners' additional learning support needs then funding may be claimed using the small group formula. The average group size for the institution should relate to basic skills in this calculation.

98 Where additional learning support is claimed for learners taught in small groups the institution should ensure that the proportion of costs met from the mainstream funding methodology has been removed before costs are charged to additional learning support (see calculation in Figure 1).

Figure 1. Example Small Group size calculation

$$\frac{\text{Cost per lecturer hour}}{\text{Specific Small Group size}^*} - \frac{\text{Cost per lecturer hour}}{\text{Average Group Size for College}} = \text{Cost per learner hour}$$

** This figure will vary depending on the number of learners in the group. This calculation will need to be calculated for each small group size.*

99 The calculations are based on the 'ideal' or 'target' group size, based on the needs of the learner. It is therefore inappropriate to recalculate the claim according to the size of the group when for instance one or two learners drop out.

Funding implications

100 Where additional learning support forms have not been completed for all learners for whom additional learning support has been claimed, or have been completed incorrectly or include ineligible costs, the institution would be expected to correctly complete additional learning support forms for all learners for whom funds are claimed and have them validated by their auditors.

Basic skills and ESOL

Audit evidence

101 In order to gain Council funding as basic skills, and attract the relevant uplifts, evidence should be available that the learning aim is a key skill qualification in application of number or communication at levels 1 and 2, which is not being delivered as part of a full-time 16-18 year-old learner's entitlement, or is a learning aim that leads to the new basic skills literacy, numeracy and ESOL qualifications at entry level, or at levels 1 and 2, or is a learning aim that is mapped to the national standards for basic skills in literacy, numeracy and ESOL. In supporting the Government to reach its target of improving adult literacy, numeracy and language skills, the LSC has agreed to fund external candidates as set out in annex C to this document.

102 The Council would not normally fund school-leavers until after leaving school. In practice, the official school leaving date is the last Friday in June of the academic year, and learners would only be eligible for Council funding after that date.

Funding implications

103 Where a learning aim has not been mapped to the national framework, auditors should ensure that the relevant uplifts have been excluded from the claim.

Curriculum 2000 (including Entitlement)

Audit evidence

104 Evidence should show that the learner is receiving a substantial full-time programme of qualifications approved by the Secretary of State under Section 96 of the *Learning and Skills Act 2000*. In addition to this, there should be documentary evidence of the delivery of appropriate key skills, tutorial and enrichment activity. Institutions should retain timetables, registers and recorded outcomes of planned enrichment activities.

105 Since the guidance was originally written the new Secretary of State for Education and Skills has announced that changes are required to Curriculum 2000. The Council has responded to her request by exempting the delivery of the 3 key skills from the audit process and instead making the LLSCs responsible for monitoring the delivery of the new curriculum. This approach will take more account of ensuring learners are taught key skills appropriate to their individual needs rather than a standard requirement.

106 Where appropriate, ILR field L28 must be completed showing that the entitlement funding is being claimed. Auditors are requested to ensure that institutions providing the entitlement curriculum to their learner have correctly flagged the ILR field to ensure that the institution claims the appropriate funding.

107 To be eligible for entitlement funding the learner must be full time as defined by 450glh. This includes glh spent on the entitlement curriculum.

108 Funding may only be claimed for the wider key skills in addition to the entitlement funding where additional guided learning hours are delivered at the appropriate level. No additional funding should be claimed where the wider key skills are delivered as entitlement activity. These are not covered by the ILR audit exemption for the three key skills set out in paragraph 105 above.

109 Where the entitlement is being claimed for a learner aged between 16 and 18, no further funding will be available if they are enrolled on a learning aim which the Council considers similar in content to the key skills of communication, application of number, or information technology. Examples of 'look-alike' qualifications are published on the Council website under the Documents section at: www.lsc.gov.uk.

110 Auditors are not expected to make judgements on the qualitative aspects of tutorial and enrichment activities, as these will be assessed as part of the inspection process.

Funding implications

111 Where institutions are delivering Curriculum 2000 programmes, for which entitlement funding is systematically being claimed for inappropriate

provision, the Council would expect the funding claim to be reduced appropriately.

Direct provision delivered with partner

Audit evidence

112 The Council took over the ILR audits for FE colleges for the 2000/01 teaching year and this new audit process has identified a number of cases where it was very difficult to determine whether the provision actually being delivered was either franchise or partner assisted direct provision. Paragraphs 11-13 of the *Funding Guidance for Further Education in 2002/03* sets out some fundamental funding principles that must be met before any Council funding can be claimed.

113 Evidence should be available to confirm that any provision classified as direct provision delivered with a partner has been delivered in line with guidance set out below.

114 The Council has set out Table 1 to assist institutions and auditors in determining whether provision delivered with a partner should be regarded as direct provision or franchise provision. For provision that is classified in the table as franchised provision a discount of one third is normally applied to available funding. The discount is not applied for provision:

- a. where the learner involved attracts a widening participation uplift; or
- b. which is community-based and normally within non profit-making bodies.

115 Council audit guidance on the interpretation of this table is that the principle remains that the nature of partnership provision lies somewhere between direct and franchised provision. Provision could be described as 'direct' when using partner facilities but using college staff and educational materials. Provision could be described as 'franchised' when the partners provide both the facilities and the staff.

Table 1. Types of provision (from page 39 of *Funding Guidance for Further Education 2002/03*)

Service Provided	Direct Provision <i>Direct (institution)</i>	Partnership Provision <i>Direct with Partner x</i>	(Covers both x +y) <i>Franchised y</i>
Employer of teaching staff	Institution (may use a recognised employment/staffing agency or self-employed staff)	Institution (the institution may use a recognised employment/staffing agency or self employed staff)	Franchise via an employment relationship. See Annex B paragraph 8 of FEFC Circular 99/37
Venue, including lighting, heating, caretaking	Institution	Partner	Institution or franchisee
Facilities e.g. computer hardware/software	Institution	Partner	Franchisee
Teaching and learning resources	Institution	Institution or Partner	Franchisee
Responsibility for quality and audit	Institution	Institution	Institution
Marketing	Institution	Institution or Partner	Institution or Franchisee
Advice and guidance	Institution	Institution or Partner	Determined by institution and carried out by institution or franchisee
Enrolment procedures	Determined by institution and carried out by institution	Determined by institution and carried out by institution	Determined by institution and carried out by institution or franchisee
Teach learners	Institution	Institution	Franchisee
Teacher development	Institution	Institution	Institution/franchisee
Learner charter	Institution	Institution	Institution
Additional learning support	Institution	Institution	Institution
Monitor the programmes- quality assurance and learner record sampling checks	Constant monitoring	Constant monitoring which may include scheduled and unannounced visits by the institution	Constant monitoring including scheduled and unannounced visits by the institution
Nature of contract	None	Based on resources provided rather than volume of provision	Based on volume of provision
Accreditation with awarding body	Institution	Institution	Institution (other than in exceptional circumstances)
Subject to franchising discount	No	No	Yes (other than in community based and widening-participation)

116 Previous audits of funding claims have identified particular difficulties where institutions have attempted to switch from franchised provision to what they regarded as direct partner-assisted provision and in a small number of cases appear to have failed to realise that they are in fact still providing franchised provision. Particular difficulties have arisen where institutions have claimed funding as direct with a partner but where the provision was then delivered using a staffing agency provided by the partner (dedicated solely to that area of provision) at a site only used with their partner organisation. The Council would normally expect this type of provision to be classified as franchised provision and the model franchise contract used, together with the appropriate evidence of control by the institution, including the necessary unannounced visits.

117 From 2001/02 onwards the auditors of funding claims are being asked to carefully review claims for direct provision with a partner, that appears to match very closely franchise provision. To assist in this matter some guidance on how to interpret the table is provided below. This will ensure that correct and appropriate funding is and will continue to be claimed.

118 Where institutions use a partner that is actively involved in the delivery of the education and training of learners, then institutions should consider very carefully whether the delivery of the provision does in fact more closely resemble franchise provision rather than direct provision, and in particular, where any of the following apply:

- a. the provision is being delivered in premises that the institution only uses with that partner organisation;
- b. the institution also uses a staffing agency to deliver the provision and staffing agency is solely used for work with that partner organisation, or is owned or controlled by the partner organisation; similarly, where the staff are seconded from the partner organisation;
- c. the partner organisation is significantly involved in the recruitment and marketing of the provision;
- d. the partner organisation provides most of the educational material used in delivering the provision;
- e. the provision is a mix of traditional and distance learning modes of delivery and there is a risk that the distance learning multiplier is being claimed for provision using traditional methods.

119 Institutions should take particular care when working with partners that are also involved with other institutions, by ensuring that they are fully informed of such arrangements, and that procedures are in place which enable them to clearly identify those learners specifically enrolled by partners, under the auspices and the resources expended on their behalf for the learners. In all circumstances, the college must retain original documents including, for example, attendance records, enrolment records and learning

agreements. Under no circumstances must these be retained by partner organisations at their own premises. It is also expected that the college itself will be registered with the awarding body for the qualification being studied.

120 Agreements and arrangements that have previously been funding-based and deemed franchise agreements should not normally be transferred to a facilities type contract and assumed to be direct provision. If a college wished to transfer the provision to direct provision prior consultation should have been sought from the LLSC.

121 Auditors are requested to assist colleges in ensuring that all new contracts meet these criteria and that colleges are seeking to amend existing contracts so that this guidance is met in full for future provision.

Funding implications

122 The Council will insist on provision being reclassified and funding claims adjusted where it appears institutions and/or their partners have contrived to classify unjustifiably, franchise provision as direct provision. *Funding Guidance in Further Education for 2002/03* makes it clear that new partnership arrangements with third party companies may be regarded as contentious provision for which prior consultation with the LLSC is needed. Where institutions have written evidence from their LLSC that they regard the provision as direct but auditors are unsure as to the true classification, they will advise the institution and the LLSC of their concerns to enable the provision to be re-evaluated.

123 Where colleges have mistakenly assessed provision as direct rather than franchised, auditors are reminded that the institution should recalculate the percentage of franchised provision. Any recalculated percentage should also be used when completing the audit opinion and self-assessment checklist.

Disadvantage uplift

Audit evidence

124 Learners should only be assigned disadvantage uplift funding in the following cases:

- a. Where their postcode identifies them as living in an area of disadvantage, measured by the DLTR index (adjusted). An updated file of these postcodes is available on the Council's website at: www.lscdata.gov.uk/data/wideningparticipation.html
- b. Where they fall into the groups identified in paragraphs 36 and 42 of *Funding Guidance for Further Education in 2002/03*.

Funding implications

125 Institutions should ensure that they collect learner postcodes as a matter of course, in order to ensure that the correct level of funding is being claimed for learners, where the disadvantage uplift is dependant on their postcode.

126 To claim funding for the disadvantage uplift where it is not dependent on the postcode, an institution should collect any appropriate or relevant evidence which will support the claim, for example:

- a letter of reference from a charitable organisation, statutory body or agency;
- confirmation from a local community development worker;
- delivery takes place as part of a specific project to work with an identified target group;
- specifically targeted marketing and recruitment materials;
- self-declaration by the learner resulting from the initial advice and guidance process, which should be documented on the learning agreement.

Distance learning, open learning and online learning

Audit evidence

127 Programmes of distance learning require institutions to accurately record and retain evidence of actual learner contact to be claimed as distance learning hours. Where no guided learning can be evidenced then no Council funding may be claimed. The Council will request additional audit checks on all programmes delivered by distance learning in 2001-02 and in 2002-03. This will inform the further review of the funding rates. Institutions should note when planning provision that distance learning provision is identified as a risk factor in *Funding Guidance for Further Education in 2002/03*.

128 This type of provision is of particular concern to the Council for a number of reasons, in particular, incorrect calculation of enhanced guided learning hours from the application of the 14 multiplier which places the provision in a loadband which attracts funding disproportionate to the resources used, leading to a substantial over claiming of funds. Institutions are reminded that from 2002/03, all use of the multiplier must be agreed annually in advance by the LLSC.

129 Evidence must be available that initial assessment and guidance has been provided to the learner. This may be provided by face-to-face contact, by telephone, by videoconference or other electronic means.

130 The minimum number of glh to be delivered as an entitlement to the learner by distance learning should be clearly identified in the course literature, any publicity material and in the learner's learning agreement. It is expected that an active learner's contact with their tutor should be sufficient to maintain a level of support appropriate for a learner aiming to achieve the learning outcome concerned. An institution should always take active measures to ensure that the learner is continuing on the programme and has not withdrawn, for example, by providing a planned timetable for the receipt of assignments and then checking with learners who have not provided an assignment on the due date. It is not good practice to leave it to the learner to initiate any tutorial contact.

131 A contact is receipt of work or projects by the tutor, or a meeting or telephone call between the learner and the learner's tutor. A log of all learner contact for each learner should be retained as audit evidence. Actual learner contact should be recorded, not standard contact times.

132 Learner logs should include date, time, duration and nature of contact. Supplementary evidence may be obtained from tutors' contracts of employment that may detail the learner load and the expected contact to be provided to each learner. Administrative and technical support may not be included in the calculation of guided learning hours.

133 The Council would expect an active learner to produce a minimum of one piece of assessed work (for example, a written assignment) in each tri-annual period. Good practice suggests that learners should be contacted at regular intervals to check that they are still following the programme. It is not acceptable to assume that silence means a learner is 'continuing'. These regular checks by administrative staff should not be counted towards the calculation of glh.

134 Institutions are expected to maintain audit evidence of activity including a signed learning agreement and an accurate record of the guided learning hours. Robust, reliable and accurate electronic tracking systems may be used to provide the necessary audit evidence where available.

135 Guidance about how to record distance learning is included in the following documents:

- *Specification of the Individualised Learner Record Batch Data Capture File for 2002/03;*
- *Individualised Learner Record (ILR) 2002/03 FE Provider Support Manual;*
- *Work-based Learning /Co-financed ESF Provider Support Manual 2002/03.*

Colleges are requested to enter into field A32 the actual guided learning hours provided to each learner, including un-enhanced distance learning hours.

They should also enter the sum of (guided learning hours for non-distance learning) and (guided learning hours for distance learning multiplied by 14) into the enhanced guided learning hours field, field A33. It is the value in the enhanced guided learning hours field that is used by the Learner Information Suite (LIS) when it determines the loadband for each learner. The LIS does not automatically multiply the actual guided learning hour by 14 where field A33 is set to 3, meaning distance learning. For example, a learner receives 6 hours of unenhanced guided learning and 10 hours of enhanced distance learning. The entry in field A33 would be:

$$6 + (10 \times 14) = \mathbf{146glh.}$$

136 Colleges including in their final funding claim any distance learning need to ensure the claimed guided learning hours are correctly calculated for distance learning learners and the appropriate loadband is selected. As the claim is made on an individual learner basis, it is expected that there will be some variation in the pattern of claiming. For auditors, the size of any sampling is a matter for individual judgement, but should take account of the college entry on the self-assessment checklist. Auditors are expected to gain sufficient assurance to confirm that any claim that includes distance learning is materially correct.

137 The guidance below provides further clarification on the documentation required to support claims that include distance learning and the funding multiplier.

138 To support the claim for guided learning hours, evidence of the following activities may be included:

- one-to-one tutorial support, counselling and guidance;
- tutorial support in a group;
- the provision of a robust written comments service, that is over and above that provided to learners in a classroom situation;
- telephone support by tutor;
- e-mail;
- video conference.

139 It should be noted that a telephone contact between a member of the colleges' administrative staff and the learner to ascertain that the learner is still active on the programme **should not be included in the calculation of guided learning hours.**

140 For programmes of more than 12 weeks, learners should be considered to have withdrawn where a learner fails to make the planned contact and four weeks or more have elapsed. The withdrawal date is the last

date of actual participation. A contact is defined as the receipt of work or projects by the tutor or a meeting, or telephone call between the learner and the learner's tutor.

141 Where distance learning constitutes more than 5% of a college's provision, it is identified as a risk factor in the self-assessment checklist to be found in the circular *Interim and Final Funding Claims 2002/03*.

142 The Council expects particular care to be taken to confirm the funding claim if distance learning provision is franchised or delivered with a partner organisation, as this is identified as an additional risk factor in the self-assessment checklist.

143 The Council expects colleges to be aware of the guidance in Circular 99/39, *Local Priorities*, which applies to all modes of learning, including distance and open learning, and the guidance in paragraph 235 of *Funding Guidance in Further Education in 2002/03*. Distance learning learners must be resident in England and otherwise eligible for Council funding.

144 Institutions are reminded that for 2002/03 the OCN credit table (found at Table 3 of this document) is applied to distance learning provision where appropriate.

145 Audit evidence should be available to show that distance learning programmes would not qualify for a lower amount of funding if delivered by a method other than open and distance learning. This may include evidence of contact with other institutions and/or the Council to ascertain the appropriate loadband. The recording of withdrawal should be checked to ascertain that learners are active learners.

146 Institutions delivering distance learning via the Internet should have consulted their LLSC in advance of delivery.

147 The Council does not expect that NVQs will be gained entirely by distance learning because of the nature of the assessment process.

148 Where learners are studying NVQs using some distance or open learning methods, there should be evidence that corresponding learning activities have taken place. Evidence could include distance learning workbooks and records of one-to-one tutorials. Withdrawals should be closely monitored.

149 Where only packs of material are provided and tutor support is not available, learners are ineligible for Council funding.

Distance Learning: Frequently Asked Questions

Q. Should the costs incurred in delivering programmes of distance learning be broadly similar to the funding the Council provides and the tuition fees charged to learners studying these programmes?

A. Yes. The Council may investigate cases where the costs incurred appear to be substantially less than the funding claimed and may recover funds if appropriate.

Q. Should the learner log of tutor contact match the tutor logs of learner contact?

A. Yes. Where the total of learner log contact exceeds the total available tutor contact time, institutions may have difficulty evidencing their distance learning funding claim. Auditors may decide to evidence this by relating total claimed learners contact time to the resources available by the institution for tutor contact time rather than by the more bureaucratic reconciliation of individual learner and tutor logs.

Q. Does the institution need to keep records of every contact with the learner, whether by telephone, e-mail, face-to-face or by other means?

A. Yes. The funding that may be claimed is based on guided learning hours of actual contact. For Institutions offering distance learning provision they need to establish systematic procedures to record the actual guided learning time delivered and readily be able to provide the dates, durations and nature of contacts with learners. Standard times for tasks will not be accepted.

Q. If a telephone call to a learner is concerned with details of administration, does that count as guided learning?

A. No. The only part of contact that qualifies is the specific guidance towards the learning aim being studied. Discussions about things such as whether learning packs have arrived do not count. Where calls include both guided learning and administration the time spent on each must be separately recorded.

Q. What is the Council definition of administration?

A. This is defined as contact that excludes activity not defined under our definition of a guided learning hour (glh).

Q. What is marking over and above that normally provided to classroom-based learners?

A. Time spent in the normal marking of an assignment is not eligible in calculating glh. The onus is on the institution to demonstrate that the marking is over and above that normally given to learners in a classroom situation. The

aim is to fund the equivalent of the verbal feedback that would be given in class when returning assignments.

For instance:

- *multi-choice assessments where each question is marked right or wrong with comments added such as 'well done', do not qualify as over and above normal marking;*
- *essays that are marked with a few comments added and have spelling mistakes corrected do not qualify as over and above normal marking;*
- *marking carried out by administrative staff following a grid cannot qualify as over and above normal marking;*
- *marking carried out by computer methods such as optical mark reading (OMR) or optical character reading (OCR) cannot qualify as over and above normal marking unless supplemented by substantial comments by the tutor;*
- *learners who complete multi-choice assessments where the answers have two choices only, such as 'yes or no', cannot sensibly be asked to repeat those questions;*
- *to qualify as guided learning, scripts must have substantial comments added by the tutor that is a direct replacement for normal discussion that would have taken place with the learner.*

Q. How should the enhanced guided learning hours for face-to-face contacts calculated?

A. One-to-one guided learning time between the tutor and the learner should be multiplied by a factor of 14. Group activities should not be multiplied by a factor. This is irrespective of the size of the group.

Q. How long is a reasonable duration for telephone tutorial support calls to learners?

A. This is an academic judgement made by the tutor and the institution. However, claims for long calls on a systematic basis should be avoided and may be subject to particular audit scrutiny.

As an example, the longest non-practical classes offered traditionally by institutions may be three hours in duration and often much less. Using the multiplier of 14, this suggests that a telephone call of 13 minutes has the equivalent content as a three-hour class ($13 \times 14 = 182$).

It is accepted that contacts in the distance learning mode may be less frequent than other modes of delivery and the calls may be longer than 13 minutes but caution should be exercised when claiming guided learning for

systematically long calls. Auditors may seek sight of itemised telephone bills where the telephone contact time seems to be excessive.

Q. Are learners on distance learning courses required to have planned programme at the start of the course of study?

A. This is good practice but not a requirement.

Q. Where institutions are unable to evidence to their ILR auditors that the provision complies with the distance learning requirements set out in funding guidance what additional guidance has been given to the ILR audit firms?

A. ILR auditors can agree a revision to the funding claim to match the direct costs incurred by an institution in the delivery of the program. No profit or contribution to college overheads may be claimed where the provision fails to comply with the funding guidance.

Open Learning

150 A definition of open learning may be found in *Funding Guidance for Further Education 2002/03* at Annex E.

151 The term 'open learning' covers those forms of delivery which take place in learning support workshops, open access and/or drop-in centres where the institution provides learning support and counselling facilities, together with access to materials and resources. Open learning programmes are taught with specially prepared learning materials for private study and provide a marking and comment service for written work. Open learners usually proceed through their programmes at a pace and in a sequence that individually suits them. The programme would normally be accompanied by some guidance and/or tutorial support. This term is not intended to apply to situations in which study is essentially home-based or remote and there is only occasional contact with the institution.

152 Institutions should be realistic in the length of time assigned to a particular learning aim delivered by open learning. For example, for a learning aim which is normally delivered in 120 glh in a traditional setting the provider should not seek to require learners to adopt an unreasonable attendance pattern which they are unlikely to achieve, and which does not necessarily meet their individual needs. It would be inappropriate for the provider to assign a notional study pattern of, say, 6 hours a week for 20 weeks and then to claim 120 glh regardless of the learner's actual attendance.

153 Institutions should give particular attention to retention and achievement in this type of provision.

154 Institutions should claim the national rates for listed or loadbanded learning aims, as shown in *Funding Guidance for Further Education in 2002/03*, for provision delivered using open learning methods.

Open Learning: Frequently Asked Questions

Q. What is a guided learning hour in an open learning context?

A The definition is the same as for other modes of delivery. The learner will be in the presence of a member of staff who gives specific guidance towards the learning aim being studied. This does not include administrative and support staff who may also be present.

Q. How much funding may be claimed?

A For listed learning aims, the normal rates as shown in the funding guidance for the appropriate year that is stored in the learning aim database.

For loadbanded learning aims the rate appropriate to the number of planned guided learning hours may be claimed.

Q. How are the planned guided learning hours determined, as learners will make progress at different rates?

A. The institution should make an estimate of the planned guided learning hours, and this should be reviewed each year.

Hence, the institution should specify the standard guided learning hours value for a particular learning aim to be studied by open learning. This should then be used to claim the funding for all the learners studying this learning aim irrespective of the variation in glh that each learner may receive. However, if there is a significant variation (of more than 20%) between the planned and actual glh, the funding claim should be revised to reflect actual costs incurred.

The institution should monitor the actual guided learning hours for each successful learner and then use these to determine the planned guided learning hours for the following year.

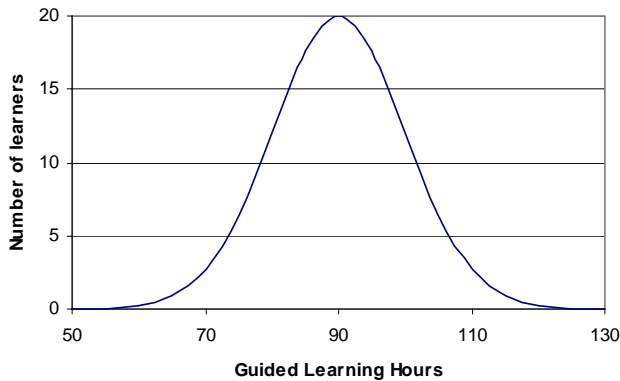
Example

An open learning course is set up with a learning aim that is loadbanded. As an example the learners are expected to each receive 90 glh.

The institution should record the actual guided learning hours received by each learner. The distribution of guided learning hours might be represented in the graph in Figure 2.

In this case, the mean is 90 glh and the funding claim is valid.

Figure 2. Actual GLH on an open learning course



If the mean is below 90glh, the funding based on 90glh may be claimed for that funding year. But for the following year, funding should be claimed according to the mean value.

However, if the mean is significantly below 72 glh or above 108 glh, then the funding claim for the current year should be amended to reflect actual delivery.

Q. If the institution requires learners to book open learning sessions in advance, how should missed attendances be handled?

A. Learners who make a booking and then fail to attend should be recorded as absent as in normal classroom provision. However, institutions should be careful in claiming funding where there are significant or systematic absence patterns.

Q. Is the date of withdrawal for Open Learning provision worked out in the same way as for traditional provision?

A Yes. It is the date of the last attendance.

Employer dedicated provision

Audit evidence

155 As part of the FE program budget agreed for the Council by Department for Education and Skills (DfES) the sector is expected to achieve an income target of employer contributions of around £60m. Guidance is available in paragraphs 250-253 of *Funding Guidance for Further Education in 2002/03*.

156 The reduction in tariff funding for dedicated provision for employers will apply to eligible provision delivered either by an institution, or independent training provider or an employer, normally on an employers' premises where that provision is made for that employer's staff. The employer may be from the private, public or voluntary sector. Guidance on the calculation of the reduction in funding is given in annex E of this document.

Table 2. Employer dedicated provision guidance for 2002/03

Feature	Fully funded	Employer dedicated	Not funded
Course is advertised and is genuinely open to the general public	Yes-provided a genuinely open mix of learners is on the programme	No	No
Basic skills including ESOL	Always fully funded	-	-
Course is normal day release	Yes	No	No
Course is for a small business of up to 50 employees or with a turnover of less than £8M	Yes	No	No
Overall relevance to the employers' core activity	Low to medium	Medium to high	High
Benefit to learner	Long term career	Medium term training	Short term skill
Benefit to employer	No direct benefit	Longer term benefit	Short term benefit
When learning takes place?	In learner's own time	In employer's time	In employer's time
Is the skill transferable if the learner changes career?	Yes	Likely	Possibly
Optional or compulsory	Optional	Pressure to participate from employer is likely	May be compulsory
Who pays tuition fees?	Learner	Employer (contribution)	Employer (full cost)
Community or family involvement	Some	None	None
Who commissions the training?	Learner or 'trusted intermediary'	Employer	Employer
Level of the course	Likely to be level 2 or below	Any level	Any level
Accredited qualification	Likely or first step to learning	Likely	Unlikely
Range of subjects offered to learner	Could be many	Few	Few
Length of course	Subject to Council minimum guided learning hour	Subject to Council minimum guided learning hour	No minimum
Other Council FE guidance	Applies	Applies	Does not apply
Involvement of a Council funded provider	Yes	Yes	Not necessarily

157 Table 2 gives guidance on whether provision is eligible for full Council funding, should be subject to the employer-dedicated discount or is not eligible for Council funding. In using the table, institutions should subject provision to the fundamental test as to whether the learning experience is mainly for the benefit of the learner or the employer. If the latter, the provision is likely to fall within the employer dedicated part of the table. The table provides a number of examples to assist institutions in determining the answer to this fundamental test.

158 It is suggested that institutions should discuss provision with LLSCs prior to enrolling learners to determine the funding status of the provision that has employer involvement. LLSCs should use their discretion based on an overall assessment of the nature of the provision and provide written approval to the institution where the provision is eligible for Council funding.

159 In particular, institutions cannot rely solely on the fact that provision is openly advertised to justify the non-application of the employer dedicated discount. Provision must be genuinely open and able to attract learners from a wide variety of backgrounds to enable institutions to justify the non-application of this discount.

160 It is not intended that this will affect small employers.

Funding implications

161 Where institutions have incorrectly classified this provision and claimed the full rate of funding, it is expected that ILR auditor will identify such provision and recalculate the funding at the appropriate level.

English as a Foreign Language (EFL)

Audit evidence

162 Institutions are expected to scrutinise applications for study on EFL programmes by learners, as European Law enables learners from other EU countries, who are resident in England primarily for education, to access only vocation training in England funded by the Council. EFL learning aims would not fall within the definition of vocational training as defined by the European Court of Justice and would not therefore qualify for Council funding.

Entitlement

Audit evidence

163 To claim the entitlement for full-time 16–18 year olds, institutions should retain auditable evidence that:

- as part of their planned delivery of Curriculum 2000, institutions have made learners aware of their entitlement to the development of key skills, tutorial and enrichment studies;

- the learner's current learning agreement includes the delivery of relevant key skills;
- the learner's current programme includes tutorial and enrichment activities delivered in glh that are over and above those glh delivered as part of the other learning aims in the learners' programme;
- the learner started the programme while under the age of 19 according to the definition as set out in paragraph 20 of Annex D of *Funding Guidance for Further Education 2002/03*, and is on a full-time course programme.

164 For learners with learning difficulties and/or disabilities, the institution should include as auditable evidence on the learners' learning agreement assessment, evidence detailing why key skills qualifications are inappropriate and what alternative activity will be provided.

Funding implications

165 Auditors have been instructed to apply a 'light touch' to this area of provision. However, the Council expects the entitlement curriculum to be available to learners where appropriate, and institutions will be monitored by LLSCs as part of the provider performance review and through the inspection processes.

European Social Fund (ESF)

166 Additional guidance is provided in Annex A of this document and on the Council website: www.lsc.gov.uk.

Fee remission

Audit evidence

167 It is the responsibility of the institution to establish eligibility for tuition fee remission at the start of each academic year for both learners who are starting and those who are continuing their programmes. Evidence should be available to show that:

- checks are carried out to ensure learners' eligibility for fee remission;
- fee remission status of the learner is accurately recorded at the start of their programme and each subsequent academic year as appropriate; and
- claims for fee remission funding are justified under the Council's policy, as set out in paragraphs 32-33 and 63-67 of *Funding Guidance for Further Education 2002/03*.

168 Acceptable evidence of unemployment benefit or a means-tested state benefit would be:

- a letter of entitlement to benefit issued by the appropriate agency, providing that it shows dates of entitlement;
- evidence that a member of the institution staff has seen an order book or benefit book; or
- a certificate issued by the benefits agency that someone is currently in receipt of means-tested benefit.

169 At colleges (usually sixth form colleges) where all learners are normally aged between 16 and 19, thereby qualifying automatically for fee remission, auditors should ensure that the ages of learners are correctly recorded.

Franchising provision and control criteria

General guidance

170 Franchised provision refer to the situation where the institution arranges with another organisation to deliver provision on its behalf. In general this will correspond to situations in which the individuals delivering the provision are not directly employed by the institution. Guidance on the calculation of the reduction in funding for franchised provision is given in annex E of this document.

171 Whilst welcoming franchised provision where participation is widened and learners have benefited, the Council wishes to ensure in particular that institutions exercise proper control over the provision and that such arrangements do extend provision and do not lead to double funding or the displacement of public funding. It is expected that all institutions will obtain annual approval from their LLSC for both new franchised provision, and renewal of existing franchised contracts.

172 *Institutions are reminded that a college awarded a grade 4 or 5 in governance, management or quality assurance should not enter into any new franchising contracts including any replacement of existing franchised provision.*

173 Colleges wishing to transfer franchised provision to direct provision are expected to have undertaken a value for money study (VFM) to ensure that the arrangement did not lead to disproportionate expenditure, i.e. that the public purse is not paying more for the same provision and that the new arrangements are in the best interests of the college. This should not simply be a means of avoiding the franchising discount but be to the benefit of learners. Where provision is transferred to a college company or a new one is established, or other joint venture arrangements are entered into, then the guidance document College companies and joint ventures published in May 2000, should be consulted.

174 The Council expects particular care to be taken to confirm the funding claim for franchised distance learning provision as both are identified as risk factor in the self-assessment checklist.

175 The Council regards the amount of franchised provision by an institution in 2002/03 as being significant where it:

- accounts for 5% or more of the total amount of funding claimed by the institution, or
- involves recruitment from outside the institution's wider recruitment area.

Control criteria

176 It is essential that colleges should have a written contract governing their franchise arrangements. This contract must entitle the college to exercise the required control over the franchisee's activity. Each college will itself wish to take its own legal advice before entering into contracts. For its part, the Council commends, for use in all cases, the model contract that is found in the supplement to Circular 99/37, subject to such modifications as necessary.

177 For each franchise arrangement a contract at least as comprehensive as the model in Circular 99/37 must have been put in place before the commencement of the provision.

178 The control criteria require that governing bodies will approve a generic contract for franchise provision. They may then delegate to the principal the responsibility for ensuring that adequate scrutiny of individual contracts is undertaken.

179 The institution should have a written agreement, retained as auditable evidence, which confirms that the Council's funding has not displaced other funds and that there is no duplication of funding from another source for the provision.

180 This would be in addition to the model contract and should provide confirmation that the Council's funding has not displaced other public funds, has not been used to reduce the franchisee's contributions to the training and development of its staff and has not been used to reduce the franchisee's training budget or resources designated for training purposes.

181 The Council expects that institutions will have statements signed by a senior member of the franchise partner's staff that they have not reduced their actual or planned funding, except in cases where it is clear that no resources had been devoted to the relevant type of training in the past, and where no resources would have been devoted (but for the franchise arrangement) in the future. Such statements are not included in the model contract in Circular 99/37. Evidence to be sought to test this statement might include extended or

new contracts for staff to work specifically with the identified learners on the particular qualification aim. The accreditation of pre-existing activity would not in itself constitute additionality, nor would the availability of additional resources, for example, the production of new training materials such as a video. The Council would not expect to fund provision that is the responsibility of another publicly funded body. Institutions and their auditors should have consulted their LLSC if they wish to claim franchised provision in social services day centres, residential homes or hospitals.

182 In the light of the advice received and in consultation with the Council's legal advisors, a 'control test' and a model contract that satisfies it have been drawn up. The key elements of the control test are:

- a college being able to enrol or reject learners as it would do if the learners were to be taught on its own site;
- a learner's learning agreement entered into at the time of enrolment which reflects the outcome of initial guidance and assessment for an individual learner;
- a learning programme and its means of delivery which have been clearly specified by the college;
- the college being in control of the delivery of the education;
- arrangements for assessing the progress of individual learners; and
- procedure for the college regularly to monitor the delivery of programmes provided in its name.

183 It is good practice for each learner to have a learning agreement, signed by the learner and on behalf of the institution, which accords with the Council guidance on initial guidance and counselling and with the terms of the institution's franchise contract.

184 Franchise partners should not sub-contract the delivery of Council-funded provision to other organisations or self-employed individuals without the express approval of the LLSC.

185 The delivery of provision should be by the franchise partners directly employed staff. In the case of volunteers, the control must be 'as if they were employed'. Details of the Councils' guidance on franchise arrangements between Council-funded institutions are set out in Circular 99/37.

186 The Council-funded institution should be able to demonstrate complete control of the provision if it is to be considered eligible for funding. If the trainers normally sell their services as self-employed contractor the partner organisation must create an employment relationship with them. Evidence of such an employment relationship would include a statement of terms of employment and evidence of taxation under PAYE. This would not include

members of a national body who were licensed to carry out training, unless they are directly employed by the partner organisation. See definitions in Circulars 99/09 and 99/37.

Provision and qualifications

187 The institution should normally be the centre approved by the awarding body for the qualifications being offered by means of franchised provision. Where this is not the case, the institution should be able to demonstrate to its auditors that it is monitoring the activities of the approved centre, in particular its relationship with the awarding body, and that it is exercising control over, and making appropriate arrangements for, the quality assurance of all provision.

188 Where the institution is making franchised provision in curriculum areas not normally provided by the institution, it should be able to demonstrate that it can exercise effective control over the provision. The Council expects that the institution would employ a person with appropriate expertise in the curriculum area to provide advice on franchise arrangements and undertake the necessary checks on the operation of the arrangements, including monitoring of the quality of provision.

189 Where the institution has joint approved centre status with their franchise partner all aspects of learner assessment should be carried out in accordance with directions given by the institution.

190 Where the franchisee is providing courses that are part-funded by the Council, the course fees charged to learners should reflect the contribution made by the Council towards the cost of the courses. Where the course fee exceeds 75% of the available Council funding, provision should be classed as full-cost recovery.

191 Where the amount and nature of the franchise represents a significant departure from a college's strategic plans, the appropriate LLSC should have been consulted and the governing body should have approved the departure.

192 Significant departures from the strategic plan are defined as those that may have significant implications for adequacy and sufficiency. See 'significant departures' in the glossary to this circular for examples.

193 Institutions were requested to discuss with the appropriate LLSC any plans for partnership activity and, in particular, any franchise agreement that may involve the transfer of funding between institutions that receive funds from the Council. Auditors should expect such institutions to be able to provide documentary evidence that the LLSC has specifically agreed to any such development.

Franchise provision in schools

194 Where the franchise partner is a school and provision relates to 16-18 year-old learners in full-time education, in a school, institution or combination of the two, provision is only eligible for Council funding if the guidance on the application of the control criteria in this document is satisfied.

195 Provision made on school premises or partly on school and partly on institution premises, where teaching is shared between school and institution staff, is only eligible for Council funding where the provision is fully under the control of the institution and a substantial part (not less than half) is delivered by staff directly employed by the institution. Other criteria that should be taken into account when determining whether the provision is 'institution' provision are:

- provision is delivered in premises on the school site leased or rented by the institution and clearly identified as an outreach centre of the institution;
- the resources used for the provision are the property of the institution;
- participants are learners of the institution rather than the school (for example there should be no requirement to wear school uniform); or
- provision is not confined to former pupils of the school where the provision is located, so that learners from other schools may attend if they enrol with the institution.

196 Full-time provision made entirely on school premises by school staff is not eligible for Council FE funding in 2002/03.

Data returns for franchised provision

197 Institutions must be satisfied that data returns from franchisees are made in an accurate and timely manner, and that they are supported by appropriate auditable evidence.

198 All learners on franchised provision should be recorded as such on the ILR return and identified in ILR field A22 (Franchise and partnership delivery provider number) by the code assigned by the institution to their franchise partner.

199 College control systems for franchise partners should include tests to ensure that learners are not included on any other college's ILR return. Further information is available in the entry on duplicate learners and in the Glossary of Terms to this circular.

Guidelines for institutions and auditors on in-year checks

200 Where institutions have delivered franchised provision in 2002/03, auditors must satisfy themselves that each institutions' arrangements satisfy the Council's control criteria.

201 The main elements of the Councils' expectations of institutions' checks on franchised provision are listed below. The Council considers such systematic checks by institutions to be essential. Auditors are reminded that the Council would expect external auditors to be present at some systematic checks, both announced and unannounced on franchised provision in 2002/03.

202 The checks should be carried out regularly where the provision is delivered on a regular basis. In other cases the scheduled checks should take account of the pattern of provision so that they are applied to a significant proportion of learners.

203 Systematic checks should involve the institution and the auditors making unannounced visits in-year to each franchised provider. A sample of sites should be included for provision being delivered by each franchised provider. They should be used to confirm that the provision exists and is consistent with the institution's expectations and the franchisee's records.

204 The Council expects auditors to undertake systematic in-year checks on franchised provision where it is delivered away from the institution's main premises, and delivered wholly or in part by people who are not members of the teaching staff of the institution. Auditors should, therefore, have completed checks while provision was taking place.

205 Some external auditors have requested further clarification of this requirement. This means visiting without notice. It is suggested that at least some of these visits are unannounced to the institution and to the franchisee. If there are sensitivities, for instance to observe work-based training in a care home, then perhaps a courtesy telephone call just before arrival would be helpful. Franchisees should be informed of the necessity of this type of visit before the contract is signed. The times should vary, for instance, when monitoring one-day provision or short courses, unannounced visits should be undertaken at the expected start of the programme and during 'twilight' time. Institutions and their auditors should ensure that they meet and interview a sample of learners and, where appropriate, staff. Learners should be asked to name the college they are enrolled at, and should also be asked if they are at the same time, or have been recently, a learner at another college or Council-funded institution. Other evidence sought should include marketing material, copies of registers, learning agreements, registration documents for awarding bodies, visit notes from external moderators, and evidence of certification.

206 Monitoring of provision should include direct observation of the initial guidance and assessment process and direct observation, at appropriate intervals, of the delivery of the learning programmes. Monitoring activities

should include checks on the eligibility of provision.

207 Monitoring activities should be similar to those considered appropriate for external verification or moderation, sufficient to ensure learner progress can be monitored, and used to gather regular learner feedback.

Guidance for auditors

208 Auditors are asked specifically to include the following as part of their audit programmes in respect of franchised provision during 2002/03. Each of these elements will involve some audit checks before the end of the 2002/03 teaching year (31 July 2003). Auditors are required to:

- a. satisfy themselves that the controls set out above were in place and operating for all of the institution's franchise arrangements;
- b. satisfy themselves that the institution's management was making appropriate systematic checks to ensure that learners enrolled by franchise partners on their behalf and recorded in the franchisee's records were correctly described in the institution's learner record system and were actually receiving the scheduled provision described;
- c. satisfy themselves that no Council funding was transferred from institutions to employers, including via third parties, as part of a franchise arrangement to provide education and training to their employees. Payments to employers, for example for the use of premises and equipment, would be appropriate;
- d. satisfy themselves, where secondment arrangements had been made, that appropriate legal advice had been obtained and sufficient evidence was available that a contract as described in Circular 99/37 was not required and that the provision was fully in the control of the college;
- e. satisfy themselves that the guided learning hours recorded for loadbanded provision had been correctly calculated in accordance with paragraph 101-108 of the Council's guidance contained in *Funding Guidance for Further Education 2002/03*; and
- f. this is especially important in the case of work-based provision, particularly where the qualification aim is an NVQ. Guidance on the calculation of glh is contained in paragraph 47 of *Funding Guidance for Further Education 2002/03*. In addition, auditors should ensure that checks are undertaken on the glh for distance learning, programmes delivered by the accreditation of prior learning (APL), and one-day provision.

209 For 2002/03, auditors may consider it unnecessary to repeat in-year checks themselves where the franchised provision is not considered significant, as defined in the paragraph above. It may also be considered unnecessary where the external auditor attended for similar in-year checks in

2001/02 and the arrangements for each franchised provision and the control systems are unchanged, or where internal audit have attended in 2001/02 and found arrangements to be effective.

Funding implications

210 If franchised provision fails to satisfy fully the control criteria or is contracts at least as comprehensive as the model contract in Circular 99/37 have not been implemented, auditors would be expected to qualify their audit report, provide details of the arrangements which do not satisfy the Council's guidance, specifying the faults in the institution's arrangements, and to undertake a sample to validate the institution's estimate of the amount of funding affected by the inadequacy.

211 If systematic visits by the institution have not been made to all partners involved in franchised provision and/or the visits have not accorded with the Council's guidance, where the control criteria are satisfied but there have been isolated failures the estimate should be based on a sample of affected funding and should relate to the particular form of inadequacy. In all other cases the estimate should be based on all funding claimed for the affected franchised arrangements.

Full cost recovery

Audit evidence

212 Paragraph 226 of *Funding Guidance for Further Education 2002/03* lists the provision not eligible for Council funding and includes full cost recovery programmes. Paragraphs 32 and 67 sets out the level of tuition fees expected from learners/employer by institutions in delivering LSC-funded programmes. A number of institutions and auditors have had difficulty in trying to determine the funding eligibility of some provision and where the line is crossed into full cost recovery programmes. The Council advised the sector in *Audit of 2001/02 Final Funding Unit Claim and 2001/02 Individualised Student Record Data* that where the fee is more than 75% of the cost of a course then that must be regarded as full available LSC funding for that programme. Some institutions may wish to run full cost recovery courses at a lower rate and this is a matter of which they have full discretion.

213 If the institution is charging a fee that exceeds 75% of the available LSC funding for that programme excluding the assumed fee income of 25%, then the Council would regard the provision as full cost recovery provision and ineligible for Council funding.

214 For 2002/03 no Council funding should be claimed for any full cost provision. Institutions should consult their LLSC where they are uncertain as to whether any provision they proposed to offer would incur learners in a fee approaching the 75% contribution.

Funding implications

215 Institutions are reminded of the need to comply with the spirit and intention as well as the letter of funding and audit guidance. Where fees are charged that approach 75% of the funding available, the provision will be reviewed by auditors to assess the actual contribution of Council funding to the overall cost of the programme. In particular, where the fee falls very close to the upper threshold, auditors will expect to find written consent by the LLSC to fund the programme.

216 Where provision is deemed by the auditors to be full-cost, this may result in all funding associated with this provision being removed from the claim. Where this is the case, institutions and their auditors are advised to contact the LLSC.

High risk provision

217 The Council considers that certain types of provision raise potential issues of eligibility and are therefore regarded as high-risk. The Council has issued guidance on the provision that falls into these categories in paragraphs 244-246 of *Funding Guidance for Further Education in 2002/03* and further information on audit requirements for this provision can be found under the following sections of this document:

- Direct provision delivered with a partner;
- Distance learning, open learning and online learning;
- IT centres.

218 The Council provided the most recent self-assessment checklist on risk factors at Annex I to Circular 01/16, *Interim and Final Funding Unit Claims 2000/01*.

IT Centres

Audit evidence

219 Colleges should make sure that IT centres offer a range of programmes that are sufficiently wide to meet the identified needs of learners. Where IT centres only offer a single programme or qualification aim, evidence should be available to show that learners should receive adequate and impartial guidance on all the educational opportunities available to them to ensure that they are offered a full curriculum choice. Institutions are encouraged to maximise their use of IT centres and not simply restrict their use to single programmes that generate disproportionate levels of Council funding. If another curriculum or mode of delivery is more appropriate, learners should be directed towards another college centre or partner provision.

220 Colleges using IT centres should pay attention to individual learner attendance and retention. Colleges should also take proper account of actual experience of guided learning hours and course duration in setting their standard parameters on the ILR. This should be reflected in the learner enrolment and learning agreements in accordance with previous guidance.

221 The Council accepts that where Council-funded direct provision has always been delivered via a funding based facilities management agreement, the arrangement may continue to be regarded as direct provision for 2002/03, provided Council guidance has been followed previously and institutions should take account of the need to consult LLSCs in advance of the delivery of any provision that might be regarded as contentious. Any direct provision regarded as direct should demonstrate that the college is in full control of the provision, and is not subject to any penalty over the choice of programmes on offer in the centre.

222 Facility management arrangements regarded as direct provision will be based on a payment for the services provided and not normally agreed on the basis of funding generated. Such agreements should be assessed against their value for money (VFM), as compared to the costs to the institution of providing those services itself. It is expected that institutions and not facility management partners will take the risk for the successful delivery of direct provision and the operation of the centre. Where institutions have entered into or reverted to agreements based on the amount of funding generated, then the reasons should be documented and shared with their legal advisors and external auditors.

223 Partner staff, in exceptional circumstances, may be used as temporary staff under the control of the College. Such arrangements should normally be short-term, for instance to cover emergency short-term sick leave. The college should ensure that the staff are suitably qualified, medically fit and able to be employed as teachers under the Education (Teachers) (Amendment) Regulations 1998. Colleges should make sure that checks have been made into the credentials of any agency staff engaged in direct or franchised provision. Colleges should make sure that they retain full control of the provision.

Jobseeker's Allowance

Audit evidence

224 A learner in receipt of Jobseekers' Allowance (JSA) at the beginning of their programme of study is eligible for fee remission for the whole of the academic year. If a learner becomes eligible for tuition fee remission during the academic year, the institution can claim tuition fee remission from the next census date. In such cases the Council would expect the institution to refund the appropriate proportion of any fees already paid by the learner.

225 Regulations will provide that the learning agreement, signed on behalf of the institution, but not any other document, will provide evidence of a

learner's average glh for the purposes of determining entitlement to benefit. Therefore, institutions funded by the Council should include a section in their learning agreements stating the average number of glh a week for a learners' programme.

226 In the case of programmes of more than one year's duration, the information included in the learning agreement on the number of glh per week should be reviewed before the beginning of the institution year and recalculated where necessary.

227 Institutions should note that the learning agreement has a legal status in the context of JSA and should be prepared to make the original document available for inspection by Jobcentre Plus or central adjudication service staff if required. This is particularly important where the learner is taught under a franchise agreement.

Learner eligibility

Audit evidence

228 Institutions should not claim funding for learners who are not members of the 'home' population of England, irrespective of their mode of attendance.

229 The Council does not generally fund learners who are not UK or European Economic Area nationals living in England ('from overseas') unless they meet the residency requirements specified in the Education (Fees & Awards) Regulations 1996 as amended in 1998, published by The Stationery Office.

230 The regulations are complex, but in general the following groups living in England are considered to be members of the 'home' population:

- individuals from the European Union, or migrant workers from the European Economic Area;
- refugees and asylum seekers with 'exceptional leave to remain';
- any individual from overseas who has been granted 'settled status';
- any individual on a fully reciprocal learner exchange;
- any individual who is 'ordinarily resident' in England;
- asylum seekers in receipt of a means-tested benefit; and
- 16-18 year olds accompanying parents with right of abode.

231 Institutions are expected to scrutinise applications for study by learners to ensure that they are eligible for Council funding and institutions are expected to retain copies of documentation to support the learner's case for

consideration as ordinarily resident in England. Foreign nationals will have Home Office documentation that outlines their status, for example refugee status or exceptional leave to remain in the UK. Asylum seekers should be asked to provide evidence that they have a current application for asylum and that they are receiving assistance under the terms of *the Immigration and Asylum Act 1999*. This should include appropriate confirmation from the National Asylum Support Service, the local authority regarding such assistance, or the Benefits Agency regarding means-tested benefit.

232 External auditors should check enrolment forms to see if evidence has been gathered on the residency status/eligibility of the learner.

233 Learners from overseas whose main reason for residence in England has been attendance at a fee-paying school, will not be considered eligible for funding.

234 Learners of compulsory school age are only eligible for Council funding in exceptional circumstances and where written approval has been provided by the Council. Institutions should have evidence for every learner of compulsory school age showing that the Council has agreed to fund them.

235 Institutions should not claim Council funding for provision delivered outside England. This restriction applies to provision delivered in Wales and Scotland as well as in other countries. The reciprocal arrangements with the Further Education Funding Councils for Wales and Scotland relating to the Council's duty to secure further education provision for the population of England is referred to in paragraph 168 of *Funding Guidance for Further Education 2002/03*.

236 The Council has adopted a 'water's edge' principle to meeting its duty to secure further education provision for the population of England. This means that provision for eligible learners taking place in England may be funded by the Council, but any provision taking place outside England is not eligible for funding.

237 Learners that are, for example, members of the population of Scotland or Wales are eligible for Council funding where they are attending courses provided by institutions in the English further education sector at sites in England. However, the Council would not expect to find large numbers of such learners within any one college or enrolled on short programmes in a systematic way. Similarly learners that are members of the population of England may be funded through the Scottish Further Education Funding Council (SFEFC) or The National Council for Education and Training for Wales (also known as the National Council – ELWa) when attending institutions in Scotland and Wales respectively.

238 Council funding should not be claimed for the institution's staff enrolled on courses at their own institution during their normal contracted working hours.

239 Such learners would only be eligible for funding by the Council as an exceptional occurrence where the members of staff were replaced by other staff whilst studying. This would not include whole college staff development programmes in information technology or developing an 'inclusive' curriculum. Institutions should consult their LLSC if they wish to claim funding for members of staff in advance of the delivery of the programme. For any changes in learner eligibility for 2002/03 since this document was published on the website, please refer to Annex C.

Funding implications

240 Where Council funding has been claimed for ineligible learners and/or programmes. This includes amongst others:

- learners under 16 for which the institution has no evidence that the Council has agreed to recognise them as exceptional cases;
- provision outside England; and
- overseas learners.

241 The institution would be expected to revise the ILR return to record such learners listed above as not eligible for Council funding.

Loadbands

242 Institutions should ensure that the glh for loadbanded provision are accurately assessed in order to place the provision in the correct loadband. All loadbanded provision should be reviewed to ensure that the planned glh agree with those actually delivered. Where it differs significantly, an in-year adjustment should be made.

243 Where guided learning hours have been incorrectly calculated and learners' programmes consequently assigned to incorrect loadbands. The institution would be expected to revise their ILR return to show the correct loadbands.

Manual adjustments

244 In order for an institution to make a manual adjustment to their final funding claim, they must agree this with their ILR auditor. For non-published manual adjustments, institutions should contact the Council for a manual adjustment number after discussing this with their ILR auditors.

245 When an institution has failed to make valid manual adjustments to the final funding claim or has made invalid or incorrect manual adjustments, the claim will be returned to the institution and the institution should ensure that the manual adjustments are corrected and validated by their auditors and the amended claim returned.

National projects

Audit evidence

246 The Council has set up a small number of national projects with colleges who will have completed a Project Agreement form. The amount of funding to be claimed and/or the method of claiming may differ from that laid out *Funding Guidance for Further Education 2002/03* and will be detailed in the individual project specification. These colleges should ensure that their external auditors are aware that the college is included in those projects and that the provision is sampled as part of external audit arrangements.

Table 3. OCN credit achievement target

Number of credits	Entry	Level		
		1	2	3
Up to 29 glh	1	1	1	1
Up to 39 glh	1	1	1	1
Up to 49 glh	1	1	1	1
Up to 59 glh	1	1	1	2
Up to 89 glh	2	2	2	2
Up to 119 glh	3	3	4	4
Up to 149 glh	4	4	5	6
Up to 179 glh	5	5	6	7
Up to 209 glh	6	6	7	8
Up to 239 glh	7	7	8	10
Up to 269 glh	8	8	10	11
Up to 299 glh	9	9	11	13
Up to 329 glh	10	10	12	14
Up to 359 glh	11	11	13	15
Up to 389 glh	12	12	14	17
Up to 419 glh	13	13	15	18
Up to 449 glh	14	14	16	20
450 glh +	15	15	17	20

OCN credit achievement target

247 The Council provides a reference table (Table 3) that should be used when calculating the appropriate loadbands for OCN accredited provision. It is expected that for basic skills/ESOL provision this will now be claimed through the uplift for basic skills qualifications and the table would not be applicable.

248 In the case of institutions offering OCN accredited provision to learners requiring more guided learning that that shown in the table, they should consult their LLSC to determine whether a higher claim for relevant learner can be locally supported.

People of compulsory school age

Audit evidence

249 The official school leaving date is the last Friday in June of the academic year, and learners leaving on that date would be considered to be eligible for Council funding from that date.

250 Institutions should retain for audit, in all cases, written evidence of the LLSCs agreement to fund individual learners of compulsory school age.

Provision in the workplace

Audit evidence

251 Provision in the workplace is not expected to exceed 329 guided learning hours a year. For employed learners, auditors will need to be satisfied by the institution that the hours claimed for guidance and supervision in the workplace are distinct from those previously forming part of the learner's normal employment. Auditors are not asked to take a view on the nature or quality of the activity, only on whether the institution can provide evidence to satisfy the auditors that the hours claimed are additional to what the employer previously provided, or would normally expect to provide, as an integral part of the learners' employment. Equally, the fact that the guidance and supervision by an employer of a learner can now lead to the achievement of a qualification, whereas previously it was directed to the achievement of the skills necessary to accomplish the task, does not justify the classification of such hours, which are not additional to existing activity, as Council-funded guided learning hours.

252 Where a supervisor is delivering provision to a group of learners, the Council expects such provision to be scheduled, and the attendance of learners on each occasion that the provision is delivered to be recorded. Otherwise, it is expected that the supervisor is delivering guided learning hours to learners on a one-to-one basis. Auditors should satisfy themselves that the number of guided learning hours recorded is reasonable, bearing in mind how the supervisor's time is divided between:

- supervision or assistance specific to the study of each learner they are responsible for supervising;
- general supervision or assistance of these learners carrying out their normal work activities; and
- tasks other than the supervision of individual learners.

253 The following hypothetical examples of activities that are not eligible for inclusion as guided learning hours may be of assistance to institutions and auditors:

- training in the use of a till provided to checkout operators by a supermarket; and
- on-the-job supervision of employees by their supervisor other than where the hours involved are additional to the supervisor's previous oversight.

254 Where an institution is engaged in franchise arrangements for the delivery of work-based programmes, the basis for the number of guided learning hours claimed for non-individually listed qualifications is of particular concern. This is so especially for those involving the delivery of programmes to an employer on the employer's premises, typically for learners pursuing programmes leading to NVQs.

255 In the case of work-based NVQs, the delivery of the learning programme should be sufficiently specified in the learning agreement to make clear the balance of work-based activity and training activity, and the planned number of guided learning hours to be delivered to achieve the qualification aim.

256 There is no provision in the Councils' funding methodology for a notional calculation of the number of guided learning hours. The franchise partner should have identified in its learning agreements the number of guided learning hours to be delivered.

257 This guidance also relates to provision made in other situations such as residential homes or social services day-care provision. It is expected that, because of the possibility of double-funding with other statutory agencies, such provision is made in exceptional cases only. It is recommended that it is discussed in detail with the LLSC before the delivery starts. Robust evidence that the provision is additional to that normally provided to the individual, and that it extends the education and training available to the individual, should be sought.

Funding implications

258 Where auditors are not satisfied that robust evidence exists to substantiate the number of guided learning hours claimed, they should work with the institution to identify actual guided learning hours and revise the claim to a more realistic level.

Qualifications

Approved qualifications under Section 96 and Section 97

259 The Council will fund all qualifications approved under Section 96 and 97 of the *Learning and Skills Act 2000*. To check the eligibility of qualifications, institutions should refer to one of the following pages on the DfES website, where continuously updated lists are available:

- www.dfes.gov.uk/section96/

- www.dfes.gov.uk/section97/

260 Guidance on qualifications falling out of approval is contained in the funding guidance 2002/03 addendum, reproduced in Annex A of this guidance.

261 Institutions should note when planning provision for 2003/04, that a letter of agreement to eligibility of Council funding outside of the entitlement will be needed from the LLSC for all 16–18 year olds not pursuing section 96 qualifications. Further guidance on this will be produced in due course.

Other provision

262 Institutions are reminded that they should discuss any plans to increase 'other provision' with LLSCs, and where an institution intends to deliver other provision not previously provided at that institution evidence of consulting the LLSC should be available.

Subsidiary qualifications

263 Institutions should not claim funding for a qualification, which is subsidiary to one being funded by the Council.

264 For example, the Council will not fund a GCSE in business studies for a learner who is also taking an Edexcel in business studies at the same time.

265 To ensure that duplication of provision in a learner's programme of study is avoided and where this occurs due to an overlap in learning aim content, institutions should adjust the funding claimed to reflect the degree of overlap. Where auditors find this has not occurred they should adjust the claim accordingly before submission to the Council.

University for industry (Ufi) (brand name: learndirect)

266 The Council and Ufi have agreed that the guidance contained in this document applies equally to **learndirect** provision, whether it is funded through recipient colleges or through directly funded hubs. It is intended that this document and its references will be the single source of guidance for Ufi hubs on ILR audit. Ufi Ltd. will not issue any separate ILR audit guidance for 2002/03. Please see Annex E of *Funding Guidance for Further Education 2002/03*.

267 Hubs apply for funds according to Ufi GN 2002/03, *Procedure for Applying for Council Funding in the Academic Year 2002/03 - Supplement 1* (available from www.learndirect-partners.co.uk), and provide the Ufi with business plans that detail the provision each partner expects to make and this has provided the basis of the allocations to each directly-funded hub or each hub via its recipient college. Each recipient college should provide its external auditors with a copy of the hub business plan.

Audit guidance for Ufi provision

268 The Council expects the Ufi electronic audit system to be fully available for the whole of the 2002/03 teaching year. The most likely problem areas are identified as: documentary evidence of virtual learners, actual dates of withdrawals and the necessary supporting evidence as well as evidence of completion and achievement. The Council expects the new tracking software included as a function of the Juli system to significantly assist in dealing with these issues. However, institutions should not rely solely on this system to provide audit evidence. For all learners, it is the responsibility of each hub to ensure that the audit evidence available meets Council requirements.

269 Table 5 in the following sub-section on **Withdrawals** shows the position regarding funding depending on whether or not the course crosses a census date.

270 For Ufi provision, a learner should be considered to have withdrawn using the guidance on page 108 of *Funding Guidance for Further Education 2002/03*, which is reproduced at Table 4 in this document.

271 A contact is receipt of work or projects by the tutor (electronic or hard copy), a recorded interaction with the Ufi learning environment, or any communication with the tutor indicating that the learner was still active on his/her course.

272 'Completion' means that the learner has finished the course; has worked through each module as necessary to complete the programme of learning. If the learner has not withdrawn during the course, completion of the course recorded by learning centre staff is evidence for claiming funding. The funding attached to a course assumes that the learner will complete all aspects of the course.

273 To claim the achievement funding element, learning centres must be able to provide evidence that a learner has successfully achieved the learning objectives outlined in the learner agreement. Evidence of achievement would be in the form of a record of the outcomes achieved by the learner and would be signed by the tutor. This could be recorded in the learner log and endorsed by the tutor. This is necessary to enable the electronic record to be complete. **Note that this evidence is dependent upon learners' recording their learning agreement in the learning log, or the learner and tutor can use the progress tracking of learning outcomes in the Juli system. When endorsing the learning outcomes, the tutor must add an explanatory note to evidence that endorsement.**

274 The Council advises that **learndirect** provision is intended primarily for adult learners. 16-18 year olds already on existing programmes will only be funded for **learndirect** in exceptional circumstances. 16-18 year olds will only be funded where prior agreement has been obtained from Ufi regional offices.

275 Adults already enrolled on further education programmes are fundable for **learnirect** courses providing the programme complies with the guidance on additionality in the Glossary of Terms.

276 Guidance on completing the individualised learner record (ILR) is contained within separate Ufi and Council guidance. **Only recipient colleges and directly-funded hubs should enter Ufi learners on ILR returns to the Council.** A clear audit trail should be established between the recipient college or the directly-funded hub, the partner learning centre and its learners.

277 Where the recipient college for a hub is changed or the hub becomes directly-funded by the Council after being funded by a recipient college, the following procedure applies for learners who have not completed their programmes.

278 In 2001/02, learners who have not completed their programme by 31 July 2002 would be recorded in the first institution's 2001/02 ISR as study continuing, showing the actual start date and the planned end date.

279 In 2002/03, the same learners would be recorded in the second institution's 2002/03 ILR showing the actual start date (as at the first institution), planned end date (as at the first institution) and actual end date when they completed or withdrew.

280 This records what actually happened and should work out the funding correctly. The learners 'missing' from the first institution's 2002/03 ILR will appear in the reconciliation lists for both colleges. The Council expects institutions in this position to agree any necessary cash adjustments between themselves to reflect any differences between the funding paid and the costs incurred.

281 In a case where a learner starts at the first institution and is transferred to the second institution then the learner could appear in ISR and/or ILRs for both institutions, since that reflects what actually happened. In some such cases it would be necessary to make a manual adjustment to one or both institutions' funding claims. This should be discussed with the institution's external auditors.

282 Further guidance on the audit evidence required is detailed below. Particular care should be taken to ensure that funding claimed for Ufi learners is not claimed for elsewhere in the institution, or claimed as funding for learners with other hub partners at one and the same time. Only recipient institutions and directly-funded hubs may claim Council funds.

283 Any queries regarding ILR audit of Ufi funding should be directed to LLSCs.

Ufi hubs funded via recipient colleges

284 Each hub is made up of a College in receipt of Council funding (recipient college) and a number of other institutions some of which will also be Council-funded. The other non-recipient institutions in each hub in receipt of Council funding are regarded as learning centre institutions.

285 The majority of recipient colleges will have their arrangements for delivering Ufi Council-funded provision audited as part of the provision they make in 2002/03 in the usual way by their external auditors.

Directly-funded hubs

286 Each hub is directly funded by the Council for the provision of Ufi programmes and is responsible for completion of the ILR, the audited funding claim and is also responsible for ensuring that there is a vigorous framework of audit and internal controls.

Audit evidence for recipient colleges/directly-funded hubs

287 The following guidance sets out the audit work required for both types of institution.

288 Council-funded hubs (via recipient college or directly-funded) in 2002/03 are requested to ask their external auditors to confirm as part of their audit testing of provision made in 2002/03, that:

- a. where funding for Ufi provision is passed to a learning centre that is already in receipt of Council funding, a memorandum of agreement or similar documentation agreed by the hub partnership should be in place. This should detail the number of learners to be enrolled and the amount of funding to be claimed. A suggested memorandum of agreement can be found in Ufi Circular GN 2001/04, which is available from: www.learndirect-partners.co.uk; and
- b. the number of learners enrolled on Ufi provision in the hub and recorded in the hub's ILR is commensurate with the numbers agreed by the hub and in line with funds allocated and claimed for this purpose.

289 Where the partner learning centre is not an institution funded by the Council, a contract at least as comprehensive as the Council model contract in the supplement to Circular 99/37 should be in place. The Council expects that all guidance on franchised provision should be applied apart from the discount rule.

290 Whilst the franchising discount does not apply to Ufi provision for 2002/03, the employer dedicated discount does apply for appropriate provision. See Table 2 of this document for further guidance.

291 Directly-funded hubs and recipient colleges will require the following work from their auditors:

- a. to establish that appropriate contracts or agreements are in place with each learning centre as at 31 July 2002 or, for new centres, before the start of any provision;
- b. agree that the contracts have been signed by the accounting officer;
- c. agree returns have been received from each learning centre;
- d. agree final returns have been signed by the accounting officer;
- e. use an appropriate programme of tests on a sample basis to agree Ufi learners:
 - from the returns to the ILR; and
 - from the ILR to the returns;
- f. for learners whose learning centre is the recipient college, use an appropriate programme of tests and on a sample basis, agree Ufi learners from source data underlying ISR returns;
- g. from discussions with the hubs, agree that internal control systems are in place by 31 July 2002 to establish the integrity and accuracy of data received from learning centres. The following examples of the controls expected are:
 - enrolment forms (originals, except where originals are retained by FE learning centre) –these may be completed either:
 - at the institution by the learner and signed in person; or
 - completed on-line by the learner-in all cases the enrolment form / learning agreement should be printed out by the learning center and posted to the learner's home address. It should then be signed and returned by the learner;
 - registers (originals, except where originals are retained by the FE learning centre); registers may be electronic;
 - in-year checks to establish the quality of delivery together with checks on the accuracy of the data and actual existence of learners;
 - regular meetings to discuss progress and any emerging issues; and

- systems for ensuring the control criteria for any sub-contracted provision are met.

Audit work for FE learning centres not directly funded by LSC

292 Learning centres who are recipients of Council funding via a recipient college or a directly funded hub will require the following work from their auditors:

- a. agree that returns have been submitted to the recipient college or the directly funded hub;
- b. agree that either a full return (or all individual returns) is submitted signed by the accounting officer and covering the full claim for the year being audited;
- c. from the list of learners included on returns, using an appropriate programme of tests on a sample basis agree:
 - the learners are enrolled at the learning centre;
 - the learners are excluded from the ISR of the delivery centre;
 - the learners undertook the course for which the claim is made; and
 - the courses actually took place.

293 External auditors should undertake checks to ensure that the funds paid to the hub have been used solely for the purpose of Ufi activity. Virement between budget headings is allowed, but funds may not be used for non-Ufi activity or subcontracted to organisations that are not members of the hub.

294 The recipient college or the directly-funded hub will require its external auditors to confirm the arrangements in place between it and its learning centres are as required in Council funding guidance. During any development phase, the recipient college may retain a fee agreed by members of the hub to support the additional administration and monitoring required. Where the partner learning centre is another FE college, an HE institution or a former external institution, the recipient college or directly-funded hub and its external auditors are expected to enter into an agreement with the institution's external auditors to undertake checks to confirm that the underlying data provided to the recipient college or directly-funded hub are compiled in accordance with Council guidance.

Withdrawals – all learners

Audit evidence

295 General guidance on withdrawals for all types of learner is available in paragraphs 112-118 of *Funding Guidance for Further Education 2002/03*. For short courses, the guidance in Table 4 applies.

296 Table 5 shows the position regarding funding depending on whether or not the course crosses a census date.

297 A learner should be considered to have withdrawn from a programme of study where he/she is known to have made a decision to withdraw from the programme of study, or to transfer from a full-time to a part-time programme of study or from a part-time to a full-time programme of study. Either the learner or the learner's tutor should have confirmed this in writing.

298 In addition, for full-time programmes and part-time programmes of 12 weeks or more in duration, which are not distance learning programmes, a learner should be considered to have withdrawn where they have not attended classes for at least four continuous weeks, excluding holidays. This is unless there is auditable evidence of an intention to return. Auditable evidence includes a learner or employer's letter or formal internal notes such as tutorial reports, 'contracts of behaviour' or 'personal action plans'. If a learner then returns before the census date they should be counted as enrolled.

299 Institutions should ensure that learner are withdrawn from a programme where they have not attended classes for 4 continuous weeks, excluding holidays. Withdrawals should be processed in a timely manner and where a learner has not been withdrawn, but has been absent for more than 4 weeks, there should be auditable evidence of an intention to return.

300 Where a learner has not been in attendance during a programme, and is deemed to have withdrawn, the funding associated with the learner should be adjusted from the relevant census date, to reflect that the learner has withdrawn.

301 Learner withdrawal dates should be promptly and accurately recorded in order to reflect the last date of actual recorded attendance.

302 All learner withdrawals must be recorded in the ILR. The definition of withdrawal is given in the glossary at Annex G to this circular.

303 Withdrawn learners should generally not be recorded as completed. Learners should also be correctly recorded as having transferred to another qualification, or withdrawn without transferring.

Table 4. Withdrawal guidance

For programmes of any length	If he or she is known to have done so
For programmes of one week planned duration or less	If he or she fails to participate in the programme at least once after enrolment. (In this event, no funding is claimable for this learner)
For programmes of greater than one and less than 12 weeks planned duration	If he or she fails to complete at least 50% of the programme (e.g. the provider has no evidence of the learner's continued participation after the sixth week of a twelve week programme)
For programmes of 12 weeks or more planned duration	If he or she has failed to make a planned contact and four weeks or more have elapsed
For all programmes	The withdrawal date is the last date of actual participation

Table 5. Funding dependent on whether courses cross census dates

	Course length	Completion/withdrawal	Funding
Short courses	Course is not planned to cross a census date	Student completes	Full core funding
	Course is planned to last up to one week	Enrolment and at least one course activity	Full core funding
	Course is planned to last up to one week	Enrolment and no course activity	Full core funding
	Course is planned to last up to 12 weeks (and longer courses that do not cross a census date)	Enrolment and attendance after the mid point as defined by actual start and planned end dates	Full core funding
	Course is planned to last up to 12 weeks (and longer courses that do not cross a census date)	Enrolment and final attendance before the mid point of the course	Full core funding
Longer courses	Course is planned to cross one census date	Student completes	Full core funding
	Course is planned to cross one census date	Student withdraws before census date	No core funding
	Course is planned to cross one census date	Student withdraws after census date	Full core funding
	Course is planned to cross two census dates	Student completes	Full core funding
	Course is planned to cross two census dates	Student withdraws before first census date	No core funding
	Course is planned to cross two census dates	Student withdraws between first and second census dates	Half core funding
	Course is planned to cross two census dates	Student withdraws after second census date	Full core funding

304 The date of a learner's withdrawal should be recorded in all circumstances as the last date of their actual attendance, not the date on which the learner's record was flagged as withdrawn. While learners may not be classified as withdrawn until four weeks have elapsed since their last attendance, or for open and distance learning since the missed contact, the date of withdrawal should still be recorded as the date of last actual participation.

305 Auditors should undertake particular checks on the recording of withdrawals by franchised provision, provision delivered by drop-in workshops, or by off-site outreach centres, or by distance learning.

306 When checking the withdrawal mechanism, auditors should ensure that institutions have robust systems in place to ensure that learners with erratic attendance due to illness or other legitimate circumstances are identified. In the case of learners with mental ill-health or other legitimate reasons for erratic attendance, the institutions should retain evidence of assessment and/or a notification from the learner/parent/advocate/medical adviser that there is a strong intention to return. In these exceptional cases, the learner need not be entered as withdrawn within the usual timescales. If the learner fails to return, the last date of participation should be used to record withdrawal.

307 Learner withdrawals are not expected to occur in a systematic pattern. Where the number of learners shown as withdrawing from courses shortly after a census date appears to be disproportionate, auditors may wish to pay particular attention to the attendance records and associated management controls for such courses.

308 Additional guidance on withdrawals is provided below. This is in response to a number of questions on this issue from external auditors and some institutions, and is in two parts. The first part cover provision other than open and distance learning and the second part cover open and distance learning.

Frequently Asked Questions

Q. If a learner is studying four AS learning aims over one year starting in September and withdraws from one of them at Christmas, may funding be claimed all year for the withdrawn learning aim?

A. No. Despite the implication of paragraph 117, which refers to a 'programme', funding may not be claimed for the withdrawn parts of programmes. This is the way the Learner Information Suite calculates the funding and has been the accepted practice. So in this question funding may be claimed only for the first period for the withdrawn qualification.

Q. When a full time learner reduces their program at what point do they become a part time learner?

A. *If a learner is a full time learner at the first census date they remain a full time learner for statistical purposes for the whole year. For funding purposes they would cease to be a full time learner when their program drops below 450 glh in the year.*

Q. If a learner stops attending class with no notification to the institution when is the date of withdrawal?

A. *The date of the last attendance on the learning aim is the date of withdrawal. This would be expected to be found from the class register.*

Q. If a learner stops attending classes and a member of college staff telephones the learner to discuss his/her learning progress, can this be counted as guided learning and be deemed the date of withdrawal?

A. *No. Guided learning must be specific to the course being studied. The telephone call described here is assistance of a general nature and is not guided learning.*

Q. If a learner stops attending classes and some time later the learner is persuaded to attend the institution to discuss his/her learning progress, can this be counted as guided learning and be deemed the date of withdrawal?

A. *No. As in the previous answer, guided learning must be specific to the course being studied. The telephone call described here is assistance of a general nature and is not guided learning.*

Q. A learner on a one-year learning aim stops attending at Easter to revise at home yet turns up and sits the examination in early June. When is the date of withdrawal?

A. *Early June. Sitting the examination is assessment of the learner's achievement and may count as guided learning.*

Open and Distance Learning: Source Documents

FEFC publication - *Guidance on Further Education Funding Eligibility and Rates 2001/02*

309 Particular care should be taken to monitor withdrawals in flexible open learning and in distance learning. The monitoring of withdrawal in Information and Communications Technology (ICT) centres appears to be problematic in some cases. In a few instances, it appears that institutions have artificially manipulated the learner's attendance pattern, by, for instance, requiring attendance of 6 hours a week over 20 weeks to enable 120 glh to be claimed at the census date, when fewer glh have actually been delivered. External auditors will be asked to undertake additional checks on the glh claimed for this type of provision, including the pattern of withdrawals in 2000/01 and in 2001/02.

For distance learning programmes, a learner should be considered to have withdrawn where he/she fails to make planned contact and four weeks or more have elapsed. The withdrawal date is the last date of the actual participation. A contact is receipt of work or projects by the tutor, or a meeting or telephone contact between the learner and the learner's tutor. A log of all learner contact should be retained as audit evidence.

A college should also always take active measures to ensure that the learner is continuing on the programme and has not withdrawn. This should be done, for example, by providing a planned timetable for the receipt of assignments and then checking with learners who have not provided an assignment on the due date. Good practice suggests that learners should be contacted at regular intervals to check that they are still following the programme. It is not acceptable to assume that silence means a learner is 'continuing'. Colleges need to check that franchise partners are implementing the guidance. In all cases the learner should be counted as withdrawn from the last date of actual attendance. In the case of distance learning programmes, this is the date of the actual participation missed by the learner.

Frequently Asked Questions

Q. Is the date of withdrawal for Open Learning provision worked out in the same way as for traditional provision?

A. Yes. It is the date of the last participation.

Q. Is the date of withdrawal for Distance Learning provision worked out in the same way as for traditional provision?

A. Yes. It is the date of the last participation.

Work-based learning

Audit evidence

310 The Council does not expect institutions to claim funding for provision funded under the following schemes, which are funded separately:

- Foundation and Advanced Modern Apprenticeships (FMAs and AMAs);
- Life skills funded through work-based learning;
- The Learning Gateway and all other training under the New Deal options; and
- NVQ training funded through work-based learning.

311 Where a learner on any of the above schemes seeks to follow an additional qualification or programme not funded under the Operations Guide, this qualification or programme may be funded under the funding arrangements outlined in *Funding Guidance for Further Education in 2002/03*.

312 Institutions wishing to claim additional funding should obtain written notification from the LLSC for each learner that the additional programme or qualification claimed is not already funded as work-based training under the arrangements of the Operations Guide. Auditors will require this notification in order to confirm eligibility for funding.

Funding implications

313 Where an auditor finds that an institution is claiming funding for provision which would normally be funded under the Operations Guide, this provision should be considered to have already been fully funded by the Council and should be removed from the claim.

314 Where additional programmes have been delivered but approval has not been sought and approved by the LLSC, this funding should be removed from the claim.

Section Three: Main Stages of the Annual Audit Process for All Institutions

Introduction

315 The following description of the main stages in the annual audit process has been developed from the arrangements adopted by most external auditors of colleges and is provided for information. Decisions regarding the level of work necessary for individual institutions are a matter for auditors' judgement, and they should take into account the particular circumstances, the identified areas of risk and particular concern to the Council.

316 For each stage of the audit process, the Council has identified specific issues and areas of work that could be carried out by external auditors. These include, amongst others, areas which experience has shown are particularly complex, which have been the subject of qualifications to previous audit reports or which relate to specific concerns. The lists are not intended to be exhaustive and do not cover all areas of work that auditors will need to undertake or all of the issues that they will need to consider. Whilst the Council expects that all auditors will take them into account in designing their audit programmes, each auditor is expected to use professional judgement to determine the checks that must be completed in order to form and express a professional opinion on whether:

- the institution's ILRFE06 (December 2003; 2002/03) return is properly compiled in accordance with guidance issued by the Council, (including that guidance relating to the eligibility of learners and their provision for Council funding), and has been properly extracted from the records of the institution;
- the institution's final claim for funding for 2002/03 is consistent with the ILRFE06 return and has been properly compiled in accordance with guidance issued by the Council, (including that guidance relating to manual adjustments to the amount of funding generated by the Learner Information Suite);
- the institution's arrangements for managing franchised provision accord with the Council's guidance and fully satisfy the control criteria; and
- the institution's claim for the funds detailed in the audit report is properly compiled in accordance with the guidance issued by the Council.

Audit Staff Briefing

317 The Council expects auditors to carry out a detailed planning process prior to the commencement of the audit. This should include:

- planning meetings with management;
- relevant management reports; and
- analytical review procedures.

318 Auditors should question institutions at the planning stage to ensure that their audit programmes include testing of all relevant types of funding claimed and where necessary, testing in areas which the Council has identified as having presented difficulties. Auditors should ascertain, before beginning audits, the areas for which claims for funding have been made and whether colleges have additional funding for delivery of specific projects. This will facilitate the targets of audit work particularly on known areas of difficulty.

319 All members of the audit team must have an understanding of the institution's affairs and, as far as practicable, of the nature and scope of the work they are to carry out before the audit fieldwork starts. Unapproved work may be an inefficient use of resources or may not lead to the necessary assurance being obtained by the auditor. Evidence should be kept on file to demonstrate that staff are appropriately briefed before undertaking the audit of funding claims and ILR data. The extent of the briefing will obviously depend upon the complexity of the audit. However, briefings should ideally cover such matters as relevant, up-to-date information from the institution, latest Council guidance and the identification of critical audit areas.

Regular Use of Analytical Reports for Management, Audit and Quality Assurance

320 Colleges will be provided with a self-assessment checklist as part of the circular *Interim and Final Funding Claims 2002/03*. This and any other returns, reports or correspondence with the Council such as that described in paragraph 333 below should be made available to auditors at the planning stage of the audit.

321 Analytical reports generated from learner record systems are valuable tools in the management of institutions, as well as in ensuring the accuracy of the learner records and of returns derived from them. Some reports can also be used to assist the audit process, principally by forming part of the institution's ongoing quality assurance of its records, but also by being made available to external auditors at the start of their audit work. To aid their easy and regular production by institutions, a list of the management reports particularly relevant to checks on learner records has been prepared and made available to software houses and institutions that have developed their own management information systems.

Management reports particularly relevant to checks on learner records

322 Reports available from the Learner Information Suite:

- import log;
- summary of funding by category; and
- qualifications report detailing all qualifications, learner numbers and funding by category for the institution.

323 Reports from institutions' learner record systems:

- course master-file identifying loadbanded qualification aims, course name and guided learning hours;
- summary of withdrawals in year by tri-annual period and comparative withdrawals for the previous year;
- list of learners aged under 16 enrolled at the institution; and
- list of 16–18 year-old learners on part-time programmes (under 450 guided learning hours a year) studying for Council-funded qualifications.

324 Possible Additional Reports:

- list of records for learners with the same surname and date of birth;
- list of learners whose learning programmes include one or more generic qualification codes;
- list of learners whose country of domicile is not England or whose nationality is not that of a country in the European Economic Area (EEA);
- list of all learners and widening participation (WP) factor where the learner's WP factor does not match the WP factor in the Council's WP factor file (matched by learner's postcode);
- list of learners with non-zero WP factor in ILR, with postcodes not found in the above match;
- list of learners where WP uplift is claimed based on definitions in paragraphs 34-42 of *Funding Guidance for Further Education 2002/03*;
- list of all learners available on duplicate qualifications;
- list of learners on GCE A level qualification aims, studying part-time

during the day, and NVQ qualification aims, showing the qualification start and end dates; and

- list of all ESF learners where the ESF objective does not correspond to the objective for the area in which the learner lives.

Computer Assisted Audit Techniques (CAATs)

325 The list of management reports has been updated in consultation with the ILR audit forum, which includes representatives from audit firms, Council National Office, LLSCs, the Audit Commission and the National Audit Office (NAO). The Council has provided its own ILR college auditors with a number of CAATs to assist in sampling ILR returns. These programs are available from the website in the Data section under Software and CAAT Audit Reports, and may be used by former external institutions (EIs), higher education institutions (HEIs) and their auditors at their own discretion. Greater efficiency in the audit may be achieved if these and/or other reports are available at the start of the audit. For 2002/03 colleges are expected to run the CAAT reports and check their data prior to the commencement of any audit work.

326 Auditors should undertake detailed analytical review work at or before the start of the audit. This is likely to include the comparison of various funding returns, over time and against forecasts and national norms, in order to identify changes in profile or provision at the college. The results of this review should be used to direct detailed audit testing to areas of audit risk and known difficulty.

Evaluation of Management Controls and Learner Records Systems

327 Auditors should make clear the results of their assessment of the management controls and learner records system. Reliance, or otherwise, on internal audit is often not documented; nor is the extent to which this affects the approach adopted. Auditors should ensure that the link between their review of the work of the internal auditors and/or their own systems review, and the resulting programme of substantive testing is made clear on file. It should also be appropriately reported to institution's management and the audit committee. It is important that there is full documentation of any modification in the nature, timing and extent of procedures performed by the auditors, which results from their assessment of the internal audit function or their own systems review.

Scope of the Audit

328 In some areas of the guidance, the most efficient approach to testing may be to challenge the institution's management on how they ensure that claims for funding are correctly stated. Management will find their response easier if they complete, in advance of the audit, the self-assessment checklist. If satisfactory answers are not forthcoming, auditors will need to devise

appropriate substantive tests in order to satisfy themselves that funding claims are not misstated. In some cases this substantive testing may involve contacting directly a significant sample of learners and staff involved in the provision.

Sampling

329 Auditors should include on file adequate evidence of their rationale for selecting sample sizes. Relevant guidance on action that should be taken where errors are identified in samples is given throughout this document under the heading of **Funding Implications**.

Data

330 The LIS is used to calculate funding and for the generation of statistical and funding reports. Data should be accurate and returned in a timely manner.

331 Where generic codes have been used improperly or in a large proportion of cases, auditors should contact the Council's funding and statistics support desk to confirm whether the institution has adopted a reasonable approach. This may then require a qualification to the audit report and/or the correction of the ILR return by the institution.

332 Where the ILR return is inaccurate or incomplete, this could include but is not limited to:

- withdrawal dates incorrectly recorded or withdrawals incorrectly coded as completed;
- learners missing from the return;
- learners included in the return who are not following a learning programme at the institution; and
- inaccuracies in the recording of learners' learning programmes such as incorrect qualifications codes.

333 Where the institution has not based its final funding claim on ILRFE06 data processed through the Learner Information Suite (LIS) using the learning aim database, the institution should return a final funding claim that is based on the correct software and has been validated by their auditors.

334 Where the institution's ILRFE06 return has not been validated, there is no final funding claim or the auditor has not confirmed the amount of funding generated by the LIS, auditors are not expected to return an opinion on institutions' claims and ILRFE06 return until these points have been satisfactorily resolved.

Completeness of the Data

335 Auditors are reminded that part 1 of the audit report requires them to express an opinion on whether ‘the institution’s ILRFE06 return is properly compiled in accordance with relevant guidance issued by the Council and properly extracted from the records of the institution’. In performing audit work, auditors may have to rely on information produced by the institution, for example listings of franchised learners, overseas learners or learners under the age of 16, before performing focused testing on these and other specific areas of difficulty. Auditors should attempt to verify the completeness of the data provided. This might be achieved by performing ‘two-way testing’, that is, from the ILR database to institution records and from institution records to the ILR database.

336 In addition, institutions should provide their auditors with a wide range of other supportive data sources. For instance, information in support of the ILR data may be obtained from the following:

- a. the funding agreement between the Council and the institution. In addition to the general conditions of funding described in *Funding Guidance for Further Education 2002/03*, this may include specific conditions relating to the provision made by a particular institution. These might include, for instance, provision for individual learners with learning difficulties and/or disabilities. In certain circumstances, the Council may not wish its funds to be used by an institution for a specific purpose, for example, to develop provision outside its local catchment areas where such provision is already made. It may therefore include a specific condition of funding in an institution’s funding agreement;
- b. relevant correspondence with the Council on audit-related issues, and in particular letters from the LLSC for which prior approval is necessary; and
- c. details of any college companies wholly or partly owned by the college and details of any overseas ventures.

Suggested Checklist for Auditors

337 Before the start of the audit, auditors should enquire of the institution whether it has made a claim for funding in any of the following areas:

- a. fee remission;
- b. additional learning support;
- c. Loadbanded courses;
- d. learners under the age of 16;
- e. provision delivered outside England or for overseas learners;

- f. institution staff enrolled on courses;
- g. qualifications with generic or non-specific generic codes;
- h. partially funded learners, particularly those partially funded by the European Social Fund (ESF), HEFCE or social services;
- i. franchised and partner-assisted direct provision;
- j. school learners on link provision, learners enrolled on inward collaborative provision, full-cost recovery learners or higher education learners;
- k. qualifications gained by accreditation of prior learning and experience (APL);
- l. learners studying NVQs, including those using APL, and/or involving distance learning;
- m. distance or open learning methods;
- n. learners from outside the institution's local recruitment areas;
- o. the reclassification of franchised provision to direct with partner;
- p. the reclassification of employer-led provision to community-based;
- q. provision delivered via college companies or joint venture companies;
or
- r. provision delivered via off-site open access information technology centres in partnership with third-party companies.

This list is not designed to be exhaustive. Auditors should always use their professional judgement when deciding on appropriate testing in respect of each institution.

Stage 1: In-Year Checks

338 The attention of institutions and auditor is drawn to the merits of in-year checks as a means of preventing and identifying errors, omissions and inadequacies. ILR auditors should have planned checks on institutions' systems, and substantive testing should be carried out while provision is taking place and learners are present during the teaching year. ILR auditors' review of relevant sections of Council audit reports, where these have been finalised and reported to college audit committees, and of internal audit reports, will be relevant to this consideration. In addition, institutions and their external auditors should consider undertaking some substantive in-year checks during Autumn 2002. This may be particularly valuable where provision is seasonal or at a distance from the college.

Stage 2: Systematised and Substantive Checks on Institutions' ILRF05 Returns and Systems

339 Listed below are some areas of audit work that auditors of colleges should be able to complete, on the basis of the ILRF05 return, as part of their work in determining their opinion on colleges' ILR funding claims. This list is not comprehensive and should not replace the auditors' judgement.

General ILR guidance for auditors

340 Auditors should review relevant internal audit work. In accordance with standard audit practice, a review is likely to be considered essential where the external auditor intends to place reliance on this work.

Controls work

341 Auditors should evaluate the institution's management controls in respect of all learner record systems and franchise provision. This is likely to include the following:

- identification of any relevant internal audit or other reviews since the last external audit so that they can be taken into account. In assessing the work completed by internal audit or other third parties external auditors will need to consider the extent to which any relevant issues raised have been addressed;
- checks that the processes for compiling the institution's ILR returns and funding claims are documented and adequate. Changes to the processes since the last external audit will need to be identified and taken into account;
- evaluation of the effectiveness of controls over the preparation and review by management of returns, and the processing of data by the system. Changes to the processes since the last external audit will need to be identified and taken into account; and
- compliance tests on the operation of relevant controls, where external auditors propose to rely on them.

Substantive testing

342 A programme of substantive testing of the ILR data should be carried out to confirm that the ILR returns have been properly compiled in accordance with the Council's guidance, properly extracted from the records of the institution and that individual records are consistent with the source documentation held by the institution. This has the following two main components:

- checks for consistency between ILR records and the institution's audit

trail of other records. Auditors will need to confirm that the institution has adequate evidence that learners recorded on the ILR and for whom funding is claimed were enrolled at the institution for the recorded period, attended the recorded learning programmes, received the recorded fee remission, and additional learning support and obtained the recorded achievements; and

- checks on the eligibility for Council funding of learners and their learning programmes, and checks that the ILR data about them correctly reflect the application of the funding methodology.

343 In planning their audit programme auditors should take account of their assessment of the system and the results of compliance testing, where appropriate.

344 Auditors will need to judge how many records to include in the sample for substantive tests, taking account of their materiality to the institution's funding. A higher level of materiality may be appropriate with learner data, such as addresses, that may have no funding effect. However auditors should note that, with the exception of external institutions, all learners enrolled, whether funded by the Council or not, contribute to statistics which are used by the Department for Education and Skills to determine the size of the sector. Postcodes are also relevant to eligibility issues relating to learners' residence and disadvantage uplift.

345 The sample of learner records used is expected to be representative of the institution's provision as a whole. However, external auditors' attention is drawn to the areas identified as high risk onto which they would be expected to place particular emphasis in their testing.

346 Where errors are detected, they should be brought to the attention of the institution. They should also be reported either in the management letter and, if material, reflected in the audit report. The Council's expectations of management letters are explained later in this circular.

347 Institutions should validate the funding being claimed, derived from the ILR return using the Learner Information Suite (LIS). The following are examples of checks that are likely to be needed to complete this:

- the claim must be based on the published version of the Learner Information Suite using the published version of the learning aim database. These will be published in the funding claims circular for 2002/03 in Spring 2003;
- all manual adjustments claimed by the institution should either be included on the list published by the Council or have been specifically accepted in writing as valid by the Council and should be of an appropriate magnitude;
- all manual adjustments leading to a significant reduction in institutions'

- claims should have been made; and
- the proportion of funding claimed in the various categories should be credible.

348 Claims for funding should be based on the funding generated by the LIS from the institution's ILR return. All differences between the claim for funding and the amount generated from the ILR return should be recorded and subject to audit checks. Revised ILR returns should eliminate any inaccuracies in the ILR return. Auditors should check that all necessary manual adjustments material to the accuracy of the claim have been made. Further guidance on the manual adjustments to be made will be provided to institutions and their external auditors later in the year.

Checklist for auditors

349 The following checklist may be used both when planning and carrying out audit work:

- i. Are enrolment forms sequentially numbered? If so, have checks been carried out to ensure that all:
 - enrolment forms are accounted for;
 - enrolment forms have been matched to learning agreements; and
 - learning agreements have been entered on to the institution's database?
- ii. Are validation checks in place over the input and processing of enrolment forms and learning agreements?
- iii. Are periodic checks carried out on the completeness of data included on enrolment forms and learning agreements?
- iv. Are all changes to standing data supported by appropriate authorisations?
- v. Are sample checks of course registers carried out and the results used to update the ILR database?
- vi. Is the ILR database reviewed to ensure there are no duplicate entries?
- vii. Is a tri-annual comparison made of anticipated funding by type, against:
 - national, and sector-specific, statistics;
 - the institution's prior year actual funding claim; and

- the institution's original forecast funding claim?

- viii. Where there have been significant variances, what action was taken?
- ix. Is there reconciliation between the funding being claimed by the institution and the funding calculated from the ILR data by the LIS?
- x. Has the system for calculating guided learning hours and allocating programmes to loadbands been reviewed for compliance with current guidance?
- xi. Have in-year checks been carried out for specific aspects of provision, such as:
 - distance and open learning;
 - 'out of wider recruitment area';
 - ESF;
 - partnerships?
- xii. Are checks carried out to ensure learners' eligibility for fee remission?
- xiii. For those aspects of provision highlighted as high risk for audit purposes, has the institution assured itself that there is sufficient relevant and reliable evidence available to support the relevant funding claims?
- xiv. How much audit time did the external auditors spend in providing the audit opinion on the previous year's final funding unit claim?
- xv. How much audit time is proposed by the external auditors to provide an audit opinion on the current year's final funding claim?
- xvi. Did the external auditors hold a planning meeting with management in relation to the audit of the current year's final funding claim?
- xvii. What sample size do the external auditor propose to use, and will this sample cover all aspects of the institution's provision?
- xviii. How much time did the internal auditors spend during the current year in reviewing the institution's learner records systems?
- xix. Where such a review was carried out, what was the opinion given?
- xx. Have all external and internal audit recommendations relating to the institution's learner records systems been implemented by the institution?
- xxi. Where implemented, have the relevant auditors confirmed that the action taken has been appropriate?

- xxii. Has the college met the deadlines for the submission of ILR returns and funding claims?
- xxiii. Has the Council been able in each case to validate the returns successfully?
- xxiv. Have any of the audit reports on the institution's final funding claims for the three previous years been qualified? If so, what action was taken by management to address the cause of the qualification?
- xxv. What changes of MIS/finance staff/systems have there been during the last 12 months?
- xxvi. LLSCs keep institutions informed about concerns arising in relation to specific aspects of their operation. Where the institution has received such a letter, or other relevant correspondence, giving LLSC approval for the delivery of any provision, has this been copied to the external auditors?
- xxvii. Have the auditors been provided with the following documentation:
- a. the funding agreement between the Council and the institution;
 - b. details of any college companies; and
 - c. details of any overseas ventures?

Data checks for auditors

350 Learner records relating to a single individual should not be duplicated within the ILR return.

351 The rules for recording details about the learner, set out in the following documents should be interpreted correctly:

- *Specification of the Individualised Learner Record Batch Data Capture File for 2002/03;*
- *Individualised Learner Record (ILR) 2002/03 FE Provider Support Manual; and*
- *Work-based Learning/Co-financed ESF Provider Support Manual 2002/03.*

352 For 2002/03, institutions should ensure that franchised learners are flagged correctly and linked to the correct franchise partner.

353 Enrolments should be promptly and accurately recorded such that ILR returns accurately reflect all learners enrolled at the institution on the census dates.

354 Learners who have enrolled but never attended provision at the institution should not be included in returns to the Council.

355 Learners enrolling on a programme of study on or after 1 August 2002 and withdrawing without completing their programme of study should be included in the ILR return if, and only if, they withdraw on or after 1 October 2002. Further guidance on eligibility of withdrawing learners to Council funding is available in Table 5 of this document. Learners on their second or subsequent year of a programme who withdraw between 1 August and 1 October should be included. See the following documents for more details:

- *Specification of the Individualised Learner Record Batch Data Capture File for 2002/03;*
- *Individualised Learner Record (ILR) 2002/03 FE Provider Support Manual and*
- *Work-based Learning/Co-financed ESF Provider Support Manual 2002/03.*

356 The main delivery method field NVQ delivery arrangement and Qualification Delivery Period directly affect how much funding a learning aim attracts.

357 GCE, A and AS levels studied part-time during the day attract a different amount of funding to other GCEs, and should be recorded correctly in fields Q03 (the ILR).

358 Qualification aims records for each learner should accurately describe their complete learning programme at census dates.

359 Qualification aims should be recorded using specific codes from the qualification aim database, rather than generic codes, wherever possible.

360 GNVQ or NVQ codes must not be used to record GNVQ or NVQ units added to full-time programmes. Separate codes exist for additional units. Learners on English as a foreign language (EFL) programmes should not be recorded as on English for speakers of other languages (ESOL) programmes.

361 Where learners change all or part of their learning programme, such changes should be promptly and accurately recorded.

362 Where a qualification class code has been used for Council-funded provision, the appropriate code should have been selected with the correct programme-weighting factor.

363 The number of guided learning hours (glh) recorded on the ILR should correspond with that in the supporting documentation of the institution. Guidance on the calculation of glh is contained in *Guidance on Further Education Funding Eligibility and Rates 2002/03*.

364 All learners in the following categories should be recorded as being enrolled on provision not funded by the Council or funded through the Council's Operations Guide:

- school learners on link provision;
- learners enrolled on inward-franchised provision, formerly known as franchised-in learners;
- Foundation and Advanced Modern Apprenticeships, Life Skills funded through work-based learning, the Learning Gateway and all other training under the New Deal options;
- full-cost recovery learners;
- overseas learners;
- NVQ training funded through work- based learning;
- higher education learners on prescribed higher education courses;
- learners of compulsory school age for whom the institution has no written evidence that the LLSC has agreed to fund their provision;
- company-specific knowledge learning aims;
- vendor certificated courses; and
- primary driving or piloting skills.

365 Institutions should not adopt practices that artificially inflate the amount of funding generated by the provision recorded in their ISR return.

366 Full-time programmes should not be systematically subdivided into a series of part-time programmes to increase funding claims artificially.

367 Multi-year programmes should not be systematically divided into shorter programmes as a device to maximise Council funding.

368 The higher rate of funding for A/AS/GCSE courses should not be claimed where the lower rate is appropriate.

369 Funding in respect of qualifications such as NVQs should not be claimed on guided learning hours that have not been delivered by the college.

370 There should not be significant numbers of programmes beginning just before a census date.

371 Funding should not be claimed for learners enrolled on NVQ programmes or units of NVQs who are not registered with the awarding body.

372 Franchisees should not claim different elements of a learner's programme from different franchise partners within the same 12-month period or during the length of the learners' main programme.

373 Institutions should be able to satisfy their external auditors of the credibility of performance indicators generated from their ILR return. They should do this particularly in respect of withdrawal, retention and achievement rates and of other indicators related to the comparative national statistics which will be published on the Councils' website.

374 Comparative national statistics are referred to in this document. Particular consideration should be given to the reasons identified by the institution where the performance indicator shows variation from family norms.

375 For learning programmes leading to qualifications, which are not individually listed in the tariff for 2002/03, evidence should exist to show that the number of guided learning hours (glh) in which the programme is to be delivered conform to the loadband to be claimed for the programme.

376 Appropriate evidence for glh should include enrolment forms, learning agreements, attendance registers, learners' workbooks and a prospectus.

377 Institutions should not systematically use the bottom of each loadband as glh for programmes where this does not reflect the historic pattern of provision. Some variability would normally be expected.

378 Where the learner's provision is being claimed as fully funded by the Council, there should be no other source of funding being claimed for the learner by the institution.

Stage 3: Completion of Audit of Final Funding Claim and ILRF05

379 The Council is likely to require an opinion: 'to give reasonable assurance that the funding claim is free from material misstatement, whether caused by fraud or other irregularity or error'. Institutions are responsible for the data they return to the Council and should therefore have checked the accuracy of their data before sending their data to their external auditors. Auditors are expected to perform the appropriate audit work to enable them to reach their opinion.

380 It is expected that the ILRF05 return will differ from the ILRF04 return primarily by the inclusion of achievement and destination data, although other changes may have been made to correct any inaccuracies identified through audit work. Institutions are required to explain any additional, or removed, learner records in the reconciliation of the ILRF05 and ILRF04 returns, due to be returned to the Council by 31 January 2004, and as set out in the following documents:

- *Specification of the Individualised Learner Record Batch Data Capture File for 2002/03;*
- *Individualised Learner Record (ILR) 2002/03 FE Provider Support Manual;*
- *Work-based Learning/Co-financed ESF Provider Support Manual 2002/03.*

381 For colleges and other institutions whose external auditors have carried out the majority of their planned audit work through in-year checks and through checks on the ILRF04 return, audit checks on the ILRF05 return will need to include:

- a. substantive testing of achievement and destination data;
- b. validation of the funding derived by the institution from the ILRF05 data, taking account of the Council's guidance on manual adjustments provided in September 2003;
- c. checks that the changes between the ILRF04 and ILRF05 returns, recorded in the learner reconciliation return, are complete, accurate and consistent with the source documentation held by the institution, and that the funding generated by the two returns can be reconciled. Auditors should satisfy themselves as to any explanation provided by the institution regarding the nature of any changes to individual fields between the two returns. Any widespread or systematic changes will need further investigation by the auditors.

382 In other cases, and particularly where external auditors plan to base the majority of their audit work on the ILRF05 return, auditors will need to take account of the areas of work listed above, substituting checks on ILRF05 for those on ILRF04. Audit checks will also need to include:

- substantive testing of achievement data and
- validation of the funding derived by the institution from the ILRF05 data, taking account of the Council's guidance on manual adjustments.

383 To assist institutions and auditors in checking the accuracy of ILR data and funding claims, some comparative national statistics will be published by the Council on its website. It should be noted that the Council will publish performance indicators for colleges derived from audited ISR returns (ISR25; December 2002). These will include details of individual institutions and comparative national statistics.

Audit of specific aspects of institutions' 2002/03 funding allocation

Transfer of funding between Council-funded institutions

384 Institutions were requested to discuss with the appropriate LLSC any plans for partnership activity and, in particular, any franchise agreement that may involve the transfer of funding between institutions that receive funds from the Council. Auditors should expect such institutions to be able to provide documentary evidence that the LLSC has specifically agreed to any such development.

Higher Education Institutions

385 HE institutions do not return the ILR directly to the Council but return learner records to HESA. A return equivalent to the ILR is derived from these records and passed to the Council. HE institutions are required to support their final funding return with output from the Learner Information Suite (LIS). In some cases HE institutions have created a file from the data returned to HESA, which can be imported into the LIS using the import option for non-ILR data. The Council commends this approach. Others have chosen to enter the data manually into the LIS. In both cases, auditors should arrange for the HE institutions to provide them with access to the LIS and the imported data. Where data have been manually keyed into the LIS, auditors may need to take account of the additional risks associated with keying error.

386 Where the HE institution has not entered data into the LIS, the Council proposes to provide the institution with reports from the LIS. These will be generated from data returned to HESA and passed to the Council.

387 External auditors should arrange for each HE institution by which they are engaged to provide them with access to:

- the appropriate HESA individualised learner record, in place of the ILR;
- the data file derived from the HESA data and imported to the LIS, where the HE institution has done this; and
- reports generated by the LIS.

388 In all cases the Council will compare HE institutions' final funding claims with the amount of funding generated by the LIS from the data returned to HESA. Where this reveals a significant difference or where other issues have been identified with the HESA data, clarification and, where necessary, details of amendments will be sought from the institution. The external auditor may be asked to confirm the validity of any amendments.

Action Arising from the Audit of Previous Years' Funding Claims and Data

389 Where the final income receivable for 2001/02, derived from the final funding unit claim for that year, differ from the estimated income shown in the 2001/02 financial statements, an adjustment should be included in the financial statements for 2002/03. The Council would not expect this difference to be significant enough to justify a prior-year adjustment, other than in exceptional circumstances, but rather as an adjustment to the income shown for 2002/03.

390 The Council has identified throughout this document for institutions and their external auditors, its probable response to the main potential qualifications to 2002/03 audit reports under the headings of **Funding implications**. These responses are based on the Council's experience of previous audit reports. In summary, the advice will adopt the following actions. Where audit testing shows, and auditors are satisfied by consequent work undertaken by themselves or the institution:

- that inadequate audit evidence has been kept by the institution in a few isolated cases across the whole population of the institution, but where the final funding claim, and for colleges their income, have not been materially misstated — auditors would be expected to report the finding in a management letter;
- that there are more than a few isolated cases in which inadequate audit evidence has been kept by the institution — auditors would be expected to qualify their audit report and to do sufficient work to validate the institution's estimate of the amount of funding for which inadequate evidence had been kept. The Council can then assist in determining whether an adjustment to the institution's final funding should be made;
- that there are a few isolated errors or omissions in the institution's ILRF05 return, which are not expected to affect the calculation of funding or statistics such as performance indicators — auditors would be expected to report the finding in a management letter;
- that there are more than a few isolated errors or omissions in the institution's ILRF05 return, which might be expected to affect the calculation of funding or statistics such as performance indicators — the institution would be expected to return revised ILRF05 data and, if necessary, a revised funding claim, both of which have been validated by the institution's auditor; and
- that there are errors in the manual adjustments to the institution's final funding claim — the institution would be expected to return a revised funding claim that has been validated by its auditors.

391 Where amendments to an institution's funding claim are quantified or validated by the external auditor, the LLSC will review them to determine whether additional clarification or work will be needed, and to determine the scale and timing of appropriate adjustments to payments. Where the audit report indicates that amendments appear to be necessary, but they have not been quantified or validated by the auditor, the LLSC will ask the institution to undertake further work to establish what data amendments are required, to assess their funding impact and to have any amendments validated by the external auditor.

392 LLSCs are available to provide information and advice to institutions and external auditors, and to assist external auditors in providing in their audit report, all the information necessary for the LLSC to act on the final funding claim.

Reporting Potential Fraud and Irregularity

393 Exceptionally, institutions and their external auditors may come across circumstances that may indicate that irregularities have occurred. The *Audit Code of Practice* describes the action that should be taken in these circumstances. It reminds colleges that the external auditor should report without delay serious weaknesses, significant frauds, and major accounting and other control breakdowns of which they are aware, to the principal, the chair of the governing body, the chair of the audit committee and to the Council's chief executive, copied to the Council's chief auditor. Failure to report serious weaknesses promptly will affect the Council's view of the credibility of returns made by the institution and subject to audit, and the credibility of the external auditor.

394 A serious weakness is one that may result in significant fraud or irregularity. Significant fraud is usually where one or more of the following factors are involved:

- the sums of money are in excess of £10,000;
- the particulars of the fraud are novel, unusual or complex; or
- there is likely to be great public interest because of the nature of the fraud or the people involved.

There may be circumstances that do not fit this definition. In these cases or any others, colleges can seek advice or clarification from their LLSC.

395 Former external institutions and HE institutions will have their own fraud and irregularity procedures that should be followed. Independent external institutions should ensure that similar procedures are in place.

Qualification of Audit Reports

396 External auditors should carry out enough work to avoid qualifying the audit report for reasons of uncertainty alone. The amount of work needed to form such an opinion is a matter for external auditors' judgement, but will be subject to particular scrutiny by the Council's audit service in its sample checks on auditors' working papers.

397 Many auditors are applying financial materiality considerations to the audit of funding claims. However, as well as providing valuable support for auditors' work on financial statements, the audit of funding claims is also an audit of the data. Auditors are required to certify that data are correctly extracted from the records. Samples selected should be representative of the institution's provision as a whole and should also take into account the areas of difficulty identified by the Council.

398 In some instances auditors are omitting to include testing on some types of funding because its monetary value, in total, does not represent a 'significant amount'. The complete lack of testing in these areas potentially undermines auditors' ability to certify that data are correctly extracted from the institution's records.

399 Similarly, whilst the definition of 'a few isolated cases' is left to the professional judgement of the external auditor, taking account of their assessment of the control environment, this guidance assumes that it is made in terms of the whole population of the institution rather than a specific sample. This is particularly relevant where small samples are used for substantive audit testing. In such cases, where inadequacies are identified in the sample, external auditors will need to consider extending their sample testing in order to assess whether these inadequacies relate to more than a few isolated cases in the population as a whole.

400 External auditors should make clear which matters referred to in their audit report have a material impact on the institution's final funding claim or the statistical accuracy of the ILR return and which do not. The audit report will be published in spring term of 2003 in the *Interim and Final Funding Claims* circular.

Management Letters

401 The purpose of an external audit management letter is explained in paragraphs 3 to 8 of Supplement C to Circular 99/15, the *Audit Code of Practice*.

402 When auditors issue management letters on their audit of learner numbers (or make reference to the audit of learner numbers in their financial accounts management letter), the Council needs to know on which ILR return the comments in the management letter are based. The Council also needs to know whether any funding associated with concerns raised by auditors have been excluded from the final ILR. Where auditors are able to advise that all

relevant amendments have taken place prior to the final ILR, and the final claim has been adjusted accordingly, the internal validation process of final funding claims is made significantly easier. This will assist in maintaining a smooth three-way relationship between college, audit firm and the Council.

403 Management letters should not be used to report matters that in the external auditors' judgement constitute serious weaknesses or errors. Such matters should be included as a qualification on the external auditors' report on the final funding claim and described fully in the further report. The management letter should make clear how the issues raised in it have been resolved. In particular, any adjustments to the claim arising from issues identified in the management letter should be quantified.

404 Copies of management letters and learner number returns, including those arising from any in-year checks, should be forwarded to the appropriate LLSC by the external auditor at the same time as the original is sent to the institution. This changes the recipient set out in paragraph 9 to supplement C of the *Audit Code of Practice*. Colleges should send a copy of their reply, where this is separate, to the local office. Only final versions of such documents should be sent to the LLSC, not drafts.

405 In the case of former EI's, the Audit Commission has advised the Council that management letters are prepared for the LEA rather than the Council. All matters having a bearing on the final claim for learner numbers or ILR returns should be referred to in the audit report.

406 Auditors are again reminded that the Council can only fund provision for which it has been authorised by parliament and any provision found outside these terms must be excluded from final funding claims (for example, overseas learners).

Section Four: Glossary of Terms

This list contains some of the more important terms used in the Council's funding methodology. Each term is briefly described, and a cross-reference to the definitive guidance is given.

16-18 year olds

For monitoring purposes, the definition of a 16-18 year old learner used by both the DfES and the Council is that the learner is aged 16, 17 or 18 on 31 August in the relevant funding year. This definition enables the number of 16-18 year old learners to be monitored in a consistent way.

In relation to eligibility for the level of funding available for 16-18 year old learners, a wider definition is used. For funding purposes a 16-18 year old learner is aged 16, 17 or 18 on 31 August in the calendar year when the learner begins a programme of study. This wider definition ensures that the funding of 16-18 year old learners does not change during an individual's programme if they become 19 years old. Such learners, if full time, may be funded for the 16-18 entitlement. They do not have to pay tuition fees if they become 19 during their programme, and institutions may continue to claim fee remission.

19-year olds and over

The definitions of an adult learner mirror those relating to 16-18 year old learners. For monitoring purposes, an adult learner is aged 19 or over on 31 August in the relevant funding year. For funding purposes, an adult learner is aged 19 or over on 31 August in the calendar year when the learner begins a programme of study. The funding definition should be used in all situations except when monitoring learner numbers.

Access to Higher Education programmes

Only those access to higher education programmes specifically or provisionally approved by the secretary of state are eligible for funding.

Accreditation of Prior Learning and experience (APL)

This is a process where a learner is given exemption from particular elements of a programme because of prior experience and knowledge. This is expected to be a substantial process. Robust evidence of the process leading to APL, for example, a log of learner activity, should be sought. Where a programme is not individually listed, the value of units claimed for APL should be the value for the loadband into which the programme would otherwise fall. The minimum threshold is six guided learning hours. It is assumed that it would be unusual to gain an entire qualification by APL and that some guided learning would be required. An NVQ may not be delivered entirely by APL. Assessment services alone are not eligible for Council funding. See paragraphs 64 of *Funding Guidance for Further Education in 2002/03*.

achievement funding

This funding forms 10% of the weighted national base rate and is available for a particular learning aim and is therefore not additional funding. See paragraphs 72-78 of *Funding Guidance for Further Education in 2002/03*.

additionality

Where an institution wishes to claim funding for an additional course it should do so only where the glh are additional to those spent on the main course without any reduction in the glh for the main course. For example, an institution may not claim funding for an induction programme that has been separately accredited, as the funding for the main course already contains an element for induction. Learning taking place in the workplace must be clearly separate from normal working time.

additionality in franchising arrangements

It is particularly important to identify this. The Council expects that institutions' involvement with partner organisations will lead to enhanced provision for learners. Council funding should not displace other sources of funding and provision that remains much the same as it was before the partnership was established is not eligible for funding. Arrangements in which institutions contract with providers that have already established and marketed provision are not likely to meet the control criteria. For instance, the inspectorate national survey of franchising provision published in February 1998 found it difficult to identify what franchising arrangements had added to some contracts with sports bodies and first-aid organisations. See particularly Circular 99/09, paragraphs 7 to 12. In a few cases, it appears that pre-existing activity or a course offered previously by a commercial partner or community group has subsequently been claimed as Council-funded. Such arrangements would not meet the Council's guidance on additionality. The accreditation of pre-existing activity would not in itself constitute additionality, nor would the availability of additional resources, for instance the production of new training materials (such as a video) or new resources. Arrangements to secure value for money should be considered by an institution's auditors when planning their work.

additional learning support

Additional learning support is defined in paragraph 3 of Annex C to *Funding Guidance for Further Education in 2002/03* as 'any activity which provides direct support for learning to individual learners, which is over and above that which is normally provided in a standard learning programme which leads to their primary learning goal. The additional learning support is required to help learners gain access to, progress towards and successfully achieve their learning goals. The need for additional learning support may arise from a learning difficulty or disability or from literacy, numeracy or language support requirements.'

additional learning support costs beyond the value of the top band

For 2002/03, institutions are able to apply for specific additional financial support for learners whose additional learning support costs exceed £19,000 by making application to their LLSC. See paragraph 29 of *Funding Guidance for Further Education in 2002/03*. Institutions should provide their auditors with a copy of the letter of agreement from the LLSC.

additional learning support costs form

This form is available on the Council website at www.lsc.gov.uk under ISR Audit Information on the Documents page. The form needs to be completed by the college for every learner for whom additional learning support is being claimed and should then also be signed by the learner or his/her advocate. Additional learning support costs must relate to the individual and not be vired to any other learner.

analytical review

Analytical review means the analysis of relationships between items of data deriving from the same period, or between comparable information deriving from different periods or different entities, in order to identify consistencies and predicted patterns, or significant fluctuations and unexpected relationships which can then be investigated.

asylum seekers

See paragraphs 33-36 and 163-164 of *Funding Guidance for Further Education in 2002/03*.

audit sampling and sample size

Audit sampling means the application of audit procedures to less than 100% of the items within a population to enable auditors to obtain and evaluate audit evidence about some characteristics of the items selected. This is in order to form or help to form a conclusion concerning the population as a whole. Sample size is affected by the degree of sampling risk that auditors are willing to accept from the results of the sample, which in turn depends on the importance to the auditors' conclusions of the results of the audit procedure involving sampling. The greater the reliance on these results, the lower the acceptable sampling risk and the larger the sample size needs to be.

basic skills

This refers to provision in programme area 10, that is, numeracy, literacy and English as a second or other language (ESOL).

co-financing

A new method being introduced to distribute ESF funds to providers. It is intended to reduce bureaucratic processes and is being implemented from 2001. Further guidance will be issued in due course.

college companies

See Circular 99/14. Provision delivered through a college company requires a franchise contract as in Circular 99/37. If all the profits from the provision or activity are covenanted back to the college, then such arrangements would not attract the discount applied to franchised provision.

compulsory school age

Normally institutions can only claim for learners over compulsory school age. There is now a single date when young people can legally leave school. That date is the last Friday in June for those who have completed year 11. Institutions should note that the Council will fund learners from that date.

construction apprenticeship scheme

The CITB 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 colleges. Colleges should ensure that the learners' programmes lead to appropriate qualifications, normally an NVQ level 1 plus additional GNVQ units. Learner progressing to the next phase of the scheme under modern apprenticeships leading to NVQ level 2 should be funded through the work-based learning rate.

control criteria

These are the criteria that should be met to ensure that an institution has appropriate control on franchising provision as set out in paragraph 180 of this document. If these cannot be met, the provision is not eligible for Council funding.

day-care centres

The Council would not normally expect to systematically fund provision in a day-care centre or residential home for people supported by social services, or in a hospital facility supported by the Health Authority. Colleges making such provision are asked to contact the LLSC to discuss this in more detail. People over 19 with learning difficulties and/or disabilities may also be appropriately funded by either the LEA or by social services or the health authority. Social services, in particular, have wide-ranging responsibilities, for example, for people with learning difficulties and/or disabilities, or for the elderly.

dedicated provision for employers

In his letter of 12 November 1997 to the FEFC chair (see Annex H of Circular 97/38), the secretary of state for education and employment indicated that he wished to see a fairer balance between contributions from employers and the public purse to employer-led provision in further education, based on the principle that employers should be meeting at least half the costs of the

provision. The Council adjusted the funding arrangements to reflect a fee contribution of approximately 50% of the cost of dedicated employer-led provision. This was done by reducing the tariff value for funding claimed for such provision to two thirds of the normal level. Colleges are also not able to transfer any funding to employers for dedicated provision, other than for the hire of premises and equipment. See paragraphs 25-26 of Circular 99/09, and paragraphs 250-253 of *Funding Guidance for Further Education in 2002/03*.

direct provision

This is where staff delivering the provision are under the direct management of the institution either as employees or through employment/staffing agency arrangements. For programmes delivered jointly by institutions and partner organisations, the institution should consider the roles undertaken by the partner's staff to ensure that the provision is directly organised, managed and delivered by the institution. If, for example, the programme manager, or key staff in contact with the learner, were employed by the partner, this might raise questions about the degree of control being exercised by the institution. See Circular 99/09, paragraph 7. See also **facilities management, franchising, employment/staffing agency, secondment arrangements, subcontracting.**

disadvantage uplift

An institution may claim disadvantage uplift funding where a learner lives in a ward that is relatively deprived. This is based on postcode information and the Council publishes a list of postcodes that generate a disadvantage uplift for 2002/03 in the Data section of its website.

For 2002/03 a widening participation uplift of 12% may be claimed for the homeless and those living in hostels and residential centres irrespective of postcode. Other categories of learner will receive a disadvantage uplift of 10%.

For 2002/03, a disadvantage uplift may also be claimed for additional groups of learners as set out in paragraph 90-92 of *Funding Guidance for Further Education in 2002/03*.

distance learning

Distance learning is where learners may not attend formal classes at the institution but use specially prepared learning materials. The programme should be accompanied by some counselling or tutorial support. Where this type of provision is delivered by an organisation on behalf of the institution in return for agreed payments, it would be regarded as franchise provision. The monitoring of distance learning is extremely important if Council funding is to be claimed with integrity. An institution should take active measures to ensure that the learner is continuing on the programme and has not withdrawn. Colleges need to ensure that franchise partners are implementing the guidance. It is not expected that NVQs or APL will be delivered entirely by distance learning.

Institutions planning to deliver distance learning involving the application of the 14 multiplier or provision via the Internet must contact their LLSC in advance of delivery to avoid post-delivery audit difficulties. This may be considered to be a new and/or possibly contentious mode of delivery as defined in paragraphs 12 and 244 of *Funding Guidance for Further Education in 2002/03*.

duplicate learners

These are learners who appear more than once on an institution's ILR record or more than once on different institutions' ILR records with the same or similar details. Paragraph 206 of *Funding Guidance for Further Education in 2002/03* explains that whilst recognising that learners, in participating in learning, may enroll at more than one institution, the Council would not expect groups of learners enrolled on full-time programmes at an institution to be enrolled on part-time programmes at other institutions, including franchising. For example, it would not be appropriate for several learners enrolled on full-time sports and leisure studies to be enrolled at another institution to do a first aid or sports coaching qualification through franchising. This may lead to over-claiming of funding and the provision may not meet the control criteria. Institutions should ensure that they have in place mechanisms to reduce the possibility of duplication, especially where provision is franchised to another organisation. Such mechanism may include ensuring that learners are asked, at enrolment, to state if they are enrolled on another Council-funded course at another institution, or if they have been so enrolled during the preceding 12 months. Systematic spot checks by the institutions and their auditors are essential.

eligible learners

Those learners who are eligible for Council funding are defined in paragraphs 160-166 of *Funding Guidance for Further Education in 2002/03*.

eligibility of provision

The Council may only fund provision that falls within its power as set out in the *Learning and Skills Act 2000*. The Council does not expect to fund provision made in collaboration with clubs and other bodies, including ones at national level, whose primary aim is to promote competence in their members' leisure and recreational pursuits. Social services have wide-ranging responsibilities that may include the provision of learning opportunities for people in their care.

employment/staffing agency

This is a business whose undertaking is wholly or mainly the provision of staff to third parties to work under the direct management of the third party. See Circular 99/09, paragraphs 7 to 9.

English as a Foreign Language (EFL)

EFL tuition is designed for visitors to the United Kingdom who will be returning to their own countries once their studies are completed. EFL courses would not normally fall within the definition of vocational training as defined by the European Court of Justice and therefore learners from EU countries who are resident in England primarily for education, would not normally qualify for Council funding. Residency status of the learners must be checked if Council funding for such courses is to be claimed.

(ESOL) English for Speakers of Other Languages

This is also known as English as a second or additional language (ESL, EAL). It is designed to equip people permanently resident in this country with functional language and literacy skills. It attracts the higher weighting for funding as a basic skill.

entitlement curriculum

This is the entitlement introduced for Curriculum 2000 for all full-time 16-18 year olds for key skills, tutorial and enrichment activities, and describes the additional courses or programmes of study expected to be made available to enhance or complement their main programme of study.

entry level

From September 1998, learners working below level 1 of the national framework can work towards awards approved as 'entry level qualifications' as accredited by QCA. See paragraphs 216 and 217 of Circular 99/01.

European Economic Area (EEA)

The countries making up the EEA are detailed in the glossary of *Funding Guidance for Further Education in 2002/03*.

European Social Fund (ESF)

Institutions should ensure that ESF learners are correctly entered on the ILR. Even in cases where the Council is not providing the matched funding, colleges should enter ESF learners on the ILR.

external institution (former)

Former external institutions are institutions maintained by local education authorities (LEAs) and other education providers, such as private colleges or voluntary organisations, outside the incorporated further education sector. The funding agreement between the Council and external institutions states that such institutions should only exceptionally enter into franchising agreements and only after consultation with the Council.

facilities management

This refers to the situation where colleges enter into agreement with third-party companies to provide and manage ancillary services such as the provision of catering, management information systems, computer hardware or software, or payroll systems. Colleges may not enter into such agreements for the provision, wholly or in part, of any aspect of the education provided to the learner, unless a contract such as the one described in Circular 99/37 is in place.

fee remission

The tariff assumes approximately 25% of the national full cost of a course should be met from fees. Whilst institutions are free to set their own tuition fee policy, the Council will only compensate institutions that remit 100% of the tuition fee for certain groups of learners and these are set out below:

- 16-18 year old learner, including those on part-time courses; and
- those learners listed in paragraph 306 of *Guidance on Further Education Funding Eligibility and Rates 2001/02*.

fee remission units funding

This is funding which may be claimed for each learner who meets the Council's criteria for tuition fee remission, as set out in paragraphs 32 and 33 *Funding Guidance for Further Education in 2002/03*.

franchising

The term 'franchising' was previously known as 'franchised provision', 'collaborative provision', or 'outward collaborative provision'. Franchising refers to an arrangement where an institution makes a contractual agreement with another organisation (the collaborator) to deliver, on behalf of the institution, provision funded by the Council. This type of provision will normally be delivered away from the institution's premises. An institution may only provide education through a third party if it is fully in control of the arrangements. The Council's requirements of franchise provision are set out in paragraph 232 of *Funding Guidance for Further Education in 2002/03*, Circulars 99/09 and 99/37, and in this document. In addition, Circular 99/14 provides information on provision made via college companies and/or joint venture companies that also require a franchise contract. See in particular paragraph 16 of Circular 99/14. The Council expects that the involvement of institutions with partner organisations will lead to enhanced provision for learners. Provision that remains much the same as it was before the partnership was established is not eligible for funding. Arrangements in which institutions contract with providers that have already established and marketed provision are not likely to meet the control criteria. See also the entries in this glossary on **facilities management, funding of franchise provision, outreach, provision on employers' premises, distance learning, secondment arrangements, subcontracting of provision**.

funding methodology

The Council's funding methodology for 2002/03 is specified in *Funding Guidance for Further Education in 2002/03*.

funding taper

The Council funds programmes on the basis of costs incurred. When a learner's programme comprises many individual learning aims there is evidence that the glh delivered do not increase in proportion to the funding available. In such cases, there will be a proportional reduction in additional funding and eventual cap on the level of funding which may be claimed for an individual learner. The funding taper starts to apply when a learner's programme is unusually large. Institutions should note that the funding taper applies to both loadbanded and individually listed learning aims. Guidance on the operation of the taper is given in paragraph 119-125 of *Funding Guidance for Further Education in 2002/03*.

guided learning hours

Guided learning hours are all the times when a member of staff is present to guide a learner learning on a programme, including lectures, tutorials and supervised study. The minimum threshold for a qualification to be eligible for Council funding in 2002/03 is six guided learning hours for those aged 19 and over, apart from specific courses in ICT and Basic Skills. For 16-18 year olds the minimum number of hours is 9glh. In the case of programmes provided in the workplace, the maximum length of delivery that may normally be claimed is 329glh. Care should be taken to substantiate the claim for guided learning hours for distance learning, and accreditation of prior learning (APL).

higher education learners

These are learners funded by the Higher Education Funding Council for England (HEFCE). The Council does not expect to fund FE qualifications for groups of higher education learners. See paragraph 190 of *Funding Guidance for Further Education in 2002/03*.

HNCs and HNDs

Responsibility for funding these courses transferred to the Higher Education Funding Council for England (HEFCE) in August 1999.

homeless, funding provision for

For 2002/03, a widening participation uplift of 12% may be claimed for certain categories of homeless people. See paragraph 42 of *Funding Guidance for Further Education in 2002/03*. This defines what may be considered supported housing, and the audit evidence required for each learner.

independent training provider

This is an independent organisation other than a college, higher education institution or a school, whose main business is the provision of training. It does not meet the definition if the institution is, in effect, the 'independent' training arm of a National Health Service Trust, or a car manufacturer, for example.

individually listed qualifications

These are qualifications that are individually listed in the tariff. The amount of funding which is available for individually listed qualifications are also given in Annex A of *Funding Guidance for Further Education in 2002/03*.

induction programmes

These are short courses preparing learners to enter an institution, or as an introduction to the main course. An institution may not claim funding for an induction programme that has been accredited separately from the main programme.

jobseeker's allowance

See Annex I of *Funding Guidance for Further Education in 2002/03*.

joint venture companies

Such companies are formed where a college invests in a company or commercial enterprise with a third party. See Circular 99/14 for more details.

key skills

Key skills qualifications are eligible for funding by the Council. In most circumstances it is considered that funding for the core key skills for 16-18 year olds is provided within the tariff for the entitlement curriculum. Funding is available for learners and 19 and over for key skills qualifications and for all part-time learners and 16 and over. The core key skills are:

- communication;
- application of number; and
- IT.

The wider key skills are:

- working with others;
- improving own learning and performance; and
- problem solving.

learner eligibility

The Council will consider eligible for funding any member of the home population of England, living in England who is over compulsory school age and is following an eligible programme of study at a Council-funded institution in England. See paragraphs 160-166, 168 and 171-207 of *Funding Guidance for Further Education in 2002/03*. These include a section on asylum seekers, learners on EFL courses, persons detained by order of a court, learners on prescribed and non-prescribed higher education courses, people of compulsory school age, college staff, and funding provision for the homeless.

learning agreement

See paragraph 161 of *Funding Guidance for Further Education in 2002/03*. In the context of the jobseeker's allowance the document has a legal status. See Annex I of *Funding Guidance for Further Education in 2002/03*.

loadband

The value of funding that is available for all programmes not individually listed in the tariff can be determined by assigning the programme in question to a loadband based on the number of guided learning hours. Guidance is given in paragraphs 101-108 of *Funding Guidance for Further Education in 2002/03*.

local priorities

The government has requested that institutions give priority to the needs of the local community before entering into franchise or other arrangements at a distance. Where institutions are claiming such provision, there should be evidence that local providers and the LLSC have been consulted, and there are agreements especially about progression routes for learners to local provision. The Council would not wish to fund new provision in an area where it is already being made available by another college unless there is clear evidence of additional need.

materiality

This term is used in audit testing to refer to the tolerance level below which errors need not be reported. Decisions about the appropriate tolerance level in any particular case are left to the professional judgement of the external auditor, taking account of their assessment of the control environment.

mixed programmes

Where a learner's learning programme contains a mixture of qualification aims and other provision at more than one level.

modern apprenticeships (FMAs, AMAs)

These are training schemes leading to NVQs for young people aged 16 to 24 and are fully funded by the Council through work-based learning within the framework laid down in the Operations Guide.

modules

The term is used to describe a discrete part of a qualification.

national base rate

The national base rate reflects the length of the learning aim and the basic cost of delivery. The national base rate includes:

- **assumed fee income** – 25% of the unweighted national base rate will be met through assumed fee income, reflecting tuition fees paid by the learner to the provider. If the learner is eligible for fee remission, there will be no reduction in the unweighted national base rate; and
- **achievement** – 10% of the weighted national base rate, uplifted where appropriate for disadvantage and area costs, which is conditional on the learner achieving in accordance with the Council's funding guidance. The achievement element is not, therefore, additional funding: it forms a part of the national rate payable for a particular learning aim.

National Vocational Qualifications (NVQs)

The framework of NVQ delivery methods, the components for the guided learning hours and the number of tariff units to be claimed, are set out in paragraphs 59-64 of *Funding Guidance for Further Education in 2002/03*. Assessment alone is ineligible for Council funding. Learners are normally expected to undertake only one NVQ of at least 450 guided learning hours in a 12-month period. Council funding should not be claimed for learners on NVQ programmes who are not registered with an awarding body. Where NVQ 'D' units 32 to 36 are claimed as separate qualifications as part of a learning programme designed to train an individual as an assessor or verifier, the learner should have expert knowledge of his or her subject area before commencing 'D' units. For example, combining 'D' units with diving qualifications below instructor level would be considered a device to attract Council funds inappropriately.

nine guided learning hours

A minimum of nine hours is required for provision for learners aged 16-18 to attract Council funding. This threshold applies to both loadbanded and individually-listed qualifications.

non-prescribed higher education courses

These are generally professional qualifications achieved by following courses on a part-time basis, and accredited by a professional body. They do not include, for example, part-time certificates in higher education. See paragraphs 192 of *Funding Guidance for Further Education in 2002/03*.

non-training element (expenditure relevant to non-training)

Non-training activity which the Council could not/would not fund. See also **training element**.

one-day provision

This refers to qualifications delivered in one day. See also **16-18 year olds, 19 year olds and over, entry units, guided learning hours, six guided learning hours, nine guided learning hours**.

open access information technology centres with facilities management

These are centres that generally offer a curriculum of information technology (IT). The centres may be some distance from the college. See also **local priorities**. The curriculum is often primarily modules of IT courses such as Access, Word, or Excel, which together may lead to an externally accredited vocational qualification such as City and Guilds 7261, or from 2002/03 City and Guilds 7262. Such provision is eligible for Council funding. A software-specific course alone is not eligible for Council funding. See also **guided learning hours, withdrawal**. Auditors should check that the claim for guided learning hours represents the activity required and should monitor enrolment, participation, registration with the awarding body, and retention and achievement data.

Although many such centres have franchise arrangements with colleges, some colleges have established them with third-party companies to run as direct partnership provision. The companies provide computer hardware and software and a range of other services. This type of arrangement may require a 99/37 contract to be in place if the delivery of the educational provision to the learner, wholly or in part, including advice and guidance, is delegated to the third-party company. See also **facilities management, franchising, outreach, subcontracting of provision**.

Where a facilities management arrangement is preferred to a franchise arrangement, institutions should have contacted the Council in advance, as this may be regarded a new and/or possibly contentious mode of delivery.

outreach

Outreach provision is delivered away from an institution's premises by the institution's own staff. This is not regarded as franchise provision. It should be completely controlled by the institution, however, and be discussed with other Council-funded institutions if delivered in their area. This minimises duplication and maximises progression opportunities for learners.

outward collaborative provision

See the entry for **franchising**.

overseas learners

This category includes learners who are nationals of countries outside the European Union and European Economic Area, and British nationals returning to England after spending time abroad outside the European Union. See paragraphs 163-166 of *Funding Guidance for Further Education in 2002/03*. The fees status of such learners is determined by the Education (Fees and Awards) Regulations 1998 available from The Stationery Office. British citizens returning from overseas need to establish that their absence was temporary and that they have maintained a 'relevant connection' with England. Institutions should retain audit evidence of a learner's status.

overseas ventures

These are not eligible for Council funding. The Council may not fund provision outside England. See Circular 99/14 for more details.

pastoral care

This usually refers to the tutorial support, including guidance and counselling activities, that is an essential element of a learner's learning programme. These activities are expected to be included in the overall elements of funding and do not attract separate funding units.

prescribed higher education courses

Responsibility for the funding of all prescribed HNCs and HNDs in further education colleges and its associated funding was transferred to the HEFCE from teaching year 1999-2000.

programme weighting

The programme weighting is intended to reflect the relative intrinsic costs of programmes, and takes one of the six values specified in Table 1, page 17, of *Funding Guidance for Further Education in 2002/03*.

progression

The question of progression is a difficult one in that it can refer to the aims of the programme or to the individual needs of a learner or a group of learners.

Auditors should consider the pattern of progression across a college's provision. There may be an average volume of progression, or other discernible trend. The destination data could be retained as evidence.

For a new course, where destination data will not be available, the key reference documents would include marketing materials, the course leaflets and prospectus.

For people with learning difficulties and/or disabilities, the individual's learning programme should reflect, through appropriate assessment and setting of

learning goals, the 'distance travelled' by the learner. Evidence should be available of initial assessment and that the learner is able to progress. See Circular 99/10 for further details.

provision on employers' premises

Learners enrolled at an institution on provision funded by the Council may follow their learning programme at their employer's premises. If the provision is delivered by the employer's own staff, or being delivered by a third-party training provider, on behalf of the institution in return for agreed payments, then it would be regarded as franchised provision.

Qualifications and Curriculum Authority (QCA)

The *Education Act 1997* gives the QCA responsibility for regulating academic and vocational qualifications and for advising the secretary of state on the approval of qualifications for the purposes of public funding. See paragraphs 216-218 of *Funding Guidance for Further Education in 2002/03*.

quality assurance

This refers to arrangements that ensure that an institution's systems and provision are of an appropriate quality. Institutions with grade 4 or 5 for quality assurance may not enter into new, or extend existing, franchise contracts. This restriction takes effect from the date of notification of the inspection grades to the college governors.

sample sizes

Sample sizes are used to determine the number of units affected by certain qualifications to an institution's audit report.

secondment arrangements

These apply when the staff of a partner organisation join Council-funded institutions for a period of time, and work in the same way as any other college employee. Secondments are usually designed to promote understanding and goodwill between organisations, foster personal development, or provide specialist skills, rather than to meet major staffing requirements. The Council would normally expect secondees to form a relatively small proportion of the staff required to deliver particular programmes. An institution should exercise particular caution when establishing such arrangements. Further details are provided in Circular 99/09, paragraphs 11 and 12.

significant departures

Significant departures from the strategic plan are defined as those that may have significant implications for adequacy and sufficiency. Examples, which could include franchised activity, include:

- shift in the institution's mission;
- a change of 10% or more in the planned number of 16–19-year old full-time learners or activity involving adult learners;
- a change of 20% or more in activity in any one programme area;
- complete withdrawal of further education provision from a part of the geographical area normally served by the institution;
- withdrawal of facilities for a client group or for a programme area previously provided for in the area or part of it; or
- new provision planned outside the area normally served by the institution.

single regeneration budget

This is a strand of government funding available through government offices for targeted areas of the country. No deductions of funding units need to be made to reflect the partial funding of programmes. These grants are generally associated with particular costs in institutions and are not generally learner-based.

six guided learning hours

Apart from specific courses in ICT or Basic Skills for learners aged 19 and over, the minimum course length eligible for Council funding is 6glh. This applies to each course, or unit in the case of unitised courses, whether loadbanded or individually listed. This enables institutions to deliver one day course provision where the awarding body specifies the minimum requirement is for 6glh.

social services day care/residential provision

This normally refer to the provision of facilities for people with learning difficulties and/or disabilities by social services departments of local authorities under their statutory responsibilities. These are wide-ranging and may include the provision of learning opportunities, including the development of basic communication skills and independent living skills. These services are also contracted out to private providers by social services departments. **Local education authorities (LEAs) are required to have regard to the learning needs of people with learning difficulties and/or disabilities in their area and may make provision in communication and independent living skills.**

People who are the full-time responsibility of social services departments may not be full-time learners claimed for funding from the Council. Institutions should be aware of the possibility of double-funding even where the provision is on a part-time basis, if a contract for the provision of full-or part-time day or

residential care/training is in place. In determining whether provision is fundable by the Council, it will be necessary to have assessment evidence that each individual falls within the Council's duties. There should also be evidence from the person's individual action plan that the time and the activity is not already funded from another source. The Council would encourage all institutions to widen the facilities they make available to learners with learning difficulties and/or disabilities by working in partnership with local authority services. Partnership activities enable a wider range of facilities to be made available to the individual, and progression routes to be established. Contact the LLSC if in doubt.

staff development courses

These are courses for staff employed by the institution. They enable staff to develop new skills to achieve a particular objective identified by the institution, for instance the development of inclusive learning or training in information technology. These courses are normally not eligible for funding by the Council. The institution would be expected to make provision for staff development from its main budget. See paragraph 194-195 of *Funding Guidance for Further Education in 2002/03* for a description of when staff may be enrolled on Council-funded programmes.

subcontracting of provision

See **franchising**. To comply with the control requirements, the staff used by franchised organisations should be employed by that organisation or should be under the same sort of control as if they were employees (such as volunteers). This would not include, for example, any members of a national body who were licensed by that national body to carry out training, unless they are directly employed by the franchised organisation. If the trainers normally sell their services as self-employed contractors, the franchised organisation must create an employment relationship with them. Evidence of such an employment relationship would include a statement of terms of employment and evidence of taxation under PAYE.

tariff

Each category and aspect of provision that the Council funds differentially has been assigned a value of funding. A fundamental principle of the Council's approach to funding is that the tariff should reflect the relative costs of provision. The tariff has assumed that tuition fees represent approximately 25% of the total costs of a learner's programme. The categories of provision and the corresponding values of units are set out in a tariff, details of which are given in Annex A to *Funding Guidance for Further Education in 2002/03*.

Total Eligible Expenditure (TEE)

A project's combined total of match funding and ESF expenditure, which is classed as legitimate (as defined by the ESF in GB rule book) within an ESF Project.

training element (expenditure relevant to training)

Training activity that the Council is able to fund. See also **non-training element**.

tri-annual periods

There are three tri-annual periods in the teaching year:

- 1 August to 31 December;
- 1 January to 30 April; and
- 1 May to 31 July.

Funding units may be claimed for learners who have wholly or partially completed each tri-annual period. A learner is deemed to have wholly or partially completed a period either when enrolled and attending on the census day for the period, or having completed a programme which began and finished between two consecutive census dates. The census dates are 1 October, 1 February and 15 May. Where a census date falls on a weekend or a public holiday, the next working day is the census date. Further guidance is given in paragraphs 50-52 of *Funding Guidance for Further Education in 2002/03*, and in the following documents:

- *Specification of the Individualised Learner Record Batch Data Capture File for 2002/03*;
- *Individualised Learner Record (ILR) 2002/03 FE Provider Support Manual*; and
- *Work-based Learning/Co-financed ESF Provider Support Manual 2002/03*.

tuition fees

The Council's funding methodology makes the assumption that all learners, other than those aged 16–18, are charged a tuition fee as a contribution to the costs of the programme. The Council is prepared to compensate institutions that remit 100% of tuition fees for certain groups of people on low incomes. See paragraphs 33 and 63-71 of *Funding Guidance for Further Education in 2002/03*.

tuition fees for dedicated employer-led provision

In the case of dedicated employer-based provision, the Council assumes approximately 50% of the notional full cost of a course should be met by the employer. Refer to paragraphs 25 and 26 of Circular 99/09, and paragraphs 250 of *Funding Guidance for Further Education in 2002/03*.

wider recruitment area

This is defined as the set of local authority districts from which the institution recruits 96% of its direct provision. Districts are ranked in terms of the direct learners each provides, in descending order. The cumulative total is calculated until 96% of provision is covered. The districts ranked within this 96% constitute the college's wider recruitment area. For further information contact Alfred Munster in the Council National Office or see the Council's website (www.lsc.gov.uk).

withdrawal

A learner should be considered to have withdrawn from a programme of study where he/she is known to have made a decision to withdraw from the programme of study, or to transfer from a full-time to a part-time programme of study or from a part-time to a full-time programme of study. Either the learner or the learner's tutor should have confirmed this in writing.

In addition, for full-time programmes and part-time programmes of 12 weeks or more in duration, which are not distance learning programmes, a learner should be considered to have withdrawn where they have not attended classes for at least four continuous weeks, excluding holidays. This is unless there is auditable evidence of an intention to return. Auditable evidence includes a learner's or employer's letter or formal internal notes such as tutorial reports, 'contracts of behaviour' or 'personal action plans'. If a learner then returns before the count date they should be counted as enrolled.

For distance learning programmes, a learner should be considered to have withdrawn where he/she fails to make planned contact and four weeks or more have elapsed. The actual date of withdrawal should be recorded as the last date of participation or contact.

A contact is receipt of work or projects by the tutor, or a meeting or telephone contact between the learner and the learner's tutor. A log of all learner contact should be retained as audit evidence. A college should also always take active measures to ensure that the learner is continuing on the programme and has not withdrawn. This should be done, for example, by providing a planned timetable for the receipt of assignments and then checking with learners who have not provided an assignment on the due date. Good practice suggests that learners should be contacted at regular intervals to check that they are still following the programme. It is not acceptable to assume that silence means a learner is 'continuing'. Colleges need to check that franchise partners are implementing the guidance. In all cases the learner should be counted as withdrawn from the last date of actual attendance.

work-based programmes

These are programmes that are delivered on an employer's premises. An individual cannot be considered to be in full-time employment and education at one and the same time. See paragraph 249 of *Funding Guidance for Further Education in 2002/03*.

work experience

This does not fall within the definition of a guided learning hour unless a member of staff is present to give specific guidance toward the qualification or to assess learner achievement. See **guided learning hours** and paragraph 47 of *Funding Guidance for Further Education in 2002/03*.

Section Five: Circulars and Guidance Notes

This list details the main circulars and guidance notes issued that update guidance for the 2001/02 teaching year. These documents are available on the Council's website at www.lsc.gov.uk.

Funding Guidance for Further Education 2002/03

Audit of 2001/02 Final Funding Unit Claim and 2001/02 Individualised Student Record Data.

Interim and Final Funding Unit Claims 2001/02

Circulars and Guidance referred to in this document

Circular 99/37

Franchising and Fees

Circular 99/09

Franchising, Fees and Related Matters

ILR Returns

Specification of the Individualised Learner Record Batch Data Capture File for 2002/03

Individualised Learner Record (ILR) 2002/03 FE Provider Support Manual

Work-based Learning /Co-financed ESF Provider Support Manual 2002/03

Technical Discussion Documents Relating to 2000/01 Funding and ISR Returns

Technical Discussion Document no.30 on changed arrangements for recording some learners in the ISR for 2000/01

Technical Discussion Document no.29 on arrangements for recording Ufi learners in the ISR for 1999/2000

Technical Discussion Document no.28b on Individualised student record validation rules for 2000/01 (Superseded TDD28 & TDD28a)

Technical Discussion Document no.27 *Confirmation of the specification of the ISR for 2000/01 where this differs from that for 1999/2000*

The following circulars relating to guidance issued for 2001/02 also contain guidance that institutions and external auditors may find helpful in resolving issues raised during the course of the 2000/01 external audits. This advice is not intended to act retrospectively against previously published advice but merely provide some clarity in resolving difficult issues.

Circular 01/16

Interim and Final Funding Unit Claims 2000/01

University for Industry (Ufi) Guidance Notes

(available from: www.learndirect-partners.co.uk)

2000/24

Ufi Audit Guidance 2000/01

2000/31

Ufi Guidance Note on the ISR

2001/08

Ufi Audit Guidance 2000/01

2001/20

Ufi Audit Guidance 2001/02

Annex A: Addendum to Funding Guidance for Further Education in 2002/03

Introduction

1 The Learning and Skills Council (the Council) published *Funding Guidance for Further Education in 2002/03* (the guidance) in May 2002: a final draft of this document was available on the Council's website from March 2002. This Addendum to *Funding Guidance for Further Education in 2002/03* provides additional guidance which has been developed since the publication of the main document. It also provides corrections, additions and replacement text which aim to clarify specific points in the guidance.

Responsive Growth and the 16-18 Entitlement Guarantee

2 The Council's approach to funding responsive growth in 2002/03 was described in paragraphs 298-299 of the guidance. The Council has, as a result of institutions' responses during the 2002/03 funding round, extended the scope of the funding available through this mechanism so that responsive growth achieved through extra provision for 16-18 learners, basic skills and additional learning support will be paid at the full rate (i.e. 100% rather than 60%). The responsive growth funding that the Council is able to release to institutions will be limited by the funding available, and will normally be subject to an overall limit of 5% additional activity. The Council is however mindful of the entitlement to learning at 16-18 and wants to ensure that all unplanned growth for this age group is met in full. The Council therefore guarantees to fully fund all additional 16-18 provision in order to ensure that no young person is turned away on grounds of affordability. Any additional adult basic skills provision will also be fully funded and not restricted to the 5% limit.

3 Where an institution believes that by meeting demand from 16-18 learners or through additional basic skills provision, it may exceed the normal 5% limit, it should contact the local executive director immediately. Robust supporting evidence should be provided to the Executive Director to enable additional funding to be released.

4 Responsive growth which reflects other increased provision for learners over 19 will continue to attract funding at 60% of the standard rates and other aspects of responsive growth remain as described in paragraphs 298-299 in the guidance.

Compulsory Fees and Other Charges for 16-18 Year Old Learners

5 It is a new condition of grant for 2002/03 that no compulsory enrolment, registration or examination fees may be charged to 16-18 year old learners in Further Education (FE). The Funding definition of a 16-18 year old learner is used in this context i.e. a 16-18 year old learner is one aged 16, 17 or 18 on 31 August in the calendar year when the learner begins a programme of study. Further details of this policy and its application, including the circumstances in which charges may be made, are given in Guidance on the circumstances in which 16-18 years olds in FE institutions may be subject to charges which is available on the Council's website at (www.lsc.gov.uk/documents/otherdocuments)

Traditional European Social Fund Projects in FE

6 Traditional European Social Fund (ESF) projects in FE are directly funded by the Government Office. The term 'traditional' is used to distinguish these projects from those funded through the new co-financing arrangements. In traditional projects, ESF has or will be secured through a direct application to Government Offices by an FE institution (or where an FE institution is a third party to a direct application) and where Council funds have been or will be used as match funding for ESF. Such traditional ESF projects are not covered by the Council's co-financing arrangements.

7 It is intended that all ESF supported activity for which Council funds are used as match funding will become part of the Council's co-financing approach. The guidance relating to traditional ESF projects will therefore only apply whilst such projects are supported by Council match funding.

8 The guidance on this area for 2001/02 is in *Audit of 2001/02 Final Funding Unit Claim and 2001/02 Individualised Student Record Data*, which has been available as a final draft on the Council's website from May 2002. The guidance for 2002/03 builds on the Council's approach in 2001/02, with certain key changes which will simplify the process for institutions.

Key Changes for 2002/03

9 Learners on ESF-supported projects will not automatically attract the disadvantage uplift (see the guidance, paragraphs 36 and 37).

10 The mechanism for adjusting the level of funding available for learners on ESF-supported projects is different for 2002/03 and reflects the introduction of the new formula funding approach for FE in 2002/03. This mechanism utilises individual learner record (ILR) field A12 (implied rate of LSC funding), which can be adjusted to ensure that an appropriate level of Council match funding is generated. Where appropriate an FE institution can adjust the level of funding by applying the methodology detailed in *The*

Funding Calculation for ESF Traditional Projects in 2002/03 available on the Council's website at (www.lsc.gov.uk/documents/otherdocuments)

11 The total amount of funding available to an institution remains limited to the funding allocation and any extra funding that has been made available by the Council to reflect additional activity.

Interaction between WBL and Other Funding Streams

12 The Council intends to reflect previous guidance, outlined in *Guidance on Further Education Funding Eligibility and Rates 2001-02*, during the transition phase to the new Modern Apprenticeship (MA) frameworks in 2002/03.

13 The national funding rates for work based learning cover all mandatory elements of MA frameworks and other work based learning programmes. Additional funding should not be claimed from any other source (apart from an employer contribution where relevant) for the funded elements as this may result in:

- multiple funding of the same learning
- unintended consequences for funding levels and local planning.

14 If a learner (or their employer/training provider) wishes to pursue other educational activity which is outside the mandatory elements of the framework or the funded programme, this activity can be funded separately through the most appropriate route (such as the FE funding stream, by the employer or other sources).

Construction Apprenticeship Scheme

15 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.

16 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. Separate learning aims may be funded as described in paragraph 14.

Qualifications Falling Out of Approval

17 During 2002/03 institutions should seek guidance from their local Council about funding for qualifications which fall out of approval. The Council will continue to fund learners already enrolled on programmes to enable them to complete these but does not expect to fund new enrolments for qualifications which have fallen out of approval where suitable alternative approved qualifications are available. In these cases institutions should ensure that learners are encouraged to study the replacement qualification. Under exceptional circumstances (i.e. where there are no suitable approved qualifications currently available) providers should consult their local Councils to agree appropriate alternative provision eligible for funding which meets identified learner needs and local priorities.

18 Any learner enrolment on to a course leading to an approved qualification should be either on or before the last date of approval of that qualification. In addition the course itself (i.e. the teaching and learning, and not just the learner induction) must have commenced before the approval end date. Institutions are reminded that where learners are enrolled onto a course leading to a qualification nearing the end of its approval, they are responsible for checking qualification availability, registration and certification dates with the awarding body.

Additional Learning Support Costs Form

19 As referred to in annex C, paragraph 16 of the guidance, a revised version of the additional learning support costs form for 2002/03 is now available as a pdf file on the Council's website (www.lsc.gov.uk/documents/ISRauditinformation) This form is intended to provide a standard framework for assessing and costing the additional learning support needs of individual learners.

Corrections, Additions and Replacement Text relating to *Funding Guidance for Further Education in 2002/03*

Partial achievement in key skills (addition to paragraph 77)

20 Partial achievement for key skills can be claimed where:

- the external assessment is achieved, or
- the portfolio has been successfully completed (i.e. the evidence portfolio has been internally verified and externally moderated).

Each element attracts half of the full achievement funding.

21 The Council will be developing further guidance with regard to partial achievement of key skills qualifications and whether achievement of the external assessment may count towards the basic skills target.

Funding Taper (correction to paragraph 123)

22 There is an error in the value shown in the third bullet point of paragraph 123. It should read:

‘the maximum funded national base rate per tri-annual period that may be claimed, unless written authorisation as described above has been obtained, will be £1,216’

The value £1,216 is based on a programme equivalent to five AS qualifications in one year that are fully funded and a sixth AS qualification in one year that is discounted by 50%.

Basic Skills (addition to paragraph 138)

23 While the Council is committed to promoting literacy and numeracy for all learners and will fund basic skills provision at an enhanced rate, there is no intention to extend this enhanced funding to GCSE Maths and GCSE English. The rate for this provision is already established and these qualifications will not be funded as basic skills.

Staff employed by an institution as learners (addition to paragraph 194)

24 Any individual employed by an institution may be funded to undertake a basic skills programme which is provided within their contracted working hours. Such provision should reflect an identified individual need.

Persons detained by court order-resettlement of offenders (addition to paragraph 196)

25 These other agencies could include, for example, the Youth Justice Board. The LSC recognises that young offenders may have particular needs in relation to basic skills.

Community Punishment Orders (replacement of paragraphs 200-205 in the Guidance)

26 Community Punishment Orders (CPOs) supervised by the Probation Service can incorporate education and training relevant to the needs of individual offenders subject to the requirements of Probation Service National Standards and guidance from the National Probation Directorate. There is no limit to the proportion of an order that can be used for education and training, however in practise the internal requirements of the Probation Service make it unlikely that the total of all ordered hours would be available for guided learning. This should be taken into account when planning a programme.

27 For 2002/03 CPO programmes will be eligible for funding subject to the following:

- where offenders are provided with additional resources, over and above that provided by the CPO, to enable them to follow a programme of education and training. The supervision of offenders on CPOs is funded by the Probation Service.
- where the provision is franchised, the institution must ensure that supervision and teaching staff are present. It is not acceptable for both functions to be delivered by the same person at the same time.

28 All cases should involve the employment of additional delivery staff, who would not have been present without the Council funding, whose contract is explicitly for the provision of guided learning hours.

29 Funding may be claimed for provision eligible for FE funding.

30 The Council expects that funding will be used to support active structured learning that meets the individual needs of offenders and that will improve their employability. The Council recognises that the Probation Service and other agencies receive funding to address the behavioural and social needs of offenders. The Council would normally expect to fund provision over and above this, which leads to a qualification, or a unit of a qualification within the national qualifications framework. In particular cases where 'other provision' may be more suitable to meet learner's individual needs, providers should retain evidence of the assessment procedure leading to the development of the learner's programme together with records, which demonstrate progress.

31 Colleges and other institutions seeking to develop provision with local Probation Areas should consult their local Council at an early stage.

Ineligible Provision (addition to paragraph 226)

32 The following is intended to clarify the first major bullet point of paragraph 226:

HNDs and HNCs awarded by Edexcel or a Higher Education Institution (HEI) and any diploma awarded by an HEI are ineligible for Council funding. Courses of higher education accredited by the QCA and/or externally certificated by an awarding body professional institution or other outside person are regarded as "non-prescribed higher education" and, as such, remain eligible for funding.

National Diploma rate (correction to annex D, paragraph 17)

33 The rates stated in paragraph 17 of annex D for the new Edexcel awards are incorrect. The correct rates are those included in annex A, namely:

- First Diploma (new syllabus) studied in a full-time programme £2,073.
- National Award (new syllabus) studied in a full-time programme £2,073
- National Diploma (new syllabus) studied in a full-time programme £4,970.

Annex B: Guidance on 16-18 Year Olds and Recent Changes in Nationality Law

1 In response to recent changes in nationality law, the LSC considers that the following adjustment to paragraph 164 of *Funding Guidance for Further Education in 2002/03* is required to reflect the new status of Overseas Territories Citizens.

2 The proposed wording would include learners eligible as follows:

- 16-18 year old British Overseas Territory citizens registering as British citizens under the terms of the Act in order to obtain a full British passport;
- 16-18 year olds entering the UK (where not accompanied by their parents) who hold full British Citizens passports (but not British Overseas passports), or 16-18 year olds whose passports have been endorsed to show they have Right of Abode in this country. (Holders of passports describing them as British Overseas Citizens have no automatic right of abode in the UK nor do non-EEA nationals).

Annex C: Additional Funding to LSC- Funded Providers in Respect of External Candidates Taking Adult Literacy, Language and Numeracy Qualifications

1 The LSC in supporting the government in reaching its target of 750,000 adults improving their literacy, language and numeracy skills by 2004, has now agreed to fund external candidates wishing to undertake the external assessment for approved basic skills qualifications at LSC-funded providers' assessment centres.

2 The £47 rate applies to every individual approved basic skills qualification for which an external candidate is proposing to enter (i.e. literacy, language or numeracy) but is subject to the following conditions:

- the provider is an approved assessment centre for the basic skills qualification entered for by the external candidate;
- the external candidate is registering for an approved basic skills qualification (i.e. appearing on the current section 96/97 list of approved basic skills qualifications);
- the £47 is used by the provider on behalf of the external candidate to cover all the awarding body costs and other associated centre administration and management costs, and that no additional charge is made to the external candidate;
- the provider will claim the £47 rate as a manual adjustment on their funding claims for 2002/03. This will be counted as part of an institutions achievement of their funding allocation.

3 If the external candidate has no formal (i.e. externally accredited) qualification at the level and subject area (i.e. literacy, language or numeracy) for which they are entering, then a successful outcome in the qualification will count towards the provider's basic skills achievement target. However, no additional achievement funding will be available in these instances since the external candidate will not have undertaken the associated learning programme with the provider.

Audit Guidance

An external candidate is defined as an individual who is not enrolled with the provider in the current funding year for any learning programme. External candidates may subsequently enrol with the provider for a further programme

of study after taking the external assessment (the qualification), but the Council does not expect providers to regard learners recruited in the usual way as 'external candidates' before the commencement of their learning programme. Providers are reminded, however, that diagnostic assessment (as distinct from external assessment for a basic skills qualification) for new learners undertaking basic skills programmes is fundable as a 3 glh programme.

Annex D: Arrangements For Making ISR Returns at a Merger

1 This annex describes the individual learner record (ILR) returns requested when two or more institutions merge.

Background

2 Experience has shown that it is helpful for merging institutions to be made aware at an early stage of what the arrangements are for making data returns subsequent to a merger as changing these arrangements and the computer and manual systems which support them typically takes several months to implement.

Principles

3 When institutions merge, responsibility for providing ILR returns transfers to the merged institution.

4 The ILR supports funding claims. Any arrangements or variations to them must continue to ensure that individualised learner data is available to the Council to support claims for funding from it.

5 There is a standard set of arrangements for merging institutions. These are described below. Any variation to these standard arrangements must be agreed with the data systems manager in the research and statistics team.

6 In agreeing any changes to the standard arrangements, it should be remembered that it is the post-merger institution which will be responsible for carrying them out.

Arrangements

College merges with college

7 When two colleges merge, the Council requests that:

- For years in which they were not merged separate returns are made for each of the pre-merger years;
- Where a merger takes place on or before 1 October in an academic year, a single return is made for the merged college for the whole of that year;
- Where a merger takes place 1 October in an academic year separate returns are made for each of the pre-merger colleges for the whole of that year, that is each college makes three ILR returns for the year of the merger;

- In years subsequent to the merger a single return is made for the merged college;
- Learner reference codes for continuing learners do not change as a result of the merger;
- Records for learners on programmes which span the merger date are consistent between returns and across years; that is such learners are not handled by enrolling them on a new programme at the post-merger college; and
- Records for learners who complete a programme at a pre-merger college and shortly after start a new one at the post-merger college are enrolled at the latter using the learner reference code from the pre-merger college.

College merges with Higher Education Institution (HEI)

- 8 When a FE college merges with a HEI, the Council requests:
- That for years in which they were not merged ILR returns are made to the Council for the pre-merger FE college;
 - Where a merger takes place during the year ILR returns are made for the pre-merger FE college for the whole of that year, that is three ILR returns are received for the FE college for the year of the merger;
 - In subsequent years to the merger, all ILR returns are made for the merged institution to the Higher Education Statistics Agency (HESA) using the HESA record format; that is the HEI includes the former FE college's students on its returns
 - Records for learners at the pre-merger college on programmes which span the merger date, are consistent between returns and across years; that is such students are not handled by enrolling them on a new programme at the post-merger HEI.

Annex E: Calculation of Franchise (or Employer Dedicated) Discount as Applied to LSC FE Funding

This example is based on load banded provision and uses information from the table in annex A on page 65 of *Funding Guidance for Further Education in 2002/03*.

Table 6. Calculation of franchise discount

	Calculating Franchise Discount (or Employer Dedicated Discount) at 1/3	Programme Weighting		Calculation
		A	C	
1.1	National Base Rate for a load banded learning aim of 60 GLH.	320.00	416.00	
1.2	Assumed fee element in national base rate.	-80.00	-80.00	Fee element always unweighted.
1.3	Base Rate less fee element.	240.00	336.00	
1.4	Discount of 1/3 to national base rate less assumed fee income for franchise (or employer dedicated) provision). 1/3 of 1.3 figure. But use only programme weighting A funding value, i.e. national base rate.	-80.00	-80.00	The cash deduction for all programme weightings B to E is that calculated for programme weighting A.
1.5	LSC funding available after application of discount and assuming no entitlement to fee remission. In effect, the assumed fee element is increased from 25% to 50% of the national base rate.	160.00	256.00	1.3-1.4
Where provision attracts the franchise discount And also Attracts the employer dedicated discount, the LSC funding Available after the application of the single discount to the national base rate, is reduced by further 1/3. Programme weights do not alter this calculation, as shown in this table.				
1.6	Further discount where discounts are applied to both franchised and employer dedicated provision.	-53.33	-53.33	1/3 of 1.5 figure. But use only programme weighting A funding value.
1.7	LSC funding available after application of both discounts assuming no entitlement to fee remission.	106.67	202.67	1.5-1.6

1 The discount was originally calculated by the FEFC to represent either the lower costs of franchise provision or to recognise the additional contribution that could reasonably be expected from large employer towards the costs of work related training for their employees. The discounts are not applied to programme weightings. As shown in the example above, for any programme the reduction in funding is the same cash value for all weightings.

Funding of franchised provision

2 Paragraph 243 of funding guidance confirms that the franchise discount factor of 0.67 should be applied to all franchise provision other than for provision:

- where the learner involved attracts a widening participation uplift or;
- which is community-based and normally within non-profit-making bodies.

Employer Dedicated Provision

3 The ILR audit guidance for FE in 2002/3 provides some guidance for institutions in table 2 to assist in determining provision that should attract the employer dedicated discount.

4 The table provides a number of questions that should be addressed where institutions are unsure whether provision can be fully or partially funded. In using the table, institutions should subject provision to the fundamental test as to whether the learning experience is mainly for the benefit of the learner or the employer. If the latter, the provision is likely to attract the dedicated employer discount. The table provides a number of examples to assist in determining the answer to the fundamental test.

5 Institutions are encouraged to discuss their proposed provision with LLSCs prior to enrolling learners to ensure the correct rate of funding is claimed from the LSC.

6 Small employers are defined as those with less than 50 employees or with a turnover of less than £8m. Please note this is or and not and.

Direct provision with a partner or franchised provision

7 Guidance is given in funding guidance 2002/3 on pages 38 40 and in the audit guidance for 2002/03 on pages 10 – 12 as to the distinctions between direct provision with a partner and franchised provision. The franchised discount is only applied to provision classified as franchise provision. Where, however, institutions wrongly classify provision as direct with a partner and it subsequently transpires that this provision should be classified as franchise provision then the discount must be applied and any funding claim adjusted accordingly.

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