

## **The Funding Calculation for European Social Fund Traditional Projects in 2002/03**

1 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 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 Learning and Skills Council (LSC) 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.

### **Aim**

2 The LSC is seeking to ensure that:

- institutions are confident that retaining ESF monies, even when in a position of under-achievement against funding agreement, will not adversely affect future funding allocations
- the activity in an ESF project for which recurrent LSC funding is normally available is properly funded according to ESF requirements to reflect costs and match levels. The appropriate funding levels are essentially determined by the ESF project rather than the LSC's national funding rates.

### **Impact of ESF on FE allocations**

3 *Guidance on Further Education Funding Eligibility and Rates 2001/02*, paragraph 181 states:

'The LSC does not wish to discourage institutions from securing income from sources other than the LSC. Where an institution succeeds in securing other income, including ESF grant, the LSC does not take it into account in determining the distribution of LSC funds, neither will it seek to recover such income from an institution.'

4 The LSC will not, therefore, take into account underperformance against funding agreement in the allocation of future funds where the underperformance relates directly to the receipt of funds from other sources such as ESF. Institutions are encouraged to retain the relevant ESF monies and to discuss their position with the LLSC.

5 Both institutions and the LLSC will wish to ensure that future funding allocations reflect institutional plans for provision and overall funding income, but underachievement as a result of ESF-supported activity will not affect future funding allocations.

## Approach to calculating LSC match funding

### Summary

6 The level of LSC funding available to support the costs of delivering learning provision in ESF projects can be increased where appropriate to ensure that the costs of delivering learning provision, as detailed in the ESF project, are met.

7 This approach will enable the cost of the 'training element'<sup>1</sup> of traditional ESF projects to be met by LSC funding, provided the overall project level of match funding is not exceeded.

8 This approach is used to ensure that the funding generated through the LSC's normal funding mechanism is adjusted to meet the cost of the training element of the ESF project.

### Key Changes for 2002/03

9 Learners on ESF-supported projects will not automatically attract the disadvantage uplift (see *Funding Guidance for Further Education in 2002/03*, 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 LSC match funding is generated. Where appropriate an FE institution can adjust the level of funding by applying the methodology detailed here.

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.

### Conditions

12 The following conditions must be met:

- the institution must be able to demonstrate that such expenditure had been or would be incurred and that the ESF had brought or would bring 'added value'<sup>2</sup> to the project.
- the LSC funding used as match must all relate to the training element and therefore relate to activity which is eligible for LSC funding.

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<sup>1</sup> 'training element /training activity' is that part of the ESF project for which recurrent LSC funding would normally be available, i.e. eligible learning provision and includes teaching, management, materials, accommodation and other costs.

<sup>2</sup> See Glossary of Terms.

- the total funding claimed to support the training element costs cannot exceed 100% of the full level of LSC funding available for the learning provision (i.e. the relevant national rate for the learning aim)
- the total funding claimed from the LSC must not exceed the match funding level of the project (typically 55%)

13 The use of this mechanism should be discussed with the local LSC (LLSC), although institutions are not required to obtain approval before applying this mechanism.

### **Reasons for the new method for 2002/03**

14 The earlier method using the widening participation uplift in the ISR had the following drawbacks:

- The widening participation uplift was recorded by learner rather than by learning aim. Hence, for learners studying mixed programmes involving more than one learning aim, the uplift applied to all the learning aims studied, rather than just those supported by ESF and further adjustments were required.
- The widening participation applied to the whole of the academic year. For ESF learning aims this can cause a difficulty as ESF projects often operate within a calendar year and the learner may study the learning aim over the whole academic year necessitating further adjustments.
- The widening participation uplift is intended to record information about disadvantage and this became obscured by its use in adjusting the LSC funding to produce the appropriate ESF match.

### **Audit arrangements**

15 Institutions are reminded that ESF funding is dependent on the institution proving added value and auditors may wish to review relevant parts of the institution's funding claim.

### **Procedure to obtain the correct Council match funding**

#### **Summary**

16 Each ESF project will require a funding match that the institution is required to obtain from non-ESF sources. The match may come from LSC funding or from other sources. The procedures set out here should be used to determine the LSC element of the match. All LSC funding claimed must relate to relevant eligible training activity (see paragraph 12). The methods are intended to use the ILR and the Learner Information Suite (LIS) and should not require manual adjustments to the funding calculation.

17 The revised method uses field A12 in the individualised learner record (ILR), which records the implied rate of LSC funding for traditional ESF projects. This is related to field A11 which records the calendar year in which the ESF funding applies and the objective of the ESF project.

18 Field A12 will be used in a slightly different way from the corresponding field in the ISR.

19 The calculation method is based on a simple division of the match funding required in the ESF project by the FE funding that the LSC would normally provide.

20 There is no increased bureaucracy as a result of this change. It is envisaged that the process will be simpler than in 2001/02.

### **Detail of the method**

21 The match funding for these learners is generated by amending ILR field A12 (implied rate of LSC funding) for every learner involved. The adjustment is likely to be different for every programme involved, and may be different for individual learners within each programme.

22 The relevant adjustment figure should be applied to ILR field A12 for each learner on the programme.

23 This procedure should be applied to every ESF learner in the institution and some institutions have developed systems to do this.

24 However, some institutions have stated that calculating the value for each individual learner is burdensome. The LSC will accept funding claims based on overall ESF project activity and patterns of total eligible expenditure relevant to training to give a generic adjustment to all ESF learners. Such calculations are likely to be monitored closely to ensure the correct level of funding is being claimed and should be discussed with the institution's ILR auditors.

### **The Calculation**

25 A stepwise approach for the calculation is shown below. The method is best demonstrated using a worked example. The example is based on an ESF project involving 500 glh of learning at programme weighting factor B. The overall ESF funding is £52,500 and there are 15 beneficiaries.

### **Stepwise calculation method**

26 The key points in this example are:

- The example involves an ESF training project with 15 beneficiaries.
- The total project value is £52,500.
- The intervention rate for the funding match is 55%.

- The length of study is 500 guided learning hours, over the whole of one academic year.
- The programme weighting is B (1.12).
- The learner has a disadvantage uplift of 5% related to deprivation assessed by the learner's home address.
- The institution has an area uplift of 3%.
- The institution is not a specialist college.
- The learners do not receive additional learner support.

**Table 1**

Step in the Calculation	Algebraic	Example Calculation
<i>ESF match required</i>		
Total project value	A	£52,500
Number of beneficiaries	B	15
Intervention Rate	C	55%
ESF funding per beneficiary	$D = A / B$	$£52,500 / 15 = £3,500$
Match funding required per beneficiary	$E = D \times C$	$£3,500 \times 55\% = £1,925$
<i>Normal FE funding</i>		
National base rate using load banded method for a 500 glh learning aim	F	£2,073
Apply programme weighting (PW)	$G = F \times PW$	$£2,073 \times 1.12 = £2,322$
Apply disadvantage uplift (DU)	$H = G \times DU$	$£2,322 \times 1.05 = £2,438$
Apply area uplift (AU)	$J = H \times AU$	$£2,438 \times 1.03 = £2,511$
Full national rate for this learning aim	J	£2,511
<i>Find the implied rate of funding to be recorded in ILR field A12 (implied rate of LSC funding)</i>		
	$K = E / J$	$£1,925 / £2,511 = 77\%$
Value of record in ILR field A12	K	077

**Table 2**

**Summary of some further example calculations**

27 No disadvantage or area uplifts apply to courses A, B, D and E; course C is the example in table 1.

Course	GLH	Wt	ESF rate	Match needed	LSC rate	Implied A12	Actual A12
Course A	33	A	£231	£127	£186	68%	68%
Course B	150	D	£1,050	£578	£1,106	52%	55%*
Course C	500	B	£3,500	£1,925	£2,511	77%	77%
Course D	450	B	£3,150	£1,733	£2,322	75%	75%
Course E	30	A	£210	£116	£186	62%	62%

\*adjusted as a minimum to the intervention rate - 55% in this example (see paragraph 29).

## Comments

28 ILR field A12 is able to store two values that relate to the ESF projects defined in field A11. This enables different parts of the academic year to have different values and should enable the academic/calendar year issue that exists in some ESF projects to be addressed. For instance, a learner begins studying in September and plans to end the following July. If the ESF support is only for September to December, then this will be defined in A11 and A12 will be used to calculate the ESF match for the first calendar year involved.

29 For some learners, as in course B in the example calculations above, A12 is lower than the intervention rate. This means that the implied level of funding for the learning aim in the ESF project is lower than the usual level of LSC funding. Institutions may record the ESF intervention rate (such as 55%) in field A12 in these cases, so as not to receive reduced funding as a result of offering an ESF project.

30 For some learners, the value required for A12 could be above 100%. The value is limited to a maximum 100%, which is, in effect, the same limitation that applied in the 2001/02 approach.

31 ESF beneficiaries no longer receive automatic 10% uplifts for disadvantage. Any anticipated higher costs for teaching ESF-supported learners should be included in the ESF project bid.

32 In the method, learners eligible for disadvantage uplifts and institutions with area uplifts will generate in lower values for A12. This reflects the intention to generate the correct match determined by the ESF project. Higher costs for teaching such learners or delivering provision in the area should be included in the ESF project bid.

## Glossary of Terms

**ESF** – the European Social Fund (one of four European Union ‘Structural Funds’)

**Recurrent Funding** – funding provided by the LSC to FE institutions which relates directly to the provision of learning. Recurrent funding was provided to FE institutions in 2002/03 under the guidance issued in *Funding Guidance for Further Education in 2002/03*. Recurrent funding includes that relating to the delivery of loadbanded and listed courses, and the relevant uplift factors (widening participation, cost weighting, area costs etc). Recurrent funding also includes additional learning support but does not include the funding made available by the LSC to support learner needs, such as childcare. Elements of ESF projects relating to learner support costs, such as travel, materials, childcare etc cannot be considered as part of the training element.

**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 Great Britain rule book) within an ESF Project.

**Training Element/expenditure relevant to training** – activity which would normally attract recurrent LSC funding.

**Non-training Element/expenditure relevant to non-training** - non-training activity which the LSC could not/would not fund.

**Added Value** – ESF must add value to match funding. Added value criteria is defined within the ESF in Great Britain rule book.

**Individualised Learner Record (ILR)** - a collection of data about learners and their learning that is used to support funding claims and provide other information to the Council.

**ILR field A11 Source of funding (occurs 2)** - a field to monitor specific sources of funding and to determine the extent of different sources of funding to the sector. This includes specifying the objective of traditional ESF projects and the calendar year to which the ESF support applies. This corresponds to field Q11 and Q12 in the former Individualised Student Record (ISR).

**ILR field A12 Implied rate of LSC FE funding for ESF which is not LSC ESF co-financed (occurs 2)** – implied rate of LSC FE partial funding for learners partially funded by ESF. This is similar to fields Q51 and Q52 in the ISR, although the data now required is different.