

# Circular 00/18

## Planning

### Strategic Plans, Including Financial Forecasts and Accommodation Data

#### Summary

This circular provides guidance on institutions' strategic planning information that the Council wishes to receive by 29 September 2000. This will include projected student numbers, three-year financial forecasts and accommodation data. It highlights key changes made to the strategic planning framework as a result of the spring 1999 consultation (Circular 99/32 *Strategic Planning 2000 and Beyond*). It also provides a summary of the content of institutions' strategic plans for 2001 to be returned to the Learning and Skills Council. Finally, it seeks institutions' views on the Council's current confidentiality guidelines for publishing individual institutions' strategic planning information by 29 September 2000.

#### Supplements

- A. Notes and guidance on the financial returns 1999–2003
- B. Financial returns 2000-01 proforma

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# Strategic Plans, Including Financial Forecasts and Accommodation Data

## Introduction

1 The purpose of this circular is to provide guidance to institutions on the strategic planning information that the Council wishes to receive by 29 September 2000. For colleges, this will include an update on student numbers, financial forecasts and accommodation data. This circular provides a brief update of the strategic planning information likely to be requested from institutions in 2001 to be shared with the Learning and Skills Council. The Council also wishes to consult the sector on the confidentiality guidelines for analysing and publicising strategic planning information and seeks responses by 29 September 2000.

## Background

2 In 1999, the Council requested that institutions return student number information in April; the request for three-year financial forecasts was maintained as a July return. Accommodation data have in the past been shared with the Council at a different time of year in the planning cycle.

3 The result of the spring 1999 consultation (*Circular 99/32 Strategic Planning 2000 and Beyond*) outlined the intended changes to the strategic planning cycle and the information requested. Key changes implemented for 2000 include:

- a single return date of 29 September 2000 for the receipt of all strategic planning update components (strategic update, projected student numbers, financial forecasts and accommodation data)

- the withdrawal of the need to collect franchised-out student numbers with strategic planning projections in light of the strengthened link between the ISR and ADD-CP data collections.

In addition, the Council is continuing its discussions with Higher Education Funding Council for England (HEFCE) about simplifying the process in future whereby institutions funded by both councils are requested to supply strategic planning information. For the September 2000 return, colleges are still requested to provide information to the Council on their HE students.

4 Institutions' strategic plans and the associated student number projections are currently covered by the Council's confidentiality guidelines. Institutions made it clear during the spring 1999 consultation that the annual aggregate analyses of projected student numbers would be of more use if they were more detailed (for example, local level) and published more quickly.

5 In response, the Council published national and regional strategic plan analyses on its website at the beginning of October 1999 and also an analysis of projected student numbers by local Learning and Skills Council (LSC) area in January 2000.

6 It is in response to institutions' request for more detailed analysis that the Council now wishes to consult on its intention to remove student number projections from its current confidentiality guidelines. However, the Council is not proposing to remove the strategic plan itself from the coverage under the guidelines.

7 Developments regarding proposed changes likely to affect the strategic planning returns for 2001 are highlighted at paragraph 45.

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## Forecasting Assumptions 1998-99 to 2001-02

8 Colleges should make forecasts on the basis of the comprehensive spending review as set out in the secretary of state's letter of 23 November 1999 and *Council News 60*. This is explained further in annex A.

9 The Council expects forecasts to be prepared on a realistic basis, taking account of the forecasting assumptions suggested in annex A, although colleges will, no doubt, wish to consider their forecasts on a worst-case scenario. The worst-case scenario should be considered in the sensitivity analysis (see paragraphs 5 to 11 of supplement A for guidance). The sensitivity analysis should also address more favourable outcomes than those included in the forecast, where appropriate.

## Information and Responses for September 2000

10 Institutions are requested to return all information to Richard Jewkes at the Council's Coventry office by **29 September 2000**. The Council has decided to collect the data centrally to reduce the regional office workload during the transition to the LSC. Institutions are expected to return their responses to the confidentiality consultation (see paragraphs 48 to 52 below) to Richard Jewkes at the Council's Coventry office no later than **29 September 2000**.

11 A downloadable template for all strategic planning components is available on the Council's website ([www.fefc.ac.uk](http://www.fefc.ac.uk)). The information requested in September 2000 is outlined below. All institutions should complete and return a signed copy of the cover sheet provided at annex B and on the Council's website.

### Textual information

#### *Colleges and higher education institutions*

12 The Council wishes to receive a strategic planning textual update for this year's return. **The textual update is requested from all colleges and higher education (HE)**

**institutions.** Guidance on the information required within the textual update is provided at annex C. HE institutions are requested to provide a reduced level of detail in their textual update.

13 Colleges are reminded that, where significant changes are made to strategic plans, governing body approval should be sought.

14 Also requested as part of this year's return is a risk management plan as set out in annex D. Risk management plans are an important tool in minimising uncertainty over levels of funding for 2001 in the transition towards the LSC. Institutions' risk management plans should cover risk factors such as:

- Further Education Funding Council funded provision
- European structural funds
- training and enterprise council income
- links with other bodies
- financial issues
- inspection issues
- contingency planning
- HE funds.

15 Finally, colleges are requested to keep the Council's regional review process in mind when making their strategic planning return (see Circular 98/12). Strategic planning information (projected student numbers, financial forecasts and accommodation data) forms part of the regional review team's assessment of the college against certain criteria. Where the regional review team has found a college to have areas of concern, there may be a need for additional or exceptional support.

#### *External institutions*

16 The framework for the request of external institutions' strategic plans is unchanged, and guidance for this can be found in Circular 98/16, *Strategic Planning, Including Financial Forecasts*. The strategic planning update for external institutions is optional, unless there are significant changes from the last strategic plan returned to the Council or where they are asked to do so by their regional office. External institutions in the latter category will have been notified.

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17 Those external institutions making a return are asked to share with the Council two copies of their strategic planning update for the period 1999-2000 to 2000-01 by 29 September 2000. This should be accompanied by a signed copy of the strategic planning cover sheet (annex B). External institutions not returning a textual update should indicate this on the strategic planning cover sheet as a 'nil return'.

### Action plan

18 External institutions are reminded that they are requested to forward an action plan to Sue Evans at the Council's Coventry office by 31 July 2000. This requirement is a recommendation of the external institutions review group that published its final report in November 1999. A copy was sent to all external institutions in December 1999.

19 Guidance on the context, framework and the cover sheet for action plans was set out in a letter from the director of education and institutions dated 30 March 2000. Copies can be obtained from Ann Fell at the Council's Coventry office.

### Statistical information

#### *Projected student numbers*

20 **All colleges, HE institutions and external institutions are requested to return projected student number information** and, if appropriate, information on the withdrawal of provision. The information requested is:

- actual student numbers 1999-2000, plus projected numbers 2000-01 to 2002-03
  - further education students – (form SP00 NUM FE (SEP) at appendix 1 to annex B)
  - higher education students – (form SP00 NUM HE (SEP) at appendix 2 to annex B) to be completed by colleges only
- planned withdrawal of provision (form SP00 CHG (SEP) at appendix 3 to annex B).

21 These forms have not changed since the guidance for their completion was set out in supplement A to Circular 98/16, *Strategic Plans, Including Financial Forecasts*.

#### **Basic skills enrolments**

22 In addition, in the light of the Moser report *Literacy and Numeracy: a Fresh Start*, institutions were asked to include details of their basic skills provision and planned basic skills developments as part of their response to their provisional funding allocation. All institutions are now requested to provide an update of this information on the following form:

- basic skills enrolments – (form SP00 BA-SK (SEP) at annex E).

#### Guidance

23 The Council needs to be aware of the number of students enrolled on literacy, numeracy and English for speakers of other languages (ESOL) courses in 1999-2000 and planned enrolments for these courses in 2000-01. Institutions should record this additional information using a **different system** to that for projected student numbers. Guidance for this is as follows:

- institutions should record their information based on enrolments (i.e. students studying any combination of basic skills courses should be recorded once for each course). For example, a student enrolled on a literacy, numeracy and ESOL course, separately, should be recorded three times on the form at annex F)
- students enrolled on joint literacy and numeracy courses should be placed in the category that makes up the majority of their study
- full-time students should only be recorded if their learning programme is made up entirely, or very largely, of literacy, numeracy and ESOL. It is unlikely that institutions will have many enrolments for whom this is the case
- enrolments on full-time vocational programmes, also attending a

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part-time literacy, numeracy or ESOL class (which is not funded by the additional support mechanism) should be considered as separate enrolments for these part-time courses and recorded accordingly.

24 It would be helpful if this update included details of provision which is planned in collaboration with local partners and also, where appropriate, that which will be supported via non-schedule 2 project funding.

25 Institutions first returned basic skills information in May 2000, as part of their response to the provisional funding allocation. It would be helpful if this information were updated in instances where enrolments may not have been recorded fully in accordance with the above guidance.

26 Institutions should also note that because this information is based on enrolments, the total may exceed that for programme area 10 on the SP00 NUM forms.

### ***Short course enrolments***

27 In line with Circular 00/11 *Funding: New Arrangements for Adult Learners*, the Council wishes to receive information regarding enrolments on short courses. Basic skills, ICT and short courses for adults became available from 1 May 2000. Unitised provision becomes generally available from 1 August 2000. Non-schedule 2 pilots are to continue into 2000-01. Institutions should return their short course information to the Council on the following form:

- short course enrolments – (form SP00 ST-CS (SEP) at annex F).

28 As with basic skills data, it is important that institutions recognise that this information should be gathered using a different system to that for projected student number data. Institutions should return their short course information as for enrolments and in accordance with the guidance provided for basic skills in paragraph 23.

### ***College financial forecasts***

29 The three-year financial forecast is an integral part of each college's strategic plan as it expresses in financial terms the cost of implementing the strategic plan and shows the income and expenditure associated with the projected levels of activity. The financial forecast is intended to help each college's governing body, and the Council, assess the financial effect of a college's strategic plan. It is important to include in the forecast the costs of implementing the college's accommodation strategy for the forecast period.

### ***Format***

30 Following the 1999 consultation the format of the financial forecast disk has been amended. The proformas will be made available on the Council's website ([www.fefc.ac.uk](http://www.fefc.ac.uk)) as Excel workbooks. Disks will not be sent out to colleges unless specifically requested. A separate application will not be needed to access the pro forma.

31 The information requested in years two and three has been reduced.

32 The pro forma will be made available in two formats: one with the forms and ratios and the other with the detailed schedules, as currently, for those colleges that find this helpful. Colleges may return either version to the Council. The disk should continue to be returned to the Council's Coventry office.

33 Following consultation with the college finance directors' group, the allocation of items of income and expenditure account headings has been amended to enable improved benchmarking data to be prepared.

### ***Guidance***

34 The Council's regional finance directors have held a series of surgeries since May 2000 for colleges seeking advice on how to complete their forecasts. Colleges have been informed by separate letter of the arrangements for the surgeries. Institutions that require further clarification, or for whatever reason cannot provide the information by 29 September 2000,

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should contact their regional office at the earliest opportunity. For advice on how to complete the financial forecast returns disk please contact the financial returns help desk on 024 7686 3065.

### ***College accommodation strategy***

35 In September 2000 all colleges are requested to complete the form SPO0 ACC-DAT (SEP) attached at annex G and return this together with all other strategic planning information to the Council. The form summarises key changes to college estates within the year ending 31 July 2000.

### **All returns**

36 Two copies of the strategic plans, financial forecasts and accommodation data should be sent to Richard Jewkes at the Council's Coventry office by **29 September 2000**. This should be accompanied with a signed copy of the strategic planning cover sheet (annex B).

37 Institutions that require further clarification, or are unable, for whatever reason, to share the above information with the Council by 29 September 2000, should contact their regional office at the earliest possible opportunity.

38 A template for colleges' textual updates, three-year financial forecasts, risk management plan and the forms for student number projections (including basic skills and short course enrolments) and accommodation data, are available as downloadable Microsoft Word and Excel documents on the Council's website.

### **Monitoring the position of colleges in weak financial health**

39 In order to enable the Council to continue monitoring the financial position of the sector this summer, additional information is requested from certain colleges. Colleges which already fall into financial health category C or which anticipate falling into this financial health category are requested to forward a copy of their management accounts for the June 2000 period to their regional finance director as soon as these are available.

## **Information Requested Beyond September 2000**

### ***College financial mid-year update (February)***

40 Where the Council wishes to receive a mid-year update it will be requested by the relevant regional finance director. This will generally be for those colleges falling into financial health group C (as assessed by the Council). In any event, those colleges from whom a return is required will be notified by 5 January 2001. The software application for returning this information has been included on the Council's website. Guidance on the completion of the mid-year update can be found at Section 4 to supplement A.

### ***Finance record***

41 The finance record shows actual figures for income and expenditure, cashflow and the balance sheet. These data will be in a format similar to the three-year financial forecast. The financial position shown in the finance record should be the same as in the audited accounts. If there are any material differences between the actual figures for the financial year and the estimate of the figures provided at the end of the year in the three-year financial forecast, colleges are asked to provide a brief commentary explaining the difference.

42 A software application for the finance record can be found on the Council's website. Colleges are asked to return the finance record data to the finance support team in Coventry with the audited accounts on or before 31 December 2000.

43 Data published by the Council, for example in the annual college accounts circular, will be taken from the finance record and not the hard copy audited accounts.

### ***Significant departures***

44 Colleges are reminded that they should notify the Council of any significant departures from their strategic plans at any other time throughout the year. Examples of significant departures can be found in Circular 98/16 *Strategic Plans, Including Financial Forecasts*.

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## Strategic planning information for the LSC

45 All institutions will be requested to send strategic planning information to the LSC in 2001. The Council's internal strategic plans group, in liaison with various transition teams, has considered the content of this return to include, as a minimum, the same components included in the September 2000 return (i.e. another strategic planning update, including financial forecasts and accommodation data). The following issues are also being discussed for 2001 returns:

- the format of returns (preference for electronic over hard copy)
- the removal of the need for HEIs to share strategic planning information with the Council (reciprocal arrangements with HEFCE)
- the guidance on the new programme areas or categories by which student projections would be collected and analysed. The Council's management information committee (MIC) has discussed a proposal to develop a methodology (for a software package) that will allow institutions to make student number projections from the ISR or the new Individualised Learner Record (ILR). It is likely that this proposal will be taken forward when more is known about what the ILR will look like.

46 It is the intention to issue formal guidance during autumn 2000 on strategic planning information requested in 2001.

47 Guidance on strategic planning information requested in 2002 and beyond will be produced by the LSC.

## Confidentiality Policy

48 The context in which institutions now operate has changed significantly over the years, particularly in terms of development of learning partnerships and the increased expectations for providers to share information and data. The circular on local priorities (Circular 99/39) clearly outlined that, within the broad policy aims for further education, the government expects institutions to work in partnership with other institutions and other bodies involved in post-16 education. The Council expects institutions to collaborate rather than compete against each other; there is an expectation that institutions should not establish provision that might be in competition with existing facilities and result in wasteful duplication. Institutions are being encouraged, in a framework of openness, to share data that might affect others. This infers the sharing, in certain circumstances, of projected student number data and course level information which is more detailed than the broad programme areas in which student projections are currently collected by the Council.

49 In this climate of increased collaboration, the Council would like to make individual institutions' projected student number data available on the Council's website. This would increase the opportunities for institutions and learning partnerships to download data for their own purposes.

50 Without sector-wide agreement to this proposal it will be very difficult to publish data for individual institutions. For instance, if five out of six institutions within a local LSC boundary agree for the Council to publish their strategic planning information, and this was subsequently published, the sixth institution's data would be published by default. Therefore, learning partnerships may wish to ensure that all their institutions sign up to the proposal. This would be particularly helpful given the boundary issues as this would allow increased flexibility when undertaking analyses.

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51 The Council is seeking a view from the sector on whether strategic planning student number projections should be removed from coverage by the confidentiality guidelines solely in 2000 or in 2001 and beyond (pending further details of the revised format for projections being made available). This would enable the Council to publish data from individual institutions.

52 Institutions are requested to complete and return the form at annex I to Richard Jewkes at the Council's Coventry office by 29 September 2000.

David Mawle



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# Forecasting Assumptions 2000-01 to 2002-03

1 In the later years of the forecast period the major element of institutions' funding will come from the Learning and Skills Council (LSC). The Department for Education and Employment (DfEE) is currently consulting stakeholders on the funding system to be applied by the LSC.

2 It is anticipated that the LSC funding system will not be fully implemented until 2002-03. Consequently, funding year 2001-02 may be regarded as a transitional year. Following the second consultation on the LSC funding system it is expected that modelling of outcomes will be available in September 2000. Until further information is available, institutions may wish to assume they would receive income formerly received from the Further Education Funding Council and training and enterprise councils on a broadly similar basis as in 2000-01.

3 It is suggested that institutions should plan on the basis that funds for further education available in 2002-03 will be at least the same in real terms as in 2001-02 and will continue to be targeted at specific areas of activity.

4 When considering the level of Council income to include in financial forecasts institutions should consider the outcome of the comprehensive spending review as set out in the secretary of state's letter of 23 November 1999. This letter sets out funding for 2000-01 and indicative funding for 2001-02.

5 In addition to preparing their forecasts on the steady state basis suggested, institutions should review the issues raised in annex D on risk management. It is expected that all institutions will wish to prepare a risk management plan. Institutions may also wish to prepare and share with the Council a second financial forecast demonstrating the institution's financial position if changes are implemented more rapidly or the risks are realised.

6 A summary of the funds made available to the sector is set out below.

**Table 1. Funding available in financial years <sup>(1)</sup> 1999-2000 to 2000-2001**

		<i>Current 1999-2000</i>	<i>Confirmed 2000-01</i>	<i>Provisional FE figures for comparison 2001-02</i>
		<i>£ million</i>	<i>£ million</i>	<i>£ million</i>
Participation <sup>(2)</sup>		3,214	3,323	3,563
of which:	16-18	1,538	1,594	1,654
	Adults	1,676	1,729	1,909
Standards fund		35	98	160
Capital				
of which:	Capital works	21	28	51
	IT infrastructure	12	20	42
	Rationalisation capital works	7	7	7
Ethnic minority student achievement grant (ex Section 11)		3	3	5
Rationalisation fund		9	7	8
Learner support funds				
	Access funds <sup>(3)</sup>	37	55	*
	Childcare support	9	25	*
	Residential bursaries	5	10	*
	Childcare places	5	5	*

Notes: (1) year to 31 March

(2) excludes £4 million childcare funds transferred to student support

(3) includes £1 million transfer from the Higher Education Funding Council for England

\* see paragraph 42

### Employers' fees

7 The secretary of state has set a target for the sector to generate employer contributions to fees of £60 million in 2000-01. Employers should be expected to pay 25% of the cost of employer-led provision and at least 50% of dedicated provision.

### Student numbers

8 The secretary of state's letter of 23 November 1999 included the following targets for additional further education student numbers to be achieved by the sector over the 1997-98 level.

**Table 2. Planned additional student numbers \*(000s of students)**

	<i>1998-99</i>	<i>1999-2000</i>	<i>2000-01</i>	<i>2001-02</i>
16-19 year olds	5	30	35	50
Adults	75	230	330	650
<b>Total</b>	80	260	365	700

\* *academic year*

### **Participation (main and growth allocation)**

9 The guidance in Circular 00/03 should be followed in forecasting the main and growth allocations. The key points to consider are set out in paragraphs 10 to 31.

#### ***Convergence for colleges***

10 The planned convergence up to 2001-02 is as follows:

- institutions with an average level of funding (ALF) below £17.00 will move to an ALF of £17.00 in 2000-01 and £17.20 in 2001-02
- institutions with an ALF between £17.00 and £17.20 will have an unchanged ALF in 2000-01 and will converge to £17.20 in 2001-02
- institutions with an ALF above £17.20 should assume that their ALF will fall to £17.20 in 2001-02 in two equal steps.

11 For forecasting purposes all institutions should assume an ALF of £17.20 for 2002-03.

12 The risks faced by the sector and individual institutions are addressed in more detail at annex D.

#### ***Franchising***

13 Institutions are reminded that the Council expects colleges to withdraw from inappropriate franchising and franchising which has not drawn good inspection reports. Subcontracting by colleges to private and voluntary sectors and external institutions in their local areas is not ruled out. Partnerships with employers as in the Ufl learning hubs and other forms of outreach provision, which involve subcontracting, continue to be encouraged.

14 In forecasting the contribution to units of activity from franchised provision the discount factor of 0.67 should be applied, other than for provision:

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

15 Institutions are referred to Circular 99/37, *Franchising and Fees*, for further guidance on community-based provision.

16 Institutions should note that where dedicated employer provision is delivered through franchise arrangements, funding will be discounted by one-third in accordance with the Council's decision on franchising and by a further third in line with the established position on the funding of dedicated employer provision. Funding units associated with dedicated employer provision delivered through franchising should therefore be multiplied by a discounting factor of approximately 0.45 (that is, 0.67 multiplied by 0.67), other than where students qualify for exemption by virtue of attracting a widening participation uplift. In this case, only the one-third discount (a single multiplier of 0.67) for dedicated employer provision would apply.

17 Whilst it is not envisaged that subcontracting will be ruled out by the LSC, it is anticipated that all training providers may be able over time to access LSC funds directly, subject to meeting threshold standards in relation to quality, data management and financial viability. This issue is considered further in annex D, risk management.

### **Targeted growth**

18 As part of the participation allocation, funds will be available for 2000-01 for the following purposes:

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

### **Growth allocation 16 to 18 year-old full-time full-year students**

19 The Council wants to encourage institutions to increase the number of 16-18 year-old full-time students for whom they provide, particularly in those groups that have not traditionally taken part in further education. Institutions should take account of the work of their local learning partnerships' local learning plans, or similar projects, to make sure there is no wasteful competition.

20 Growth for 16-18 year olds will be in three parts:

- a fixed percentage growth in the units related to 16 to 18 year olds
- growth based on local demographic growth and the institution's recruitment of 16 to 18 year olds in 1999-2000
- a variable percentage linked to the participation rate in the institution's local area.

21 If growth in numbers of students in the first year intake has been funded in 1999-2000 then institutions may assume that they will receive funding for the second year of the student programmes.

### **Curriculum 2000**

22 Institutions have received a provisional allocation of units to support the implementation of Curriculum 2000. The Council has held discussions with those institutions seeking additional units for this provision. Any additional allocations will be confirmed in institutions' operational allocations. Those institutions that have put forward robust cases

may assume they will be supported but in the sensitivity analysis should address the consequences of any major shortfall in predicted take-up.

### **Adult**

23 The growth funding available for adults is in two parts: increasing participation and widening participation. The first part will be based on the institution's existing number of units associated with provision for adults. This is intended to increase participation in the population as a whole. The second part will also take into account each institution's widening participation factor.

24 Institutions should note the expectation that 65% of the growth in adults will be through widening participation. Institutions may assume consolidation of 2000-01 growth.

### **London weighting**

25 Institutions in receipt of London weighting will have received the current rate as part of the provisional allocation for 2000-01. The revised weightings are set out in *Guidance on the Tariff 2000-01* and will be included in institutions' final allocation when issued. For forecasting purposes institutions should assume that these revised rates would continue.

### **Specialist colleges weighting**

26 The tariff advisory committee has considered various proposals relating to cost-weighting factors. For 2000-01 it is planned that a specialist college institutional factor will be introduced for those colleges with a high dependency on provision in the higher cost-weighting factors. The new factor will be phased in over two years, with a factor of 5% applied in 2000-01. This factor will be incorporated into institutions' operational allocations for 2000-01.

**Widening participation**

27 For 2000-01 the factor for widening participation has increased from 6% to 8%. In addition a widening participation uplift of 9% may be claimed for people living in supported accommodation irrespective of their postcode.

28 It is planned to increase the factor from 8% to 10% in 2001-02. This is likely to be introduced as part of the transitional arrangements for funding before the LSC implements its own funding system. It has been proposed that the LSC includes a disadvantage factor.

29 The groups of students eligible for widening participation uplift are set out in *Guidance on the Tariff 2000-01*.

30 The Council is consulting institutions on a revised method of allocating widening participation funds to 16-18 year olds based on previous educational attainment. Modeling of the effect on types of institutions is included in Circular 00/07 *Widening Participation: Allocating Funds for 16-18 Year Olds*. Sixth form colleges, in particular, should be mindful of the implications of this revised method of funding.

31 Institutions will have received their provisional allocation for 2000-01. For forecasting purposes institutions should assume a consolidation of the 2000-01 growth and, as a maximum, an equivalent level of growth in 2001-02, and 2002-03. Where institutions consider that the local market indicates that they will achieve a lower level then forecasts should be based on that lower level.

**New funding arrangements for adult learners**

32 Circular 00/11, *Funding: New Funding Arrangements for Adult Learners*, extends the eligibility for Council funding of provision and courses for adults. Some were eligible for funding from 1 May 2000: all will be eligible from 1 August 2000. The Council has agreed additional funding for adult learners in 2000-01. Details are set out in *Council News* No. 60.

33 For additional funding for the basic skills summer courses, the ceiling for the additional allocation for each institution will be the same unit total as for its basic skills summer school in 1999. Institutions that did not take up their 1999 basic skills summer school allocation may also respond to the initiative.

**2000-01**

34 It is expected that for 2000-01, institutions will be able to plan on the basis of their operational allocation. Further funds may be available in 2000-01 to support growth in adult student numbers. Details will be announced before autumn 2000.

**Recovery of funds and tolerance account**

35 The Council has published arrangements for monitoring growth in 1999-2000 (Circular 00/16) and similar arrangements will apply in 2000-01. Proposed changes between the two years will also be published shortly. Final guidance on monitoring growth in 2000-01 will be published by autumn 2000.

36 In determining any provision for recovery of funds institutions should review those arrangements and guidance to be published in the forthcoming accounting policies circular.

**New Arrangements for Support for Further Education Students****Learner support funds**

37 From 2000-01 there will be a new learner support fund, which simplifies and rationalises the current arrangements. The fund contains:

- a general access fund
- a ring-fenced childcare support fund
- a ring-fenced residential bursary fund.

**Access fund**

38 The sum allocated for the access fund for the period 2000-01 is £55 million, including £1 million transferred from the Higher Education Funding Council for England (HEFCE) for higher education (HE) students in further education (FE) institutions. This is an increase

of £18 million from the £37 million allocated in 1999-2000 and will enable institutions to respond positively to demand, especially where local education authorities have reduced expenditure on post-16 transport.

#### ***Childcare support***

39 Childcare support will no longer be funded through the tariff. The sum allocated for the new childcare support fund for the period 2000-01 is £25 million, which includes approximately £9 million transferred from the tariff (£4 million claimed by institutions in 1997-98 and £5 million allocated in 1999-2000). This is an increase of £16 million from the total funds available in 1999-2000.

#### ***Residential bursaries***

40 For 2000-01 £10 million will be available for residential bursaries in order to fund the second cohort of students.

#### ***Childcare places (replaces crèche provision)***

41 For 2000-01 £5 million will again be available to support the provision of new childcare places in FE institutions. Guidance on the allocation of these funds will be published shortly.

#### ***Future years***

42 There are no figures available for student support funds beyond 2000-01. It is suggested that institutions plan on the basis that these allocations may roll forward.

#### **Ethnic minority student achievement grant (former section 11)**

43 The Council is consulting on arrangements for the allocation of this grant in 2000-01. The LSC will be committed to equal opportunities and may wish to consult further on arrangements for this group of learners.

#### **Standards fund**

44 A standards fund has been established for further education with £98 million available for distribution in 2000-01 rising to £160 million in 2001-02. The Council proposes that funding for 2000-01 will be distributed within six categories:

- dissemination of good practice
- institution improvement
- improving teaching and learning
- training and development for principals and senior management teams
- the good governance programme
- the achievement fund.

45 Institutions were consulted on the allocation of funds in Circular 00/05, *Quality Improvement*, and arrangements have been published.

#### **Information technology**

46 Circular 99/45, *ILT Implementation Plan*, outlines the sums available to the sector for ILT.

47 Institutions may wish to make assumptions about receipt of funds for information technology. In the sensitivity analysis to the financial forecast they should consider the potential consequences of not receiving these funds.

#### **Capital**

48 The Council has consulted institutions on the capital project support arrangements. The responses to the consultation will be considered at the September Council meeting.

49 In preparing their forecast, institutions may assume receipt of capital project support, but in the sensitivity analysis they should address the potential consequences of not receiving support.

#### **Rationalisation fund revenue**

50 For the two year period 1999-2001, two categories of project will be eligible for support from the fund, as follows:

- a. category (1) – projects intended to lead to a merger between:
- i. further education institutions
  - ii. further education sector institutions and providers outside the sector which are involved primarily with the delivery of further education (for example, external institutions, specialist institutions and tertiary re-organisations);
- b. category (2) – projects resulting in rationalisation of further education institutions.

51 Revenue support will be available for activities such as: feasibility studies, due diligence reviews, consultants' fees, staff restructuring (in the case of mergers between further education institutions) and other activities which would normally be charged to the income and expenditure account.

52 A third category may become available to cover mergers with non-sector institutions. Institutions considering this action should discuss the support available with their regional team.

53 For forecasting purposes institutions should assume that any realistic bids will be successful but in the sensitivity analysis they should address the potential consequences of the bids not being successful.

### **Rationalisation fund capital**

54 Bids will be invited for capital projects under the categories above. For forecasting purposes institutions should assume that any realistic bids will be successful but in the sensitivity analysis they should address the potential consequences of the bids not being successful.

### **Non-schedule 2 provision**

55 Those institutions carrying out projects in 1999-2000 may plan on the basis of 50% of the funds received in 1999-2000 being available for roll over of projects.

56 Institutions may wish to make assumptions about receipt of funds for pilot projects. In the sensitivity analysis to the financial forecast they should consider the potential consequences of not receiving these funds.

57 The proposed post-16 legislation will remove the current distinction between schedule 2 and non-schedule 2 provision. Institutions should bear this in mind when preparing plans.

### **University for Industry**

58 For 2000-01 the Council is currently finalising arrangements with the Ufi regarding the method of allocating the funds set aside for students recruited by Ufi learning hubs and centres. Allocations are expected to be made at the same time as the operational allocations.

59 Institutions should assume that students funded under future Ufi schemes should attract the same level of funding as Council funded students with similar qualification aims or periods of study.

### **Individual learning accounts**

60 The Council is working with the DfEE to implement the national framework for individual learning accounts (ILA) from September 2000 and details will be published shortly.

61 ILA pilot projects and arrangements for summer term 2000 are described in Circulars 99/38 and 00/08 respectively. Some learning accounts are being administered by the TECs. Individuals are offered an incentive of £150 in return for a small contribution by the learner. Similar arrangements will operate in 2000-01.

62 The Council has introduced two fee discounts for learners participating in a range of IT qualifications in summer term 2000. An 80% discount will be available on IT qualifications, and units of qualification, at levels 1 and 2. A 100% discount will be available on IT qualifications and units of qualification at entry level.

63 In advance of further guidance, institutions may wish to assume that these incentives will continue.

### **Inflation**

64 Her Majesty's Treasury has estimated that the gross domestic product (GDP) deflator, a measure of inflation, over the years 1999 to 2003 will be 2.5% each year. Institutions should use this estimate in calculating movements in the cost of non-staff items unless they have better information about the specific price changes that will affect them. In determining the funds available to the sector in 2000-01 an efficiency gain of 1% has been assumed.

### **Pay costs**

65 Institutions should continue to make their own decisions on pay awards based on the institution's individual circumstances.

### **European funding**

66 The European Commission is working on proposals for the allocation of funds from 2000-01 onwards. Institutions forecasting a higher level of funding than currently received should address in their sensitivity analysis the effect of not achieving the funding.

### **Training and enterprise council contracts**

67 Until further details of the LSC funding system are available, institutions may wish to assume funding for work-based training will be on a broadly similar basis to 2000-01. However, institutions should consider the effect of convergence of levels of funding across the country.



# Cover Sheet for Return of Strategic Plans, Financial Forecasts and Accommodation Data: September 2000

**THE  
FURTHER  
EDUCATION  
FUNDING  
COUNCIL**

(Reference Circular 00/18)

**This cover sheet must be completed by all institutions. Please photocopy (or download from the Council's website), complete and return it to Richard Jewkes at the Council's Coventry office by 29 September 2000.**

Cheylesmore House  
Quinton Road  
Coventry CV1 2WT

Telephone 024 7686 3036  
Fax 024 7686 3100

Name of institution (*please print*)

FEFC Code

Name of sponsoring college (*external institutions only*)

Contact for financial forecast queries

Telephone no.

Fax no.

E-mail address

## Returns enclosed (*please tick*)

	<i>Colleges</i>	<i>HE institutions</i>	<i>External institutions</i>
Strategic plan	compulsory	compulsory	optional, request by RO or nil return
textual update	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>
Risk management plan	<input type="checkbox"/>		
Project student numbers & enrolments	FE HE BS SC <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	FE BS SC <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	FE BS SC <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
Withdrawal of provision info.	optional or nil return <input type="checkbox"/> <input type="checkbox"/>	optional or nil return <input type="checkbox"/> <input type="checkbox"/>	optional or nil return <input type="checkbox"/> <input type="checkbox"/>
Financial forecast	compulsory	n/a	n/a
• three-year forecast	<input type="checkbox"/>		
• principal's certificate	<input type="checkbox"/>		
• disk	<input type="checkbox"/>		
• commentary	<input type="checkbox"/>		
Accommodation data	compulsory <input type="checkbox"/>	n/a	n/a

## Declaration

I confirm that the figures provided on the accompanying SP forms are to the best of my knowledge a reasonable projection of future provision

Signature

Principal/head of institution

Name (*please print*)

Signature of principal of sponsoring college

Date

# Form SP00 NUM FE (SEP)

## Projected Student Numbers: Further Education

**THE  
FURTHER  
EDUCATION  
FUNDING  
COUNCIL**

(Reference Circular 00/18)

Please photocopy (or download from the Council's website),  
complete and return to Richard Jewkes at the Council's Coventry  
office by 29 September 2000.

Cheylesmore House  
Quinton Road  
Coventry CV1 2WT

Telephone 024 7686 3036  
Fax 024 7686 3100

Name of institution (*please print*)

Sponsoring college (*external institutions only*)

FEFC Code

Contact name for queries (*please print*)

Telephone no.

Fax no.

**Note: This form covers further education students. Include students on franchised FE provision.  
Students on HNC or HND provision should be recorded under 'sources other than the Council.**

Programme area	Mode	<i>Student numbers where provision is funded</i>							
		<i>wholly or partly by the Council</i>				<i>by sources other than the Council (to be completed by colleges only)</i>			
		1999- 2000	2000- 01	2001- 02	2002- 03	1999- 2000	2000- 01	2001- 02	2002- 03
1 Sciences	FT								
	PT								
2 Agriculture	FT								
	PT								
3 Construction	FT								
	PT								
4 Engineering	FT								
	PT								
5 Business	FT								
	PT								
6 Hotel & catering	FT								
	PT								
7 Health & community care	FT								
	PT								
8 Art & design	FT								
	PT								
9 Humanities	FT								
	PT								
10 Basic education	FT								
	PT								
TOTAL	FT								
	PT								

Please contact your regional office if you need assistance in completing this form

# Form SP00 NUM HE (SEP) Projected Student Numbers: Higher Education

**THE  
FURTHER  
EDUCATION  
FUNDING  
COUNCIL**

(Reference Circular 00/18)

Please photocopy (or download from the Council's website), complete and return to Richard Jewkes at the Council's Coventry office by 29 September 2000.

Cheylesmore House  
Quinton Road  
Coventry CV1 2WT

Telephone 024 7686 3036  
Fax 024 7686 3100

\_\_\_\_\_  
Name of institution (*please print*)

\_\_\_\_\_  
FEFC code

\_\_\_\_\_  
Contact name for queries (*please print*)

\_\_\_\_\_  
Telephone no.

\_\_\_\_\_  
Fax no.

**Note: This form covers higher education students and should be completed by colleges only. Students recorded on SP NUM FE (SEP) should not be included, but students on franchised-out HE provision should be recorded. Do not include students on HNC or HND provision.**

		<i>Student numbers where provision is funded</i>							
		<i>wholly or partly by the Council</i>				<i>by sources other than the Council</i>			
<b>Programme area</b>	<b>Mode</b>	<b>1999-2000</b>	<b>2000-01</b>	<b>2001-02</b>	<b>2002-03</b>	<b>1999-2000</b>	<b>2000-01</b>	<b>2001-02</b>	<b>2002-03</b>
1 Sciences	FT								
	PT								
2 Agriculture	FT								
	PT								
3 Construction	FT								
	PT								
4 Engineering	FT								
	PT								
5 Business	FT								
	PT								
6 Hotel & catering	FT								
	PT								
7 Health & community care	FT								
	PT								
8 Art & design	FT								
	PT								
9 Humanities	FT								
	PT								
10 Basic education	FT								
	PT								
TOTAL	FT								
	PT								

*Please contact your regional office if you need assistance in completing this form.*

# Form SP00 CHG (SEP) Withdrawal of Provision

**THE  
FURTHER  
EDUCATION  
FUNDING  
COUNCIL**

(Reference Circular 00/18)

**Please photocopy (or download from the Council's website),  
complete and return to Richard Jewkes at the Council's Coventry  
office by 29 September 2000.**

Cheylesmore House  
Quinton Road  
Coventry CV1 2WT

Telephone 024 7686 3036  
Fax 024 7686 3100

Name of institution (*please print*)

Sponsoring college (*external institutions only*)

FEFC Code

Contact name for queries (*please print*)

Telephone no.

Fax no.

---

**Withdrawn provision that is being replaced by equivalent provision should not be recorded.**

*Assistance in completing the form can be obtained from your regional office.*

---

Qualification aim code from version 13.1 of the  
qualification database (eg, 00100486)

Qualification title

Last year of provision (eg, 1999-2000)

No. of students (in last year)

Mode of attendance (*please tick*)

full-time

part-time

both

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

yes

no

**Nearest centre making equivalent provision**

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

school

college

external institution

higher education institution

private provider

other

---

Name of provider

Approximate travelling time from institution

(*please tick*)

less than 30 minutes

30 minutes to one hour

more than one hour

---

**Reason for withdrawal**

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

fluctuation in student numbers

decline in student numbers

other

# Framework for Textual Update – September 2000

## **Mission (section 1)**

1 Institutions should include a concise statement about their overall purpose. This should include information pertaining to its key aims, for example, the nature of provision, the range of client group served and its location. Institutions may wish to indicate any changes they have made to their mission in the light of the new post-16 arrangements, for example, how in the new, more diverse sector they are building a focused reputation for excellence.

## **Variation from 1999-2000 student number projections (section 2)**

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

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

## **Review of needs analysis (section 3)**

4 The projected student numbers and planned withdrawals of provision are underpinned by the institution's assessment of the need for further education in its locality.

The textual update should enable the Council to understand how any significant changes to the institution's assessment of need have influenced the projections. For this reason, institutions are asked to outline briefly any changes to the full needs analysis last provided to the Council in their three-year strategic plan (July 1997 for colleges and higher education institutions and July 1998 for external institutions). Changes are likely to have been identified through regular contacts with major bodies in the institution's locality, for example the local training and enterprise council (TEC). Specific reference to identification of skill needs of local employers should be included.

## ***Dialogue with local TEC***

5 Colleges are expected, in the normal course of their planning, to enter into dialogue with their local TEC. This section should include a summary of those discussions and information regarding reciprocal sharing of information.

## **Partnerships and collaborative activity (section 4)**

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

7 If not covered in the needs analysis and strategic objectives sections, collaborative activity with local employers should be included in this section.

### **Strategic objectives (section 5)**

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

### **Curriculum development (section 5a)**

9 Institutions are also asked to provide an outline of their planned provision and in particular comments on any new provision where this involves a new or significant extension to a curriculum area, qualification aim or level of qualification. Institutions should also provide information on 16–18 and adult provision and information on short courses, in line with Circular 00/11 *Funding: New Arrangements for Adult Learners*. Institutions are reminded to notify the Council of any planned withdrawals of provision on the form SPO0 CHG (SEP).

### **Franchised provision (section 5b)**

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

- a. the rationale for franchised provision with other organisations and how this contributes to the achievement of the institution's mission and strategic objectives;
- b. identification of any marked change in the level of franchised activity from the information given about 1999-2000 on the ADDCP return (provided to the Council in December 1999);

- c. identification of the level of risk which franchise provision poses to the achievement of the institution's strategic objectives, particularly where such provision is a significant proportion of the institution's total provision and/or is delivered by one large partner organisation;
- d. details of any franchise arrangements under which an institution wishes to transfer Council funds from the institution to employers, including through third parties. Institutions will be notified whether the Council accepts that funds may be transferred.

11 The Council does not expect institutions to develop any new franchises outside their local recruitment area.

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

### **Human resources (section 5c)**

13 As a result of strategic planning spring 1999 consultation and with the proposed teaching and learning strand of the standards fund (Circular 00/05, *Quality Improvement, Standards Fund 2000-01*), institutions are requested to outline their human resources strategy in this section. It should aim to highlight the human resource implications that will impact on the delivery and achievement of institution's mission and strategic objectives. Specific details of this strategy should include support for teachers (training and retraining); plans for recruitment; development of information and learning technology (ILT) skills for teachers; and, training for basic skills facilitators.

**Quality improvement (section 5d)**

14 Quality improvement is high on the government's agenda to improve the country's education and training system. In this section, institutions should outline their overall strategy for raising standards. This should summarise progress towards achieving national and college targets, and provide details of plans for monitoring performance. In addition, this section should include a summary of the institution's approach to inclusive learning. Information on how any quality initiative funding has been used and plans for incorporating inclusive learning into the institution's self-assessment should also be included.

**Further education standards fund 2000-01**

15 The Council has recently published, in Circular 00/15, *Standards Fund 2000-01*, its plans for the proposed new strands of the standards fund for further education. Institutions are requested to outline how, if applicable, standards funding was used for 1999-2000. Institutions should also provide brief details of any planned use of standards fund allocations in 2000-01, under the proposed new strands, including; college improvement; improving teaching and learning; training and development for principals and senior management teams; the good governance programme; and, dissemination of good practice.

**Information and learning technology (ILT)**

16 The Council's Circular 99/45, *ILT Implementation Plan*, presents a summary of how the recommendations of the further education information learning technology committee (FEILTC), are being taken forward into a sector ILT development strategy. Institutions' ILT strategies that were sent to BECTa are being forwarded onto the Council and, therefore, information regarding ILT is not required within the textual update.

**Charters and disability statements (section 6)**

17 Colleges are requested to inform the Council of a timetable for updating and producing these documents in this section of the textual update.

**Basic skills (section 7)**

18 In the light of the Moser report *Literacy and Numeracy: a Fresh Start*, institutions were asked to include details of their basic skills provision and planned developments as part of their response to the provisional funding allocation. As part of this section institutions are requested to provide an outline of their overall strategy for basic skills. This may include details of planned developments in basic skills provision for 2000-01, for example; non-schedule 2 pilots; work-based initiatives; and, links with Ufi centres. This should also include details of basic skills summer schools planned for summer 2000. Institutions should provide details of how they plan to increase the number of basic skills students, in line with the government's national strategy for basic skills.

## Risk Management

1 In the past, institutions have been asked to carry out a risk analysis on the achievement of their strategic plans. This request is again made in Circular 00/03, *Funding*. In conjunction with this request, colleges have been asked to carry out a sensitivity analysis as part of their financial forecast and to prepare contingency plans to address those sensitivities. In reviewing college financial forecasts the Council's regional finance directors consider the adequacy of the sensitivity analysis and contingency plans. In 1999 they concluded that 80% of colleges prepared an adequate sensitivity analysis. However, 20% of colleges did not have adequate plans. This is of considerable concern for the sector. In the light of the transfer to the Learning and Skills Council (LSC) and the uncertainty over future levels of funding it is imperative that institutions have robust risk management plans. The Council suggests colleges give this element of the strategic plan greater importance, in particular where they have provision which may be most vulnerable to change.

2 Institutions are asked to share their risk management plan with the Council and to confirm (as part of the principal's certification on the financial forecast) that it has been approved by the board of governors.

3 The checklist below (paragraphs 12 to 51) is designed to assist governors in assessing the risks faced by the institution. This should not be regarded as an exhaustive list. In addition, institutions should consider general business disaster planning and some of the key considerations are highlighted at paragraphs 5 to 11.

4 The self-assessment checklist at supplement B to Circular 99/43, *Audit of 1998-99 Final Funding Claim, and of the 1998-99 Individual Student Record Data* is a good starting point for a college's risk assessment.

## Disaster planning

5 In addition to the identification and evaluation of the potential financial impact of risks, institutions are recommended to undertake a more wide-ranging review of activities. Such factors could include, for example, the impact of reduced credibility should an adverse inspection report be received, loss of customer goodwill, effects on supplier confidence, potential loss of key staff, and changes to operational patterns.

6 A structured approach to these eventualities should consider the following:

- the 'cost' of accepting the risk
- actions required to avoid the risk
- potential to reduce the risk
- actions to contain the risk
- ability to transfer the risk (insurance).

7 Institutions are expected to have in place contingency plans that would be required in the event of major disaster affecting day-to-day operations.

8 In addition to the usual risks of fire, flood or other act-of-God, institutions should consider the effects of events such as failure of information technology services, corruption of essential data (either maliciously or accidentally), loss of key staff, or default of major suppliers.

9 Of major concern should be the identification of the potential severity of the event:

- does it impact on the institution's survival?
- does it impact on the institution's finances?
- does it impact on the institution's image?
- is it time-critical?
- does it impact immediately?
- can the institution cope without? (For how long?)
- what alternatives are possible?



10 Institutions are recommended to establish a formal process to define and allocate responsibilities for action to be taken in the event of any major risk occurrence. This process should, as a minimum, identify a key manager who will take on the role of business continuity management. This position would take control of the implementation plan and identify such support as necessary. The main initial aspects of this role would be:

- implement immediate emergency reaction
- notify and mobilise support services
- control central co-ordination
- assess actual and potential damage
- communicate clear instructions and guidance
- restore essential functions.

11 Institutions should be clear in establishing contingency plans of the need for regular review and assessment of the plans' functionality. Regular testing, monitoring and feedback should ensure the need for updating is considered. Accountabilities within the plans should be reviewed and authority for the implementation of changes should be clear.

## Checklist

### FEFC-funded provision

#### *Growth in units*

12 Experience has demonstrated that some institutions with a rapid growth in units have had difficulty in establishing quality assurance and management controls over the provision, particularly that delivered through franchising or distance learning. In a small number of cases significant tranches of provision have later been determined as ineligible for Council funding leading to expenditure having been incurred without income to support it. Where institutions have concerns about the potential eligibility of any provision they should make provision for possible recovery of funds.

13 Whilst targets for the sector have always been described in terms of student numbers, the emphasis for institutions has been in generating units of activity as this has been the unit of payment. Student numbers, particularly for full-time 16–18 year olds, are now being explicitly monitored and a shortfall against a target number of students may lead to a recovery of funds even if the unit allocation has been achieved.

14 In assessing risks, governors should ask:

- how is the growth in units to be achieved?
- is the growth forecast outside the parameters set out in the forecasting assumptions?
- is the institution monitoring student numbers achieved, in addition to units?
- will student number targets be achieved?

### *Franchised provision and distance learning*

15 High increases in unit delivery have often been achieved through franchised provision, often at a distance from the institution's traditional catchment area, or through distance and open learning. These methods of delivery are more difficult to control. Institutions have been encouraged to withdraw from distant provision and concentrate on the priorities of the local area.

16 Many institutions have been able to generate a significant contribution to overheads from franchised activity. Following the introduction of the discount factor for much of this type of provision, the continued viability of some of those institutions may be at risk. The contribution from this activity is recorded on schedule 14B, line 1h of the financial forecast.

17 As noted at paragraph 17 of annex A, private providers may be able to access funding direct from the LSC. Institutions will wish to pay close attention to the ongoing guidance for the LSC and, in the meantime, paragraph 4 of the secretary of state's letter of 22 May 2000 to the Council's chair.

- 18 In assessing risk, governors should ask:
- what percentage of units is franchised to other providers?
  - what percentage of franchised activity is subject to the discount factor?
  - what contribution to overheads is generated from this activity?
  - what percentage of students is recruited from outside the institution's wider (and local) recruitment area? (more than 10% of students should be regarded as a risk)
  - what percentage of provision is undertaken via open and distance learning?

### ***One-day courses***

19 One-day provision has been regarded as a risk area as the Council has operated a minimum of guided learning hours for courses to be eligible for Council funding. This level has been set at 9 guided learning hours and there has been concern as to whether that threshold was reached on courses delivered in one day.

20 The Council has now extended the eligibility of provision to short courses for adults in basic skills and information and communications technology, see Circular 00/11, *Funding: New Arrangements for Adult Learners*.

- 21 In assessing risks, governors should ask
- what percentage of provision is measured in units delivered as one-day courses?
  - what contribution to overheads is generated by the activity?

### ***Loadbanded qualifications***

22 Where a college delivers a loadbanded qualification then the amount of funding it can claim is dependent on the number of guided learning hours it records. Variations are found between colleges for the same qualifications. Those colleges delivering the qualification in a number of guided learning hours close to the boundary of a load band may find that their auditors challenge the classification.

- 23 In assessing risk, governors should ask
- what percentage of enrolments on qualifications is delivered via loadbanded qualifications?

### ***National vocational qualifications (NVQs)***

24 NVQs are competence based and assessment has to be undertaken in a work-based environment. Consequently the application of the Council's guided learning hour definition can be problematic. Institutions which deliver more than 25% of total guided learning hours as NVQs should consider this to be a potential risk.

- 25 In assessing risk, governors should ask
- what percentage of provision is measured in guided learning hours delivered as NVQs?

### ***Non-English postcodes***

26 Institutions should have in place a system for monitoring the number of Scottish, Welsh and Northern Irish students that are not normally eligible for Council funding. Those institutions on the borders which have a tradition of recruiting across the border are able to continue this practice but should not actively seek to increase the proportion of students with non-English postcodes. Where an institution is a specialist provider and there is not comparable provision in the home country then provision may be eligible.

- 27 In assessing risk, governors should ask:
- what is the total number of students with non-English postcodes?
  - can it be demonstrated that there is not comparable provision in the home countries?

### ***European structural funds***

28 Institutions will seek to generate funds from European structural funds for a number of reasons. These may include: meeting an identified need in the local area, infill on courses funded from other sources, as a means of introducing students to the institution who may then go onto other courses, generating funds which can not be generated in any other way, as

a means of accessing benefits for learners. Council funds may be used as matched funding for these funds.

29 The majority of courses funded in this way are unlikely to generate high contributions to overheads.

30 The audit requirements for this funding stream are stringent and a small number of institutions have been required to repay significant sums following audits.

31 These funds are allocated on a calendar-year basis and often after the start of the funding year in question. On occasions receipt of funding has been delayed and this has led to severe difficulties for the institutions concerned.

32 In assessing risk, governors should ask:

- what proportion of income is received from European social funds?
- what contribution to overheads is generated from this activity?
- where is the institution's matched funding coming from?

33 In their risk management plan institutions should set out the initiatives under which bids have been made, the funding expected under each bid, any associated Council funding, and the margin expected. Institutions should address their contingency plans for the bids not being successful or for programmes not continuing or becoming ineligible.

### ***Training and enterprise council (TEC) income***

34 The sector receives 3% of its income from TECs. However, for some colleges the proportion is large. The funding system for this type of activity under the LSC is being developed. It is likely that there will be a convergence of funding rates across the existing TEC boundaries. Those institutions which know that they receive a higher than average rate of funding will wish to model the effect of a reduction in rate.

35 Institutions should also be aware that certain elements of work based training will be funded by the employment service.

36 In assessing risks, governors should ask:

- what proportion of income is received from TECs?
- what contribution to overheads is made from this activity?
- what rate of payment is received and will the institution be adversely affected by convergence of rates?

### ***Links with other bodies***

37 Institutions are increasingly entering a variety of partnership/joint ventures arrangements with other bodies. Work with those institutions in difficulty has indicated that governors are not always aware of the potential liability of their institutions in these ventures, that it is not always clear that public funds are being used appropriately, that the activities of these bodies may be ultra vires and that appropriate disclosure of the activities may not be provided.

38 In assessing risk, governors should ask:

- the number of partnership or joint arrangements that the institution is a member of and the level of any potential liability
- the number of joint ventures that the institution is a member of and the level of any potential liability
- the number of subsidiary companies the institution has and their activities
- whether the institution has reviewed Circular 99/14 and is satisfied that it has appropriate control over the activities of subsidiary companies and that those activities are not ultra vires
- what investment has been made in these ventures and does this comply with regulations regarding use of public funds?

### **Other institutions**

39 Institutions are encouraged to enter into partnerships with other bodies where this may enhance the educational opportunities for students within the local area. Increasingly, planning of provision will be at a local area level. Institutions may be required to seek approval of their strategic plan by the local learning partnership.

40 In assessing risks, governors should consider the implications of:

- sharing information with other providers
- the impact of the activities of other post-16 providers on the institution
- any proposals for new sixth forms, including the possibility of local authorities setting up sixth form centres
- planned mergers of institutions or of other local institutions.

### **Financial issues**

41 Whilst the financial health of the sector has improved, there is still a significant proportion of colleges falling in financial health group C. With the increased emphasis on targeted funding, institutions are likely to face increased financial risks if they do not achieve targets in specific areas.

42 Experience has indicated that those colleges implementing major capital projects are more likely to experience difficulties in financial management as management resources are stretched.

43 The National Audit Office has prepared a report on *Managing Finances in English Further Education Colleges*. This report includes recommendations for improving colleges' financial health and is commended to institutions.

44 In assessing risks, governors should consider:

- whether the financial health falls in group C and/or is declining

- whether the institution has an ongoing major capital project
- any qualified audit opinions from internal or external auditors
- the opinion from the Council's audit service on financial management
- whether the institution is forecasting a shortfall against its unit allocation and has made appropriate provision for recovery of funds
- whether they are receiving regular and prompt management information
- the procedures for monitoring expenditure commitments
- benchmarking of institutional activity with other institutions
- whether the institution has assessed the contribution to be made from any new venture as well as the income.

### **Inspection issues**

45 Institutions may face many issues arising from inspections and the ensuing publicity. These can be so severe as to affect the continued viability of the institution.

46 In assessing risk, governors should consider:

- curriculum grade 4s for inspection
- cross-college grade 4s for inspection
- training standards council inspection issues
- achievement rates below median
- retention rates below median.

### **Systems**

47 Institutions can be exposed to changes in key personnel and systems. History has indicated that those institutions with a pattern of late data returns ultimately experience difficulties in that the real position may not be as was perceived. Under the financial memorandum between the Council and colleges, colleges are required to inform the Council of changes in key personnel.

48 In assessing risk, governors should consider:

- changes in senior management
- changes in college systems
- whether any such changes require notification to the Council in accordance with the financial memorandum
- a history of late data returns.

### ***Higher education***

49 There have been some changes in the funding of higher education in FE colleges in that in 1999-2000 the funding responsibility for HNCs and HNDs passed to the Higher Education Funding Council for England (HEFCE). A number of colleges thus have a changed relationship with HEFCE in that they now receive a greater proportion of direct funding. There has been some encouragement for colleges to work in consortia with universities in seeking HE funding. An increasing number of colleges may be subjected to inspections by the Quality Assurance Agency (QAA).

50 The framework for foundation degrees is being developed. Institutions will need to consider the likely impact of this initiative.

51 In assessing risks, governors should consider:

- the alliances that the college has with universities and how consortium arrangements might respond to the different needs of their learners
- the proportion of income received from HE
- the implications of QAA audit
- the potential impact of foundation degrees.

# Form SP00 BA-SK (SEP)

## Basic Skills Enrolments

**THE  
FURTHER  
EDUCATION  
FUNDING  
COUNCIL**

(Reference Circular 00/18)

Please photocopy (or download from the Council's website), complete and return to Richard Jewkes at the Council's Coventry office by 29 September 2000.

Cheylesmore House  
Quinton Road  
Coventry CV1 2WT

Telephone 024 7686 3036  
Fax 024 7686 3100

Name of institution (*please print*)

Sponsoring college (*external institutions only*)

FEFC Code

Contact name for queries (*please print*)

Telephone no.

Fax no.

- revised summary of 1999-2000 provision, including estimated enrolments of:

1999 - 2000	<i>Enrolments following programmes in:</i>			<i>Enrolments on vocational programmes receiving additional support via the additional support mechanism in:</i>		
	<i>Literacy</i>	<i>Numeracy</i>	<i>ESOL</i>	<i>Literacy</i>	<i>Numeracy</i>	<i>ESOL</i>
Full-time						
Part-time						

Please tick if  
no change to  
information  
provided in  
spring 2000:

- projection of estimated basic skills provision in 2000-01 for:

2000 - 2001	<i>Enrolments following programmes in:</i>			<i>Enrolments on vocational programmes receiving additional support via the additional support mechanism in:</i>		
	<i>Literacy</i>	<i>Numeracy</i>	<i>ESOL</i>	<i>Literacy</i>	<i>Numeracy</i>	<i>ESOL</i>
Full-time						
Part-time						

# Form SP00 ST-CS (SEP) Short Course Enrolments

**THE  
FURTHER  
EDUCATION  
FUNDING  
COUNCIL**

(Reference Circular 00/18 and 00/11)

**Please photocopy (or download from the Council's website),  
complete and return to Richard Jewkes at the Council's Coventry  
office by 29 September 2000.**

Cheylesmore House  
Quinton Road  
Coventry CV1 2WT

Telephone 024 7686 3036  
Fax 024 7686 3100

\_\_\_\_\_  
Name of institution (*please print*)

\_\_\_\_\_  
Sponsoring college (*external institutions only*)

\_\_\_\_\_  
FEFC Code

\_\_\_\_\_  
Contact name for queries (*please print*)

\_\_\_\_\_  
Telephone no.                                      Fax no.

---

Actual and projected enrolments on short course provision in:

<i>Type of provision</i>	<i>2000 (1 May onwards)</i>	<i>2000-01</i>
Basic Skills (3glh)		
ICT (3glh)		
Short courses for adults (6glh)		
Unitised provision		
Non-schedule 2		

# Form SP00 Acc-Dat (SEP) Accommodation Data

**THE  
FURTHER  
EDUCATION  
FUNDING  
COUNCIL**

(Reference Circular 00/18)

Please photocopy (or download from the Council's website),  
complete and return to Richard Jewkes at the Council's Coventry  
office by 29 September 2000.

Cheylesmore House  
Quinton Road  
Coventry CV1 2WT

Telephone 024 7686 3036  
Fax 024 7686 3100

Name of institution (*please print*)

FEFC Code

Contact name for queries (*please print*)

Telephone no.

Fax no.

**All information relates to the year ending 31 July 2000**

M<sup>2</sup>

**Gross Internal Floor Area of the college as at (date)**

**Land & Building Purchases**

Land/building name & description	Location	Building gross internal floor area (m <sup>2</sup> )
----------------------------------	----------	--

**Land & Building Sales**

Land/building name & description	Location	Building gross internal floor area (m <sup>2</sup> )
----------------------------------	----------	--

**Leased Buildings** – rented by the college from others

Building name & description	Location	Building gross internal floor area (m <sup>2</sup> )
-----------------------------	----------	--

**New Buildings** or extensions to existing buildings constructed by or on behalf of the college

Building name & description	Location	Building gross internal floor area (m <sup>2</sup> )
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Total college gross internal area as at (date)	M <sup>2</sup>
Area of the college accessible to students with learning difficulties and disabilities as at (date)	M <sup>2</sup>
Update of area of the college made accessible for students with learning difficulties and disabilities	M <sup>2</sup>
Major changes in the location of curriculum activity	

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Outline of proposed improvements (if any) relating to the implications of the *Disability Discrimination Act 1995* for the period to (date)

## Downloading Documents from the Council's Website

*Guidance on downloading documents from the Council's website has been removed for technical reasons relating to the number of users with different software applications for whom the guidance would not apply.*

The files referred to in this circular can be downloaded from the Council's website at [www.fefc.ac.uk/strategicplans](http://www.fefc.ac.uk/strategicplans)

Institutions are reminded that they should return two copies of their strategic planning information to Richard Jewkes at the Council's Coventry office by **29 September 2000** .

Confidentiality responses should be returned to Richard Jewkes at the Council's Coventry office by **29 September 2000** .

# Consultation on Confidentiality Guidelines

**THE  
FURTHER  
EDUCATION  
FUNDING  
COUNCIL**

(Reference Circular 00/18)

Please photocopy (or download from the Council's website), complete and return to Richard Jewkes at the Council's Coventry office by 29 September 2000.

Cheylesmore House  
Quinton Road  
Coventry CV1 2WT

Telephone 024 7686 3036  
Fax 024 7686 3100

Name of institution (*please print*)

Sponsoring college

FEFC Code

Contact name for queries (*please print*)

Telephone no.

Fax no.

Do you agree in principle that all institutions' strategic planning information should be removed from the Council's confidentiality guidelines, allowing the Council to publish individual institutions' data, in (*please tick*)?

- |                   | <b>Agree</b>             | <b>Disagree</b>          |
|-------------------|--------------------------|--------------------------|
| • 2000            | <input type="checkbox"/> | <input type="checkbox"/> |
| • 2001 and beyond | <input type="checkbox"/> | <input type="checkbox"/> |

Do you give permission for your institution's data to be published?

- |                   | <b>Agree</b>             | <b>Disagree</b>          |
|-------------------|--------------------------|--------------------------|
| • 2000            | <input type="checkbox"/> | <input type="checkbox"/> |
| • 2001 and beyond | <input type="checkbox"/> | <input type="checkbox"/> |

Are there any circumstances in which you would not want your data to be published?

- |                   | <b>Yes</b>               | <b>No</b>                |
|-------------------|--------------------------|--------------------------|
| • 2000            | <input type="checkbox"/> | <input type="checkbox"/> |
| • 2001 and beyond | <input type="checkbox"/> | <input type="checkbox"/> |

Supporting comments:

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