

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

Funding

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Further information

For further information, please contact the appropriate local Learning and Skills Council office. Contact details for each office can be found on the LSC's website: www.lsc.gov.uk

Executive Summary

This document provides guidance to institutions and their ISR auditors on completing the ISR audit for 2001/02. This document supersedes Further Education Funding Council (FEFC) Circular 99/43 and Supplements A-F.

The interim and final funding unit claims circular will be published on the website in July 2002 and in hard copy in September 2002.

This document includes general ISR audit guidance provided by the LSC. It also includes ISR audit guidance for in-year changes to provision and areas of contention that have arisen during 2001/02 and concerns raised during 2000/01 external audits.

Status: For information

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

Introduction

1 This document contains information and guidance to help institutions and external auditors satisfy the requirements of the Learning and Skills Council (LSC) for the audit of final funding unit claims for 2001/02.

2 In Circular 99/43 (published November 1999) and supplements A to F the LSC provided the main guidance for auditing final funding claims for the years 1998/99, 1999/2000 and 2000/01. The information in this document supersedes guidance in Circular 99/43 and its supplements A-F and **only refers to the 2001/02 final funding claim audit**. This guidance does not impose any additional work for auditors who have not yet signed off funding claims for 2000/01 or earlier years.

3 This document provides audit guidance on the provision funded by the LSC in 2001/02. It also brings into one document advice and guidance issued in-year by the LSC. The guidance has been changed as little as possible for 2001/02. The LSC expects to issue new guidance in July 2002 before the start of the 2002/03 teaching year.

4 The Further Education Funding Council (FEFC) publication *Guidance on Further Education Funding Eligibility and Rates 2001/02* provides the primary reference document to guidance for funding for 2001/02. This document includes references to all documents that supersede that guidance.

Format

5 Institutions, local Learning and Skills Council (LLSC's) and external auditors are reminded that paragraphs 4 to 10 of *Guidance on Further Education Funding Eligibility and Rates 2001/02* set out the fundamental funding and audit principles for LSC providers. Institutions are reminded of the need to comply with the spirit and intention of the guidance. Those institutions that have used devices to circumvent the overall intention of the guidance are more likely to encounter difficulties and be subject to a more rigorous and onerous audit scrutiny.

6 Institutions and auditors are reminded that paragraph 196 of *Guidance on Further Education Funding Eligibility and Rates 2001/02* makes it clear that the local priorities guidance detailed in FEFC Circular 99/39 applies to all programmes including the provision of distance learning. Institutions and auditors are also reminded that funding and audit guidance on provision applies regardless of the mode of delivery, physical location of learner or location of provision. Specific guidance on either provision, recruitment area

or delivery method should be read as additional to, rather than as a replacement to, the general guidance.

7 It is not expected that institutions who fully meet the funding principles set out in paragraphs 5 –10 of *Guidance on Further Education Funding Eligibility and Rates 2001/02* and have properly consulted their LLSC before undertaking any new or contentious provision in accordance with paragraph 4 of *Guidance on Further Education Funding Eligibility and Rates 2001/02* will have funding eligibility issues with their ISR auditors. Where either institutions or auditors refer to a LLSC for complex or contentious funding advice, the national funding eligibility team will assist, where necessary, in answering any queries through the LLSC.

Table 1. Explanatory annexes in this document

Annex	Description
A	Circulars and Guidance Notes
B	Letter of 30 March 2001 from Emily Thrane, Acting Director of Funding & Statistics
C	Details of proxy qualifications to act as exemptions from parts of the Key Skills
D	College Collaborative Provision: Control Criteria
E	Types of partnership and franchise arrangements
F	Distance and Open Learning: Source documents and Q&A
G	Withdrawals: Source documents and Q&A
H	Additional Support
I	Employer-dedicated provision
J	European Social Fund (ESF)
K	Supplementary Guidance to Circular 99/43 Supplement F Annex C on impact of Foot and Mouth Disease; Completion of ISR audit for colleges affected by Foot and Mouth Disease
L	Table of checks
M	Glossary of Terms

8 This document includes general ISR audit guidance provided by the LSC. It also includes ISR audit guidance for in-year changes to provision and areas of contention that have arisen during 2001/02 and concerns raised during 2000/01 external audits.

9 This document includes thirteen annexes listed in Table 1 that provide references to all documentation relevant to auditing final funding claims for 2001/02. The annexes appear in the order in Table 1.

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

Background

11 External auditors are asked to audit the final funding unit claim, together with the ISR data which are returned to the LSC. Claims for LSC funding are based on data relating to eligible individual students enrolled on LSC-funded provision at the institution.

12 The guidance and information in this document apply to further education sector colleges, as well as to specialist designated institutions, higher education (HE) institutions which receive funding from the LSC and to former EI's (external institutions). The term 'institutions' is used throughout to reflect the terminology in the audit reports to be signed by external auditors. Guidance specific to particular types of institution are separately identified.

13 The interim and final funding claims for 2001/02 will be similar to the 2000/01 claim and the audit opinion will be amended to take account of any additional units for additional activities provided by the LSC in 2001/02, which includes the University for Industry (Ufi). In particular, institutions that act as hub recipients from the LSC must ensure their final claim fully complies with the additional requirements for hub funding.

14 As a result of the LSC directly contracting the ISR and final claim audits for FE colleges, a number of colleges are faced with different audit contractors for their financial accounts and ISR audits for 2001/02. To resolve the concerns raised by audit firms in signing off financial accounts, the LSC has agreed to issue to institutions in December 2002, interim tolerance and recovery statements for 2001/02. Where ISR auditors have provided a clear audit opinion in the interim claim, the LLSC will issue an assurance letter to accompany the recovery and tolerance statement. These statements will depend upon institutions returning their July 2002 ISR in the autumn and ISR auditors signing off an interim unit claim as explained in Circular *Interim and Final Funding Unit Claims 2001/02*. The LSC will recover from institutions in the Spring/Summer 2003 any estimated recovery of funds.

15 The interim and final audit opinion and claims will be published in Circular *Interim and Final Funding Unit Claims 2001/02* in September 2002, and will include the self-assessment checklist and an agreed list of manual adjustments.

16 When institutions submit their interim 2001/02 claims in Autumn 2002, they will be asked to estimate the likely achievement units to enable their full unit claim for 2001/02 to be assessed. This figure will then be used to determine any interim recovery of funds pending the final return.

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

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

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

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

21 The LSC requires colleges to adopt a rigorous and ethical approach to the use of public funds. It does not intend to penalise the vast majority of colleges that adopt a conscientious approach for the mistakes of a few highly publicised colleges, by requiring an even more onerous burden of detailed audit work than is necessary. The checks that are undertaken, however, should be focused on the areas most at risk and be thorough. It follows therefore, that a college with most of its provision in the higher risk categories should expect its external auditors to undertake more rigorous checks. The assessment of risk is included in the Circular *Interim and Final Funding Unit Claims 2001/02*. The 2000/01 risk assessment checklist is in Circular 01/16.

22 The LSC's expectations of the audit of colleges with higher risk provision include:

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

23 The audit of student numbers working party identified a number of features applicable to all colleges, which its experience has shown may indicate associated risk factors for which additional data checks may be required. The associated risk factors include:

- key staff changes in an organisation, for example, a change in the management of data collection or management information systems
- a change in management information software
- a history of late data returns
- a changed profile from year to year, for example, a move from full-time to part-time provision
- a shortfall in units identified by the institution at the end of the first term or later in the year which leads to hitherto unplanned franchising or partnership arrangements
- franchising through college companies or joint venture companies
- overseas ventures.

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

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

25 Auditors are again reminded that the LSC can only fund provision for which it has been authorised by parliament and any provision found outside

these terms must be excluded from final funding claims (for example, overseas students).

In-year Changes

16-18 year olds eligibility

26 Following advice from the DfES, the LSC has brought its guidance on the eligibility of 16 -18 year old learners for funding in line with that of schools, as outlined in Annex B to the DfES Code of Practice on School Admissions. The Code of Practice may be accessed on the DfES website. Institutions that enrol 16 -18 year old learners are advised to have at least one member of staff who is familiar with this document.

27 In addition to the groups listed in *Guidance on Further Education Eligibility and Rates 2001/02*, 16-18 year olds in the following categories should normally be regarded as eligible to receive LSC funding from 1 September 2001:

- 16-18 year olds accompanying parents who have the right of abode or leave to enter the UK;
- 16-18 year old dependants of teachers coming to the UK on a teacher exchange scheme;
- 16-18 year olds entering the UK (whether or not accompanied by their parents) who hold full British Citizen passports (but not British Dependent Territories or British Overseas passports), or 16-18 year olds whose passports have been endorsed to show that they have the right of abode in this country.¹

28 Where the 16-18 year old is in the country for a short stay, the practicality of providing a place needs to be considered.

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

Spouses of persons with settled status

30 The *Funding Guidance for Further Education in 2002/03* has been amended at paragraph 164 to include as eligible for LSC funding, the spouse of a person with settled status who has been both married and resident in the UK for one year. This guidance also applies to 2001/02.

¹ N.B Holders of passports describing them as British Dependent Territories Citizens have no automatic right of abode in the UK, nor do British Overseas Citizens or other non-EEA nationals.

Fee remission

31 In the *Funding Guidance for Further Education in 2002/03*, requirements for in-year checks on a learner's eligibility fee remission have been removed. It remains the responsibility of the institution to establish eligibility for tuition fee remission at the start of each academic year for both new learners and those who are continuing their studies. For 2001/02 auditors are not required to test or sample for termly checks on fee remission eligibility. This amendment is in line with the LSC's approach to a reduction in bureaucracy.

Foot and Mouth – special arrangements

32 The Foot and Mouth outbreak began in mid-February 2001 and affected large parts of agricultural land in this country. Some agricultural colleges that kept farm animals were unable to run some courses after that date and their other courses may also have been affected by restrictions to access to their sites. Some non-agricultural colleges were also affected, as some students who lived on farms may not have been allowed to leave the farm and attend college.

33 Some of these students were expected to complete their studies at a later date. Other students will have withdrawn and not completed their studies.

34 The LSC set up a group to advise on how the funding and other matters should be applied during this difficult time for the colleges affected. It has been agreed that the funding of these colleges will be protected for 2001/02. Hence, normal guidance on such items as student withdrawals and guided learning hours should not necessarily apply.

35 The special arrangements made for colleges delivering any land based provision affected by the foot and mouth disease were set out in a letter to colleges in March 2001. The updated guidance made available in-year on the website is reproduced as Annex K.

36 The detailed guidance provided in Annex K sets out the rules for 2000/01. The LSC intends institutions and ISR auditors should adopt the same approach for 2001/02 but taking full account that the outbreak affected mainly the start rather than the end of the teaching year.

37 Institutions are required to agree any ISR manual adjustment with their ISR auditor for 2001/02. Further guidance on the detail in calculating manual adjustments will be provided in late Summer 2002 on the ISR audit information page on the LSC's website.

38 For those colleges who have received Foot & Mouth compensation payments from the LSC, they may agree a manual adjustment for 2001/02 that matches their agreed manual adjustment for 2000/01 up to a limit of 5,000 units.

NVQs

39 From 1 January 2002, changes in the calculation of guided learning hours for load-banded NVQs were introduced. This applies to NVQs delivered within the workplace where the institution provides support and assessment only (delivery mode (c))—as set out in the final column of Table 4, Part C of *Guidance on Further Education Funding Eligibility and Rates 2001/02*:

Following representations by institutions' ISR auditors, the LSC has agreed to allow a multiplier of 14 to be applied to the GLH for load-banded NVQs where the institution provides support and assessment only (mode (c)). The multiplier would apply only to this mode of delivery and, hence, would be capped at the nearest equivalent to 18.4 BOPUs, in line with the listed value. This would allow for up to 10 hours of 1:1 delivery which would be multiplied up to become 140 enhanced GLH, giving 17.0 BOPUs. Where part of the delivery is in groups, these GLH should not be enhanced. The method would not be allowed for the other modes of delivering load-banded NVQs.

This change is effective from 1 January 2002 (i.e. for the remainder of 2001/02) and has been incorporated into the new guidance on eligibility being prepared for 2002/03.

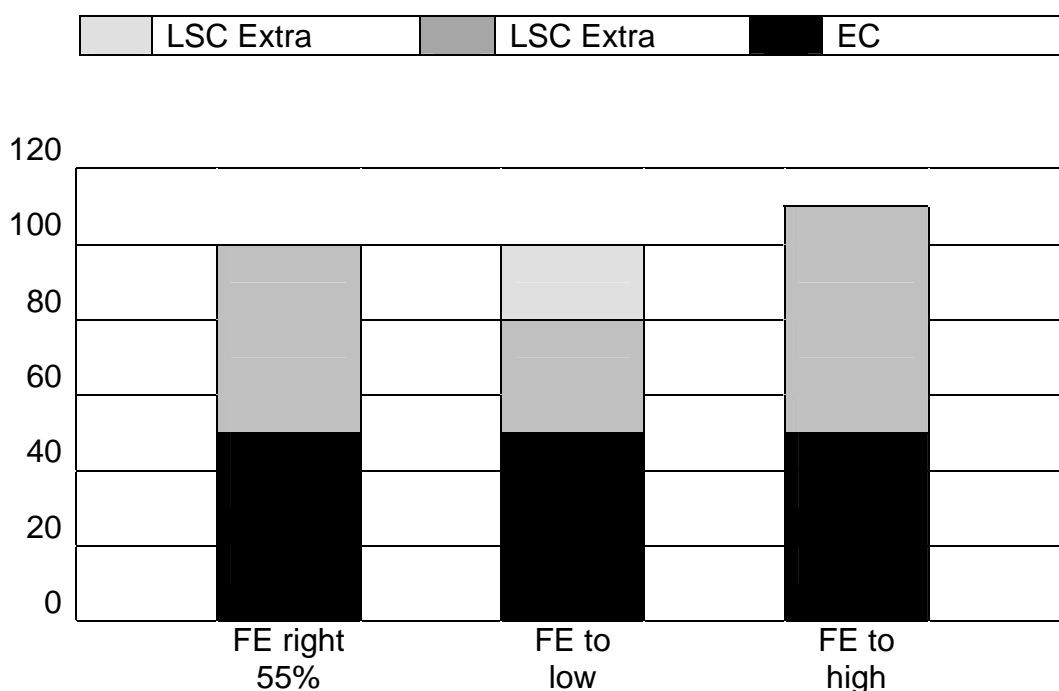
This amendment was published on the LSC's website at:
www.lsc.gov.uk/news_docs/NVQ_funding.doc

Traditional European social fund projects in FE

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

41 The new guidance is aimed to overcome an issue in the current method where the LSC funding does not always provide the correct level of match required by ESF projects. This is illustrated in the figure below.

Figure 1. Traditional ESF funding in further education



Bar 1 EC 45% + LSC 55% - this is correctly funded

Bar 2 EC 45% + LSC less than 55% - resolved by WP uplift as in circular 99/42

Bar 3 EC 45% + LSC more than 55% - FE funding is too high

42 Further guidance for FE Institutions is provided below in relation to changes required in calculating funding claims for traditional ESF provision in 2001/02. A similar approach will apply in 2002/03 with further, separate, guidance to be issued at a later stage.

43 This guidance supersedes that provided in the documents: *Abatement – Clarification for FE Institutions (December 2001)* and *Further Clarification for FE Institutions with regards to Abatement of Units (January 2002)*.

Aim

The LSC is seeking, through these changes and clarification of previous guidance, to ensure that:

- 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
- 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.

Summary of approach

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

45 This approach will apply where the cost of the 'training element'² of traditional ESF projects exceeds the amount of LSC funding which would normally be available. The normal level of LSC funding for ESF learners is the usual tariff value for the provision, reduced by the match funding level indicated in the project. Where the resulting funding generated is less than the cash amount required to fund the training element, the cash level can be increased.

46 Examples to illustrate where and how this approach should be used are given in Annex J Part 1. The cash value of LSC funding is linked to unit value in these examples for consistency with existing guidance for 2001/02 and previous years.

Mechanism

47 This approach can be used where the funding generated through the LSC's normal funding of ESF learners is below the cost of the training element of the ESF project. In this case there is a 'funding gap' between the funding available through the normal approach and that required in the project to support the training element. The level of LSC funding can, in this situation, be increased to the amount required to support the training element. This increase is effected in 2001/02 by adjusting the widening participation (wp) factor used for relevant learners to increase the level of LSC funding to give the appropriate cash level.

48 Where an FE institution can identify such a 'funding gap' this shortfall can be met by increasing the value of the relevant units by applying the methodology detailed in Annex J Part 2.

49 The total amount of funding available to an institution remains limited to the funding allocation and any additional activity for which additional funding has been made available by the LSC (for example, additional full time 16-18 year old learners).

50 The principles of this approach are set out in FEFC Circular 99/42, Extension of the widening participation factor, (paragraphs 19 to 21). The FEFC issued guidance on how to calculate the revised widening participation factor through FEFC regional offices in 2000. A revised version of this

² '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.

guidance forms Annex J part 2 to this document.

Changes to the guidance for 2001/02

51 The enhanced widening participation uplift will no longer be limited to 25%.

52 The following conditions must be met if an enhanced widening participation factor is used:

- there must be a 'gap' between the LSC funding normally available for ESF learners and that required to meet the identified costs of the training element in the project
- 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'³ to the project.
- the enhanced funding must all relate to the training element and therefore relate to activity which is eligible for LSC funding.
- 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 full tariff value)
- the total funding claimed from the LSC must not exceed the match funding level of the project (typically 55%)

53 The use of this mechanism should be discussed with the LLSC, although institutions are not required to obtain approval before applying this mechanism.

Clarification of the guidance

54 *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.'

55 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.

³ See Glossary of Terms.

56 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.

Audit arrangements

57 Institutions are reminded that ESF funding is dependent on the institution proving added value and auditors may wish to review funding claims where the uplift is claimed.

Illustrative examples

58 The examples given in Annex J part 1 are intended to provide illustrations of the scenarios where an increase to the wp factor would not be applicable and situations where an increased wp factor would be appropriate. In each case, the level of the training element of the project's total eligible expenditure (TEE) is identified and a match funding level of 55% is assumed. Where the match funding level of actual ESF projects is not 55%, then the approach must be adjusted to reflect this, although the key principles remain the same.

The key aspects of each example are illustrated in Table 1 at the end of Annex J part 1.

59 The LSC's normal funding for ESF learners includes a wp factor of 10%. This uplift of 10% forms part of the full tariff value of the relevant units and should be taken into account by institutions when the normal level of LSC funding for ESF learners is calculated.

Areas of Concern

60 A number of issues relating to the audit of the 2000/01 teaching year have been referred to the LSC for clarification. The main issues that also affect the auditing of 2001/02 provision and the LSC's responses to these issues are set out below.

Additional support

61 Institutions and their auditors are directed to the supplementary guidance on additional support published on the LSC's website. This has been reproduced at Annex H.

Distance learning, open learning and on-line learning

62 The LSC provided guidance on Distance Learning Programmes relevant to 2001/02 in *Guidance on Further Education Funding Rates and Eligibility 2001/02*, audit guidance located under ISR Audit Information in the Documents section on its website (reproduced at Annex F to this document) and *Technical Discussion Document no.22*. The LSC has published updated

guidance and it is important that auditors understand the rules for this year and apply them appropriately.

63 Guidance about how to record distance learning is included at pages 131, 163 and 164 of the *ISR 2001/02 Institution Support Manual*. Colleges were requested to enter into field (Q15) the actual guided learning hours provided to each learner, including unenhanced distance learning hours. They should also enter the sum of (guided learning hours for non-distance learning) and (guided learning hours for distance learning multiplied by 14) into the enhanced guided learning hours field, field Q38. Field Q38 is new in 2001/02. It is the value in the enhanced guided learning hours field that is used by the Learner Information Suite (LIS) when it determines the loadband for each student. Unlike in previous years, the LIS does not automatically multiply the actual guided learning hour by 14 where field Q36 is set to 3, meaning distance learning. For example, a student receives 6 hours of unenhanced guided learning and 10 hours of enhanced distance learning. The entry in field Q38 would be: $6 + (10 \times 14) = 146\text{glh}$.

64 Where only packs of material with no tutor support are provided, students are ineligible for LSC funding.

65 In order to claim entry units, evidence must be available that initial assessment and guidance has been provided to the student. This may be provided by face-to-face contact, by telephone, by videoconference or other electronic means.

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

67 Programs of distance learning require institutions to accurately record and retain evidence of actual student contact to be claimed as distance learning hours. Where no guided learning can be evidenced then no LSC funding may be claimed.

68 Student logs should include date, time and duration of contact. Supplementary evidence may be obtained from tutors' contracts of employment that may detail the student load and the expected contact to be provided to each student. Administrative and technical support may not be included in the calculation of guided learning hours. The guidance in Annex F provides further clarification on the documentation required to support claims that include distance learning and the funding multiplier.

69 To support the claim for guided learning hours, evidence of the

following activities may be included:

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

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

71 Students should be considered to have withdrawn where a student fails to make the planned contact and four weeks or more have elapsed. The withdrawal date is the date of the first missed contact. A contact is defined as the receipt of work or projects by the tutor or a meeting, or telephone call between the student and the student's tutor.

72 Where distance learning constitutes more than 5% of a college's provision, it is identified as a risk factor in the self-assessment checklist to be found in the *Circular Interim and Final Funding Unit Claims 2001/02 to be published in September 2002.*

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

74 The LSC expects colleges to be aware of the local priorities guidance in Circular 99/39, *local priorities* which applies to all modes of learning, including distance and open learning. Distance learning students must be resident in England and otherwise eligible for LSC funding.

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

76 The LSC expects particular care to be taken to confirm the funding claim where distance learning provision is franchised or delivered with a partner organisation, as this is identified as an additional risk factor in the self-

assessment checklist.

77 Institutions are reminded that for 2001/02 the OCN credit table found at paragraph 288 of *Guidance on Further Education Funding Eligibility and Rates 2001/02* is applied to distance learning provision where appropriate.

78 A helpful definition of open learning may be found in *Funding Guidance for Further Education 2002/03* Annex E. This guidance together with some further supplementary guidance is provided in Annex F.

Employer dedicated provision

79 As part of the FE program budget agreed for the LSC by DfES the sector is expected to achieve an income target of employer contributions of around £60m.

80 For 2002/03 further guidance is now being provided (in Annex I) to assist institutions in recognising provision that should be classified as employer dedicated. As part of the 2001/02 audit the LSC audit contractors are asked to use the new guidance and identify to institutions through their management letters any provision being delivered in 2001/02 that using this new guidance will attract the discount in 2002/03. Institutions must consider this guidance themselves and cannot solely rely on this matter being drawn to their attention by their ISR auditors.

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

Full cost recovery

82 Paragraph 217 of *Guidance on Further Education Funding Eligibility and Rates 2001/02* lists the provision not eligible for LSC funding and includes full cost recovery programmes. Paragraph 298 sets out the level of tuition fees expected from students/employers by institutions in delivering LSC-funded programmes. A number of institutions and auditors have had difficulty in trying to determine the funding eligibility of some provision and where the line is crossed into full cost recovery programmes. The FEFC had previously advised the sector that where the fee is more than 75% of the cost of a course then that must be regarded as full cost recovery. Some institutions may wish to run full cost recovery courses at a lower rate and this is a matter of which they have full discretion.

83 If the institution is charging a fee that exceeds this calculation (75% of LSC funding available) then the LSC would regard the provision as full cost recovery provision and ineligible for LSC funding. In order to assist in this determination the following simple example may be helpful in calculating where provision should be treated as full cost recovery.

84 For example, assume a qualification, q , for which LSC funding would normally be 100 units (including entry, on program and achievement) with an additional tuition fee remission of 33.3 units available for eligible students. The institution is funded at an ALF of £17.22 per unit. Therefore:

- **Total funding possible:**

$$\left(q + \frac{q}{3} \right) \times ALF = \text{Total funding}$$

$$\left(q + \frac{100}{3} \right) \times 17.22 = \text{£2.296}$$

- **Minimum Fee for full-cost recovery (normally at 75% level):**

$$q \times ALF = \text{Minimum fee}$$

$$100 \times \text{£17.22} = \text{£1,722}$$

85 In this example, if tuition fees are charged that exceed £1,722, then the LSC would expect the provision to be coded as full cost recovery and thus ineligible for LSC funding. In very simple terms, this may mean that where the fee charged exceeds the units available for an LSC course (excluding any fee remission units) then the LSC is a full cost recovery course.

86 Institutions are reminded of the need to comply with the spirit and intention as well as the letter of funding and audit guidance. Where fees are charged that fall between 25% and 75% of the funding available, the provision will be reviewed by auditors to assess the actual contribution of LSC funding to the overall cost of the programme. In particular, where the fee falls very close to the upper threshold, auditors will expect to find written consent by the LLSC to fund the programme.

87 As part of the 2001/02 audit the LSC audit contractors are asked to use the above guidance and identify to institutions through their management letters any LSC provision that this guidance would treat as full cost provision for which colleges had contracted and budgeted as LSC-funded provision in 2001/02 or 2002/03 no LSC funding should be claimed for any full cost provision. In accordance with paragraph 4 in the *Guidance on Further Education Funding Eligibility and Rates 2001/02* Institutions should consult their LLSC where they are uncertain as to whether any provision they proposed to offer would incur students in a fee significantly in excess of the normal 25% contribution advised in paragraph 298.

Direct provision delivered with partner organisation

88 The LSC set out on page 33 of *Guidance on Further Education Funding Eligibility and Rates 2001/02* a table (reproduced in Annex E) to

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

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

89 The LSC took over the ISR audits for FE colleges for the 2000/01 teaching year and this new audit process has identified a number of cases where it has been very difficult to determine whether the provision actually being delivered is either franchise or partner assisted direct provision. Paragraphs 5 to 10 of the *Guidance on Further Education Funding Eligibility and Rates 2001/02* sets out some fundamental funding principles that must be met before any LSC funding can be claimed.

90 In Circular 99/43 Supplement E paragraphs 41 – 46 the FEFC provided the first audit guidance on the interpretation of this table and the principle remains that the nature of partnerships lies somewhere between direct and franchised provision. Provision could be described as 'direct' when using partner facilities but using college staff and educational materials. Provision could be described as 'franchised' when the partners provide both the facilities and the staff.

91 The 2000/01 ISR audit of funding claims identified particular difficulties where institutions had attempted to switch from franchised provision to what they regarded as direct partner-assisted provision and in a small number of cases appear to have failed to realise that they are in fact still providing franchised provision. Particular difficulties have arisen where institutions have claimed funding as direct with a partner but where the provision was then delivered using a staffing agency provided by the partner (dedicated solely to that area of provision) at a site only used with their partner organisation. The LSC would normally expect this type of provision to be classified as franchised provision and the model franchise contract used, together with the appropriate evidence of control by the institution, including the necessary unannounced visits.

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

93 Where institutions use a partner that is actively involved in the delivery of the education and training of students, then institutions should consider very carefully whether the delivery of the provision does in fact more closely resemble franchise provision rather than direct provision, and in particular,

exercise great care where:

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

94 Institutions should take particular care when working with partners which are also involved with other institutions, by ensuring that they are fully informed of such arrangements, and that procedures are in place which enable them to clearly identify those students specifically enrolled by partners, under the auspices and the resources expended on their behalf for the learners. In all circumstances, the college must retain original documents including, for example, attendance records, enrolment records and learning agreements. Under no circumstances must these be retained by partner organisations at their own premises. It is also expected that the college itself will be registered with the awarding body for the qualification being studied.

95 The LSC will insist on provision being reclassified and funding claims adjusted where it appears institutions and/or their partners have contrived to classify unjustifiably, franchise provision as direct provision. *Guidance on Further Education Funding Eligibility and Rates 2001/02* makes it clear that new partnership arrangements with third party companies may be regarded as contentious provision for which prior consultation with the LLSC is needed. Where institutions have written evidence from their LLSC that they regard the provision as direct but auditors are unsure as to the true classification, they will advise the institution and the LLSC of their concerns to enable the provision to be re-evaluated for the 2002/03 teaching year.

96 Where colleges have mistakenly assessed provision as direct rather than franchised, auditors are reminded that the institution should recalculate the percentage of franchised provision. Any recalculated percentage should also be used when completing Section 2(a) of the audit opinion and self-assessment checklist.

97 Agreements and arrangements that have previously been unit based and deemed franchise agreements should not normally be transferred to a facilities type contract and assumed to be direct provision. If a college wished

to transfer the provision to direct provision prior consultation should have been sought from the LLSC.

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

IT centers

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

100 Colleges using IT centres should pay attention to individual student attendance and retention and not simply run them to maximize units at the expense of student's learning. Colleges should also take proper account of actual experience of guided learning hours and course duration in setting their standard parameters on the ISR. This should be reflected in the student enrolment and learning agreements in accordance with previous guidance.

101 The LSC accepts that where LSC-funded direct provision has always been delivered via a unit based facilities management agreement, the arrangement may continue to be regarded as direct provision for 2001/02, provided LSC guidance has been followed previously. For 2002/03 institutions should take account of the need to consult LLSC's on any provision that might be regarded as contentious.

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

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

into the credentials of any agency staff engaged in direct or franchised provision. Colleges should make sure that they retain full control of the provision.

Withdrawals

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

Guidelines for Institutions and their ISR Auditors

Programme eligibility from 1 April 2001

105 As set out in the letter to the sector of 30 March 2001 from the acting director of funding and statistics as a result of the creation of the Learning and Skills Council, from 1 April 2001 a number of changes were made to funding provision. Accordingly, the changes to programme eligibility outlined in the two guidance documents; *Guidance on Further Education Funding Eligibility and Rates 2001/02* paragraphs 125 to 139 inclusive and Circular 01/05, *Funding Allocations 2001/02*, paragraphs x and xi, were introduced, for new learners, with effect from 1 April 2001.

106 The letter is reproduced as Annex B to this document and provides a consolidated list of in-year changes or clarifications affecting funding rates in 2000/01. The principles apply equally to 2001/02. The document lists the location of all relevant guidance on the LSC website.

107 Institutions are reminded that whilst they were not required to seek approval to introduce new programmes during this period all programmes will be subject to detailed review as part of the LSC's new planning cycle from 2002/03 onwards. Institutions that wish to confirm that new provision under the revised eligibility arrangements is in accordance with local priorities, and hence likely to receive support in future years, should consult their LLSC.

Curriculum 2000

108 For the 2000/01 teaching year the LSC's new funding arrangements only applied to new 16-18 full time students, and now apply to all full time 16-18 year olds for the 2001/02 teaching year.

109 Since the guidance was originally written the new Secretary of State for Education and Skills has announced that changes are required to Curriculum 2000 for the year 2001/02. The LSC has responded to her request by exempting the delivery of the 3 key skills from the audit process for 2001/02 and instead making the LLSC's responsible for monitoring the delivery of the new curriculum. The new approach will take more account of ensuring students are taught key skills appropriate to their individual needs rather than

simply applying a rigid formula to all students.

110 Where appropriate, ISR field S28 must be completed showing that the entitlement funding is being claimed. Auditors are requested to ensure that institutions providing the wider Curriculum to their students in 2001/02 have correctly flagged the ISR field to ensure that the College claims the appropriate funding.

111 To be eligible for entitlement funding the student must be full time as defined by 16 BOPUs per period. However, to comply with the requirements for growth funding for full time student number targets as set out in Circular 01/11 *Monitoring Growth*, student programmes within the ISR will need to record a minimum of 450 guided learning hours.

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

New arrangements for adult learners (Circular 00/11)

113 In Circular 00/11, guidance was given to institutions and their external auditors on the new funding arrangements for adult learners that commenced from **1 May 2000**. This includes details of the funding arrangements for new three and six guided learning hour (glh) courses in basic skills, information and communications technology (ICT) courses for which the primary objective is progression to further education, training or employment skills.

114 Before this initiative, which began on **1 May 2000**, the LSC did not fund qualifications delivered in less than nine guided learning hours. Where institutions claim units for this type of provision, auditors are asked to refer to Circular 00/11 as to whether the provision complies with the guidance provided.

One-day course provision

115 As set out in paragraphs 109 -110 of *Guidance on FE Eligibility and Rates 2001/02*, the minimum length of course eligible for funding will now be 6glh. This will enable institutions to deliver one-day course provision where awarding bodies specify minimum requirements of 6glh.or learners aged 16-18, the minimum length of course eligible for LSC funding is 9glh.

University for Industry (Ufi)

116 The LSC and Ufi have agreed that the audit guidance set out in Ufi Guidance notes 2001/20 should be applied to auditing **learnirect** provision in 2001/02.

117 The LSC advised in paragraphs 208 and 212 of *Guidance on Further Education Eligibility and Rates 2001-02*:

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

Adults already enrolled on further education programmes are fundable for **learndirect** courses providing the programme complies with the guidance on additionality in paragraph 254.

- Further guidance on the audit evidence is detailed in Ufl guidance notes – specifically 2001/20. Particular care should be taken to ensure that appropriate funding is claimed for **learndirect** learners who are also on FE courses. Only the recipient college (or the hub where direct funding operates) should include **learndirect** learners on their ISR.

118 If you have any queries surrounding ISR / Audit, the Ufl Funding and Policy team have established a query e-mail box. The address is fundingpolicyqueries@ufi.com.

Newly funded Ufl hubs in 2001/02

119 Newly-funded hubs in 2001/02 are requested to ask their external auditors to confirm as part of their audit testing of provision made in 2001/02, that:

- a. contracts according to Ufl Guidance notes 1999/02 and 2000/09 between the recipient college and the non-FE college learning centres are signed and in place by 31 July 2002;
- b. memorandums of agreement or similar documentation, agreed by the hub partnership, which detail the number of students enrolled, the number of units and the funding to be claimed, should be in place between the recipient college and other sector colleges or higher education institutions by 31 July 2002;
- c. the number of students enrolled on Ufl provision in the hub and recorded in the recipient college's ISR is commensurate with the numbers agreed by the hub and in line with funds allocated and claimed for this purpose;
- d. the funds have not been used for any other purpose.

Other Ufl hubs

120 Each hub is made up of a College in receipt of LSC funding (recipient college) and a number of other institutions some of which will also be LSC-funded. The other non-recipient institutions in each hub in receipt of LSC funding are regarded as learning center institutions. The following guidance sets out the audit work required for each type of institution. Where funds

provided by the LSC are made available by the hub to institutions not directly funded by the LSC then all the LSC guidance on franchised provision should be applied (apart from the discount rule). This guidance should also be applied to any directly funded hub in 2001/02.

121 The majority of recipient colleges will have their arrangements for delivering Ufl LSC-funded provision audited as part of the provision they make in 2001/02 in the usual way by their external auditors. Where the partner learning centre is not an institution funded by the LSC, the recipient college should ask its external auditors to undertake the usual checks as with any other franchised provision described in Circular 99/37.

122 Recipient colleges of hub funding will require the following work from their auditors:

- a. to establish that appropriate contracts are in place with each learning centre as at 31 July 2001 or, for new centres, before the start of any provision;
- b. agree that the contracts have been signed by the accounting officer;
- c. agree returns have been received from each learning centre;
- d. agree final returns have been signed by the accounting officer;
- e. use an appropriate programme of tests on a sample basis to agree Ufl students:
 - from the returns to the ISR
 - from the ISR to the returns.
- f. for students whose learning centre is the recipient college, use an appropriate programme of tests and on a sample basis, agree Ufl students from source data underlying ISR returns;
- g. from discussions with the college, agree that internal control systems are in place by 31 July 2001 to establish the integrity and accuracy of data received from learning centres. The following examples of the controls expected are:
 - copy enrolment forms
 - copy registers (these may be electronic)
 - in-year checks to establish the quality of delivery together with checks on the accuracy of the data and actual existence of students
 - regular meetings to discuss progress and any emerging issues

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

123 Learning centre institutions who are recipients of LSC funding via a recipient college will require the following work from their auditors:

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

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

125 Hubs apply for funds according to Ufl Circular 2001/02 version 2, *Applying for LSC Funding for Ufl Activity 2001/02*, and provide the Ufl with business plans that detail the provision each partner expects to make and this has provided the basis of the allocations to each hub via its recipient college. Each recipient college should provide its external auditors with a copy of the hub business plan.

126 Following representations from the major external audit firms a separate paragraph has been added to the audit opinion to cover LSC funding distributed on a hub basis.

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

128 The LSC accepts that the Ufl electronic audit system may not be fully available for the whole of the 2001/02 year, though it **should provide** some information and assistance to auditors in completing their 2001/02 audits. The most likely problem areas are identified as: documentary evidence of virtual learners, actual dates of withdrawals and the necessary supporting evidence as well as evidence of completion and achievement. The LSC expects the new tracking software once fully operational to significantly assist in dealing with these issues.

129 Guidance on completing the individualised student record (ISR) is contained within separate Ufl and LSC guidance. **Only recipient colleges should enter Ufl students on ISR returns to the LSC.** A clear audit trail should be established between the recipient college, the partner learning centre and its learners.

130 For 2002/03, the LSC expects that Ufl provision will be audited in line with LSC guidance and will comply with LSC circular *Funding Guidance for Further Education in 2002/03*.

131 One particular issue involves the sharing of entry units for students undertaking Ufl courses and other FE courses at FE delivery centres that are also LSC-funded institutions. It is the responsibility of all institutions submitting final funding claims to the LSC to ensure that all aspects of the LSC guidance are followed. Where delivery institutions enroll students on their own programs and on Ufl programs then they must ensure that the entry units are shared between themselves and Ufl in a proportionate and fair manner. As the students will be entered on two ISRs, namely the Ufl provision on the recipient college ISR and the delivery centre's own ISR a manual adjustment will be needed to prevent any double funding.

132 The LSC expects that the two institutions should be able to agree the necessary adjustment by themselves, taking full account of LSC guidance. The LSC will require manual adjustments to final funding claims to reduce the total unit claim for each student below any double funding threshold. The relevant manual adjustment code will be contained in the circular *Interim and Final Funding Unit Claims 2001/02*. This should take account of who provided the first qualification, how the normal recruitment, assessment and guidance activities are delivered and the relative size of the programmes involved.

133 Whilst the franchising discount does not apply to Ufl provision for 2001/02, the employer dedicated discount does apply for appropriate provision.

Non-schedule 2 pilot projects

134 The LSC agreed for 1999/2000 and 2000/01 to fund a number of pilot projects for non-schedule 2 provision for adults from disadvantaged backgrounds. These projects were intended to provide innovative learning programmes for disadvantaged adults.

135 The LSC funding was intended to widen participation and deliver additional activity over and above any existing LEA provision. The LSC also recognised the importance of an integrated approach to the development of lifelong learning provision and working together with the strategic lifelong learning partnerships launched in a letter of 4 January 1999 from the secretary of state.

136 The provision supported by the projects should have been focused on the lifelong learning partnership area and locally delivered. Franchised or open/distance learning provision for students outside the partnership area were not eligible for funding.

137 Paragraphs 14 to 20 of Circular 99/16 give details of the types of students this funding was expected to support.

138 The LSC expects this provision to be supported by institutions in 2001/02 through their adult growth funds and institutions to have agreed funding/learner numbers profiles with their LLSC in advance of delivery. These activities will not be regarded as standard 'other provision' during 2001/02 provided that there is evidence that the learning activities meet the project criteria and that learners are **new** to the system. As a minimum, this means that learners should not have undertaken a learning activity of 6 hours or more during the preceding college year.

139 For audit purposes, colleges should retain evidence of initial assessment and guidance and the number of guided learning hours delivered on each programme. Evidence in support of a claim for assessment and guidance may take several forms and is likely to differ from assessment for mainstream FE learners and *may not take the form of diagnostic assessment*. For example, initial assessment may take the form of a negotiated programme, recorded on an abbreviated enrolment form.

140 Audit evidence is also required on the eligibility of learners to confirm that they are primarily from the target groups of educationally disadvantaged learners described in paragraph 14 of Circular 99/16. In addition to the target groups identified in 99/16, colleges may also have legitimately targeted low paid workers who have experienced disadvantage in their education as the programme might enable them to progress to further learning.

Audit evidence required to show eligibility of learners in one of these categories may include:

- marketing and publicity leaflets showing clearly the target groups e.g. adults experiencing alcohol dependency
- a reference letter from an agency recognised as having expertise working with adults in the target group which may have referred the person on
- eligibility assessment developed by a group of partnerships, approved

by those partnerships and agreed by the appropriate LLSC

- where no other evidence can be provided, it is acceptable to witness the signature of the principal of the relevant college verifying that the learner has confirmed their eligibility within the target group(s).

It is not expected that learners should self-declare against tick boxes on an enrolment form.

141 All learners should be aged 19 or over: there is no upper age limit for participants, subject to the requirement that progression needs to be a realistic option for every learner including older learners. Minimum course time in guided learning hours is 6glh. There is no maximum length

142 The *expectation of* progression is that every learner should have the opportunity to progress to another programme, preferably at level 2. This is the expectation of the secretary of state. Some learners will wish to avail themselves of this and others will not ever, or may not do so immediately after their course. Colleges should record possible progression opportunities during the course of the programmes and they should also capture data about actual progression. There is no LSC suggested 'standard rate' for progression in colleges or across partnerships: colleges will be aware of progression rates within their own institutions, e.g. from an entry programme to a subsequent programme and they may be able to create benchmarks from this.

143 Every institution is responsible for the audit of funding for the learners recorded on its ISR, including those where learning is taking place with non-college partners.

144 Where a college or partnership has involved the LEA or other provider in delivery, this would be done under a contract with the LEA or other provider. The LEA or other provider should have provided the college or partnership with a clear statement that the activity is additional and over and above any provision that they made or planned to make during 2001/02.

145 There should be no contracting outside the local area of the partnership, nor should there be any subcontracting beyond immediate partners of colleges. The franchise contract (supplement to FEFC circular 99/37 *Franchising and Fees*) may have been used to regulate agreements for delivery of programmes. There is no franchise discount applied to the activity funded by this initiative, as all learners attract a widening participation uplift.

146 Some partnerships have developed their own form of contract or agreement to cover local arrangements. Audit evidence in support of a contract other than that set out in the supplement to circular 99/37 would be:

- a written statement of objectives, including recognition of the aims of the initiative in supporting new learners and providing progression where appropriate

- outcomes and planned learner numbers
- confirmation of record keeping and the provision of information to the college
- confirmation of additionality

147 This agreement should be jointly agreed and signed by the principal of the college and/or the head of the learning partnership, and the signature of the head of the partner organisation.

148 The units available for this provision are set out in paragraphs 21 to 26 of Circular 99/16. The values of on-programme units available for the loadbands are set out in annex A of *Guidance on Further Education Funding Eligibility and Rates 2001/02*. The provision attracts cost-weighting factor (c), based on the expectation, which applies to basic education programmes, that the learning groups for this provision are likely to be relatively small. Partnerships were accustomed to receiving an additional amount of up to 5% of the total cost of the project as 'development costs'. The 'widening participation' factor has been amended to 15% to take account of the 'development costs' for 2001/02 only.

National projects

149 The LSC national project team has set up a small number of national projects with colleges who will have completed a Project Agreement form. The funding to be claimed differs from that laid out *Guidance on Further Education Funding Eligibility and Rates 2001/02* and will be detailed in the individual project specification. These colleges should ensure that their external auditors are aware that the college is included in those projects and that the provision is sampled as part of external audit arrangements.

Open College Network (OCN) (Technical Discussion Document no.23)

150 The LSC provided guidance on claiming units for Open College Network accredited programmes in *Technical Discussion Document no.23*. Auditors should use these guidelines when evaluating unit claims for OCN provision. The document explains how the credit achievements can be used to calculate the relevant loadband. The LSC published an updated OCN credit achievement target table at paragraph 288 of *Guidance on FE Funding Eligibility and Rates 2001/02*.

Monitoring and recovery of funds

151 The LSC approach to monitoring and recovery of funds for 2001/02 is set out in Circular 01/05, *Guidance on Funding Allocations 2001/02*, paragraphs 98 to 108. Additional guidance was also provided in Circular 01/11 *Monitoring Growth* but this guidance is now amended to take account of the change agreed in February 2002 by the LSC that institutions will no longer

face clawback for shortfalls in student numbers where student funding unit targets have been met for the years 2000/01 and 2001/02.

152 As confirmed in these circulars the tolerance system is being wound up at the end of the 2001/02 teaching year. Recovery of funds for 2001/02 will be assessed using the following formula:

+	Total of all funding units delivered in 2001/02	(a)
-	Total of all funding units allocated in 2001/02 (including any additional growth allocations)	(b)
+	Tolerance balance brought forward from 2000/01	(c)

153 For institutions any calculation of (a) – (b) above will normally be moderated by the provisions in the next paragraph. Those institutions that did not deliver their core allocations in 1999/2000 and 2000/01 should note that there is no right to any protection under the first bullet point of this paragraph.

154 Where there is a shortfall in funding units against the 2001-02 funding agreement, the LSC will deduct funds from the institution's payments at the rate at which it was funded for each unit of the shortfall subject to:

- each institution being guaranteed 90% of its 2000-01 allocation even if its actual performance would imply a lower level of funding, unless the performance in 1999-2000 was also less than 90% of the previous year's allocation
- a provision that no reduction with a value of less than the lower of 5,000 or 5% of its main allocation will be made. Where appropriate, any such reduction in funding will reflect the London weighting allowance.

155 After adjusting the calculation of (a) – (b) above to take account of any protection the figure will then be added to the tolerance brought forward from 2000/01. Where the tolerance balance is negative (brought forward underperformance) the sum of (a) – (b) will be reduced and where the tolerance balance is positive (brought forward over performance) the sum of (a) – (b) will be increased.

156 For all institutions where the final sum of (a) – (b) + (c) is negative, funds will be recovered at the institution average level of funding (ALF) for 2001/02. Any institution that is paid additional or other allocations in 2001/02 at a different ALF should contact their LLSC to ensure that any recovery is adjusted for any of these units being recovered. All tolerance brought forward units will be recovered at the institution 2001/02 ALF regardless of the rate at which they were originally paid.

157 Institutions who wish to surrender tolerance balances early must contact in writing the funding eligibility team in the national office before 8 July 2002 and these units will be recovered from their July 2002 payment. The LSC will only accept the surrender of the whole of an institutions tolerance balance and any partial requests will be refused.

Main Stages of the Annual Audit Process for All Institutions

158 The following description of the main stages in the annual audit process has been developed from the arrangements adopted by most external auditors of colleges from 1998/99. It is provided for information. The new audit circular for 2002/03 will provide more detail of the LSC's new approach for college ISR auditors and the lessons learnt from the quality assurance review of the 2000/01 college audits. Decisions regarding the level of work necessary for individual institutions are a matter for auditors' judgement, and they should take into account the particular circumstances, the identified areas of risk and the areas of particular concern to the LSC.

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

- the institution's ISR25 (December 2002; 2001/02) return is properly compiled in accordance with guidance issued by the LSC, (including that guidance relating to the eligibility of students and their provision for LSC funding), and has been properly extracted from the records of the institution
- the institution's final claim for funding units for 2001/02 is consistent with the ISR25 return and has been properly compiled in accordance with guidance issued by the LSC, (including that guidance relating to manual adjustments to the number of units generated by the Learner Information Suite)
- the institution's arrangements for managing franchised provision accord with the LSC's guidance and fully satisfy the control criteria
- the institution's claim for the funds detailed in the audit report is properly compiled in accordance with the guidance issued by the LSC.

Audit staff briefing

160 The reviews performed by the LSC's audit service have revealed that planning is not being undertaken in sufficient detail. Particularly relevant findings include the lack of an adequate audit planning meeting with management, the failure to request relevant management reports and undertake analytical review procedures before beginning audit work; and the performance of a limited range of audit testing which omits many of the detailed areas included in LSC guidance. For example, auditors often do not question institutions at the planning stage to ensure that their audit programmes include testing of all relevant types of unit claimed and, where necessary, testing in areas which the LSC has identified as presenting difficulties. Auditors should ascertain, before beginning audits, whether claims for funding units have been made in specific areas or whether colleges have particular types of funding. This exercise will facilitate the targeting of audit work, particularly on known areas of difficulty.

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

Regular use of analytical reports for management, audit and quality assurance

162 Colleges will be provided with a self-assessment checklist as part of the Circular *Interim and Final Funding Unit Claims 2001/02*. This and any other returns, reports or correspondence with the LSC such as that described in paragraph 170 below should be made available to auditors at the planning stage of the audit.

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

164 The list of management reports has been updated in consultation with the audit of student numbers working party, which includes representatives of colleges and audit firms, including, from April 1999, the Audit Commission. The LSC has provided its own ISR college auditors with a number of Computer Assisted Audit Techniques (CAATs) to assist in sampling ISR returns. These programs are available from the website in the Data section under Software and CAATs Audit Reports, and may be used by former external institutions (EIs), higher education institutions (HEIs) and their auditors at their own discretion. Greater efficiency in the audit may be achieved if these and/or other reports are available at the start of the audit. For 2001/02 colleges are expected to run the CAATs reports and check their data prior to the commencement of any audit work.

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

Evaluation of management controls and student records systems

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

Scope of the audit

167 In some areas of the guidance, the most efficient approach to testing may be to challenge the institution's management on how they ensure that claims for funding units are correctly stated. Management will find their response easier if they complete, in advance of the audit, the self-assessment checklist. If satisfactory answers are not forthcoming, auditors will need to devise appropriate substantive tests in order to satisfy themselves that funding claims are not misstated. In some cases this substantive testing may involve contacting directly a significant sample of students and staff involved in the provision.

Sampling

168 On some of the audit files reviewed by the audit service, there is no evidence in the working papers as to the rationale for the selection of sample sizes. It is therefore difficult to see how auditors have determined their sample sizes in order to ensure that audit coverage is adequate and conclusions soundly based. Auditors should include on file adequate evidence of their rationale. Guidance on the action that should be taken when errors are identified in samples is given in paragraphs 188 and 190 below.

Completeness of the data

169 Auditors are reminded that part 1 of the audit report requires them to express an opinion on whether 'the institution's ISR25 return is properly compiled in accordance with relevant guidance issued by the LSC and properly extracted from the records of the institution'. In performing audit work, auditors may have to rely on information produced by the institution, for example, listings of franchised students, overseas students or students under the age of 16, before performing focused testing on these and other specific areas of difficulty. Auditors should attempt to verify the completeness of the data provided. This might be achieved by performing 'two-way testing', that is, from the ISR database to institution records and from institution records to the ISR database.

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

- a. the funding agreement between the LSC and the institution. In addition to the general conditions of funding described in paragraph 28 of *Guidance on Further Education Funding Eligibility and Rates 2001/02*, this may include specific conditions relating to the provision made by a particular institution. These might include, for instance, provision for individual students with learning difficulties and/or disabilities. In certain circumstances, the LSC may not wish its funds to be used by an institution for a specific purpose, for example, to develop provision outside its local catchment areas where such provision is already made. It may therefore include a specific condition of funding in an institution's funding agreement;
- b. relevant correspondence with the LSC on audit-related issues;
- c. details of any college companies wholly or partly owned by the college and details of any overseas ventures.

Stage 1: In-year checks

171 The attention of institutions and auditors is drawn to the merits of in-year checks as a means of preventing and identifying errors, omissions and inadequacies. ISR auditors should have planned checks on institutions'

systems, and substantive testing should be carried out while provision is taking place and students are present during the teaching year. ISR auditors' review of relevant sections of LSC audit reports, where these have been finalised and reported to college audit committees, and of internal audit reports, will be relevant to this consideration. In addition, institutions and their external auditors should consider undertaking some substantive in-year checks during Autumn 2001. This may be particularly valuable where provision is seasonal or at a distance from the college.

Stage 2: Systematised and substantive checks on institutions' ISR25 returns and systems

172 Listed in table 8 of Annex L are some areas of audit work that auditors of colleges should be able to complete, on the basis of the ISR25 return, as part of their work in determining their opinion on colleges' financial statements. This list is not comprehensive and should not replace the auditors' judgement.

173 Where the final income receivable for 2000/01, derived from the final funding unit claim for that year, differs from the estimated income shown in the 2000/01 financial statements, an adjustment should be included in the financial statements for 2001/02. The LSC would not expect this difference to be significant enough to justify a prior-year adjustment, other than in exceptional circumstances, but rather as an adjustment to the income shown for 2001/02.

Stage 3: Completion of audit of final funding unit claim and ISR25

174 The LSC requires the opinion: 'to give reasonable assurance that the funding unit claim is free from material misstatement, whether caused by fraud or other irregularity or error'. As advised to college and external auditor representatives at the audit of student numbers working party meeting of 23 June 2000, the LSC accepts that institutions are responsible for the data they return to the LSC. Institutions should therefore have checked the accuracy of their data before sending their data to their external auditors. Auditors are expected to perform the appropriate audit work to enable them to reach their opinion.

175 It is expected that the ISR25 return will differ from the ISR23 return primarily by the inclusion of achievement and destination data, although other changes may have been made to correct any inaccuracies identified through audit work. Institutions are required to explain any additional, or removed, student records in the reconciliation of the ISR25 and ISR23 returns, as set out in the *ISR Institution Support Manual 2001/02* and due to be returned to the LSC by 31 January 2003.

176 For colleges and other institutions whose external auditors have carried out the majority of their planned audit work through in-year checks and through checks on the ISR23 return, audit checks on the ISR25 return will

need to include:

- a. substantive testing of achievement and destination data;
- b. validation of the funding units derived by the institution from the ISR25 data, taking account of the LSC's guidance on manual adjustments provided in September 2002;
- c. checks that the changes between the ISR23 and ISR25 returns, recorded in the student reconciliation return, are complete, accurate and consistent with the source documentation held by the institution, and that the units generated by the two returns can be reconciled. Auditors should satisfy themselves that the institution can explain the nature of any changes to individual fields between the two returns. Any widespread or systematic changes should be investigated further by the auditors.

177 In other cases, and particularly where external auditors plan to base the majority of their audit work on the ISR25 return, auditors will need to take account of the areas of work listed in table 8 of Annex L, substituting checks on ISR25 for those on ISR23. Audit checks will also need to include:

- substantive testing of achievement data
- validation of the funding units derived by the institution from the ISR25 data, taking account of the LSC's guidance on manual adjustments.

178 To assist institutions and auditors in checking the accuracy of ISR data and funding unit claims, some comparative national statistics will be published by the LSC on its website. It should be noted that the LSC will publish performance indicators for colleges derived from audited ISR returns (ISR22; December 2001). These will include details of individual institutions and comparative national statistics.

Audit of specific aspects of institutions' 2001/02 funding allocation

Basic Skills and ESOL in Local Communities projects

179 Institutions may have used funds provided in earlier years to deliver this provision in 2001/02. The criteria for funding were that:

- the provision should include basic skills (that is literacy, numeracy or English for speakers of other languages (ESOL), usually found in programme area 10) as a substantial part of the student's learning programme
- students should be enrolled on programmes delivered between 1 August 2001 and 31 March 2002.

180 It is expected that institutions will retain evidence that the provision meets the criteria set out in the project guidelines, together with evidence of attendance on the course. External auditors should ensure that the student records comply with LSC guidance and are accurately recorded on the institution's ISR.

181 The LSC would not normally fund school-leavers until the teaching year after they leave school. In practice, the official school leaving date is the last Friday in June of the academic year, and students leaving on that date would only be eligible for LSC funding from 1 August 2001. In the case of the basic skills summer schools, the LSC would wish to encourage collaboration with similar arrangements in schools, and is prepared, on an exceptional basis, to allow provision made for these students after the last Friday in June to be eligible.

Transfer of units between Council-funded institutions

182 Higher education institutions were reminded in Circular 98/25 that the funding agreement with the LSC specifically prohibits them from delivering their LSC-funded provision by means of a franchise agreement with other LSC-funded institutions of any type. In Circular 96/32, the LSC extended this restriction to all other LSC-funded institutions. In addition, the secretary of state has encouraged institutions to promote more collaborative activity. Institutions were requested to discuss with the appropriate LLSC any plans for partnership activity that may involve the transfer of units between institutions that receive funds from the LSC. Auditors should expect such institutions to be able to provide documentary evidence that the LSC has specifically agreed to any such development.

Higher education institutions

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

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

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

- the appropriate HESA individualized student record, in place of the ISR
- the data file derived from the HESA data and imported to the LIS, where the HE institution has done this
- reports generated by the LIS.

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

Qualification of audit reports

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

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

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

190 Similarly, whilst the definition of 'a few isolated cases' is left to the professional judgement of the external auditor, taking account of their assessment of the control environment, this guidance assumes that it is made in terms of the whole population of the institution rather than a specific sample. This is particularly relevant where small samples are used for substantive audit testing. In such cases, where inadequacies are identified in the sample, external auditors will need to consider extending their sample testing in order to assess whether these inadequacies relate to more than a few isolated cases in the population as a whole. The LSC audit service's reviews to date have shown that auditors are not always taking this action in response to errors found.

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

191 The LSC has identified in Annex L Table 7 for institutions and their external auditors, its probable response to the main potential qualifications to 2000/01 audit reports. This response is based on the LSCs experience of previous audit reports. In summary, the advice will adopt the following actions. Where audit testing shows, and auditors are satisfied by consequent work undertaken by themselves or the institution:

- that inadequate audit evidence has been kept by the institution in a few isolated cases across the whole population of the institution, but where the final funding unit claim, and for colleges their income, have not been materially misstated — auditors would be expected to report the finding in a management letter
- that there are more than a few isolated cases in which inadequate audit evidence has been kept by the institution — auditors would be expected to qualify their audit report and to do sufficient work to validate the institution's estimate of the number of funding units for which inadequate evidence had been kept. The LSC can then determine whether an adjustment to the institution's final funding allocation should be made
- that there are a few isolated errors or omissions in the institution's ISR25 return, which are not expected to affect the calculation of funding units or statistics such as performance indicators — auditors would be expected to report the finding in a management letter
- that there are more than a few isolated errors or omissions in the institution's ISR25 return, which might be expected to affect the calculation of funding units or statistics such as performance indicators — the institution would be expected to return revised ISR25 data and, if necessary, a revised funding unit claim, both of which have been validated by the institution's auditor
- that there are errors in the manual adjustments to the institution's final funding unit claim — the institution would be expected to return a revised funding unit claim that has been validated by its auditors.

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

193 The LSC's funding and statistics support desk is available to provide information and advice to institutions and external auditors and to assist external auditors in providing in their audit report all the information necessary for the LSC to act on the final funding unit claim.

Reporting Potential Fraud and Irregularity

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

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

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

There may be circumstances that do not fit this definition. In these cases or any others, colleges can seek advice or clarification from the LSC's auditor service.

196 External institutions maintained by local education authorities and HE institutions will have their own fraud and irregularity procedures that should be followed. Independent external institutions should ensure that similar procedures are in place. The LSC's chief auditor should be notified as described in paragraph 114 above, where LSC funding is concerned.

Suggested Checklist for Auditors

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

- a. fee remission;
- b. additional support;
- c. loadbanded courses;

- d. students under the age of 16;
- e. provision delivered outside England or for overseas students;
- f. institution staff enrolled on courses;
- g. qualifications with generic or non-specific generic codes;
- h. youth credit or partially funded students, particularly those partially funded by the European Social Fund (ESF);
- i. franchised and partner-assisted direct provision;
- j. school students on link provision, students enrolled on inward collaborative provision, full-cost recovery students or higher education students;
- k. ESOL and EFL students;
- l. qualifications gained by accreditation of prior learning and experience (APL);
- m. students studying NVQs, including those using APL, and/or involving distance learning;
- n. distance or open learning methods;
- o. qualifications which accredit complementary enrichment studies which would normally be considered to be part of a GCE/GCSE programme of 450 or more guided learning hours a year;
- p. distance learning enrolments on qualifications which are not individually listed in the tariff;
- q. students from outside the institution's local recruitment areas;
- r. provision franchised to social services day/residential colleges or hospitals or Ministry of Defence (MOD) establishments;
- s. the reclassification of franchised provision to direct with partner;
- t. the reclassification of employer-led provision to community-based;
- u. the identification of students for HEFCE funding;
- v. provision delivered via college companies or joint venture companies;
- w. provision delivered via off-site open access information technology centres in partnership with third-party companies.

This list is not designed to be exhaustive. Auditors should always use their

professional judgement when deciding on appropriate testing in respect of each institution.

Management reports particularly relevant to checks on student records

198 Reports Available from Version 9.02 and Subsequent Versions of the Learner Information Suite

- import log
- summary of units by category
- qualifications units report detailing all qualifications, student numbers and units by category for the institution
- manual amendments report.

199 Reports from Institutions' Student Record Systems

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

200 Possible Additional Reports

- list of records for students with the same surname and date of birth
- list of students whose learning programmes include one or more generic qualification codes
- list of students whose country of domicile is not England or whose nationality is not that of a country in the European Economic Area (EEA)
- list of students engaged in franchised provision allocated to loadband 4 or 5
- list of full-time students aged 16 to 19 (for external institutions)
- list of all students and widening participation (WP) factors where the student's WP factor does not match the WP factor in the LSC's WP

factor file (matched by student's postcode)

- list of students with non-zero WP factors in ISR, with postcodes not found in the above match
- list of students where WP uplift is claimed based on definitions in paragraphs 86-94 and paragraphs 343-347 of *Guidance on Further Education Funding Eligibility and Rates 2001/02*
- list of students on GCE A level qualification aims, studying part-time during the day, and NVQ qualification aims, showing the qualification start and end dates
- list of all ESF students where the ESF objective does not correspond to the objective for the area in which the student lives.

Qualified reports

201 External auditors should make clear which matters referred to in their audit report have a material impact on the institution's final funding unit claim or the statistical accuracy of the ISR return and which do not. Where no material issues are identified in the report, the appropriate subparagraph (c) or (d) of the audit report contained in Circular *Interim and Final Funding Unit Claims 2001/02* should be selected.

202 Where an audit report is qualified under the appropriate subparagraph (e), (f) or (g), the external auditor should provide a further report. This further report should give the reasons for qualification including any amendments to returns.

Management Letters

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

204 When auditors issue management letters on their audit of student numbers (or make reference to the audit of student numbers in their financial accounts management letter), the LSC needs to know on which ISR return the comments in the management letter are based. The LSC also needs to know whether any units associated with concerns raised by auditors have been excluded from the final ISR. Where auditors are able to advise that all relevant amendments have taken place prior to the final ISR, and the final claim has been adjusted accordingly, the internal validation process of final funding claims is made significantly easier. This will assist in maintaining a smooth three-way relationship between college, audit firm and the LSC.

205 Management letters should not be used to report matters that in the external auditors' judgement constitute serious weaknesses or errors. Such matters should be included as a qualification on the external auditors' report

on the final funding unit claim and described fully in the further report. The management letter should make clear how the issues raised in it have been resolved. In particular, any adjustments to the claim arising from issues identified in the management letter should be quantified.

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

207 The Audit Commission has advised the LSC that management letters are prepared for the LEA rather than the LSC. All matters having a bearing on the final claim for student numbers or ISR returns should be referred to in the audit report.

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

Franchising Provision: Control Criteria

209 The need for systematic checks by institutions on franchised provision is referred to in table 7 of Annex L to this document that further defines franchising and secondment arrangements. Auditors' attention is drawn in particular to paragraphs 7 to 12, 25 and 26 of Circular 99/09.

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

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

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

212 Whilst the essential elements of this test have been embodied in previous guidance from the LSC, colleges are now advised to review, and if necessary adapt, their franchising arrangements to ensure that the required controls are in place. The specific controls that the LSC will look for are set out in Annex L. Each college which seeks to use LSC funds in connection with a franchising agreement should have in place, prior to the commencement of delivery, arrangements which satisfy the control criteria and a contract, at least as comprehensive as the model.

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

214 The main elements of the LSC's expectations of institutions' checks on franchised provision are listed in table 7 of Annex L. The LSC considers such systematic checks by institutions to be essential. Auditors are reminded that the LSC would expect external auditors to be present at some systematic checks on franchised provision in 2001/02.

215 Auditors were asked specifically to include the following as part of their audit programmes in respect of franchised provision during 2001/02. Each of these elements would have involved some audit checks before the end of the 2001/02 teaching year (31 July 2002). Auditors were required to:

- a. satisfy themselves that the controls set out above were in place and operating for all of the institution's franchise arrangements;
- b. satisfy themselves that the institution's management was making appropriate systematic checks to ensure that students enrolled by franchise partners on their behalf and recorded in the franchisee's records were correctly described in the institution's student record system and were actually receiving the scheduled provision described;
- c. satisfy themselves that no LSC funding was transferred from institutions to employers, including via third parties, as part of a franchise arrangement to provide education and training to their employees. Payments to employers, for example for the use of premises and equipment, would be appropriate;
- d. satisfy themselves, where secondment arrangements had been made,

that appropriate legal advice had been obtained and sufficient evidence was available that a contract as described in Circular 99/37 was not required and that the provision was fully in the control of the college;

- e. satisfy themselves that the guided learning hours recorded for loadbanded provision had been correctly calculated in accordance with the LSC's guidance contained in *Guidance on Further Education Funding Eligibility and Rates 2001/02*.

216 The LSC regards the amount of franchised provision by an institution in 2001/02 as being significant where it:

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

217 Where either of these criteria is met, institutions should have consulted their external ISR auditors while provision was still in progress during the 2001/02 teaching year. A description of the key elements of the LSC's expectations of institutions' in-year checks on franchised provision is in Table 7 and section 5 of Table 8 of Annex L to this document.

218 For 2001/02, auditors may consider it unnecessary to repeat in-year checks themselves where the franchised provision is not considered significant, as defined in the paragraph above. It may also be considered unnecessary where the external auditors attended for similar in-year checks in 2000/01 and the arrangements for each franchised provision and the control systems are unchanged, or where internal audit have attended in 2000/01 and found arrangements to be effective.

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

220 The LSC expects particular care to be taken to confirm the funding claim where distance learning provision is franchised as both are identified as risk factors in the self- assessment checklist.

Calculating Guided Learning Hours for Non-individually Listed Qualifications

221 Paragraphs 249-257 of *Guidance on Further Education Funding Eligibility and Rates 2001/02* provide guidance on loadbands.

Accreditation of prior learning and experience

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

223 APL is expected to be a substantial process. Robust evidence of the process leading to APL, for example, a sufficiently detailed log of student activity, should be sought. Further reference is provided in the Glossary of Terms.

Provision in the workplace

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

225 Where a supervisor is delivering provision to a group of students, the LSC expects such provision to be scheduled, and the attendance of students on each occasion that the provision is delivered to be recorded. Otherwise, it is expected that the supervisor is delivering guided learning hours to students on a one-to-one basis. Auditors should satisfy themselves that the number of guided learning hours recorded is reasonable, bearing in mind how the

supervisor's time is divided between:

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

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

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

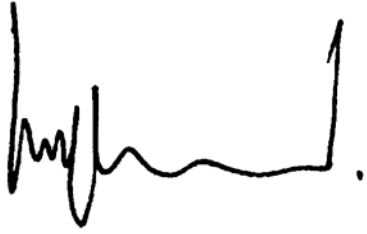
227 This guidance also relates to provision made in other situations such as residential homes or social services day-care provision. It is expected that, because of the possibility of double-funding with other statutory agencies, such provision is made in exceptional cases only. It is recommended that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

Franchised provision

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

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

230 It is expected that this is a substantial process and that there should be robust evidence of the process leading to APL, including a sufficiently detailed record, or log, of individual student activity.

A handwritten signature in black ink, appearing to read 'John Harwood', with a period at the end. The signature is stylized and cursive.

John Harwood, Chief Executive

Annex A: Circulars and Guidance Notes

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

Circulars & Guidance relating to 2001/02 Funding

Guidance on Further Education Funding Eligibility and Rates 2001/02

Interim and Final Funding Unit Claims 2000/01 (to be published in September 2002)

Circular 01/05

Guidance on Funding Allocations 2001/02

Circular 00/11

New Funding Arrangements for Adult Learners

Circular 99/54

Revised Funding Methodology for 2000/01 including Curriculum 2000

Circular 99/43

Audit of 1998-99 Final Funding Unit Claim and of the 1998-99 Individualised Student Record Data

Circular 99/39

Local Priorities

Circular 99/37

Franchising and Fees

Circular 99/16

Applications for Funding for Non-schedule 2 Pilot Projects

Circular 99/09

Franchising, Fees and Related Matters

ISR Returns

Individualised Student Record (ISR) Institution Support Manual 2000/01

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

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

Technical Discussion Document no.29 on arrangements for recording Ufl students in the ISR for 1999-2000

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

Technical Discussion Document no.27 confirmation of the specification of the ISR for 2000-01 where this differs from that for 1999-2000

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

Circular 01/16

Interim and Final Funding Unit Claims 2000/01

Letter to sector 30 March 2001 (reproduced in Annex B)

University for Industry (Ufi) Guidance Notes

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

2000/24

Ufl Audit Guidance 2000-01

2000/31

Ufl Guidance Note on the ISR

2001/08

Ufl Audit Guidance 2000-01

2001/20

Ufl Audit Guidance 2001-02

Annex B: Letter of 30 March 2001 from Emily Thrane, Acting Director of Funding and Statistics

To: Heads of institutions
MIS suppliers
Student number auditors
Executive directors of local Learning and Skills Councils
Further education contacts at local Learning and Skills Councils

Update on Eligibility and Tariff Issues – Introduction

This letter sets out eligibility arrangements from 1 April 2001 to the end of the current academic year, following the repeal of Schedule 2 of the Further and Higher Education Act (1992). In addition, it provides a consolidated list of in-year clarifications to the *Guidance on the Tariff 2000/01* which have previously been published on the LSC's web-site. These changes are applicable for the period from 1 April 2001 to the end of the current academic year (31 July 2001). The letter also introduces a further change to the funding of part-time GNVQs designed to assist institutions in the funding of curriculum 2000 programmes.

In addition, the letter provides specific clarification on the eligibility arrangements for funding of work based programmes for the academic year 2001/02 (i.e. from 1 August 2001).

Programme Eligibility 1 April 2001 to 31 July 2001

1 In line with the expectations of ministers following the repeal of Schedule 2 of the Further and Higher Education Act (1992), the LSC wishes to extend the new arrangements for the eligibility of programmes for funding to cover the period 1 April 2001 until 31 July 2001.

2 Accordingly, the changes to programme eligibility outlined in the two guidance documents; *Guidance on Further Education Funding Eligibility and Rates 2001/02* paragraphs 125 to 139 inclusive and Circular 01/05, *Funding Allocations 2001/02*, paragraphs x and xi, will be introduced, for new learners, with effect from 1 April 2001.

3 Any provision introduced under these new arrangements should be funded from the institution's 2000/01 allocation.

4 Institutions are not required to seek approval to introduce new programmes during this period but are reminded that all programmes will be subject to detailed review as part of the LSC's new planning cycle from 2002/03 onwards.

5 Institutions that wish to confirm that the new provision under the revised eligibility arrangements is in accordance with local priorities, and hence likely to receive support in future years, should consult their local Learning and Skills Council.

6 Learners enrolled on programmes prior to 1 April may complete their existing programmes and, in addition, may enrol for new programmes under the revised eligibility arrangements if appropriate.

7 This change in eligibility does not affect the rates of funding that were detailed in *Guidance on the Tariff 2000/01*, which continue to apply to all programmes, including those programmes introduced under the new eligibility arrangements, until 31 July 2001.

Consolidated list of in-year changes or clarifications affecting funding rates in 2000-01

8 At the 2000/01 funding seminars the funding team undertook to bring together all changes or clarifications to *Guidance on the Tariff 2000-01*. This section provides this consolidated list and introduces a further change made at the request of sector colleges. All the changes listed below are applicable for the period 1 April -31 July 2001. Rather than reproduce all references, the location of the document on the LSC's website is provided.

Entry Units

9 Clarification, in the director of funding and strategy's letter of 3 July 2000, on the circumstances when entry units may be claimed.

Reference:

www.lscdata.gov.uk/documents/othercouncilpublications/other_pdf/tariff_letter_GH.pdf

GNVQs

10 A change, made in August 2000, to the criteria for designating a GNVQ as a part-time, rather than a full-time course.

Reference:

www.lscdata.gov.uk/documents/othercouncilpublications/other_pdf/TAC_letter_08_00.pdf

11 A further change, introduced in this letter, to assist colleges which, as part of their implementation of curriculum 2000, deliver GNVQs and AVCEs as part of a full-time programme.

12 Paragraph 269 of the *Guidance on the Tariff 2000/01* indicates that where GNVQs and the new three unit vocational A level are delivered as a part-time qualification, described as fewer than 150 glh per period, the qualification should be loadbanded. This has led, in some circumstances, to a

funding disadvantage where learners combine A levels and GNVQ/AVCE or 3, 6 and 12 unit AVCEs. This guidance has therefore been modified as follows:

All GNVQs and AVCEs will be funded as listed qualifications except where a learner, having previously part-finished the GNVQ or AVCE at the same or other institution, re-enrols following a break in study to complete the qualification. Under these circumstances the full funding is inappropriate and funding for the qualification should be claimed through the loadbands.

13 This change has also been incorporated into the recently issued *Guidance on Further Education Funding Eligibility and Rates 2001/02*.

3 and 6 hour Courses

14 *Guidance issued as an attachment in David Melville's letter of 3 January 2001 and further guidance issued in the Qualifications and Curriculum Bulletin Number 3 in March 2001.*

References:

www.lscdata.gov.uk/documents/othercouncilpublications/other_pdf/3and6glh_letter.pdf

www.lscdata.gov.uk/documents/othercouncilpublications/other_pdf/3and6glh.pdf

6 and 9 hour courses

15 A change, announced in David Melville's letter of 18 August 2000, returning certain 6 and 9 hour courses to the loadbands.

Reference:

www.lscdata.gov.uk/documents/othercouncilpublications/other_pdf/TAC_letter_08_00.pdf

450 guided learning hour loadbanded programmes made up of several separate courses

16 A change, announced in David Melville's letter of 18 August 2000, increasing the funding for such programmes.

Reference:

www.lscdata.gov.uk/documents/othercouncilpublications/other_pdf/TAC_letter_08_00.pdf

Entitlement

17 Clarification, announced in David Melville's letter of 18 August 2000, that entitlement will be funded at cost weighting factor A.

Reference:

www.lscdata.gov.uk/documents/othercouncilpublications/other_pdf/TAC_letter_08_00.pdf

Webwise

18 Guidance, following the introduction of the BBC Webwise qualification, issued on 11 January 2001.

Reference:

www.lscdata.gov.uk/documents/othercouncilpublications/other_pdf/web_wise.pdf

Unitisation

19 The clarification on unitisation issued on 15 September 2000

(reference:

www.lscdata.gov.uk/documents/othercouncilpublications/other_pdf/unitisation_letter.doc)

and 5 October 2000 (reference:

www.lscdata.gov.uk/documents/othercouncilpublications/other_pdf/unitisation_02.doc), will be superseded for the period 1 April -31 July 2001 by the new guidance in paragraphs 136 -138 of *Guidance on Further Education Funding Eligibility and Rates 2001/02*. A single unit will be eligible for funding subject to the guidance outlined in these paragraphs.

National Vocational Qualifications

20 An extension of listed NVQs announced in David Melville's letter of 18 August 2000.

Reference:

www.lscdata.gov.uk/documents/othercouncilpublications/other_pdf/TAC_letter_08_00.pdf

Effects of the taper

21 A change, made on 2 October 2000, to allow institutions delivering accelerated programmes, or programmes with unusually high guided learning hours, to apply to the council to remove the reduction in units produced by the funding taper.

Reference:

www.lscdata.gov.uk/documents/othercouncilpublications/other_pdf/fund_qa.pdf

Loadbanded courses of between 900 and 1139 guided learning hours

22 A change, announced in Interpretation of Results and Learner Information Suite Version 8.02 (2000-01) paragraphs 6.1.3 issued in October 2000 to increase the funding for such programmes delivered in one year.

Funding eligibility for learners outside England

23 A change, made with effect from 1 February 2001, to extend the eligibility for funding for members of the armed services and MOD civil servants and other English taxpayers temporarily outside England. This change is outlined in paragraphs 52-53 of the *Guidance on Further Education Funding Eligibility and Rates 2001-0*.

Reference:

http://www.lsc.gov.uk/news_docs/funding_guidance_01-02.pdf

Increased funding for adult basic education programmes (including literacy, numeracy and English for speakers of other languages (ESOL)) where the programme is delivered over two years

24 Change, announced in Learner Information Suite Version 8.02 (2000-01) paragraph 6.1.4 issued in October 2000.

Adapt/Equal

25 A change, made on 25 October 2000 to update paragraph 114 of the *Guidance on the Tariff 2000-01*.

Reference:

www.lscdata.gov.uk/documents/othercouncilpublications/other_pdf/tariff_erratum.pdf

Eligibility for funding – work based programmes August 2001 to July 2002

26 The principle of a single source of funding for work based programmes was outlined in *Guidance on Further Education Funding Eligibility and Rates 2001/02*, paragraphs 170–173. Following a small number of queries the following clarification should be noted:

27 Any programmes that are funded by the Learning and Skills Council under the arrangements outlined in the *Operations Guide* are ineligible for funding under arrangements laid out in *Guidance on Further Education Funding Eligibility and Rates 2001/02*, since to do so would constitute double funding.

28 Where a learner already on a programme funded under the *Operations Guide* wishes to add an additional programme that is not eligible for funding under the *Operations Guide*, this programme may be funded under the arrangements in *Guidance on Further Education Funding Eligibility and Rates 2001/02* provided that the institution has obtained written approval from their local Learning and Skills Council. This should state that the additional programme or qualification is not already funded under the arrangements of the *Operations Guide* and must be obtained for each such learner.

Transfer of Responsibility for Eligibility and Funding to the Learning and Skills Council

29 As part of the transfer of responsibility for funding from the Further Education Funding Council to the Learning and Skills Council, arrangements have been made to ensure the tariff team and its core functions are transferred to the new body.

Arrangements for contacting the team will be circulated in the very near future.

Yours sincerely

Emily Thrane

Acting director of funding and statistics

Annex C: Details of proxy qualifications to act as exemptions from parts of the Key Skills

(reproduced from the QCA website:
www.qca.org.uk/nq/ks/proxy_qualifications.asp)

What are the proxy qualifications for key skills?

Proxy qualifications are those qualifications that have been agreed to assess the same knowledge and skills as aspects of the key skills. Because of this overlap, candidates can claim exemption from parts of the key skills when they are able to provide proof of achievement of the proxy qualification.

Which qualifications are proxy qualifications?

Only qualifications that appear on the list below have been mapped for the type of overlap required and can guarantee that the candidate has been assessed in the appropriate knowledge and skills. This list of qualifications is reviewed periodically to ensure that it is appropriate. The list that appears below has been agreed for use from September 2001. Only qualifications that can be quality controlled by the regulators for England (QCA) Wales (ACCAC) and Northern Ireland (CCEA) can be included on the list of proxy qualifications. Qualifications from other countries, or qualifications that do not appear on this list are not agreed proxies and can not be used as such.

Is there a time limit for claiming proxy qualifications?

Exemptions claimed by proxy qualifications must be made no longer than three years from the date of award to the date of claim for certification of the key skill. The 3 year rule applies to all approved proxy qualifications.

As there is much variation in awarding bodies' actual certification dates for national qualifications, the following will apply:

- where candidates have taken GCEs, Vocational A levels, GNVQs, or GCSEs during the summer exam season, (for example, a GCSE English qualification sat during the summer of 1999), then that qualification will be deemed to have been certificated on the last day of August the same year (in this instance, 31 August 1999)
- where candidates have taken GCEs, Vocational A levels, GNVQs, or GCSEs during the winter exam season, (for example, a GCSE Mathematics qualification sat during the winter of 1999/2000), then that qualification will be deemed to have been certificated on the last day of March immediately following, (in this instance, 31 March 2000)

Example:

A student achieves GCE A Level English Literature (Grade B) in the summer session of 1999. Accordingly, the student is deemed to have been certificated on 31 August 1999. The student then completes the Communication Key Skill portfolio at Level 3 in July 2001. Because the student achieved a GCE A Level English Literature qualification within the three year currency rule (in this instance, 31 August 1999–30 August 2002), the student is exempt from sitting the key skills Communication test at Level 3 and can claim certification in the Communication key skill at Level 3 in July 2001. The student must claim the certificate in the Communication key skill at Level 3 by 30 August, 2002.

Three years - that timescale seems tight! Why is this so?

Candidates who achieve key skills are achieving a skill at a nationally agreed standard. The achievement provides assurance that the candidate has the knowledge and understanding required by the key skill, but also has demonstrated the ability to apply that knowledge in everyday situations. In order to maintain this assurance of knowledge, skills and application, the candidate can only claim the exemption based on a proxy qualification achieved in the recent past (i.e. 3 years). This ensures that the skills are current skills, not those that may have been achieved many years ago which the candidate may not be able to recall and reproduce with assurance.

How is the proxy system administered?

All key skills awarding bodies recognise agreed proxy qualifications. Centres should therefore contact their awarding body to confirm the system of recognising proxy qualifications on behalf of candidates. To qualify, candidates must produce a valid certificate as proof of achievement in the proxy qualification.

Communication key skill - proxy exemptions

The qualification below	at	exempts a candidate from the COMMUNICATION:					
		Grade	L3 Test?	L3 Portfolio?	L2 Test?	L2 Portfolio?	L1 Test?
GCE A Level English Language	A-E	Yes	No	Yes	No	Yes	No
GCE A Level English Literature	A-E	Yes	No	Yes	No	Yes	No
GCE A Level English Language and Literature	A-E	Yes	No	Yes	No	Yes	No
GCE AS Level English Language	A-E	Yes	No	Yes	No	Yes	No
GCE AS Level English Literature	A-E	Yes	No	Yes	No	Yes	No
GCE AS Level English Language & Literature	A-E	Yes	No	Yes	No	Yes	No
GCSE English	A*-C	No	No	Yes	No	Yes	No

GCSE English	D-G	No	No	No	No	No	No
GCSE English Literature	A*-C	No	No	Yes	No	Yes	Yes
GCSE English Literature	D-G	No	No	No	No	Yes	No
Certificate in Adult Literacy	Level 2	No	No	Yes	No	Yes	No
Certificate in Adult Literacy	Level 1	No	No	No	No	Yes	No
GCE A level Welsh	A-E	Yes	No	Yes	No	Yes	No
GCE A level Welsh Second Language	A-E	No	No	Yes	No	Yes	No
GCE AS level Welsh	A-E	Yes	No	Yes	No	Yes	No
GCE AS level Welsh Second Language	A-E	No	No	Yes	No	Yes	No
Advanced Subsidiary VCE in Welsh Second Language	A-E	No	No	Yes	No	Yes	No
GCSE Welsh	A*-C	No	No	Yes	No	Yes	Yes
GCSE Irish (Gaeilge)	A*-C	No	No	Yes	No	Yes	No
GCSE Welsh	D-G	No	No	No	No	Yes	No
GCSE Irish (Gaeilge)	D-G	No	No	No	No	Yes	No
GCSE Welsh Literature	A*-C	No	No	Yes	No	Yes	No
GCSE Welsh Literature	D-G	No	No	No	No	Yes	No
GCSE Welsh Second Language	A*-C	No	No	No	No	Yes	No
GCSE Welsh Second Language	D-G	No	No	No	No	No	No
Welsh Second Language GNVQ units (intermediate)	Pass-Distinction	No	No	No	No	Yes	No
Welsh Second Language GNVQ units (foundation)	Pass-Distinction	No	No	No	No	No	No
Foundation Award in Welsh Second Language	Pass-Distinction	No	No	No	No	No	No
Intermediate Award in Welsh Second Language	Pass-Distinction	No	No	No	No	Yes	No

Those qualifications in bold do not act as proxies for the key skills tests, but are within suites of qualifications where different levels or grades do act as proxies.

Application of number key skill - proxy exemptions

The qualification below	at	exempts a candidate from the APPLICATION OF NUMBER:					
		Grade	L3 Test?	L3 Portfolio?	L2 Test?	L2 Portfolio?	L1 Test?
GCE AS Use of Mathematics	A-E	Yes	Yes	Yes	Yes	Yes	Yes
GCE A Level Mathematics	A-E	Yes	No	Yes	No	Yes	No
GCE A Level Pure Mathematics	A-E	Yes	No	Yes	No	Yes	No
GCE A Level Further Mathematics	A-E	Yes	No	Yes	No	Yes	No
GCE A Level Statistics	A-E	Yes	No	Yes	No	Yes	No
GCE AS Level Mathematics	A-E	Yes	No	Yes	No	Yes	No
GCE AS Level Pure Mathematics	A-E	Yes	No	Yes	No	Yes	No
GCE AS Level Further Mathematics	A-E	Yes	No	Yes	No	Yes	No
GCE AS Level Statistics	A-E	Yes	No	Yes	No	Yes	No
GCE AS Mechanics	A-E	Yes	No	Yes	No	Yes	No
GCE AS Discrete Mathematics	A-E	Yes	No	Yes	No	Yes	No
GCE AS Applied Mathematics	A-E	Yes	No	Yes	No	Yes	No
GCSE Mathematics	A*-C	No	No	Yes	No	Yes	No
GCSE Mathematics	D-G	No	No	No	No	Yes	No
Certificate in Adult Numeracy	Level 2	No	No	Yes	No	Yes	No
Certificate in Adult Numeracy	Level 1	No	No	No	No	Yes	No

Information technology key skill - proxy exemptions

The qualification below	at	exempts a candidate from the APPLICATION OF NUMBER:					
		Grade	L3 Test?	L3 Portfolio?	L2 Test?	L2 Portfolio?	L1 Test?
GCE A Level Computing	A-E	Yes	Yes	Yes	Yes	Yes	Yes
GCE A Level ICT or IT	A-E	Yes	Yes	Yes	Yes	Yes	Yes
GCE A Level Information Technology	A-E	Yes	Yes	Yes	Yes	Yes	Yes
GCE AS Level Computing	A-E	Yes	No	Yes	No	Yes	No
GCE AS Level ICT or IT	A-E	Yes	No	Yes	No	Yes	No
GCE AS Level Information Technology	A-E	Yes	No	Yes	No	Yes	No
GCSE Computer Studies	A*-C	No	No	Yes	Yes	Yes	Yes

GCSE Computer Studies	D-G	No	No	No	No	Yes	Yes
GCSE ICT or IT	A*-C	No	No	Yes	Yes	Yes	Yes
GCSE ICT or IT	D-G	No	No	No	No	Yes	Yes
GCSE Information Technology	A*-C	No	No	Yes	Yes	Yes	Yes
GCSE Information Technology	D-G	No	No	No	No	Yes	Yes
GCSE Information Systems	A*-C	No	No	Yes	Yes	Yes	Yes
GCSE Information Systems	D-G	No	No	No	No	Yes	Yes
Vocational A Level (Part Award, Single Award or Double Award) ICT	A-E	Yes	Yes	Yes	Yes	Yes	Yes
Vocational A Level (Part Award, Single Award or Double Award) Information Technology	A-E	Yes	Yes	Yes	Yes	Yes	Yes
Advanced GNVQ (Part Award, Single Award or Double Award) ICT	Pass/Merit/Distinction	Yes	Yes	Yes	Yes	Yes	Yes
Advanced GNVQ (Part Award, Single Award or Double Award) Information Technology	Pass/Merit/Distinction	Yes	Yes	Yes	Yes	Yes	Yes
Intermediate GNVQ (full award or part one award) ICT or IT	Pass/Merit/Distinction	No	No	Yes	Yes	Yes	Yes
Intermediate GNVQ (full award or part one award) Information Technology	Pass/Merit/Distinction	No	No	Yes	Yes	Yes	Yes
Foundation GNVQ (full award or part one award) ICT or IT	Pass/Merit/Distinction	No	No	No	No	Yes	Yes
Foundation GNVQ (full award or part one award) Information Technology	Pass/Merit/Distinction	No	No	No	No	Yes	Yes

Special note for GCSE Short Course ICT and GCSE Short Course Information Technology

The qualification at below		exempts a candidate from the INFORMATION TECHNOLOGY:					
Grade	L3 Test?	L3 Portfolio?	L2 Test?	one of the two specified purposes in the L2 Portfolio?	L1 Test?	one of the two specified purposes in the L1 Portfolio?	
GCSE Short course ICT or IT	A*-C	No	No	Yes	Yes	Yes	Yes
GCSE Short course ICT or IT	D-G	No	No	No	No	Yes	Yes
GCSE Short course Information Technology	A*-C	No	No	Yes	Yes	Yes	Yes
GCSE Short course Information Technology	D-G	No	No	No		Yes	Yes
GCSE Short course Information Systems	A*-C	No	No	Yes	Yes	Yes	Yes
GCSE Short course Information Systems	D-G	No	No	No	No	Yes	Yes

Annex D: College Collaborative Provision Control Criteria

(from Circular 96/06)

Entry

Enrolment

Selection and rejection of students shall be at the discretion of the college with rights of appeal in accordance with the college's charter.

Initial Guidance and Assessment (IGA)

Where not undertaken by college staff, the college shall specify:

- a framework in which IGA should take place
- suitable criteria for staff undertaking IGA
- the monitoring it will undertake including direct observation of the process to satisfy itself that the IGA has taken place in accordance with its framework and specification.

Learning Agreement

The learning agreement shall satisfy the requirements specified in the current LSC guidance. In the case of work-based NVQs, the delivery of the learning programme shall be sufficiently specified to make clear:

- the balance of work-based training and assessment activity and off-the-job training activity
- the estimated guided learning hours to be delivered to achieve the qualification aim.

On-programme Delivery

The delivery of the learning programme shall be in accordance with the learning agreement subject to variation agreed by the college. The college shall undertake monitoring activities including direct observation at appropriate intervals, which should:

- be similar to those considered appropriate for external verification or moderation
- be sufficient to ensure student progress can be monitored. 'Benchmark' frequencies of visits to satisfy this criterion would have to be established

- gather regular student feedback through periodic visits and, for example, return of self-assessment forms or by a telephone conversation.

In the main contract between the parties, the college should identify:

- the tutors who will be responsible for the assessment of each candidate's competence
- such trainers who may undertake the specific sessions referred to above
- any other staff relevant to the delivery of the individual student's programme

(Members of staff to whom students may refer if, for example, they have a concern or grievance of some sort, should be specified in the appropriately adapted college charter).

Quality Assurance

- the college should be operating quality assurance procedures likely to satisfy the LSC's inspectorate that they have at least a balance of strength and weaknesses
- where the inspectorate has assessed a college's quality assurance arrangements as having weaknesses which outweigh their strengths (grade 4 or 5), the college may not enter into new or extend existing franchising arrangements until the inspectorate is that the deficiencies have been remedied.

Achievement

Accredited/Approved Centre

- the awarding body accredited/approved centre for the primary learning goal qualification(s) shall normally be the college; this would require college staff to be the internal verifiers on NVQ programmes. Where another approved centre was used, the college would have to monitor its activities.
- compiling portfolios should be subject to college specification and monitoring.

Contract Between College and Collaborator

There shall be a contract signed by the principal of the college and on behalf of the partner organisation that shall comply at least with the LSC's model contract (as amended from time to time) and be in place before any provision is made.

The form of the contract shall be:

- scrutinised in advance of its operation by the college's internal audit committee
- approved by the college finance committee or governing body.

The impact of the contract(s) shall be:

- subject to scrutiny by the college finance committee or governing body that shall consider the risk factors associated with the proposed partnership and agree an appropriate entry in the college's financial forecast.

Annex E: Types of partnership and franchise arrangements

(Part B, page 33 of Guidance on FE Eligibility & Rates 2001-02)

<i>Service Provided</i>	<i>Direct (institution)</i>	<i>Direct with partner</i>	<i>Franchised</i>
Employer of teaching staff	Institution (may use a recognised employment/staffing agency or self employed staff)	Institution (the institution may use a recognised employment/staffing agency or self employed staff)	Franchisee via an employment relationship. See Annex B paragraph 8 of FEFC staff) Circular 99/37
Venue, including lighting, heating, caretaking	Institution	Partner	Institution or franchisee
Facilities e.g. computer hardware/software	Institution	Partner	Franchisee
Teaching and learning resources	Institution	Institution/Partner	Franchisee
Responsibility for quality and audit	Institution	Institution	Institution
Marketing	Institution	Institution/Partner	Institution or franchisee
Advice and guidance	Institution	Institution	Determined by institution and carried out by institution or franchisee
Enrolment procedures	Determined by institution and carried out by institution	Determined by institution and carried out by institution	Determined by institution and carried out by institution or franchisee
Teach learners	Institution	Institution	Franchisee
Teacher development	Institution	Institution	Institution or franchisee
Learner charter	Institution	Institution	Franchisee
Additional support	Institution	Institution	Provided by franchisee or access to institution support
Monitor the programmes - quality assurance and learner record sampling checks	Constant monitoring	Constant monitoring including scheduled visiting	Constant monitoring including scheduled and unannounced visits by institution

Nature of contract	None	Based on resources provided rather than volume of provision	Based on volume of provision
Accreditation with awarding body	Institution	Institution	Institution (other than in exceptional circumstances)
Subject to franchising discount	No	No	Yes (other than in community-based and widening participation provision)

Annex F: Distance and Open Learning

Distance Learning

Source documents

FEFC publication Technical Discussion document 22

FEFC publication - *Guidance on Further Education Funding Eligibility and Rates 2001/02*. Numerous references, including paragraphs 183 to 203.

Question and Answer

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

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

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

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

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

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

Q What is the LSC definition of administration?

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

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

A Time spent in the normal marking of an assignment is not eligible in calculating glh. The onus is on the institution to demonstrate that the marking is over and above that normally given to learners in a classroom situation. The aim is to fund the equivalent of the verbal feedback that would be given in class when returning assignments.

For instance:

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

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

A In 2000/01, all face-to-face contact guided learning time within the distance learning delivery mode should be multiplied by a factor of 14.

In 2001/02, the guidance has changed. One-to-one guided learning time between the tutor and the learner should be multiplied by a factor of 14. Group activities should not be multiplied by a factor. This is irrespective of the size of the group.

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

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

As an example, the longest non-practical classes offered traditionally by

institutions may be three hours in duration and often much less. Using the multiplier of 14, this suggests that a telephone call of 13 minutes has the equivalent content as a three-hour class (13 x 14 = 182). It is accepted that contacts in the distance learning mode may be less frequent than other modes of delivery and the calls may be longer than 13 minutes but caution should be exercised when claiming guided learning for systematically long calls. Auditors may seek sight of itemised telephone bills where the telephone contact time seems to be excessive.

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

A This is good practice but not a requirement.

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

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

Q Are any further changes planned for 2002/03?

A The funding and audit guidance for 2002/03 will require institutions to obtain the agreement of their LLSC before any funding can be claimed using the distance learning multiplier. This requirement will apply to both new provision and any continuing provision for new students after 1 August 2002.

Open Learning

Introduction

A definition of 'open learning' may be found in *Funding Guidance for Further Education in 2002/03, Annex E*, set out below.

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

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

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

Institutions should claim the national rates for listed or loadbanded learning aims, as shown in *Guidance on Further Education Funding Eligibility and Rates 2001/02*, for provision delivered using open learning methods.

Q How much funding may be claimed?

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

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

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

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

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

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

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

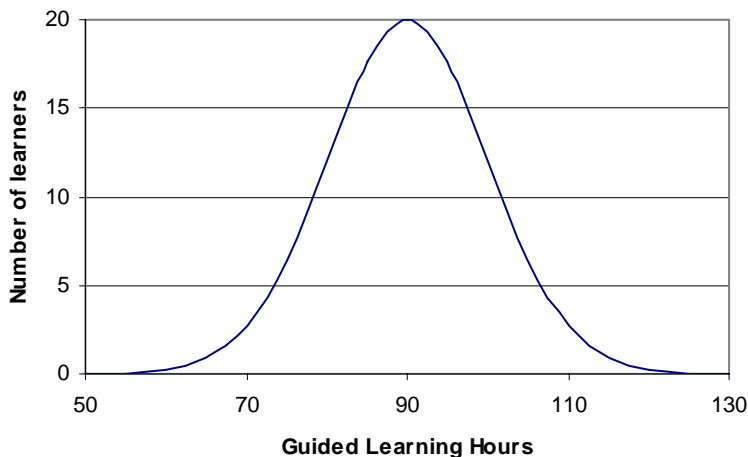
The institution should monitor the actual guided learning hours for each successful learner and then use these to determine the planned guided learning hours for the following year.

Example

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

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

Figure 2. Actual GLH on an open learning course



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

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

However, if the mean is significantly below 90 glh or above 90 glh, then the funding claim for the current year should be amended to reflect actual costs incurred.

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

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

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

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

Annex G: Withdrawals

Provision other than open and distance learning

Source documents

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

117 Learners who have withdrawn from a programme by the census date should not be counted as wholly or partly completing that period. Further guidance on the definition of withdrawal from a learning programme is provided in table 10 of Annex L to this document.

Withdrawal

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

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

Question and Answer

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

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

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

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

below 450 glh in the year.

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

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

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

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

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

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

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

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

Open and Distance Learning

Source Documents

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

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

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

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

Question and Answer

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

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

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

A No. It is the date of the first missed contact where a planned programme of contact exists. This definition is being reviewed for 2002/03.

Annex H: Additional Support

- 1 Only costs which are wholly exclusively additional should be charged, i.e. would you have support staff such as Principal, Finance Director or MIS Officer without additional support? If so, the cost cannot be charged to additional support.
- 2 Calculate lecturer cost using total teaching staff salaries for the year divided by total teaching hours for the year. Other staff costs should not be included.
- 3 Calculation of actual teaching costs could alternatively be based on the actual costs of those involved.
- 4 Teaching Support Staff salaries should be charged at cost per hour.
- 5 Additional hours added to a qualification cannot be reflected in additional support costs. These should be reflected in the loadband for the qualification.
- 6 No overhead costs should be charged to additional support.
- 7 General costs need to be supportable (i.e. £100 added to each claim for admin and tests is not acceptable).
- 8 Cost of initial review is claimable by all where needs are assessed.
- 9 Where specific administration is dedicated to just additional support then the costs could be spread evenly over all students dealt with within the additional support department after excluding those costs allocated based on time records.
- 10 Costs which relate to a specific group of additional support students, for example, Minibus should be apportioned to these additional support students only **not** all additional support students.
- 11 Admin staff costs should not be charged per student hour.
- 12 Where extra IT technicians are employed to provide support to all students this should be allowable against students identified with needs.
- 13 Cost per hour of teaching staff should not exceed £40 (London would be higher) without extra work (in addition to those in the audit programme) to ensure the cost is appropriate.
- 14 Cost per hour, whilst not normally exceeding £40, must be supported and compared with actual costs of the college. Standard rates are not to be applied.

15 Where staff teach for a proportion of their time ensure that only the proportion of their salary related to teaching is included in any calculation of hourly rate.

16 Where additional support students are taught in small groups ensure that the proportion of costs met from the mainstream funding methodology has been removed before costs are charged to additional support (see calculation below).

17 Additional Support costs should not be claimed where a student requires support in the subject area of their qualification, for example, Additional Support should not be claimed for a student studying Maths GCSE and receiving extra support in Maths.

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

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

20 The Cost weighting factor for ABE reflects delivery in small groups. If ABE is taught in groups smaller than normal because of students additional support needs then funding may be claimed using the small group formula (the average group size for the College should relate to ABE in this calculation)

Figure 3. Example Small Group size calculation

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

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

Annex I: Employer-dedicated provision

The following tables give guidance on whether provision is eligible for full LSC funding, be subject to the employer-dedicated discount or is not eligible for LSC funding. It is suggested that institutions should discuss provision with LLSC's prior to enrolling learners to determine the funding status of the provision that has employer involvement. LSC's should use their discretion based on an overall assessment of the nature of the provision and provide written approval to the institution where the provision is eligible for LSC funding.

Table 2. Current guidance for 2001/02

Feature	Fully funded	Employer dedicated	Not funded
Course is advertised and is genuinely open to the general public	Yes	No	No
Basic skills including ESOL	Always fully funded	–	–
Course is normal day release	Yes	No	No
Course is for a small business of up to 50 employees or with a turnover of less than £8M	Yes	No	No

Table 3. Additional guidance for provision in 2002/03 not covered by current guidance

Feature	Fully funded	Employer dedicated	Not funded
Overall relevance to the employer's core activity	Low to medium	Medium to high	High
Benefit to learner	Long term career	Medium term training	Short term skill
Benefit to employer	No direct benefit	Longer term benefit	Short term benefit
When learning takes place?	In learner's own time	In employer's time	In employer's time
Is the skill transferable if the learner changes career?	Yes	Likely	Possibly
Optional or compulsory	Optional	Pressure to participate from employer is likely	May be compulsory
Who pays tuition fees?	Learner	Employer (contribution)	Employer (full cost)
Community or family involvement	Some	None	None
Who commissions the training?	Learner or 'trusted intermediary'	Employer	Employer
Level of the course	Likely to be level 2 or below	Any level	Any level
Accredited qualification	Likely or first step to learning	Likely	Unlikely
Range of subjects offered to learner	Could be many	Few	Few
Length of course	Subject to LSC minimum guided learning hours	Subject to LSC minimum guided learning hours	No minimum
Other LSC FE guidance	Applies	Applies	Does not apply
Involvement of a LSC funded provider	Yes	Yes	Not necessarily

Annex J: European Social Fund (ESF)

Part 1: Illustrative Examples

Example 1 - ESF Project A

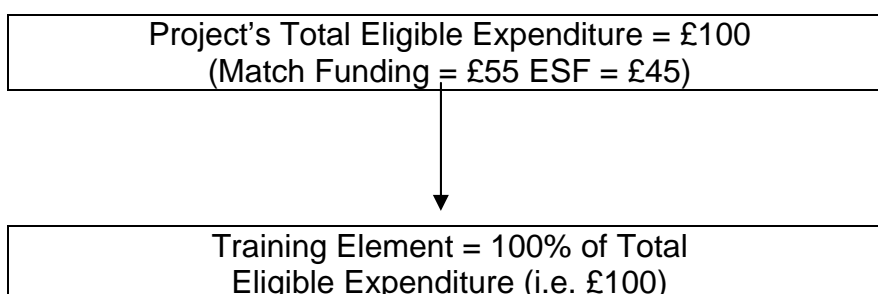


Figure 4. All expenditure related to the training element.

Project A is completely related to delivering training activity, which is eligible for LSC funding. All (100%) of the total eligible expenditure (TEE) relates to the training element.

No adjustment of WP factor

If the reduced value of the relevant units, (i.e. 55% of the full tariff value - reflecting the match funding level of the project) is equal to at least 55% of the TEE of this project no increase in the WP factor is required. The LSC has fully met its funding commitment by providing the full match funding needed to support the training costs of this project.

Example A1

The reduced value of units in project A (55% of the full tariff value to reflect the match funding level) is £55. The TEE relevant to training is £100. The LSC has, therefore, met 55% of the TEE of the project, which is acceptable, given that 55% of costs relate to training.

ESF has met the remaining 45% of the TEE (i.e. £45) so there is no gap in match funding and therefore no requirement for an uplift to the usual tariff value of the relevant units.

Adjustment of WP factor required

If the reduced value of units (55% of the full tariff value) is less than 55% of the TEE of this project then the reduced value can be increased to an appropriate level.

Example A2

The reduced value of units in project A (55% of the full tariff value to reflect the match funding level) is £40. The total eligible expenditure relevant to training is £100 and ESF has met 45% of remaining TEE (i.e. £45). There is therefore a 'funding gap' of £15, which can now be met by adjusting the WP factor applied to the relevant units.

A gap of £15 would equate to an increase of the relevant reduced units from 55% of their full value (£40) to 75.6% of their full value (£55)¹. The adjustment to the WP factor that will generate the required increase is described in Annex B. It would not be possible to seek to uplift these units by more than 75.7% as this would mean the LSC would be providing more than 55% of the TEE of the project (i.e. a cash value in excess of £55 would be generated).

Example 2 -ESF Project B

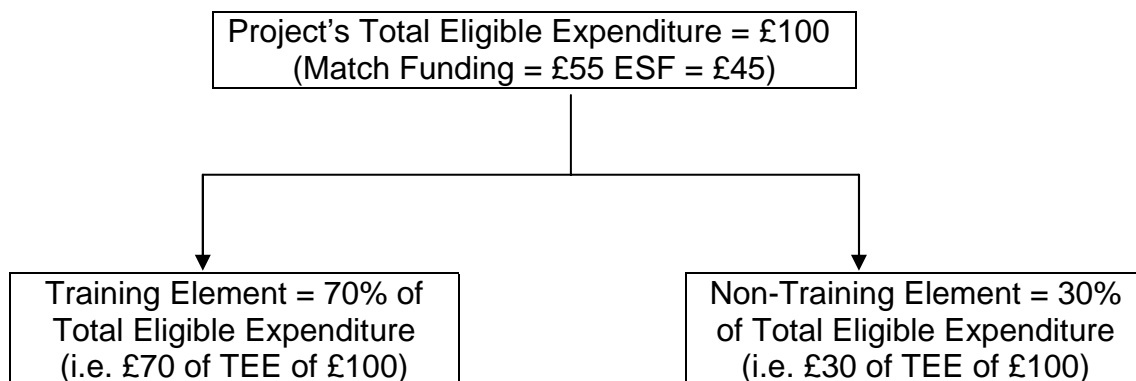


Figure 5. Expenditure split 70/30 between training element and non-training element.

The training activity associated with Project B relates to 70% of the TEE so match funding from LSC can be sought only in relation to this element (i.e. £70).

No Adjustment of WP factor

If the reduced value of these units (55% of the full tariff value) is equal to at least 55% of the TEE relevant to training (£70 in this project), the LSC has fully met its funding commitment and no adjustment of the WP factor is necessary.

1. If £40 = 55%; £55 = $(55 \times \frac{55}{40})\%$ = 75.6%

Example B1

The reduced value of units in Project B (55% of their full tariff value) is £55. The total eligible expenditure relevant to training is £70. The LSC has, therefore, met 78.6%² of TEE relevant to training, while not exceeding 55% of the project's overall TEE.

ESF has met the remaining £15 of TEE relevant to training and met the full £30 of TEE relevant to non-training. There is no gap between the cash generated by the relevant units and the cash required to match fund the training element of the project. It would therefore not be appropriate to increase the normal level of LSC funding for ESF learners.

Adjustment of WP factor required

If the reduced value of units (55% of the full tariff value) is less than that required to support the training element, then the relevant value can be increased to an appropriate level.

Example B2

The reduced value of units in project B (55% of the full tariff value) is £40. The TEE relevant to training is £70. ESF provides £15, with the balance of £30 ESF supporting the non-training element of the project.

The required cash sum to support the training element is £70, of which £40 is generated by applying the standard approach to LSC funding and £15 is contributed by the ESF support giving a total of £55.

There remains a £15 gap in expenditure relevant to training, which can be met by adjusting the WP uplift applied to the relevant units so that the level of cash generated from LSC funding increases to provide a total of £55.

The adjustment necessary would increase the value of the relevant units from 55% of the full tariff value (£40) to 75.6% of the full tariff value (£55)³. The adjustment to the WP factor that will generate the required increase is described in Annex B.

It would not be possible to seek to uplift these units by more than 75.7% as this would mean the LSC would be providing more than 55% of the TEE of the project (i.e. a cash value in excess of £55 would be generated).

2. If £70 = 100% of TEE relevant to training then £55 = 78.6%
(i.e. $\frac{55 \times 100}{70}$) of TEE relevant to training

3. If £40 = 55% of total units, £55 will = $\frac{55 \times 55}{40} = 75.63\%$

Example 3 - ESF Project C

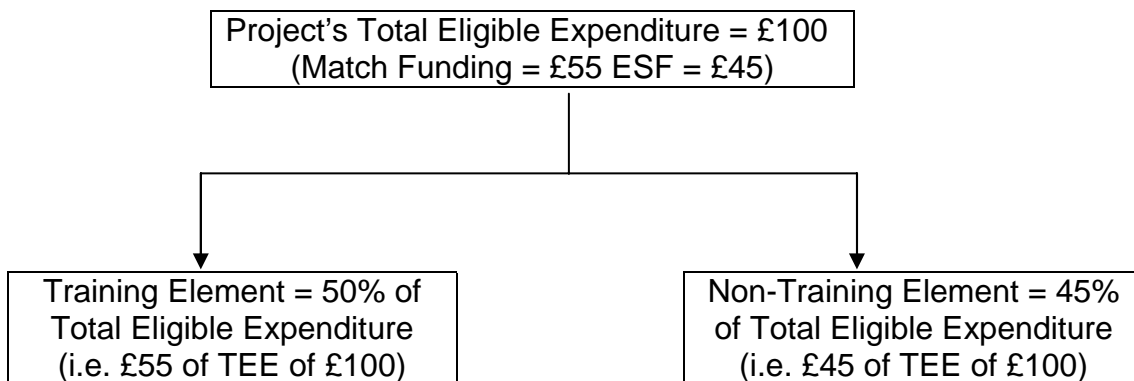


Figure 6. Expenditure split 55/45 between training element and non-training element.

The training activity associated with Project C relates to 55% and match funding from the LSC can be sought only in relation to £55.

No adjustment to WP factor

When the reduced value of units (55% of the full tariff value) is equal to at least 55% of the TEE then the LSC has met its funding commitment in full and no adjustment to the WP factor can be made.

Example C1

The reduced value of units in project C (55% of the full tariff value) is £55. The total eligible expenditure relevant to training is £55. The LSC has, therefore, met 55% of the TEE of this project, which is acceptable given that 55% of costs relate to training.

ESF has met the remaining 45% of the TEE (i.e. £45) so there is no gap in match funding and, consequently, no requirement for an adjustment to the usual tariff value of the relevant units.

Adjustment Of WP Factor Required

If the reduced value of units (55% of the full tariff value) is less than 55% of the TEE of this project then the reduced value can be increased to an appropriate level.

Example C2

The reduced value of units in Project C (55% of the full tariff value) is £40. The TEE relevant to training is £55. ESF has met the full cost of the non-training element of the project, which is 45% of remaining TEE (i.e. £45) but there is no outstanding ESF available to support any of the training element. There is therefore a £15 gap in relation to the training element that can now be met by adjusting the WP factor applied to the relevant units.

The gap of £15 would be met by increasing the relevant units from 55% of their total value (£40) to 75.6% of their total value (£55)⁴. The adjustment to the WP factor that will generate the required increase is described in Annex B.

These units could not be adjusted to provide more than £55 as this would mean the LSC would be providing more than 55% of the TEE of the project.

Example 4 - ESF Project D

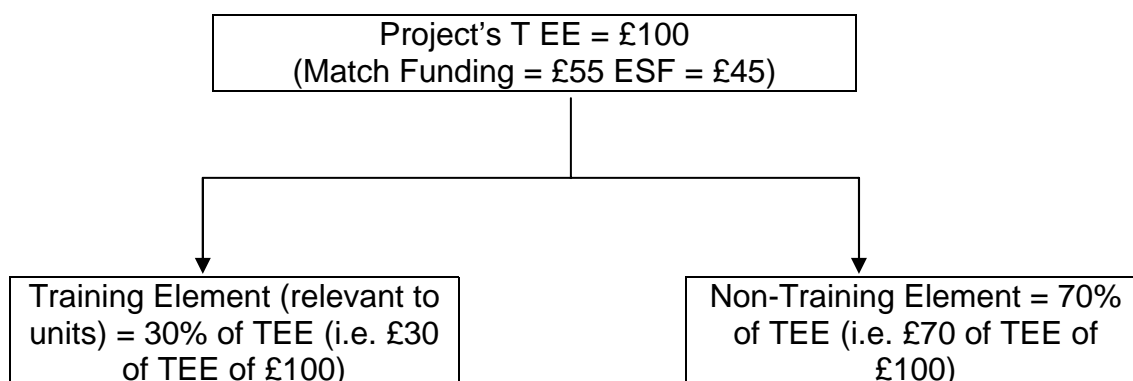


Figure 7. Expenditure split 30/70 between training element and non-training element.

The training activity in project D relates to 30% of the TEE and match funding from the LSC can only be sought in relation to £30.

No adjustment of WP factor

The training element of TEE is less than 55% of the TEE of the project. In such cases the LSC can meet the total cost of the training element but not exceed this. In project D, when the reduced value of units (55% of the full tariff value) meets the total cost of the training element, the LSC has fulfilled its match funding commitment.

Example D1

The reduced value of units in Project D (55% of the full tariff value) is £30. The TEE relevant to training is £30. The LSC has therefore met 100% of the TEE relevant to training, while not exceeding 55% of the project's TEE.

There is, however, a gap in funding as ESF can meet only £45 of the £70 of the non-training element costs expressed. This funding gap, however, relates to non-training activity, which the LSC cannot and will not fund.

4. £40 = 55% of full tariff value, £55 = $55 \times 55 = 75.63\%$

Adjustment of WP factor required

Where the training element of TEE is less than 55% of the TEE of a project, the LSC can meet the total cost of the training element. A funding gap is apparent when the reduced value of units (55% of the full tariff value) does not meet the total cost of the training element.

Example D2

The reduced value of units in project D (55% of the full tariff value) is £20. The TEE relevant to training is £30, and ESF has been absorbed completely by the non-training element costs of the project, there is a £10 gap, which can now be met by adjusting the widening participation uplift applied to the relevant units.

A gap of £10 would mean the relevant units would increase from 55% of the full tariff value (£20) to 82.5% of their total value (£30)⁵. The adjustment to the WP factor that will generate the required increase is described in Annex B.

It would not be possible to increase the value of these units to over 83.3% of the full tariff value as this would exceed the £30 required to meet the full cost of the training element of project D.

Example E – ESF Project spanning academic years 2000/01 and 2001/02

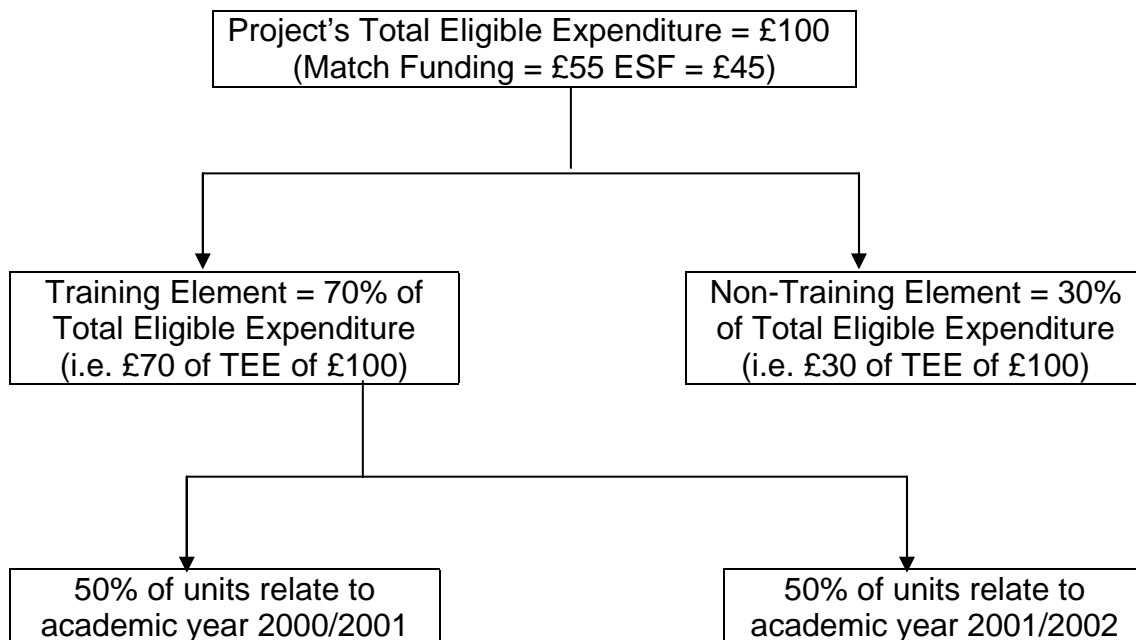


Figure 8. Training element expenditure is split between two academic years.

5. If £20 = 55% of full tariff value, $\text{£30} = \frac{55 \times 30}{20} = 82.5\%$

The training activity relates to 70% of the TEE and match funding from the LSC can only be sought in relation to this element (i.e. £70).

For 2000/2001 (academic year)

The previous guidance given in FEFC Circular 99/42 continues to apply to LSC match funding relating to eligible expenditure in 2000/2001 (academic year).

For 2001/2002 (academic year)

The guidance given in this document applies to LSC match funding relating to eligible expenditure in 2001/2002 (academic year).

Example E assumes an equal split of training and non-training costs across the two academic years, and the example relates to 2001/02 activity only. Therefore in 2001/02, 35% (half of 70%) of TEE relates to training activity that the LSC can support.

No adjustment of WP factor

If the reduced value of relevant units (55% of the full tariff value) is equal to at least 55% of the TEE and the resulting level of funding relates wholly to training costs in 2001/2002 (academic year), the LSC has met its funding commitment in full.

Adjustment of WP factor required

If the reduced value of units (55% of the full tariff value) is less than 55% of the TEE of this project then the reduced value can be increased to an appropriate level.

Example E1

The reduced value of units (55% of the full tariff value) is £20. The TEE relevant to training is £35, and ESF has contributed £7.50 to the training element costs of the project in the academic year 2001/2002, there is a £7.50 gap, which can now be met by adjusting the WP factor applied to the relevant units. The adjustment to the WP factor that will generate the required increase is described in Annex B.

It would not be possible to increase the value of these units to a level above 76.4% as this would mean the LSC would be providing more than 55% of the TEE of the project for the academic year 2001/2002.

A summary of examples A to D is shown in Table 4 below.

Part 2

Procedure to calculate the widening participation uplift when LSC funding does not match the required level for an ESF project in 2001/02

Summary

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 match. The methods are intended to use the ISR and the Learner Information Suite (LIS) and should not require manual adjustments to the funding calculation although amendments to data in several fields of the institution's ISR are required. The data must be amended for each ESF learner to produce the necessary funding adjustment.

There are two ways the calculation may be made by using:

- the widening participation factor (S20) – this will be used in 2001/02 and is described here
- the implied rate of LSC funding (Q31/32) – this is to be used in 2002/03 and will be described in a future guidance

Table 4. Calculating the ESF funding gap

Project				Expenditure 2001/02 (£)			Income 2001/02 (£)					
				Training element	Non Training element	Total Eligible Expenditure	LSC from Tariff	LSC extra WP	Total LSC	ESF to Training element	ESF to non Training element	Total ESF
A	£100 project, 100% training	A1	£55 tariff funding	100	0	100	55	0	55	45	0	45
		A2	£40 tariff funding	100	0	100	40	15	55	45	0	45
B	£100 project, 70% training	B1	£55 tariff funding	70	30	100	55	0	55	15	30	45
		B2	£40 tariff funding	70	30	100	40	15	55	15	30	45
C	£100 project, 45% training	C1	£55 tariff funding	55	45	100	55	0	55	0	45	45
		C2	£40 tariff funding	55	45	100	40	15	55	0	45	45
D	£100 project, 30% training	D1	£30 tariff funding	30	70	100	30	0	30	0	45	45
		D2					20	10	30	0	45	45

Using the Widening Participation Factor (to be used for 2001/02)

Detail of the method

The additional funding for these learners is generated by amending ISR field S20 (Widening Participation Factor) for every student involved. The factor is likely to be different for every programme involved, and may be different for individual learners within each programme.

Institutions should determine the individual learner's WP factor using the stepwise method shown below in Table 5, part 2. It should be noted that the WP factor applies only to entry, on-programme and achievement units. It does *not* apply to fee remission units.

The factor should be applied to ISR field S20 for each student on the programme, unless the student already has a higher factor for widening participation as described in the ISR Institutional Support Manual on page 64.

For the students whose field S20 has been amended, then field S21

(Widening Participation Type) should be set to '72'.

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

However, other 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 TEE relevant to training to give a generic WP uplift to all ESF learners. Such calculations are likely to be monitored closely to ensure the correct level of funding is being claimed.

Table 5. Stepwise approach for the calculation

Step	Algebra	Example
Calculate the ESF funding per learner by dividing the ESF funding to be claimed by the number of learners. Alternatively, for some projects it may be conveniently found by multiplying the institution's ESF funding rate per hour by the number of guided learning hours on the learner's programme.	A	£3,465 for 15 beneficiaries = £231.00 each A = £231.00
Calculate the match funding required (typically 55%)	B	£127.05 each (@ 55% match) B = £127.05
Deduct funding being received for this match from other sources to obtain a figure for the LSC match funding required	(B – match from other sources) = C	(£127.05 - nothing to deduct in this example) C = £127.05
Calculate the normal LSC FE funding for this ESF project (typically full tariff value reduced to 55%)		
entry, on-programme and achievement units	D	D = £90.92
Fee remission units	E	E = £16.67
Calculate if a 'funding gap' exists		
If D + E is less than C – enhanced widening participation factor can be used	D+E<C	£90.92 + £16.67 = £107.59 which is less than £127.05
Enhanced widening participation factor is found from	$\frac{(C - E)}{D}$	$\frac{(\pounds127.05 - \pounds16.67)}{\pounds90.92}$ =1.21

The Calculation

A stepwise approach for the calculation is shown in Table 5. The example is based on an ESF project involving 33 glh of learning leading to an OCN unit at cost weighting factor A. The overall ESF funding is £3,465 and there are 15 beneficiaries.

Comments

The calculation in Table 5 is intended to give an exact match at the level required in the ESF project. Therefore WP uplift for deprivation, type of learner or type of programme is not additional to the value calculated by this

method.

Care should be taken to calculate the correct WP uplift in circumstances such as the following:

- Where ESF funding is being claimed for part of a learning aim. The WP uplift should be calculated only for the ESF part of the learning. For instance, a learner begins studying in September and plans to end in the following July. If the ESF support is only until December, then the WP factor only applies to one third of the funding and should be reduced accordingly.
- Similarly, care should be taken where a learner studies more than one learning aim, not all of which are supported by ESF. The funding calculation in the LIS applies the wp uplift to all the learner's programme and should be reduced accordingly to ensure the correct level of funding claim.
- Where ESF funding bridges more than one academic year, the costs should be appropriately apportioned to each academic year
- The level of funding claimed from the LSC for ESF learners must not exceed 55% of the TEE of the project
- The LSC funding claimed for ESF learners must not exceed the training element costs of the ESF project
- The WP factor cannot be increased to give a value higher than 100% of the full tariff value of the relevant learning programme.

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 2001/02 under the FEFC funding approach as described in FEFC Circular 01/05, *Guidance on Funding Allocations 2001-02* and the FEFC document *Guidance on Further Education Funding Eligibility and Rates 2001-02*. 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 GB 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 GB rule book.

Annex K: Supplementary Guidance to Circular 99/43 Supplement Annex C on impact of Foot and Mouth Disease for 2000/01

1 Further to discussions with ISR contractors at Tewkesbury on 22 and 23 January 2002, the approach towards the audit of colleges affected by foot and mouth for 2000/01 is set out below.

2 There are likely to be a number of scenarios which are encountered by auditors where impact from foot and mouth disease may require an opinion to cover a manual adjustment to final claim/ISR 22. These are outlined below together with the approach that should be taken.

Scenario 1

3 An institution has completed field ISR field Q29 for one or some of students enrolled during the period. These students should be deemed to have completed the teaching year for funding purposes.

Scenario 2

4 An institution was not able to run some or all planned full-time or part-time courses during the period from the time of the outbreak of foot and mouth disease (mid-February 2001) to July 2001 due to the impact of the outbreak. This could be (though not necessarily) significant for land-based colleges, general FE colleges that are significant land-based institutions (such as those merged with land-based colleges, or including farms or similar large land-based resources), and those other FE colleges in MAFF/DEFRA defined foot and mouth affected areas.

5 In line with guidance in May 2001, the LSC wishes to mitigate the adverse impact that can be evidenced as attributable to the foot and mouth outbreak. In order to calculate the units to be included in ISR 22 colleges should use the formula below. This will apply the profile of funded activity in 1999/2000 to the year 2000/01, thus giving a total unit position for 2000/01, assuming the same profile for the two years and removing the disruption caused in the summer period 2001. The formula can be presented as follows:

2000/01 final unit claim = the higher of audited actual outturn or audited protected outturn (P) where:

$$P = \frac{\text{ISR19 units (1999/2000)} \times \text{ISR22 units at February 2001 (2000/01)}}{\text{ISR19 units at February 2000 (1999/2000)}}$$

The data from ISR20 should be the unit figure after auditor's adjustments and manual adjustments (other than any Foot and Mouth adjustment) have been made. If available, ISR22 can be used for this purpose. Ufl units should be excluded from these calculations.

7 Where P is higher than the actual outturn, this figure should be entered on the ISR. The following pro forma should be used.

ISR19 (proforma)		
1.	Units at Feb 1 in ISR	
2.	Units at 31 Jul	
3.	Manual adjustment	
4.	Final funding claim	2 + 3

ISR20 or ISR22		
5.	Units at Feb 1 in ISR	
6.	Units at 31 Jul in ISR	
7.	Manual adjustments (not including F+M adjustment)	
8.	Interim claim	6 + 7
9.	Protected Jul 31 units	5 x 4/1
10.	Funding claim	Higher of 8 or 9

Scenario 3

8 An institution could have forecast a shortfall against its funding agreement prior to the outbreak of foot and mouth disease (for example reporting to governors, SMT, on all year estimate of activity from FEFC/LSC during the spring). Where such a position was in place an institution may have taken steps to make provision during late spring and summer periods over and above that which was planned or might normally be offered (and therefore be in the profile from 1999/2000) specifically to address the forecast shortfall. Applying the audit approach used for scenarios 1 and 2 would not be sufficient to address this case and therefore a further step is required. Where colleges inform auditors that they had planned to put in place more provision to mitigate the shortfall units, auditors will need to review evidence of this.

9 Where evidence is available to support a declared intention to make additional provision:

- Auditors should review evidence to confirm that steps had been taken

to market, advertise and recruit to these courses /eligible activities. Sources of evidence might include invoices, curriculum plans, recruitment records, senior management team and corporation minutes

- Where this evidence is not available, consider any evidence of LLSC involvement
 - Auditors should use the evidence to estimate the value of units that might have reasonably accrued from the planned provision. This value can be added to the figure at P (see scenario 2 above) where the planned provision was disrupted due to the outbreak of foot and mouth disease.
- 10 Where no evidence is available to support a declared intention to make additional provision:
- No further manual adjustment should be made.

Table 6. Completion of ISR audit for 2000/01 for colleges affected by Foot and Mouth disease

	ISR field	Title	Completion	Audit comment
Entry			As normal	As normal
On-programme	Q15	Planned guided learning hours	As normal	Audit glh up to 1 February and then assume delivery will continue at same rate to the end of the qualification aim
	Q16	Start date	As normal	As normal
	Q17	Planned end date	As normal	As normal
	Q18	Actual end date	As normal	As normal
	Q19	Completion status	As normal for students not affected by outbreak. 1 (study continuing) for students affected by outbreak who have not completed	As normal
	Q29	Government Initiative	As normal for students not affected by outbreak. 12 for students affected by outbreak	Check whether the whole course is affected or whether individual students are affected

	Q34	Delivery mode	Do not change for students affected by outbreak	As normal
	Q36	Main delivery method	Do not change for students affected by outbreak	As normal
	Q37	Actual guided learning hours	As normal for students not affected by outbreak. Leave blank for students affected by outbreak	As normal
Additional Support	S10A	Additional support cost	Record actual costs incurred	As normal
Achievements	Q20	Outcome	As normal	As normal
	Q21	Grade	As normal	As normal
Fee Remission	Q08	Fee remission	As normal	As normal

Annex L: Table of checks

Table 7. In-year checks on franchised provision by institutions and auditors

No.	Element	Notes
<i>Key elements of the Council's expectations of institutions' in - year checks of franchised provision</i>		
1	All franchising provision should be subject to systematic checks by the institution's management and external auditors.	The checks should be carried out regularly where the provision is delivered on a regular basis. In other cases the scheduled checks should take account of the pattern of provision so that they are applied to a significant proportion of students.
2	Systematic checks should involve making unannounced visits to each franchised provider. This should include a sample of sites at which provision is being delivered.	Some external auditors have requested further clarification of this requirement. This means visiting without notice. It is suggested that at least some of these visits are unannounced to the institution and to the franchisee. If there are sensitivities, for instance to observe work-based training in a care home, then perhaps a courtesy telephone call just before arrival would be helpful. Franchisees should be informed of the necessity of this type of visit before the contract is signed. The times should vary, for instance, when monitoring one-day provision or short courses, unannounced visits should be undertaken at the expected start of the programme and during 'twilight' time. Institutions and their auditors should ensure that they meet and interview a sample of students and staff. Students should be asked to name the college they are enrolled at, and should also be asked if they are at the same time, or have been recently, a student at another college or LSC- funded institution. Other evidence sought should include marketing material, copies of registers, learning agreements, registration documents for awarding bodies, visit notes from external moderators, and evidence of certification.
3	Systematic checks should be used to confirm that the provision exists and is consistent with the institution's expectations and the franchisee's records.	The number and characteristics of students should accord with the institution's expectations and the franchisee's records. For example any obvious mismatch between the apparent and expected age of the students should be investigated. These checks are relevant to all forms of franchise provision.

Examples of other issues arising from the control criteria where audit work may be facilitated by work in-year		
4	Guided learning hours (glh) should have been calculated correctly in accordance with the LSC's guidance, and the appropriate loadband determined.	This is especially important in the case of work-based provision, particularly where the qualification aim is an NVQ. Guidance on the calculation of glh is contained in <i>Guidance on Further Education Funding Eligibility and Rates 2001/ 02</i> . In addition, auditors should ensure that checks are undertaken on the glh for distance learning, programmes delivered by the accreditation of prior learning (APL), and one-day provision.
5	The institution should undertake monitoring activities at appropriate intervals including direct observation of initial guidance and assessment and of the delivery of provision. Monitoring activities should include checks on the eligibility of provision.	Monitoring activities should be similar to those considered appropriate for external verification or moderation, sufficient to ensure student progress can be monitored, and used to gather regular student feedback.
6	Franchise partners should not sub-contract the delivery of LSC-funded provision to other organisations or self-employed individuals without the express approval of the LSC.	The LSC-funded institution should be able to demonstrate complete control of the provision if it is to be considered eligible for funding. If the trainers normally sell their services as self-employed contractors the partner organisation must create an employment relationship with them. Evidence of such an employment relationship would include a statement of terms of employment and evidence of taxation under PAYE. This would not include members of a national body who were licensed to carry out training, unless they are directly employed by the partner organisation. See Circulars 99/09 and 99/37 for definitions.
7	LSC funding for franchised provision should not have displaced other funding, reduced the franchisee's contribution to the training and development of its staff or been used to reduce the franchisee's training budget or resources designated for training purposes.	The LSC expects that institutions will have statements signed by a senior member of the franchise partner's staff that they have not reduced their actual or planned funding, except in cases where it is clear that no resources had been devoted to the relevant type of training in the past, and where no resources would have been devoted (but for the franchise arrangement) in the future. Such statements are not included in the model contract in LSC Circular 99/37. Evidence to be sought to test this statement might include extended or new contracts for staff to work specifically with the identified students on the particular qualification aim. The accreditation of pre-existing activity would not in itself constitute additionality, nor would the availability of additional resources, for example, the production of new training materials such as a video. The LSC would not expect to fund provision that is the responsibility of another publicly funded body. Institutions and their auditors should have consulted their LLSC if they wish provision in social services day centres, residential homes or hospitals.

Table 8. Areas of audit work that can be completed in advance of the ISR25 return

Area of work		Supplementary notes
1	Review relevant internal audit work.	In accordance with standard audit practice, a review is likely to be considered essential where the external auditor intends to place reliance on this work.
2	Evaluate the institution's management controls in respect of all student record systems and franchise provision. This is likely to include the following:	Internal controls associated with the preparation and checking of ISR returns and the funding unit claim should include, but are not limited to, those listed in the checklist at Table 9 of this annex.
	2.1 Identification of any relevant internal audit or other reviews since the last external audit so that they can be taken into account.	In assessing the work completed by internal audit or other third parties external auditors will need to consider the extent to which any relevant issues raised have been addressed.
	2.2 Checks that the processes for compiling the institution's ISR returns and funding unit claims are documented and adequate.	Changes to the processes since the last external audit will need to be identified and taken into account.
	2.3 Evaluation of the effectiveness of controls over the preparation and review by management of returns, and the processing of data by the system.	Changes to the processes since the last external audit will need to be identified and taken into account.
	2.4 Compliance tests on the operation of relevant controls, where external auditors propose to rely on them.	
3	Carry out a programme of substantive testing of the ISR data to confirm that the ISR returns have been properly compiled in accordance with the LSC's guidance, properly extracted from the records of the institution and that individual records are consistent with the source documentation held by the institution. This has the following two main components:	In planning their audit programme auditors should take account of their assessment of the system and the results of compliance testing, where appropriate.

	<p>3.1 Checks for consistency between ISR records and the institution's audit trail of other records. Auditors will need to confirm that the institution has adequate evidence that students recorded on the ISR and for whom funding units are claimed were enrolled at the institution for the recorded period, attended the recorded learning programmes, received the recorded fee remission, childcare and/or additional support and obtained the recorded achievements. Details of specific areas in which the LSC is concerned to ensure the accuracy of institutions' ISR returns are set out in Table 10 of this annex.</p>	<p>Auditors will need to judge how many records to include in the sample for substantive tests, taking account of their materiality to the institution's funding. A higher level of materiality may be appropriate with student data, such as addresses, that may have no funding unit effect. However auditors should note that, with the exception of external institutions, all students enrolled, whether funded by the LSC or not, contribute to statistics which are used by the Department for Education and Employment to determine the size of the sector. Postcodes are also relevant to eligibility issues relating to students' residence.</p>
	<p>3.2 Checks on the eligibility for LSC funding of students and their learning programmes, and checks that the ISR data about the correctly reflect the application of the funding methodology. Details of specific areas in which the LSC is concerned to ensure the eligibility for LSC funding of recorded provision are set out in table 5 of this annex.</p>	<p>The sample of student records used is expected to be representative of the institution's provision as a whole. However, external auditors' attention is drawn to the areas listed in Tables 8, 9, and 10 of this annex on which they would be expected to place particular emphasis in their testing.</p> <p>Where errors are detected, they should be brought to the attention of the institution. They should also be reported either in the management letter and, if material, reflected in the audit report. paragraphs 203-208 of this document describe the LSC 's expectations of management letters.</p>
<p>4</p>	<p>Validate the funding units claimed by the institution, derived from the ISR return using the Learner Information Suite (LIS). The following are examples of checks that are likely to be needed to complete this:</p>	<p>Claims for funding units should be based on the units generated by the LIS from the institution's ISR return. All differences between the claim for funding units and the number generated from the ISR return should be recorded and subject to audit checks. Differences that relate to inaccuracies in the ISR25 return should be eliminated by the institution making a revised ISR25 return to the LSC. Auditors should check that all necessary manual adjustments material to the accuracy of the claim have been made. Further guidance on the manual adjustments to be made will be provided to institutions and their external auditors in September 2002.</p>

<p>4.1 The claim must be based on version 9.02 of the Learner Information Suite using version 15.1 of the qualification aims database.</p>	
<p>4.2 All manual adjustments claimed by the institution should either be included on the list published by the LSC or have been specifically accepted in writing as valid by the LSC and should be of an appropriate magnitude.</p>	<p>Guidance on the application of manual adjustments to final funding claims, including a list of manual adjustments that institutions may wish to make to the number of units generated by the LIS, will be provided to institutions and their auditors in September 2002.</p>
<p>4.3 All manual adjustments leading to a significant reduction in institutions' claims should have been made.</p>	<p>See above. External auditors should confirm that the institution has not knowingly failed to make adjustments reducing their claim that could in aggregate be significant.</p>
<p>4.4 The proportion of funding units claimed in the various categories should be credible.</p>	<p>Guidance on the distribution of funding units between the various categories is attached at Table 13 of this annex.</p>
<p>4.5 The higher rate of entry units should not be claimed for students studying English as a foreign language (EFL).</p>	<p>It may be claimed for students studying English for whom English is not the language spoken at home, known as English for speakers of other languages (ESOL) students.</p>
<p>4.6 Institutions should only claim the higher rate for achievement units contributing to national targets where the higher rate is appropriate.</p>	<p>Further information is given in paragraphs 350 to 358 of annex A to the <i>Guidance on Further Education Funding Eligibility and Rates 2001/02</i>. Institutions should not be claiming achievement units systematically at the higher rate where the lower rate is appropriate.</p>
<p>4.7 Entry units should normally only be claimed in the first year that the student attends the institution. Different parts of a student's programme should not be franchised to separate institutions. Entry units should not be claimed where a student has no real choice in the programme followed or where no evidence is available of assessment and guidance in addition to the claim for guided learning hours.</p>	<p>Institutions should not seek to divide programmes artificially in order to increase the number of units earned. Institutions may claim a maximum of eight entry units for each student in any 12-month period. Further information is provided in paragraphs 220-236 of <i>Guidance on Further Education Funding Eligibility and Rates 2001/02</i>.</p>

5	<p>Where institutions have delivered franchised provision in 2001/ 02, auditors must satisfy themselves that each institution's arrangements satisfy the LSC 's control criteria. Checks made on institutions' arrangements will need to include confirmation of the aspects described in paragraphs 209-220 of this document.</p>	<p>Franchised provision refers to the situation where the institution arranges with another organisation to deliver provision on its behalf. In general this will correspond to situations in which the individuals delivering the provision are not directly employed by the institution.</p> <p>The control criteria for franchised provision were set out in Circular 96/06 and are now reproduced in this document at annex D. Supplementary guidance on franchised provision is set out in Circulars 99/09 and 99/37. Whilst welcoming franchised provision where participation is widened and students have benefited, the LSC wishes to ensure in particular that institutions exercise proper control over the provision and that such arrangements do extend provision and do not lead to double funding or the displacement of existing funding.</p>
	<p>5.1 Each student should have a learning agreement, signed by the student and on behalf of the institution, which accords with the LSC's guidance on initial guidance and counselling and with the terms of the institution's franchise contract.</p>	<p>The institution should have specified a framework in which initial guidance and assessment would take place and should have specified suitable criteria for staff undertaking initial guidance and assessment.</p> <p>In the case of work-based NVQs, the delivery of the learning programme should be sufficiently specified in the learning agreement to make clear the balance of work-based activity and training activity, and the planned number of guided learning hours to be delivered to achieve the qualification aim.</p>
	<p>5.2 Where the programme is delivered wholly or partly by a process of accreditation of prior learning (APL), appropriate evidence of the process leading to the APL must be present, module delivery data sets must be returned and the appropriate number of on-programme units should be claimed.</p>	<p>Institutions must include module delivery data sets with their 2001/02 ISR returns where student learning programmes involve APL. These should record the guided learning hours directly attributed to the APL in separate modules from those for other learning activities associated with the qualification. This must be a robust activity for which appropriate evidence has been retained, that is, a student log of activity.</p>
	<p>5.3 Provision must be eligible for LSC funding.</p>	<p>Specific areas in which the LSC is concerned to ensure the eligibility for LSC funding of provision are listed in Table 11 of this annex.</p> <p>The application of the 'water's edge' principle to the LSC's duty to secure further education provision for the population of England is referred to at point 15 of Table 11 of this annex.</p>

<p>5.4 Institutions must be satisfied that data returns from franchisees are made in an accurate and timely manner, and that they are supported by appropriate auditable evidence.</p>	
<p>5.5 Guided learning hours (glh) should have been correctly calculated and the appropriate loadband determined.</p>	<p>Checks on work-based programmes are especially important. In addition, auditors should ensure that checks are undertaken on the glh for distance learning, programmes delivered by the accreditation of prior learning (APL). Guidance on the calculation of glh is contained in <i>Guidance on Further Education Funding Eligibility and Rates 2001/ 02</i>. Guidance on in-year audit checks is set out in Table 7 of this annex.</p>
<p>5.6 The institution should have ensured that franchise partners do not subcontract any of the provision.</p>	<p>Provision should be made by staff directly employed by the franchise partner. In the case of volunteers, the control must be 'as if they were employed'. See point 6 in Table 7 of this annex and Circulars 99/09 and 99/37 for definitions.</p>
<p>5.7 Institutions must have made systematic checks on all franchised provision.</p>	<p>The main elements of the LSC's expectations of institutions' systematic checks are listed in Table 7 of this annex. Monitoring of provision should include direct observation of the initial guidance and assessment process and direct observation, at appropriate intervals, of the delivery of the learning programmes, as specified in the control criteria included in this document.</p>
<p>5.8 Institutions must have made appropriate arrangements for the quality assurance of franchised provision.</p>	<p>The institution should normally be the centre approved by the awarding body for the qualifications being offered by means of franchised provision. Where this is not the case, the institution should be able to demonstrate to its auditors that it is monitoring the activities of the approved centre, in particular its relationship with the awarding body, and that it is exercising control over the quality of provision. Where the institution is making franchised provision in curriculum areas not normally provided by the institution, it should be able to demonstrate that it can exercise effective control over the provision. The LSC expects that the institution would employ a person with appropriate expertise in the</p>

	<p>curriculum area, who could provide advice on franchise arrangements and undertake the necessary checks on the operation of the arrangements, including monitoring of the quality of provision.</p> <p>Where the institution has joint approved centre status with their franchise partner, all aspects of student assessment should be carried out in accordance with directions given by the institution.</p>
<p>5.9 For each franchise arrangement a contract at least as comprehensive as the model in Circular 99/37 must have been put in place before the commencement of the provision.</p>	<p>The control criteria require that governing bodies will approve a generic contract for franchise provision. They may then delegate to the principal the responsibility for ensuring that adequate scrutiny of individual contracts is undertaken.</p>
<p>5.10 The institution should have a written agreement, retained as auditable evidence, which confirms that the LSC's funding has not displaced other funds and that there is no duplication of funding from another source for the provision.</p>	<p>This would be in addition to the model contract and should provide confirmation that the LSC's funding has not displaced other public funds, has not been used to reduce the franchisee's contributions to the training and development of its staff and has not been used to reduce the franchisee's training budget or resources designated for training purposes. For further guidance see Table 7, point 4 and point 7 of this annex.</p> <p>Where the franchisee is providing courses that are part-funded by the LSC, the course fees charged to students should reflect the contribution made by the LSC towards the cost of the courses.</p>
<p>5.11 Where the amount and nature of the franchise represents a significant departure from a college's strategic plans, the appropriate LLSC should have been consulted and the governing body should have approved the departure.</p>	<p>Significant departures from the strategic plan are defined as those that may have significant implications for adequacy and sufficiency. See 'significant departures' in the glossary at Annex M to this document for examples.</p>
<p>5.12 Where the franchise partner is another LSC-funded institution, the institution should have evidence that the LSC has agreed to fund provision delivered through the particular franchise arrangement.</p>	<p>The funding agreement with institutions specifically prohibits them from delivering their LSC-funded provision by means of a franchise agreement with other LSC-funded institutions of any type. Institutions were asked to with the appropriate LLSC any plans for partnership activity that might involve the transfer of units between institutions receiving funding from the LSC. Auditors should expect such institutions to be able to provide documentary evidence that the LSC has specifically agreed to any such development.</p>

	Details of the LSC's guidance on franchise arrangements between LSC-funded institutions are set out in Circular 99/37.
5.13 Where the franchise partner is a school and provision relates to 16–18 year-old students in full-time education, in a school, institution or combination of the two, provision is only eligible for LSC funding if the supplementary guidance on the application of the control criteria in Annex D is satisfied.	Full- time provision made entirely on school premises by school staff is not eligible for LSC funding.
	<p>Provision made on school premises or partly on school and partly on institution premises, where teaching is shared between school and institution staff, is only eligible for LSC funding where the provision is fully under the control of the institution and a substantial part (not less than half) is delivered by staff directly employed by the institution. Other criteria that should be taken into account when determining whether the provision is 'institution' provision are:</p> <ul style="list-style-type: none"> •provision is delivered in premises on the school site leased or rented by the institution and clearly identified as an outreach centre of the institution •the resources used for the provision are the property of the institution •participants are students of the institution rather than the school (for example there should be no requirement to wear school uniform), and provision is not confined to former pupils of the school where the provision is located, so that students from other schools may attend if they enrol with the institution.
5.14 The reduction by one third of tariff units for dedicated provision for employers will apply to eligible provision delivered either by an institution, or independent training provider or an employer, normally on an employer's premises where that provision is made for that employer's staff. The employer may be from the private, public or voluntary sector.	Further guidance is available in paragraphs 301 to 304 of <i>Guidance on Further Education Funding Eligibility and Rates 2001/02</i> and in paragraphs 79-81 of this document.

Table 9. Schedule of possible internal controls

This table is intended to assist institutions to prepare for audit. It may usefully be shared with external auditors at the start of the audit.

Possible Internal controls		Yes/No	Comments
1	Are enrolment forms sequentially numbered? If so, have checks been carried out to ensure that all: <ul style="list-style-type: none"> •enrolment forms are accounted for •enrolment forms have been matched to learning agreements •learning agreements have been entered on to the institution's database? 		
2	Are validation checks in place over the input and processing of enrolment forms and learning agreements?		
3	Are periodic checks carried out on the completeness of data included on enrolment forms and learning agreements?		
4	Are all changes to standing data supported by appropriate authorisations?		
5	Are sample checks of course registers carried out and the results used to update the ISR database?		
6	Is the ISR database reviewed to ensure there are no duplicate entries?		
7	Is a tri-annual comparison made of anticipated units, by funding type, against: <ul style="list-style-type: none"> •national, and sector-specific, statistics •the institution's prior year actual unit claim •the institution's original forecast unit claim? Where there have been significant variances, what action was taken?		

8	Is there reconciliation between the number of units claimed by the institution and the number of units calculated from the ISR data by the LIS?		
9	Has the system for calculating guided learning hours and allocating programmes to loadbands been reviewed for compliance with current guidance?		
10	Has the system for calculating additional support costs, and ascribing these costs to the appropriate support band, been reviewed for compliance with current guidance? For those students for whom additional support units have been claimed, is there appropriate evidence that the anticipated support has actually been provided and that the actual costs reflect the claim made?		
11	Are checks carried out to ensure students' eligibility for fee remission?		
12	Have in-year checks been carried out for specific aspects of provision, such as: <ul style="list-style-type: none"> •distance and open learning •'out of wider recruitment area' •ESF •partnerships? 		
External audit planning		Yes/No	Comments
13	For those aspects of provision highlighted in the self-assessment checklist as 'risk factors' and as 'areas of concern' for audit purposes, has the institution assured itself that there is sufficient relevant and reliable evidence available to support the relevant funding claims?		
14	How much audit time was incurred by the external auditors in providing an audit opinion on the previous year's final funding unit claim?		

	How much time is proposed to be incurred by the external auditors in providing an audit opinion on the current year's final funding unit claim?		
15	Did the external auditors hold a planning meeting with management in relation to the audit of the current year's final funding unit claim? If so, did the college use the checklist provided in Circular <i>Interim and Final Funding Unit Claims 2001/02</i> ?		
16	What sample size do the external auditors propose to use, and will this sample cover all aspects of the institution's provision?		
17	How much time was incurred by the internal auditors during the current year in reviewing the institution's student records systems? Where such a review was carried out, what was the opinion given?		
18	Have all external and internal audit recommendations relating to the institution's student records systems been implemented by the institution? Where implemented, have the relevant auditors confirmed that the action taken has been appropriate?		
19	Has the college met the deadlines for the submission of ISR returns and funding claims?		
20	Has the LSC been able in each case to validate the returns successfully?		
21	Have any of the audit reports on the institution's final funding unit claims for the three previous years been qualified? If so, what action was taken by management to address the cause of the qualification?		
22	What changes of MIS/finance staff/systems have there been during the last 12 months?		

Additional information		Yes/No	Comments
23	LLSC's keep institutions informed about concerns arising in relation to specific aspects of their operation. Where the institution has received such a letter, or other relevant correspondence, has this been copied to the external auditors?		
24	Have the auditors been provided with the following documentation: a. the funding agreement between the LSC and the institution b. details of any college companies c. details of any overseas ventures?		

Table 10. Specific areas in which the Council is concerned to ensure the accuracy of institutions' ISR records

Area of concern		Supplementary notes
General		
1	Student records relating to a single individual should not be duplicated within the ISR return.	
2	The rules for recording details about the student, set out in the <i>Individualised Student Record (ISR) Institution Support Manual 2001/02</i> , should be interpreted correctly	One example is the recording of a student's mode of attendance as full-time when it should be part-time. This is most common with GCE A levels, each of which is part-time even though the total programme is full-time. For 2001/02, institutions should ensure that franchised students are tagged correctly and linked to the correct franchise partner.
Enrolments		
3	Enrolments should be promptly and accurately recorded such that ISR returns accurately reflect all students enrolled at the institution on the census dates.	Students who have enrolled but never attended provision at the institution should not be included in returns to the LSC. Students enrolling on a programme of study on or after 1 August 2001 and withdrawing without completing their programme of study should be included in the ISR return if, and only if, they withdraw on or after 1 November 2001. Students on their second or subsequent year of a programme who withdraw between 1 August and 1 November should be included. See the 2001/ 02 ISR institution support manual for more details.
4	The NVQ Delivery Arrangements should only contain value 9 if the qualification is not individually listed in the qualification aims database.	
5	The NVQ delivery arrangement and Qualification Delivery Period field directly affect how many units a qualification attracts.	For NVQs some values are invalid in the Qualification Delivery Period field as indicated in the qualification aims database. Except in these cases, the delivery period should be consistent with the qualification start and end dates.

6	GCE, A and AS levels studied part-time during the day attract a different number of units to other GCEs, and should be recorded correctly in fields Q03 (Mode of Attendance).	
7	Qualification aims records for each student should accurately describe their complete learning programme at census dates.	<p>Qualification aims should be recorded using specific codes from the qualification aims database, rather than generic codes, wherever possible.</p> <p>GNVQ or NVQ codes must not be used to record GNVQ or NVQ units added to full-time programmes. Separate codes exist for additional units. Students on English as a foreign language (EFL) programmes should not be recorded as on English for speakers of other languages (ESOL) programmes.</p> <p>Where students change all or part of their learning programme, such changes should be promptly and accurately recorded.</p> <p>Where students enrol for a qualification that consists of separately assessed modules, which by themselves would not be eligible for LSC funding, auditors should monitor the retention and achievement rates for the full qualification with care. For the provision to be eligible for LSC funding, students should be achieving the full qualification. This might be the case with certain information technology qualifications that consist of modules offering training in specific software packages, for example, Access, Excel, which by themselves would not be eligible for LSC funding. Further guidance may be obtained by contacting the LSC's helpdesk on 024 7649 3724.</p>
8	Where a qualification class code has been used for LSC-funded provision, the appropriate code should have been selected with the correct cost-weighting factor.	
9	The number of guided learning hours (glh) recorded on the ISR should correspond with that in the institution's supporting documentation.	Guidance on the calculation of glh is contained in <i>Guidance on Further Education Funding Eligibility and Rates 2001/02</i> .

10	Distance learning.	<p>Audit evidence should be available to show that the programme would not qualify for a lower number of units if delivered by a method other than open and distance learning. This may include evidence of contact with other institutions and/ or the LSC to ascertain the appropriate loadband. The recording of withdrawal should be checked to ascertain that students are active learners. See point 12 below.</p> <p>NVQs should not be gained entirely by distance learning. Institutions delivering distance learning via the Internet should have consulted the LSC in advance of delivery.</p>
Completion and withdrawal		
11	Student withdrawal dates should be promptly and accurately recorded in order to reflect the last date of actual recorded attendance.	All student withdrawals must be recorded in the ISR. The definition of withdrawal is given in the glossary at annex G to this document.
12	Withdrawn students should generally not be recorded as completed. Students should also be correctly recorded as having transferred to another qualification, or withdrawn without transferring.	<p>The date of a student's withdrawal should be recorded as the last date of their actual attendance, or in the case of open or distance learning, the date of missed contact, not the date on which the student's record was flagged as withdrawn. While students may not be classified as withdrawn until four weeks have elapsed since their last attendance, or for open and distance learning since the missed contact, the date of withdrawal should still be recorded as the date of last actual attendance.</p> <p>Student withdrawals are not expected to occur in a systematic pattern. Where the number of students shown as withdrawing from courses shortly after a census date appears to be disproportionate, auditors may wish to pay particular attention to the attendance records and associated management controls for such courses. Auditors should undertake particular checks on the recording of withdrawals by franchised provision, provision delivered by drop- in workshops, or by off-site outreach centres, or by distance learning.</p>

Achievement		
13	<p>Achievement should be accurately recorded and substantiated by appropriate audit evidence. The outcome field includes values that distinguish between achievement for which achievement units can be claimed and achievement for which no achievement units can be claimed. Auditors should check whether a qualification is eligible for achievement units, in addition to whether the qualification was achieved.</p>	<p>A qualification aim may only be recorded as partially achieved where the student has achieved at least half of the credits or modules towards the final qualification.</p> <p>Particular checks should be made on provision made by offsite IT centres. Where students enrol for a qualification that consists of separately assessed modules, which by themselves would not be eligible for LSC funding, auditors should monitor the retention and achievement rates for the full qualification with care. For the provision to be eligible for LSC funding, students should be registered with the awarding body for the full qualification. This might be the case with certain information technology qualifications that consist of modules offering training in specific software packages, for example, Access, Excel, which by themselves would not be eligible for LSC funding.</p> <p>Evidence should be sought of registration to a relevant programme and listings from awarding bodies of successful candidates.</p>
Funding category		
14	<p>All students in the following categories should be recorded as being enrolled on provision not funded by the LSC or funded through the LSC's Operations Circle:</p>	<ul style="list-style-type: none"> •school students on link provision •students enrolled on inward- franchised provision, formerly known as franchised-in students •Training for Work, Modern Apprenticeships, Youth Traineeships, and other work- based training •full-cost recovery students •overseas students •higher education students on prescribed higher education courses •students of compulsory school age for whom the institution has no written evidence that the LSC has agreed to fund their provision •learners funded via ACL arrangements •prisoners or people in secure units or hospital.

ESF		
15	Students on programmes supported by the European social fund (ESF) should be recorded as partially funded rather than fully funded.	Where a student is included in a claim for ESF funding by a college or other organisation, and is also claimed to be funded by the LSC, the matched funding units up to 55% may be claimed. Further guidance is contained in paragraph 40-59 and in annex J to this document. The LSC does not necessarily fully fund ESF students where an organisation other than the college is the ESF applicant.
16	For ESF students, the correct ESF objective should be recorded in fields Q11 and Q12 (major and minor sources of funding other than tuition fees and LSC/HEFCE funding).	
Fee remission, childcare and additional support		
17	Students' fee remission status should be accurately recorded.	
18	Where additional support units are claimed for a student the appropriate additional support band should be accurately recorded.	See table 12 in this annex.
Franchised provision		
19	All students on franchised provision should be recorded as such on the ISR return and identified in ISR field Q30 (Collaborative Provision Partner) by the code assigned by the institution to their franchise partner.	
20	LSC funding should only be claimed once for an individual student's programme of study.	College control systems for franchise partners should include tests to ensure that students are not included on any other college's ISR return. See tables 7 and 8 in this annex. Further information is available in the entry on duplicate students and in the Glossary of Terms to this document.
21	Students should only be assigned widening participation (WP) units in the following cases: 1. The student's postcode corresponds to a postcode on the LSC's list of postcodes and WP factors (see the LSC's website: www.lsc.gov.uk) For these students the WP factor, indicated in field S20 of the ISR, should be included in the list for that postcode. 2. The student's ward (based on 1991 electoral ward boundaries) corresponds to a ward on the LSC's list of WP factors. For these	

	<p>students, the WP factor, indicated in field S20, should match the factor in this list for that ward.</p> <p>3. The WP uplift is claimed for the student because the student matches the criteria in paragraph 86- 90 and 343-344 (S21) of <i>Guidance on Further Education Funding Eligibility and Rates 2001/02</i>.</p>	
<i>Dedicated provision for employers</i>		
22	<p>The reduction by one third of tariff units for dedicated provision for employers will apply to eligible provision delivered by an institution, an independent training provider or an employer, normally on an employer's premises where that provision is made for that employer's staff. The employer may be from the private, public or voluntary sector.</p>	<p>It is not intended that this will affect small employers as their staff more commonly attend provision open to the public.</p> <p>For further guidance, see paragraphs 301 to 304 in <i>Guidance on Further Education Funding Eligibility and Rates 2001/02</i>.</p>
<i>Fields used by LIS</i>		
23	<p>The following fields are used by the LIS in the calculation of funding units and generation of reports. Institutions should, therefore, be especially careful about ensuring their accuracy.</p>	<p>With reference to the ISR Manual, 2001/02 corresponding field numbers are: S01, S02, S14A, S14B, S15, S17, S18, S20, Q1, Q2, Q7A, Q7B, Q8, Q10, Q11, Q12, Q13, Q15, Q16, Q17, Q18, Q19, Q20, Q21, Q22, Q23, Q24, Q25, Q26, E1, E2, E3.</p>

Table 11. Specific areas in which the LSC is concerned to ensure the eligibility for LSC funding of recorded provision

Area of concern		Supplementary notes
General		
1	Institutions should not adopt practices that artificially inflate the number of funding units generated by the provision recorded in their ISR return.	<p>Full-time programmes should not be systematically subdivided into a series of part- time programmes to increase unit claims artificially. Multi-year programmes should not be systematically divided into shorter programmes with entry units claimed more than once for the same student.</p> <p>The higher rate of units for A/AS/GCSE courses should not be claimed where the lower rate is appropriate.</p> <p>On-programme units in respect of qualifications such as NVQs should not be claimed on guided learning hours that have not been delivered by the college.</p> <p>There should not be significant numbers of programmes beginning just before a census date.</p> <p>Units should not be claimed for students enrolled on NVQ programmes who are not registered with the awarding body for the full qualification.</p> <p>Franchisees should not claim different elements of a student's programme from different franchise partners within the same 12-month period or during the length of the student's main programme.</p>
2	Institutions should be able to satisfy their external auditors of the credibility of performance indicators generated from their ISR return. They should do this particularly in respect of withdrawal, continuation and achievement rates and of other indicators related to the comparative national statistics which will be published on the LSC's website in the summer of 2002.	Comparative national statistics are referred to in paragraph 178 of this document. Particular consideration should be given to the reasons identified by the institution where the performance indicator shows variation from family norms.

Entry		
3	<p>Students for whom the institution has claimed entry units should have learning agreements, or equivalent, that have been signed on behalf of the institution and by the student. They should include details of the student's full learning programme and of any additional support to be provided. Auditors should ensure that learning agreements include those key details of the student's planned learning programme set out in paragraph 230 of <i>Guidance on Further Education Funding Eligibility and Rates 2001/02</i>. The course code on the learning agreement should be correct for the course description and the same course code should be entered on the student's ISR. Auditors should pay particular attention to testing in this area.</p>	<p>Learning agreements should include the following key details:</p> <ul style="list-style-type: none"> •the student's name and address and, for franchised provision, the name of the collaborator •the primary learning goal •the number of guided learning hours in each year, average number of guided learning hours per week and number of tri- annual periods planned to complete the programme •a summary of any additional support to be provided to the student
4	<p>Institutions should have retained the following evidence in support of claims for entry units:</p> <p>a. confirmation that the assessment and guidance provided to each student dealt with (albeit with the appropriate emphases for different types of student):</p> <ul style="list-style-type: none"> •the implications of the choice of the student's learning programme •the entry requirements of the chosen learning programme •an assessment of the suitability of the chosen learning programme for the student, including any credits or exemptions which may be appropriate to the student •any financial or other support required by the student, including that set out in any additional support assessment form; <p>b. a brief description of the nature of the procedures and when they occurred;</p> <p>c. signatures of the appropriate members of staff and the student to confirm that the procedures had been carried out.</p>	<ul style="list-style-type: none"> •evidence of the assessment and guidance process by which the learning agreement was reached, as set out in Circular 94/16 and as modified by Circular 94/23 •institutions may claim a maximum of eight entry units for each student in any 12- month period •institutions should not seek to divide programmes artificially in order to increase the number of units earned •entry units should not be claimed where a student has no real choice in the programme followed, for example, where an employer determines the course of study. This may be the case if the qualification is a statutory requirement of the industry, for example, first aid or food handling qualifications. <p>External auditors are not required to evaluate the assessment and guidance process beyond establishing that the audit evidence accords with the LSC's guidance.</p>

Attendance		
5	There should be evidence that individual students were undertaking the specified learning programme during the tri-annual period in question.	<p>For most students this will take the form of registers of attendance. Experience has shown these to be key records used by auditors in forming their opinion on the accuracy of institutions' ISR returns. Regular management review of registers may, therefore, be of benefit to institutions in ensuring the accuracy of ISR returns and reducing the extent to which additional audit work may be found to be necessary.</p> <p>Consideration should be given to sample checks on student attendance in classes.</p> <p>Checks are especially important in the case of franchised provision. For qualifications gained by the accreditation of prior experience and learning (APL), evidence of the process leading to this accreditation should be checked, particularly if the extent of APL is significant. Staff logs of time spent with individual students are an example of the type of evidence that may be available.</p>
6	Where students are studying NVQs using distance or open learning methods, there should be evidence that corresponding learning activities have taken place.	Evidence could include distance learning workbooks and records of one-to-one tutorials. It is not expected that NVQs be gained entirely by distance learning. Withdrawals should be monitored. See annex G of this document.
Attendance		
7	For learning programmes leading to qualifications, which were not individually listed in the tariff for 2001/ 02, evidence should exist to show that the number of guided learning hours (glh) in which the programme was delivered conformed to the loadband claimed for the programme.	<p>Appropriate evidence for glh should include enrolment forms, attendance registers, students' workbooks and a prospectus. The definition of glh given in paragraph 106 of <i>Guidance on Further Education Funding Eligibility and Rates 2001/02</i>, implies contact between a member of staff and a student. It should not include time spent by staff undertaking assessment of students without the student being present.</p> <p>Institutions should not systematically use the bottom of each loadband as glh for programmes where this does not reflect the historic pattern of provision. Some variability would normally be expected.</p>

Students' age		
8	Institutions should have evidence for every student of compulsory school age showing that the LSC has agreed to fund them.	Students of compulsory school age are only eligible for LSC funding in exceptional circumstances and where written approval has been provided by the LSC.
9	External institutions should not claim LSC funding for any 16–18 year-old students on a full-time programme.	
Fee remission		
10	Evidence should exist to show that claims for fee remission units were justified under the LSC's policy, as set out in paragraph 306-316 of <i>Guidance on Further Education Funding Eligibility and Rates 2001/02</i> and in paragraph 31 of this document.	Form UB40 is not acceptable as evidence of receipt of jobseeker's allowance (JSA). Acceptable evidence of unemployment benefit or a means-tested state benefit would be: <ul style="list-style-type: none"> • a letter of entitlement to benefit issued by the appropriate agency, providing that it shows dates of entitlement • evidence that a member of the institution staff has seen an order book or benefit book • a certificate issued by the benefits agency that someone is currently in receipt of benefit. At colleges (usually sixth form colleges) where all students are allegedly aged between 16 and 19, thereby qualifying automatically for fee remission, auditors should ensure that the age of students is correctly recorded.
11	Institutions should not claim fee remission units for non- means-tested state benefits (other than JSA), students on English as a foreign language (EFL) courses or a fee remission policy where it differs from the LSC policy.	
Subsidiary qualification		
12	Institutions should not claim units for a qualification, which is subsidiary to one being funded by the LSC.	For example, the LSC will not fund a GCSE in business studies for a student who is also taking a BTEC in business studies at the same time. Where a number of qualifications have been brought together to form a short course, external auditors should check the primary learning goal and ensure that the minimum number of guided learning hours for each qualification is nine for 16-18 year olds and six for age 19 and above.

Achievement		
13	Institutions may only claim achievement units where 50% or more of a qualification is achieved.	
14	Evidence should exist to show that claims for achievement units were supported by the attainment of approved qualifications for the first time at the institution by students. The audit evidence should include listings from the awarding bodies of successful candidates and evidence of entry to a relevant programme.	Achievement units may not be claimed where the student is merely seeking an improved grade and the institution has previously claimed achievement units for the student.
15	Institutions should not claim LSC funding for provision delivered outside England. This restriction applies to provision delivered in Wales and Scotland as well as in other countries.	The LSC has adopted a 'water's edge' principle to meeting its duty to secure further education provision for the population of England. This means that provision for eligible students taking place in England may be funded by the LSC, but provision taking place outside England is not eligible for funding. Students that are, for example, members of the population of Scotland or Wales are eligible for LSC funding where they are attending courses provided by institutions in the English further education sector at sites in England. However, the LSC would not expect to find large numbers of such students within any one college or enrolled on short programmes in a systematic way. Similarly students that are members of the population of England may be funded through the Scottish Office Education and Industry Department or the Further Education Funding Council for Wales when attending institutions in Scotland and Wales respectively.
16	Institutions should not claim funding for students who are not members of the 'home' population of England, irrespective of their mode of attendance. The LSC does not generally fund students who are not UK or European Economic Area nationals living in England ('from overseas') unless they meet the residency requirements specified in the Education (Fees & Awards) Regulations 1996 as amended in 1998, published by The Stationery Office.	The regulations are complex, but in general the following groups living in England are considered to be members of the 'home' population: <ul style="list-style-type: none"> • individuals from the European Union, or migrant workers from the European Economic Area • refugees and asylum seekers with 'exceptional leave to remain' • any individual from overseas who has been granted 'settled status' • any individual on a fully reciprocal student exchange

		<ul style="list-style-type: none"> •any individual who is 'ordinarily resident 'in England •asylum seekers in receipt of a means- tested benefit. •16-18 year olds accompanying parents with right of abode <p>External auditors should check enrolment forms to see if evidence has been gathered on the residency status/ eligibility of the student.</p>
<i>Provision funded by sources other than the LSC</i>		
17	LSC funding should not be claimed for the institution's staff enrolled on courses at their own institution during their normal contracted working hours.	Such students would only be eligible for funding by the LSC as an exceptional occurrence, if the members of staff were replaced by other staff whilst studying. This would not include whole college staff development programmes in information technology or developing an 'inclusive' curriculum. Institutions should consult the LSC's funding and statistics support desk if they wish to claim funding for members of staff in advance of the delivery of the programme.
18	Where the student's provision is claimed to be fully funded by the LSC, there should be no other source of funding being claimed for the student by the institution.	Exceptions to this requirement apply where the other source of funding is the single regeneration budget, section 11 or section 210 grants.
<i>Additional support</i>		
19	This area merits special checking by external auditors, especially where the percentage of additional support units claimed is significant, or has changed significantly from the previous year.	Specific areas in which the LSC is concerned to ensure the eligibility of claims for additional support units are listed in Table 12 to this annex.

Table 12. Specific areas in which the LSC is concerned to ensure the eligibility of claims for additional support units

Area of concern		Supplementary notes
1	Additional support units, or, where applicable, extra funds allocated by the LSC in addition to the maximum rate of additional support units, must relate to specific individuals.	
2	Claims for additional support units should accord with the LSC's guidance in paragraphs 320-341 of <i>Guidance on Further Education Funding Eligibility and Rates 2001/02</i> .	<p>The LSC would not normally expect institutions to:</p> <ul style="list-style-type: none"> •have large numbers of students just triggering cost thresholds for each support band •significantly increase from year to year the proportion of additional support units in the total •systematically extend the institution week or year for discrete groups of students with learning difficulties and/or disabilities •claim additional support funding where the majority of students in a group, studying for example an intermediate GNVQ, appear to require additional help in order for them to succeed on their learning programme. This would not apply to discrete groups of students with learning difficulties and/or disabilities •claim additional support funding for students enrolled on franchised provision where the support is not then passed on to the franchisers •systematically claim for literacy or ESOL qualifications in addition to the primary learning goal of a student.
3	The student's learning agreement should include a summary of the additional support to be provided for the student.	A copy of the additional support form at page 57 of <i>Guidance on Further Education Funding Eligibility and Rates 2001/02</i> should be retained with the learning agreement and should be signed by the student/parent/ advocate. An integral part of the establishment of the learning support plan is the scheduling of regular reviews. These reviews may result in a reassessment

		of the support programme. This may lead to changes in the cost. Institutions will find it helpful to ensure that this is systematically recorded.
4	The institution should have retained evidence of costings used in assessing the additional support band to be claimed.	<p>Generally institutions should complete an additional support form when a student's additional support needs are first identified, and may consequently have to base them on estimated costs.</p> <p>For the final funding unit claim the form must be completed to show actual additional expenditure incurred by the institution and should not include overhead costs such as central services or premises costs.</p> <p>Costings should be reasonable in relation to expected costs. For example where averages, such as average teaching costs, are used in this calculation, the institution should have retained evidence that demonstrates that the values used are reasonable.</p> <p>There should be evidence to show that additional support for which additional support units have been claimed, or extra funds allocated by the LSC, was actually made available to the student.</p>
5	Where additional support units are claimed for programmes in numeracy, literacy or English for speakers of other languages it should be in accordance with one of the three options set out in paragraph 330-331 of <i>Guidance on Further Education Funding Eligibility and Rates 2001/02</i> .	
6	When checking the withdrawal mechanism, auditors should ensure that institutions have robust systems in place to ensure that students with erratic attendance due to illness or other legitimate circumstances are identified.	In the case of students with mental ill-health or other legitimate reasons for erratic attendance, the institutions should retain evidence of assessment and/or a notification from the student/parent/advocate/medical adviser that there is a strong intention to return. In these exceptional cases, the student need not be entered as withdrawn within the usual timescales.

7	Where a student incurs additional expenditure over and above £19,000 the college may approach the LLSC for additional funds.	The college should retain the letter from the LLSC agreeing the claim and authorising the additional payment.
8	Where additional support units are claimed for counselling this should be in cases where it is necessary to enable students to achieve their primary learning goal.	In these cases, additional support may be claimed even where the provision made is confidential. In order to claim, the institution will need to make a 'manual adjustment' to the final funding unit claim. Where confidentiality is an issue anonymised additional support forms can be prepared. These will need to justify the costs claimed.
9	The additional cost of a small or discrete group of students with learning difficulties should be calculated by subtracting the average teaching cost per student on a standard programme from the cost per student on a discrete programme.	The calculations are based on the 'ideal' or 'target' group size, based on the needs of the student. It is therefore inappropriate to recalculate the claim according to the size of the group when for instance one or two students drop out.
10	The costs of administration that is directly linked to the delivery of additional support for individual students may be calculated and claimed.	It is not acceptable to inflate the costs artificially by including management and administration that are not directly related to the delivery of additional support for students.
11	Whilst the actual equipment costs cannot be included as additional support, a depreciation charge for equipment may be included. It should be calculated by dividing the actual cost of equipment used by the student for the time it was used. Capital building works are not eligible for funding under the additional support mechanism.	Depreciation costs must be claimed in line with the college's depreciation policy. This should be calculated by a college's finance department, as it must be shown in the college accounts. The same procedure applies to equipment that is leased rather than purchased.

Table 13. Potential qualifications to 2001/ 02 audit reports

Reason for qualification		Expected action for cases involving more than a few isolated errors or having significant statistical or funding unit implications
1	Learning agreements missing, incomplete, inaccurate and/or not signed by both students and staff.	Auditors would be expected to qualify their audit report and to undertake a sample to validate the institution's estimate of the number of entry units affected by the inadequacy. Affected units are likely to be disallowed from final funding unit claims by the LSC.
2	Inadequate evidence to demonstrate that initial guidance and assessment have been provided.	Auditors would be expected to qualify their audit report and to undertake a sample to validate the institution's estimate of the number of entry units affected by the inadequacy. Affected units are likely to be disallowed from final funding unit claims by the LSC.
3	Attendance registers missing, incomplete or incorrect.	Auditors would be expected to qualify their audit report and to undertake a sample to validate the institution's estimate of the number of units affected by the inadequacy. Affected units are likely to be disallowed from final funding unit claims by the LSC.
4	Initial checks on eligibility for fee remission, absent, inadequate and/or inadequately recorded.	Auditors would be expected to qualify their audit report and to undertake a sample to validate the institution's estimate of the number of fee remission units affected by the inadequacy. Affected units are likely to be disallowed from final funding unit claims by the LSC.
5	Evidence to support claims for achievement units has not been retained and/or Achievement units have been claimed in ineligible cases.	Auditors would be expected to qualify their audit report and to undertake a sample to validate the institution's estimate of the number of achievement units affected by the inadequacy. Affected units are likely to be disallowed from final funding unit claims by the LSC.
6	Achievement has been incorrectly recorded in the institution's ISR return.	The institution would be expected to revise their ISR25 return and return a revised funding unit claim, based on the corrected data, which has been validated by their auditors.
7	Additional support forms have not been completed for all students for whom additional support has been claimed,	The institution would be expected to complete correctly additional support forms for all students for whom units are claimed and have them validated

	have been completed incorrectly or include ineligible costs.	by their auditors.
8	Additional support has not been accurately recorded in the institution's ISR return.	The institution would be expected to revise their ISR25 return and return a revised funding unit claim, based on the corrected data, which has been validated by their auditors.
9	Guided learning hours have been incorrectly calculated and students' programmes consequently assigned to incorrect loadbands.	The institution would be expected to revise their ISR25 return to show the correct loadbands and return a revised funding unit claim, based on the corrected data, which has been validated by their auditors.
10	Generic codes have been used improperly or in a large proportion of cases.	Auditors should contact the LSC's funding and statistics support desk to confirm whether the institution has adopted a reasonable approach. This may then require a qualification to the audit report and/ or the correction of the ISR25 return by the institution.
11	LSC funding has been claimed for ineligible students and/or programmes. This includes amongst others: <ul style="list-style-type: none"> •students under 16 for which the institution has no evidence that the LSC has agreed to recognise them as exceptional cases •provision outside England 	The institution would be expected to revise the ISR25 return to record such students as not LSC funded and return a revised funding unit claim, based on the corrected data, which has been validated by their auditors.
12	The ISR return is inaccurate or incomplete. This includes but is not limited to: <ul style="list-style-type: none"> •withdrawal dates incorrectly recorded or withdrawals incorrectly coded as completed •students missing from the return •students included in the return who are not following a learning programme at the institution •inaccuracies in the recording of students' learning programmes such as incorrect qualifications codes 	The institution would be expected to revise their ISR25 return and return a revised funding unit claim, based on the corrected data, which has been validated by their auditors.
13	Students partly funded by the ESF have not been recorded as such on the ISR return.	The institution would be expected to revise their ISR25 return and, where appropriate, return a revised funding unit claim, based on the corrected data, which has been validated by their auditors.
14	Franchised provision fails to satisfy fully the control criteria.	Auditors would be expected to qualify their audit report, provide details of the arrangements which do not satisfy the LSC' s guidance, specifying the

		faults in the institution's arrangements, and to undertake a sample to validate the institution's estimate of the number of units affected by the inadequacy.
15	Systematic visits have not been made to all partners involved in franchised provision and/ or the visits have not accorded with the LSC's guidance.	Where the control criteria are satisfied but there have been isolated failures the estimate should be based on a sample of affected units and should relate to the particular form of inadequacy. In all other cases the estimate should be based on all units claimed for the affected franchised arrangements. or example, where learning agreements are inadequate in a few unconnected cases the estimate should be based on entry units. Where a significant proportion of learning agreements for a particular franchiser are inadequate the estimate should correspond to all units claimed for affected programmes with that franchiser. Affected units are likely to be disallowed from final funding unit claims by the LSC.
16	Contracts at least as comprehensive as the model in Circular 99/09 have not been implemented for all franchising arrangements.	Where the control criteria are satisfied but there have been isolated failures the estimate should be based on a sample of affected units and should relate to the particular form of inadequacy. In all other cases the estimate should be based on all units claimed for the affected franchise arrangements. or example, where learning agreements are inadequate in a few unconnected cases the estimate should be based on entry units. Where a significant proportion of learning agreements for a particular franchiser are inadequate the estimate should correspond to all units claimed for affected programmes with that franchiser. Affected units are likely to be disallowed from final funding unit claims by the LSC.
17	The institution has not based its final funding unit claim on ISR25 data processed through version 9.02 of the Learner Information Suite (LIS) using version 15.1 of the qualification aims database.	The institution should return a final funding unit claim that is based on the correct software and has been validated by their auditors.
18	The institution has failed to make valid manual adjustments to the final funding unit claim or has made invalid or incorrect manual adjustments.	The institution should return a final funding unit claim that has been validated by their auditors.

19	The institution's ISR25 return has not been validated, there is no final funding unit claim or the auditor has not confirmed the number of funding units generated by the LIS.	Auditors are not be expected to return an opinion on institutions' claims and ISR25 return until these points have been satisfactorily resolved.
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Annex M: Glossary of Terms

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

16-18 year olds

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

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

19-year olds and over

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

Access to Higher Education programmes

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

accreditation of prior learning and experience (APL)

This is a process where a student is given exemption from particular elements of a programme because of prior experience and knowledge. This is expected to be a substantial process. Robust evidence of the process leading to APL, for example, a log of student activity, should be sought. Where a programme is not individually listed, the value of units claimed for APL should be the value for the loadband into which the programme would otherwise fall. The minimum threshold is six guided learning hours. It is assumed that it would be unusual to gain an entire qualification by APL and that some guided learning would be required. An NVQ may not be delivered entirely by APL. See particularly paragraphs 222-223 in this document, which explains that guidance on APL, in particular in conjunction with NVQs, has been misinterpreted by a small number of institutions. Assessment services alone

are not eligible for LSC funding. See paragraphs 264 of *Guidance on Further Education Funding Eligibility and Rates 2001/02*.

achievement units

These are funding units that may be claimed for each student who achieves the primary learning goal of their programme. See paragraphs 248-258 of *Guidance on Further Education Funding Eligibility and Rates 2001/02* and the tariff value is described in Annex A.

added value

European Social Fund (ESF) must add value to match funding. Added value criteria is defined within the ESF in GB rulebook.

additionality

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

additionality in franchising arrangements

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

additional support

Additional support is defined in paragraph 141 of Annex A to *Guidance on Further Education Funding Eligibility and Rates 2001/02* as 'any activity which

provides direct support for learning to individual students, which is over and above that which is normally provided in a standard learning programme which leads to their primary learning goal. The additional support is required to help students gain access to, progress towards and successfully achieve their learning goals. The need for additional support may arise from a learning difficulty or disability or from literacy, numeracy or language support requirements.' See also Annex H to this document.

additional support costs beyond the value of the top band

For 2001/02, institutions are able to apply for specific additional financial support for students whose additional support costs exceed £19,000 by making application to their LLSC. See paragraph 338 of *Guidance on Further Education Funding Eligibility and Rates 2001/02*. Institutions should provide their auditors with a copy of the letter of agreement from the LLSC.

additional support costs form

This is at appendix 4 to Annex B of *Guidance on Further Education Funding Eligibility and Rates 2001/02*. It should be completed by the college for every student for whom additional support is claimed and should be signed by the student or his/her advocate. Additional support costs must relate to the individual and not be vired to any other student.

additional support units

These are funding units that may be claimed where an institution provides additional support to a student and the extra costs of doing so are above a threshold level. The tariff value is described at appendix 2 to Annex B of *Guidance on Further Education Funding Eligibility and Rates 2001/02*.

analytical review

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

asylum seekers

See paragraph 47, 57, 88 and 306 of *Guidance on Further Education Funding Eligibility and Rates 2001/02*.

audit sampling and sample size

Audit sampling means the application of audit procedures to less than 100% of the items within a population to enable auditors to obtain and evaluate audit evidence about some characteristics of the items selected. This is in order to form or help to form a conclusion concerning the population as a whole. Sample size is affected by the degree of sampling risk that auditors are willing

to accept from the results of the sample, which in turn depends on the importance to the auditors' conclusions of the results of the audit procedure involving sampling. The greater the reliance on these results, the lower the acceptable sampling risk and the larger the sample size needs to be.

basic skills

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

college companies

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

compulsory school age

Normally institutions can only claim for students over compulsory school age. There is now a single date when young people can legally leave school. That date is the last Friday in June for those who have completed year 11. Institutions should note that the LSC will not expect to fund groups of school-leavers before 1 August 2001, but it will fund individuals in exceptional circumstances. In these circumstances, institutions should ensure that they retain audit evidence that the LSC has been consulted and has agreed the circumstances. External institutions may not claim LSC funding for students aged 16 to 18 years on full-time programmes.

construction apprenticeship scheme

The CITB has established a Construction Apprenticeship Scheme to provide a high-quality route for young people entering the construction industry. For the first 39 weeks of the scheme, young people are not in employment and may be enrolled as full-time students by colleges. Colleges should ensure that the students' programmes lead to appropriate qualifications, normally an NVQ level 1 plus additional GNVQ units. Students progressing to the next phase of the scheme under modern apprenticeships leading to NVQ level 2 should be funded through the work-based learning rate.

control criteria

These are the criteria that should be met to ensure that an institution has appropriate control on franchising provision, as set out in Annex D. If these cannot be met, the provision is not eligible for LSC funding.

cost-weighting factor

The cost-weighting factor is intended to reflect the relative intrinsic costs of programmes, and takes one of the five values specified in paragraph 241 and Table 3 of *Guidance on Further Education Funding Eligibility and Rates*

2001/02.

court order

The LSC has neither the power nor the duty to fund individuals detained under order of a court, for example, prisoners, and people in secure hospital units. See paragraph 83 of *Guidance on Further Education Funding Eligibility and Rates 2001/02*.

day-care centres

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

dedicated provision for employers

In his letter of 12 November 1997 to the FEFC chair (see Annex H of Circular 97/38), the secretary of state for education and employment indicated that he wished to see a fairer balance between contributions from employers and the public purse to employer-led provision in further education, based on the principle that employers should be meeting at least half the costs of the provision. The LSC adjusted the funding arrangements to reflect a fee contribution of approximately 50% of the cost of dedicated employer-led provision. This was done by reducing the tariff value for units claimed for such provision to two thirds of the normal level. Colleges are also not able to transfer any funding to employers for dedicated provision, other than for the hire of premises and equipment. See paragraphs 25 to 26 of Circular 99/09.

direct provision

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

See also **facilities management, franchising, employment/staffing agency, secondment arrangements, subcontracting.**

distance learning

Distance learning is where students may not attend formal classes at the

institution but use specially prepared learning materials. The programme should be accompanied by some counselling or tutorial support. Where this type of provision is delivered by an organisation on behalf of the institution in return for agreed payments, it would be regarded as franchise provision. The monitoring of distance learning is extremely important if LSC funding is to be with integrity. An institution should take active measures to ensure that the student is continuing on the programme and has not withdrawn. Colleges need to ensure that franchise partners are implementing the guidance. It is not expected that NVQs or APL will be delivered entirely by distance learning. More information is given at paragraphs 62-78 of this guidance and in Annex F.

Institutions planning to deliver distance learning which involves the application of the 14 multiplier or provision via the Internet are requested to contact their LLSC in advance of delivery to avoid post-delivery difficulties. This may be considered to be a new and/or possibly contentious mode of delivery as defined in paragraphs 12 and 14 of *Guidance on Further Education Funding Eligibility and Rates 2001/02*.

duplicate students

These are students who appear more than once on an institution's ISR record or more than once on different institutions' ISR records with the same or similar details. Paragraph 102 of *Guidance on Further Education Funding Eligibility and Rates 2001/02* explains that whilst recognising that students, in participating in learning, may enrol at more than one institution, the LSC would not expect groups of students enrolled on full-time programmes at an institution to be enrolled on part-time programmes at other institutions, including franchising. For example, it would not be appropriate for several students enrolled on full-time sports and leisure studies to be enrolled at another institution to do a first aid or sports coaching qualification through franchising. This may lead to over-claiming of entry and on-programme units and the provision may not meet the control criteria. Institutions should ensure that they have in place mechanisms to reduce the possibility of duplication, especially where provision is franchised to another organisation. Such mechanism may include ensuring that students are asked, at enrolment, to state if they are enrolled on another LSC-funded course at another institution, or if they have been so enrolled during the preceding 12 months. Systematic spot checks by the institutions and their auditors are essential.

eligible students

Those students who are eligible for LSC funding are defined in paragraphs 46-48 of *Guidance on Further Education Funding Eligibility and Rates 2001/02*.

eligibility of provision

The LSC may only fund provision that falls within its powers as set out in the Learning and Skills Act 2000 . The LSC does not expect to fund provision

made in collaboration with clubs and other bodies, including ones at national level, whose primary aim is to promote competence in their members' leisure and recreational pursuits. Social services have wide-ranging responsibilities that may include the provision of learning opportunities for people in their care.

employment/staffing agency

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

English as a foreign language (EFL)

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

(ESOL) English for speakers of other languages

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

entitlement curriculum

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

entry level

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

entry units

These are funding units that may be claimed for each eligible student who enrolls on provision funded by the LSC. The rules for entry units are set out in paragraphs 220-236 of *Guidance on Further Education Funding Eligibility and Rates 2001/02*. These summarise the audit evidence of the assessment and guidance process that the LSC will accept as satisfactory. It is expected that the activities that provide evidence to claim entry units are distinct from the guided learning hours claimed for the on-programme element of funding. Entry units should not be claimed where the student has no real choice in the

programme followed, for example, where an employer determines the course of study. This is likely to be the case in courses leading to qualifications that are a statutory requirement of a particular industry, for example, the Essential Food Hygiene Course or First Aid Certificates.

European Economic Area (EEA)

The countries making up the EEA are detailed at paragraph 46 of *Guidance on Further Education Funding Eligibility and Rates 2001/02*.

European Social Fund (ESF)

One of four European Union 'Structural Funds'. See paragraphs 258-261 of *Guidance on Further Education Funding Eligibility and Rates 2001/02*. Institutions should ensure that ESF students are correctly entered on the ISR. Even in cases where the LSC is not providing the matched funding, colleges should enter ESF students on the ISR or on an aggregate return.

external institution (former)

Former external institutions are institutions maintained by local education authorities (LEAs) and other education providers, such as private colleges or voluntary organisations, outside the incorporated further education sector. External institutions may only be funded by the LSC for part-time students aged 16 or over, and full-time students aged 19 or over. They are not eligible to claim LSC funding for full-time students aged 16–18 years. The funding agreement between the LSC and external institutions states that such institutions should only exceptionally enter into franchising agreements and only after consultation with the LSC.

facilities management

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

fee remission

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

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

fee remission units

These are funding units which may be claimed for each student who meets the LSC's criteria for tuition fee remission, as set out in paragraphs 306-316 *Guidance on Further Education Funding Eligibility and Rates 2001/02*.

franchising

The term 'franchising' was previously known as 'franchised provision', 'collaborative provision', or 'outward collaborative provision'. Franchising refers to an arrangement where an institution makes a contractual agreement with another organisation (the collaborator) to deliver, on behalf of the institution, provision funded by the LSC. This type of provision will normally be delivered away from the institution's premises. An institution may only provide education through a third party if it is fully in control of the arrangements. The LSC's requirements of franchise provision are set out in *Guidance on Further Education Funding Eligibility and Rates 2001/02*, Circulars 99/09 and 99/37, and paragraphs 209-220, Table 7 in Annex L, and Annex E of this document. In addition, Circular 99/14 provides information on provision made via college companies and/or joint venture companies that also require a franchise contract. See in particular paragraph 16 of Circular 99/14. The LSC expects that the involvement of institutions with partner organisations will lead to enhanced provision for learners. Provision that remains much the same as it was before the partnership was established is not eligible for funding. Arrangements in which institutions contract with providers that have already established and marketed provision are not likely to meet the control criteria. For instance, the inspectorate national survey found it difficult to identify what franchising arrangements had added to some contracts with sports bodies and first-aid organisations. See particularly Circular 99/09, paragraphs 7 to 12. The LSC does not expect to fund provision made in collaboration with clubs and other bodies, including ones at national level, whose primary aim is to promote competence in their members' leisure and recreational pursuits. The LSC would expect that its funding would be used for a course which would have as its primary purpose the acquisition of a vocational qualification, rather than supporting such leisure and recreational provision. A list of all LSC guidance on franchising, which is referred to in this document, is contained in Annex A to Circular 99/09. See also the entries in this glossary on **facilities management, funding of franchise provision, outreach, provision on employers' premises, distance learning, secondment arrangements, subcontracting of provision**.

funding methodology

The LSC's funding methodology for 2001/02 is specified in *Guidance on Further Education Funding Eligibility and Rates 2001/02*. The details for 2002/03 are in *Funding Guidance for Further Education in 2002/03*.

funding taper

The LSC funds programmes on the basis of costs incurred. When a learner's programme comprises many individual learning aims there is evidence that

the glh delivered do not increase in proportion to the funding available. In such cases, there will be a proportional reduction in additional funding and eventual cap on the level of funding which may be claimed for an individual learner. The funding taper starts to apply when a learner's programme is unusually large. Institutions should note that the funding taper applies to both loadbanded and individually listed learning aims. Guidance on the operation of the taper is given in paragraph 297 of *Guidance on Further Education Funding Eligibility and Rates 2001/02*.

guided learning hours

Guided learning hours are all the times when a member of staff is present to guide student learning on a programme, including lectures, tutorials and supervised study. The minimum threshold for a qualification to be eligible for LSC funding in 2001/02 is six guided learning hours for those aged 19 and over. For 16-18 year olds the minimum number of hours is 9glh. In the case of programmes provided in the workplace, the maximum length of delivery that may normally be claimed is 329glh. Care should be taken to substantiate the claim for guided learning hours for distance learning, and accreditation of prior learning (APL). See Annex F for more guidance.

higher education students

These are students funded by the Higher Education Funding LSC for England (HEFCE). The LSC does not expect to fund FE qualifications for groups of higher education students. See paragraph 162 of *Guidance on Further Education Funding Eligibility and Rates 2001/02*.

HNCs and HNDs

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

homeless, funding provision for

For 2001/02, a widening participation uplift of 12% may be claimed for certain categories of homeless people. See paragraph 91 of *Guidance on Further Education Funding Eligibility and Rates 2001/02*. This defines what may be considered supported housing, and the audit evidence required for each student.

independent training provider

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

individually listed qualifications

These are qualifications that are individually listed in the tariff. The values of

on-programme units which are available for individually listed qualifications are also given in Annex A part C of *Guidance on Further Education Funding Eligibility and Rates 2001/02*.

induction programmes

These are short courses preparing students to enter an institution, or as an introduction to the main course. An institution may not claim funding for an induction programme that has been accredited separately from the main programme. See paragraph 254 of *Guidance on Further Education Funding Eligibility and Rates 2001/02*.

jobseeker's allowance

See paragraphs 70-73 of *Guidance on Further Education Funding Eligibility and Rates 2001/02*.

joint venture companies

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

key skills

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

- communication
- application of number
- IT.

The wider key skills are:

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

learning agreement

See paragraph 69 of *Guidance on Further Education Funding Eligibility and Rates 2001/02*. In the context of the jobseeker's allowance the document has a legal status. See paragraph 73 of *Guidance on Further Education Funding Eligibility and Rates 2001/02*.

loadband

The values of on-programme units that are available for all programmes not individually listed in the tariff can be determined by assigning the programme in question to a loadband. Guidance is given in Annex A of *Guidance on Further Education Funding Eligibility and Rates 2001/02*.

local priorities

The government has requested that institutions give priority to the needs of the local community before entering into franchise or other arrangements at a distance. See Circulars 99/39 and 99/46 for further guidance. Where institutions are claiming such provision, there should be evidence that local providers and the LLSC have been consulted, and there are agreements especially about progression routes for students to local provision. The LSC would not wish to fund new provision in an area where it is already being made by another college unless there is clear evidence of additional need.

materiality

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

mixed programmes

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

modern apprenticeships (FMAs, AMAs)

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

modules

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

National Vocational Qualifications (NVQs)

The framework of NVQ delivery methods, the components for the guided learning hours, and the number of tariff units to be claimed, are set out in Table 4, page 40 of *Guidance on Further Education Funding Eligibility and Rates 2001/02*. Assessment alone is ineligible for LSC funding. Students are normally expected to undertake only one NVQ of at least 450 guided learning hours in a 12-month period. LSC funding should not be claimed for students on NVQ programmes who are not registered with an awarding body. Where NVQ 'D' units 32 to 36 are claimed as separate qualifications as part of a learning programme designed to train an individual as an assessor or verifier,

the student should have expert knowledge of his or her subject area before commencing 'D' units. For example, combining 'D' units with diving qualifications below instructor level would be considered a device to attract LSC funds inappropriately.

nine guided learning hours

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

non-prescribed higher education courses

These are generally professional qualifications achieved by following courses on a part-time basis, and accredited by a professional body. They do not include, for example, part-time certificates in higher education. See paragraphs 136-165 of *Guidance on Further Education Funding Eligibility and Rates 2001/02*.

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

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

one-day provision

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

on-programme units

These are funding units that may be claimed for all activities of learning and accreditation of achievement, including assessment, general and specific student support services, and enrichment activities. The values of on-programme units that may be claimed for some of the more common types of qualification are individually listed in *Guidance on Further Education Funding Eligibility and Rates 2001/02*. Where qualifications are not included in this list, the number of on-programme units which may be claimed depends on the number of guided learning hours in the current year that are required to deliver the whole programme leading to these qualifications. Each programme is assigned to a loadband. Any programme of less than six hours is not eligible for funding from the LSC, unless it is a specific ICT or Basic Skills programme. Guidance is given in part C of *Guidance on Further Education Funding Eligibility and Rates 2001/02*.

open access information technology centres with facilities management

These are centres that generally offer a curriculum of information technology (IT). The centres may be some distance from the college. See also **local priorities**. The curriculum is often primarily modules of IT courses such as

Access, Word, or Excel, which together may lead to an externally accredited vocational qualification such as City and Guilds 7261, or from 2002/03 City and Guilds 7262. Such provision is eligible for LSC funding. A software-specific course alone is not eligible for LSC funding. See also **guided learning hours, withdrawal**. Auditors should check that the claim for guided learning hours represents the activity required and should monitor enrolment, participation, registration with the awarding body, and retention and achievement data.

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

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

outreach

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

outward collaborative provision

See the entry for **franchising**.

overseas students

This category includes students who are nationals of countries outside the European Union and European Economic Area, and British nationals returning to England after spending time abroad outside the European Union. See paragraphs 43-57 of *Guidance on Further Education Funding Eligibility and Rates 2001/02*. The fees status of such students is determined by the Education (Fees and Awards) Regulations 1998 available from The Stationery Office. British citizens returning from overseas need to establish that their absence was temporary and that they have maintained a 'relevant connection' with England. Audit evidence of a student's status should be retained by institutions.

overseas ventures

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

pastoral care

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

prescribed higher education courses

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

primary learning goal

See paragraphs 104-105 of *Guidance on Further Education Funding Eligibility and Rates 2001/02*.

prisoners

The LSC may not fund provision for prisoners. This provision may be funded by the Home Office. See **court order**.

progression

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

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

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

For people with learning difficulties and/or disabilities, the individual's learning programme should reflect, through appropriate assessment and setting of learning goals, the 'distance travelled' by the learner. Evidence should be available of initial assessment and that the student is able to progress. See Circular 99/10 for further details.

provision on employers' premises

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

Qualifications and Curriculum Authority (QCA)

The *Education Act 1997* gives the QCA responsibility for regulating academic and vocational qualifications and for advising the secretary of state on the approval of qualifications for the purposes of public funding. See paragraphs 127-128 of *Guidance on Further Education Funding Eligibility and Rates 2001/02*.

quality assurance

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

sample sizes

Sample sizes are used to determine the number of units affected by certain qualifications to an institution's audit report. The LSC's usual sample size is 20%.

secondment arrangements

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

significant departures

Significant departures from the strategic plan are defined as those that may have significant implications for adequacy and sufficiency. The definition is particular to franchising as set out at point 5.11 in Table 8 of Annex L to this document. Examples, which include franchised activity, include:

- a shift in the institution's mission
- a change of 10% or more in the planned number of 16–19-year old full-time students or activity involving adult students
- a change of 20% or more in activity in any one programme area
- complete withdrawal of further education provision from a part of the geographical area normally served by the institution

- withdrawal of facilities for a client group or for a programme area previously provided for in the area or part of it
- new provision planned outside the area normally served by the institution.

single regeneration budget

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

six guided learning hours

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

social services day care/residential provision

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

People who are the full-time responsibility of social services departments may not be full-time students claimed for funding from the LSC. Institutions should be aware of the possibility of double-funding even where the provision is on a part-time basis, if a contract for the provision of full-or part-time day or residential care/training is in place. In determining whether provision is fundable by the LSC, it will be necessary to have assessment evidence that each individual falls within the LSC's duties. There should also be evidence from the person's individual action plan that the time and the activity is not already funded from another source. The LSC would encourage all institutions to widen the facilities they make available to students with learning difficulties and/or disabilities by working in partnership with local authority services. Partnership activities enable a wider range of facilities to be made available to the individual, and progression routes to be established. Contact the LLSC if in doubt.

staff development courses

These are courses for staff employed by the institution. They enable staff to develop new skills to achieve a particular objective identified by the institution, for instance the development of inclusive learning or training in technology. These courses are normally not eligible for funding by the LSC. The institution would be expected to make provision for staff development from its main budget. See paragraph 75 of *Guidance on Further Education Funding Eligibility and Rates 2001/02* for a description of when staff may be enrolled on LSC-funded programmes.

student eligibility

The LSC will consider eligible for funding any member of the home population of England, living in England, who is over compulsory school age and is following an eligible programme of study at an LSC-funded institution in England. See paragraphs 40-94 of *Guidance on Further Education Funding Eligibility and Rates 2001/02*. These include a section on asylum seekers, students on EFL courses, persons detained by order of a court, students on prescribed and non-prescribed higher education courses, people of compulsory school age, college staff, and funding provision for the homeless.

subcontracting of provision

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

tariff

Each category and aspect of provision that the LSC funds differentially has been assigned a value of funding units. A fundamental principle of the LSC's approach to funding is that the tariff should reflect the relative costs of provision. The tariff has assumed that approximately 25% of the total costs of a student's programme are represented by tuition fees. The categories of provision and the corresponding values of units are set out in a tariff, details of which are given in Annex A to *Guidance on Further Education Funding Eligibility and Rates 2001/02*.

total eligible expenditure (TEE)

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

training element (expenditure relevant to training)

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

tri-annual periods

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

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

Funding units may be claimed for students who have wholly or partially completed each tri-annual period. A student is deemed to have wholly or partially completed a period either when enrolled and attending on the census day for the period, or having completed a programme which began and finished between two consecutive census dates. The census dates are 1 November, 1 February and 15 May. Where a census date falls on a weekend or a public holiday, the next working day is the census date. Further guidance is given in paragraphs 114-119 of *Guidance on Further Education Funding Eligibility and Rates 2001/02*, and in the 2001/02 ISR institution support manual.

tuition fees

The LSC's funding methodology makes the assumption that all students, other than those aged 16–18, are charged a tuition fee as a contribution to the costs of the programme. The LSC is prepared to compensate institutions that remit 100% of tuition fees for certain groups of people on low incomes. See paragraphs 306 of *Guidance on Further Education Funding Eligibility and Rates 2001/02*.

tuition fees for dedicated employer-led provision

In the case of dedicated employer-based provision, the LSC assumes approximately 50% of the notional full cost of a course should be met by the employer. Refer to paragraphs 25 and 26 of Circular 99/09, and paragraphs 301-304 of *Guidance on Further Education Funding Eligibility and Rates 2001/02*.

widening participation uplift

An institution may claim widening participation funding where a learner lives in a ward that is relatively deprived. This is based on postcode information and the LSC publishes a list of postcodes that generate a widening participation uplift for 2001/02 in the Data section of its website.

For 2001/02 a widening participation uplift of 12% may be claimed for the homeless and those living in hostels and residential centers irrespective of

postcode. Other categories of learner will receive a widening participation uplift of 10%

For 2001/02, a widening participation uplift may also be claimed for additional groups of learners as set out in paragraph 88 of *Guidance on Further Education Funding Eligibility and Rates 2001/02*.

wider recruitment area

This is defined as the set of local authority districts from which the institution recruits 96% of its direct provision. Districts are ranked in terms of the direct students each provides, in descending order. The cumulative total is calculated until 96% of provision is covered. The districts ranked within this 96% constitute the college's wider recruitment area. For further information contact Phil Cooke on 024 7649 3961 or see the LSC's website (www.lsc.gov.uk).

withdrawal

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

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

For distance learning programmes, a student should be considered to have withdrawn where he/she fails to make planned contact and four weeks or more have elapsed.

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

counted as withdrawn from the last date of actual attendance. In the case of distance learning programmes, this is the date of the planned contact missed by the student. If several are arranged and missed, then the withdrawal date is the date of the first missed contact. See paragraphs 183-203 of *Guidance on Further Education Funding Eligibility and Rates 2001/02* and Annex G to this document.

work-based programmes

These are programmes that are delivered on an employer's premises. An individual cannot be considered to be in full-time employment and education at one and the same time. See paragraph 113 of *Guidance on Further Education Funding Eligibility and Rates 2001/02*.

work experience

This does not fall within the definition of a guided learning hour unless a member of staff is present to give specific guidance towards the qualification or to assess student achievement. See **guided learning hours** and paragraph 146 of *Guidance on Further Education Funding Eligibility and Rates 2001/02*.

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