

FE ILR Funding Estimate/Claim 2006/07

Further education Individualised Learner Record in-year estimate, end-year estimate and final funding claim 2006/07 and associated relevant audit opinions.

May 2006

This document is of interest to those in the FE sector in receipt of funding from the LSC

Further Information

For further information please contact:

The appropriate local Learning and Skills Council (local LSC) office.

Contact details for each office can be found on the LSC's website (www.lsc.gov.uk).

© For action

Responses are set out in Table 1 of this booklet.

The responses needed to this booklet vary according to whether colleges or providers are within plan-led funding and also by the type of provider. The detail for responses is set out in Table 1 at paragraph 5 of the main booklet.

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Relevant contents for plan-led funding colleges only

Booklet paragraph numbers: 1–2, 4–7, 10–14, 19 and 27–30

Annexes: A, B, E, G, H and I

Summary

The Learning and Skills Council (LSC) is committed to simplifying the way it funds colleges and other providers, working in partnership to create a planning-led approach and significantly reducing bureaucracy. The funding reconciliation set out in Circular 05/01 is restated in this booklet for 2006/07. Through this, the LSC acknowledges that colleges need to be able to plan with confidence to deliver the provision they had agreed with their local LSC.

This guidance should be read in conjunction with the following booklets:

- *FE ILR Funding Guidance 2006/07*
- *FE ILR Funding Compliance Advice 2006/07*.

Providers within plan-led funding

- No retrospective clawback of funds (or unplanned or responsive growth funding) for any colleges and providers confirmed as within plan-led funding for 2006/07 by their local LSC.
- No funding audit returns for 2006/07 (Annexes C, D and F in this document do not apply to these providers).

Providers outside plan-led funding

- No retrospective clawback of funds for colleges and providers achieving 97 per cent or more of their planned activity.
- The opportunity for colleges and providers achieving below 97 per cent of planned activity to bring themselves within the 97 per cent threshold by returning baseline funds, after the 2006/07 teaching year-end.
- No unplanned or responsive growth payments for colleges and other providers that overdeliver in 2006/07.

Colleges and providers that are achieving below 97 per cent of their planned activity have until the end of November 2007 to negotiate a reduced allocation for the current teaching year to remove any retrospective clawback.

All providers

All providers are, however, reminded that following the introduction of the tolerance arrangements from 2002/03 they were still expected to plan their delivery to meet their funding agreement fully in each and every funding year. Colleges and other providers whose delivery is below their funding agreement were expected to have agreed any necessary reductions in their in-year allocations during 2006/07. All returns should be sent to the relevant local LSC and the timetable for returns is similar to that for the 2005/06 returns.

The format of the funding estimate/claim form for 2006/07 is broadly similar to the 2005/06 funding claim. A report is now to be provided within the Learner Information Suite for 2006/07 and providers should note that a new sub-line for personal community and development learning (PCDL) is now included on the funding estimate/claim form. The estimate/claim form is also available on the LSC website as part of this booklet in the form of an Excel workbook. All estimate returns do not require signature and may be returned in the simple electronic format. All providers' final claim returns must be appropriately signed as they form part of the LSC assurance arrangements to the National Audit Office and will be used by the LSC in monitoring performance by colleges and other providers for 2006/07.

For providers outside plan-led funding, retrospective clawback for main allocations will continue to be calculated only by comparing total funding earned with the total final allocation.

No funding claim circular has been printed for 2005/06 teaching year. All funding claims and audit reports for the 2005/06 teaching year are available in the document *Addendum to Circular 05/01: FE ILR Funding Estimate/Claim 2004/05* which can be found on the LSC website (<http://readingroom.lsc.gov.uk/LSC/2006/funding/streams/nat-addendumtocircular0501-re-mar2006.pdf>).

Executive Summary

May 2006

Subject

Every further education (FE) provider is required to provide the Learning and Skills Council (LSC) with three Annex B returns for 2006/07 stating the learner numbers and associated total funding estimated or generated by the college or other provider with reference to the 2006/07 FE funding allocation.

This booklet provides all funding estimate/claim forms and Individualised Learner Record (ILR) funding auditor opinions for the year 2006/07 and provides guidance to colleges or other providers and funding auditors on how to complete and return them. This booklet includes the annual self-declaration form on partner providers introduced from 2005/06 on partner providers (see paragraph 68 (67) of *FE ILR Funding Compliance Advice 2006/07*). It also includes an example of a reconciliation statement together with guidance on the calculation of any retrospective clawback of funds for 2006/07 for non-plan-led funding providers.

Any updates to this booklet will be published on the LSC website from summer 2006, including any updates to Annex H (valid manual adjustments for 2006/07), and any changes to the notified versions of the Learning Aims Database (LAD) and Learner Information Suite (LIS) to be used for compiling final funding claims.

Intended recipients

Principals of colleges, heads of institutions, executive directors of local LSCs, funding auditors, the National Audit Office, the Audit Commission and heads of other key organisations

Status

For information and response

Date for action

Table 1 of this booklet provides the deadlines for the various returns required from colleges and other providers for 2006/07.

FE ILR Funding Estimate Claim 2006/07

Introduction

1 All colleges and other providers are required to make three Annex B returns for 2006/07. For providers outside plan-led funding, a relevant Individualised Learner Record (ILR) funding auditor report is also required for final claims. The required returns and their timetable are set out in Table 1, and Table 2 explains the annexes in this booklet. This booklet provides advice on how to make the returns.

2 For **colleges and providers within plan-led funding, Annexes C, D and F do not apply** and no retrospective clawback of funds will be made from their final funding claim return. Plan-led funding providers will already have discussed with their local Learning and Skills Council (local LSC) the need for any adjustment to their funding allocation that may apply in-year in 2006/07.

3 For **colleges and providers not within plan-led funding**, all annexes are relevant. For those achieving below 97 per cent of targeted activity, the following deadlines apply:

- agreement of any planned change in allocation by no later than **30 November 2007** for providers delivering below 97 per cent of their allocation for the 2006/07 teaching year to remove retrospective clawback
- agreement of any planned change in allocation to access the 3 per cent tolerance entirely depends upon agreement to return baseline funding – the LSC would normally expect to see similar consequential reductions in 2007/08 allocations
- no action to agree any return of allocation is necessary by any college or provider delivering 100 per cent or above of its funding allocation.

4 The estimate/claim forms and audit opinions should be returned to the relevant local LSC in accordance with the timetable agreed between the college, its funding auditors and the local LSC. The LSC welcomes early returns, but any agreed timetable must meet the deadlines given for each return. **In order to access the recovery of funds thresholds or any cash core funding protection as set out in this booklet, colleges and other providers must comply with the deadline for final returns set out in this booklet.**

5 In order to meet the returns timetable set out in Table 1, providers outside plan-led funding must ensure that the final funding claim and final ILR data are shared with funding auditors in time for them to be able to meet the return timetable. Funding auditors have requested that final data should be shared with them at least one month before the final claim is due, that is by 31 October 2007.

Table 1: Deadlines of no later than dates shown below for returns

Type of provider/annex required	Plan-led funding colleges and providers	Further education college (outside plan-led funding)	Other further education providers outside plan-led funding (will include those known as former external institutions and higher education institutions)
Annex B: In-year estimate	28 February 2007	28 February 2007	28 February 2007
Annex B: End-year estimate	31 August 2007	31 August 2007	31 August 2007
Annex B: Final claim	30 November 2007	30 November 2007	30 November 2007
Annexes C and D: Final audit report	No return needed	Annex C: 30 November 2007	Annex D: 30 November 2007
Return of funding for those below 97 per cent of their allocation	In-year discussions with their local LSC	30 November 2007 (recovered by no later than 20 December 2007)	30 November 2007 (recovered by no later than 20 December 2007)
Annex I: Partner provider self-declaration form	1 August 2006	1 August 2006	1 August 2006

Table 2: Explanatory annexes in this booklet.

Annex	Description	
A	Guidance for Completing Forms – ILR Funding Claims 2006/07	All providers
B	FE ILR Funding Estimate/Claim 2006/07 (In-year/End-year/Final)	All providers
C	Audit Report (by Provider-contracted Funding Auditor) 2006/07 funding only	Providers outside plan-led
D	Audit Report (by LSC-contracted Funding Auditor) 2006/07 funding only	Colleges outside plan-led
E	Reconciliation Statement for 2006/07	All providers
F	Calculation of any Recovery of Funds for 2006/07 funding only	Providers outside plan-led
G	Example LIS Funding Claim Report 2006/07	All providers
H	Manual Adjustments 2006/07	All providers
I	Partner Provider Self-declaration Form	All providers

6 The LSC will use this information to assess the performance of each college or other provider against its funding agreement and to determine whether any adjustments are required to the funding paid to the college or other provider for 2006/07. The performance of each college or other provider in 2006/07 will also be taken into account in future funding allocation processes. The in-year estimate is required by no later than 28 February 2007 and will assist the LSC in assessing provider performance against funding allocations and in managing the overall further education (FE) budget. The funding estimate returns also enable providers to adjust their ILR data returned figures manually with their own assessment of their likely final outturn, taking account of any necessary manual adjustments, the updated achievement factor for 2006/07 funding claims (see below) and learner activity not yet recorded on their ILR. This will enable providers to update the local LSC with the latest available data and to assist the LSC to be more consistent with its own in-year monitoring for 2006/07 and any agreed allocation changes for 2006/07. Those providers whose spring 2007 toolbox return represents a materially accurate estimate of their 2006/07 outturn have the option of asking their local LSC to use the toolbox return as their first estimated return.

7 The LSC will be updating the achievement factor for 2006/07 in early March 2007 to refer to 2005/06 achievements, rather than 2004/05 achievements (see Annex A, paragraph 13). The two estimate returns need only be returned electronically by providers and do not require signature, but a signed final claim must be returned to the relevant local LSC. The dates for returns of ILR for 2006/07 remain those published.

College Funding and Audit Returns: All Colleges

8 For 2006/07, LSC-contracted funding ILR auditors are asked to use the audit opinion at Annex D of this booklet for the final return. Plan-led funding colleges are only required to return the funding claims for 2006/07, and no audit returns are required.

Higher Education and Former External Institution Funding and Audit Returns

9 For 2006/07, external funding auditors of higher education (HE) institutions and LSC-funded former external institutions outside plan-led funding are asked to use the audit opinion in Annex C for the final claim.

The LSC is aware that the Audit Commission may amend the opinion with its own designated sticker for LEA-maintained former external institutions.

Delays in Timing of Returns: All Providers

10 Some colleges and most other providers are required to provide the LSC with an audited final return of funding for 2006/07. Colleges or other providers and funding auditors are reminded that the return should be provided to ILR auditors by no later than 31 October and the return is due to the LSC by no later than 30 November 2007. If colleges, other providers or funding auditors anticipate that this return will not be received by 30 November 2007, a letter explaining the reasons for the delay, the action to be taken and a firm promise date for submission should normally be sent to the relevant local LSC before the expected return date. Plan-led funding colleges and providers must make timely returns to remain within plan-led funding.

Arrangements

All providers

11 All colleges or other providers are asked to make FE ILR funding returns for 2006/07, by completing form *FE ILR Funding Estimate/Claim 2006/07* in Annex B to this booklet. In order to assist in completing the forms, the LSC has provided within the Learner Information Suite (LIS) a new funding claim report for 2006/07. All colleges or other providers are asked to send a copy of this report with their claims. An example of this report is shown in Annex G. The LSC will issue estimated reconciliation statements to all colleges or other providers on the basis of the first two returns, and final statements after receipt of final returns. FE colleges and their financial statement auditors will be able to use these documents to assist in completing the college's financial statements. These statements will confirm no retrospective clawback for all providers within plan-led funding. Guidance on completing the forms can be found at Annex A.

12 Colleges and external institutions are reminded that ILRF05 (2006/07) data should be sent by the web portal to the LSC. This return will now form the basis of the 2006/07 funding claims as achievement funding is now claimed on a prior year basis (see paragraphs 136–138 of *Funding Guidance for Further Education in 2006/07*).

13 The LSC expects funding claims for 2006/07 to use the latest available version (version 14) of the LIS from the LSC website and, for final claims for 2006/07, the Learning Aims Database (LAD) dated 1 October 2007. Final claims that use any LAD version dated from 1 October 2007 to 30 November 2007 will be valid, as no changes to existing records in the LAD for 2006/07 are expected between these dates. It is, however, possible that new records for 2006/07 may be added after 1 October, where a permanent code has been requested. No version of LAD after 30 November 2007 may be used for any 2006/07 final funding claims. Colleges and other providers making in-year and end-year estimates before 1 October should use the latest possible LAD for compiling these estimates. The LSC expects cash generated from ILRF05 to be consistent with the final funding claim, after taking account of manual adjustments. Colleges and other providers are reminded of the need to run any relevant ILR funding audit computer assisted audit techniques (CAATs) reports to verify their own data during the year. Colleges or other providers will find advice on manual adjustments that are acceptable to the LSC published in Annex H of this booklet. Annex H may also be updated on the LSC website after publication of this booklet to include any manual adjustments agreed after initial publication.

14 Colleges and other providers are requested to use their unique provider identification number (UPIN) as their LSC code on returns for 2006/07.

Providers outside plan-led funding

15 Providers not within plan-led funding should be aware that, if funding auditors qualify their claims, the LSC is likely to require further work by the provider and its funding auditor on the claim. These providers should pass the final claim to their funding auditor and ask them to send it to the LSC with their report on the audit of the 2006/07 final funding claim and supporting data for 2006/07.

Funding Audit Opinions for 2006/07: Providers Outside Plan-led Funding Only

16 The LSC final audit opinion for 2006/07 is unchanged from 2005/06 to assist those outside plan-led funding and funding auditors in making more timely returns and to continue the emphasis on the importance of the accuracy of the funding claim. The funding audit opinion for final returns requires funding auditors signing off the final audit opinion after the due

date to attach a report identifying the causes for delay. This will mean that any funding audit opinions submitted after that date will not enable the LSC to record the college or other provider as submitting timely data returns. The final claim data will be available in good time to sign off college financial accounts due no later than 31 December 2007.

17 Colleges are reminded of the need to run relevant ILR funding audit CAATs reports to verify their own data during the year. For colleges wishing to simplify their ILR funding audit it is recommended that the reports are run and cleared prior to any substantive visits from the funding auditor.

18 The National Audit Office (NAO) and the Department for Education and Skills (DfES) are closely monitoring the LSC over timeliness of returns and it is essential that all colleges and other providers meet the return timescales.

Adjustments to Payments (Inside Plan-led Funding)

19 The LSC does not intend to apply any retrospective recovery of funds for colleges or other providers inside plan-led funding that have not achieved their funding agreement in 2006/07. In accordance with the new LSC business cycle, colleges or other providers in plan-led funding whose final claim is significantly below their FE-funded cash allocation and/or learner number target for 2006/07 should (and will) have already discussed their performance and costs with their local LSC and any allocation adjustments should already have been agreed as in-year adjustments during the teaching year 2006/07. Obviously, this may suggest that they have not met the necessary thresholds to confirm their allocations for future years.

Adjustments to Payments (Outside Plan-led Funding)

20 For the purposes of calculating payments to colleges or other providers, the LSC will calculate the performance of each institution in 2006/07 as described in this booklet and in *Funding Guidance for Further Education in 2006/07* and, in particular, by comparing the institution's total funding eligible for LSC funding with the funded cash in its funding agreement.

21 The LSC remains very concerned about the small number of providers falling significantly short of their planned activity targets. The sector response to previous

funding claim circulars (03/11, 04/03 and 05/01) has been very positive and many providers have taken advantage of the opportunity provided by these circulars to re-base their funding sensibly. The LSC expects those providers who failed to take up the opportunities provided last year to ensure that by the end of 2006/07 they are meeting at least 97 per cent of their allocation and can have their allocations going forward confirmed by the LSC as quickly as possible. The LSC still wishes to encourage the early return of significant unused allocations in order to release funds to those providers exceeding their funding agreements. For FE colleges who face either retrospective clawback of funding in 2005/06 and 2006/07 or have their ILR funding audits qualified, the LSC will need to consider very carefully when they will be able to enter the new plan-led funding approach.

22 The LSC intends to moderate any retrospective clawback of funds for colleges or other providers outside plan-led funding that have not achieved their funding agreement in 2006/07 as follows.

- For most colleges or other providers, this means that performance above 97 per cent of the FE cash allocation will not result in any retrospective recovery of funds. The previous Further Education Funding Council *de minimis* limit for clawback of £5,000 will no longer be applied from 2006/07.
- Calculations will be based on the funding allocated for 2006/07 and paid to colleges or other providers for the year. Colleges or other providers facing shortfalls for underperformance where the delivery on their final funding claim is below 97 per cent of the FE-funded cash allocation will be offered a final opportunity to return part of their baseline funding for 2006/07 and 2007/08 so that they can then take advantage of the *de minimis* limit. This means that any significantly underperforming college or other provider wishing to reduce its funding allocation for 2006/07 must agree the reduction in its allocation with its local LSC by no later than 30 November 2007 in time to return the funds to the LSC by no later than its 20 December 2007 recurrent-funding payment from the LSC. Colleges or other providers can only return baseline funding with a consequential reduction in their 2007/08 allocation.
- Colleges or other providers whose final underperformance exceeds 3 per cent of the FE-funded cash allocation will be subject to full clawback for all underperformance (although

this may be reduced where the performance of colleges or other providers entitles them to protection on the basis of published guidance on cash protection – see Annex F.

23 The moderation set out above is dependent on the LSC receiving timely final funding claims and associated ILR funding audit opinions for providers outside plan-led funding by the deadlines set out in Table 1. Those colleges or other providers that **fail to meet the deadline for final returns will face full recovery of funds** for underperformance. These arrangements are described in more detail in Annex F.

24 Colleges or other providers are reminded of the need to comply with LSC guidance on return of final accounts. In order to avoid difficulties in agreeing their funding position with their financial statement and funding auditors, those colleges or other providers delivering below 97 per cent are encouraged to ensure that any baseline funding being returned to the LSC is agreed as early as possible this autumn.

25 The LSC intends to begin phased recovery of funds for retrospective clawback for 2006/07 on a basis similar to that for previous years, likely to be in one-third instalments starting in January 2008. The LSC will be calculating likely under-achievement and any sums to be recovered on the basis of either data from the claims or, where these are not submitted, LSC-generated estimates of activity from earlier ILR returns. Colleges or other providers will be sent reconciliation statements based on these calculations from summer 2007.

26 Where colleges or other providers submit their final funding claim by 30 November 2007, their profiled recovery for spring 2006 will be based on that return, and these data will replace any previously notified interim data. The final recovery of funds for underperformance in 2006/07 will usually be determined using ILRF05, the final funding claim 2006/07 (taking account of any audit qualifications) and, in exceptional circumstances, the results of any separate LSC investigation.

2006/07 Funding Principles: All Providers

27 Providers are reminded that following the introduction of the tolerance arrangements from 2002/03 they were still expected to average at least 100 per cent of their funding agreements in every funding year. The LSC will be reviewing provider performance for previous years with the intention of ensuring that provider allocations are soundly based across funding years. Providers are reminded that plan-led funding was not designed to reward persistent underperformance.

Completing Further Education Partner Provider Details (Annex I)

28 Providers are asked to read Section 3 of *FE ILR Funding Compliance Advice 2006/07* before completing this form. Many providers may already have returned this information to their local LSC and they are not required to return this form simply to repeat information already held by their local LSC. The level of detailed information required by the local LSC will follow the principles set out in the executive summary of *FE ILR Funding Compliance Advice 2006/07*, summed up as "the principle of intervention in inverse proportion to success". In this context, the local LSC will be using this data to help assess the risk levels of funding eligibility in their providers, and those with higher levels of partner provider provision should expect to face more stringent scrutiny by their local LSC. This information will also be used by the LSC to assist in determining providers' learner existence and eligibility (LEE) audit cycles as set out in Section 3 of *FE ILR Funding Compliance Advice 2006/07*. Providers must therefore discuss with their local LSC the amount of detail needed on their individual forms before returning them to their local LSC.

29 This form is also available in a workbook (labelled Partner Provider Self-Declaration) with this document on the LSC website and the LSC expects returns to be made in the Table-Formatted Return worksheet. Providers should only use the Provider Level Return worksheet where the contract value is significant **and** their local LSC requires a more comprehensive disclosure of the partnership provision.

30 The LSC expects to see this information declared by all providers before the start of the teaching year. Providers who then engage in new partnerships during the year should update their return to their local LSC before they commence delivery with new partners.

Annex A: Guidance for Completing Forms: Individualised Learner Record Funding Estimate/Claim 2006/07

Calculation of Individualised Learner Record Cash: All Providers

1 Guidance on the calculation of funding cash for the 2006/07 funding allocation is given in the document *Funding Guidance for Further Education in 2006/07*. The funding estimate/claim returns for 2006/07 are attached as Annex B of this booklet. Further guidance is provided in *FE ILR Funding Compliance Advice 2006/07*.

2 In order to assist in completing the forms, the Learning and Skills Council (LSC) has provided within the Learner Information Suite (LIS) a funding claim report to match the generated funding to the claim format. Colleges or other providers are asked to send a copy of this report with their claims. An example of this report is shown in Annex G. If a college or other provider has no claim in a category, an entry of "0" must be recorded.

Completing the Forms – All Providers

3 The funding estimate/claim should be completed so that the LSC can monitor performance against each type of allocation. A manual adjustment box is provided to assist in resolving funding estimates/claims. Estimates/claims for any additional types of allocation should comply with the additional guidance given by the LSC for any type of additional allocation reconciled through the Individualised Learner Record (ILR) (none was known at the time of writing this booklet).

4 All colleges or other providers are asked to indicate on forms *FE ILR Funding Estimate/Claim 2006/07* the total funding cash that they are claiming for the teaching year 2006/07.

Manual Adjustments (see Annex H)

5 Colleges or other providers should provide summary numerical information on the estimate/claim diff form relating to manual adjustments for each estimate/claim form. These will need to be agreed with their local LSC before submitting them on the final claim form.

6 Before contacting their local LSC, colleges or other providers outside plan-led funding are asked to discuss with their funding auditor instances where they wish to make a manual adjustment for any matter that does not appear in Annex H. They will be given an adjustment number if the manual adjustment is agreed by the LSC and with their funding auditor. Information on any agreed additional manual adjustments will be included in the *Addendum to Funding Guidance 2006/07*, available on the LSC website later this year. The LSC expects funding auditors to pay particular attention to any such manual adjustment requests made by colleges or other providers.

7 Providers are reminded that they should read the additional advice on the first worksheet in the funding claim workbook with this document on the LSC website before completing their funding estimate/claim. The rules on manual adjustments in Part 1 and Part 2 of the funding estimate/claim are not the same for cash and learner numbers. The cash adjustments in Parts 1 and 2 should match exactly, whilst the learner numbers will usually be different.

8 The learner number adjustment rules are set out below.

- Part 1: Adjust only for learner numbers not recorded on the ILR. Most cash adjustments will not require learner number adjustments as learner numbers are already reflected in the ILR, for example, in the maximum funding per learner exemption adjustment 2007–09.
- Part 2: Record the number of learners affected by the cash manual adjustment. For example, if 12 learners are affected by the maximum funding per learner exemption, Part 2 will record learners affected as 12 whilst Part 1 will record 0 learners affected.

9 For the 2006/07 funding estimate/claim returns, the "skills for life" and personal community and development learning (PCDL) rows rules are:

- only learner numbers are returned, and these are not split into “full-time” and “part-time” learner numbers and therefore no “FTEs” are needed
- only the funding value attached to the learners’ “skills for life” or “PCDL” qualifications are shown.

10 The “skills for life” funding value is generated only from qualifications that count towards the LSC’s Skills for Life target. The funding value does not include any programmes or qualifications that attract the 1.4 basic skills programme uplift but do not count towards the LSC’s Skills for Life targets. Similarly only PCDL-funded qualifications fall within the PCDL rows.

Learner Information Suite: All Providers

11 The LSC will provide a version of the LIS, numbered at least 14.01, to help colleges or other providers make their funding estimate/claim returns for 2006/07. If a later version than 14.01 is available on the website at the time of compiling the funding claim, then that latest version should be used. This will be a suffix number greater than .01. If the version to be used in final funding claims is not 14.01, the LSC will notify the final version number on its website before the final claim forms are due to be returned. For estimate returns, providers should use the latest version 14 from the LSC website that is current to their own individual return date.

12 All colleges or other providers returning the ILR data for 2006/07 are asked to use the latest version of the Learning Aims Database (LAD) to calculate their final total of funding (see paragraph 13 of this booklet). Funding auditors have been asked to use the same versions of the software when checking final funding returns from institutions.

13 Following requests from a number of providers, the LSC will update the LIS in March 2007 to use an achievement factor based on the 2005/06 ILRF05 return. This will allow all providers who returned their final 2005/06 ILR by no later than 9 February 2007 to have their funding for 2006/07 calculated using an achievement factor based on the previous year, and not the older 2004/05 data. In calculating the achievement funding factor, the LSC takes account of the change in assumed fee income between 2006/07 and 2005/06 and the principles of this methodology are explained in Annex I of *Addendum to Circular 05/01: FE ILR Funding Estimate/Claim 2004/05*.

14 For all non-plan-led funding colleges and other providers, the 2006/07 audit of learner numbers is based on their ILR data return.

Declaration on Final Claim – All Providers

15 The principal or head of the institution should sign all final claim forms. In the case of higher education (HE) institutions, the person with equivalent responsibility for further education (FE) in the institution should sign the final claim forms. Colleges or other providers and funding auditors are reminded that the final claim forms returned by the funding auditor to the LSC should contain an original signature, not a photocopy or facsimile.

16 The principal or head of the institution is required to certify that, to the best of his or her knowledge, the funding claimed has been calculated from data correctly extracted from the institution’s records, which accurately reflect enrolments during 2006/07, in accordance with the guidance and definitions set out in *Funding Guidance for Further Education in 2006/07* and other relevant guidance.

17 They also certify that to the best of their knowledge, the final funding claim is free from misstatement, whether caused by fraud or by other irregularity or error, and that it complies with all the relevant guidance provided by the LSC, including that given in this booklet. This statement is now particularly important for providers within plan-led funding, as the LSC has no separate assurance from any independent audit opinion on its funding claim.

Purpose of Further Education Record In-year and End-year Estimates: All Providers

18 The purpose of these claims is to assist the LSC in assessing provider performance against their funding allocations and in managing the overall FE budget. These returns enable providers to adjust their ILR data returned figures manually with their own assessments of their likely final outcome, taking account of any necessary manual adjustments and learner activity not yet recorded on their ILR. This should help ensure that the LSC is aware of the total funding likely to be generated in the year by providers and not just the activity already generated on early ILR returns. The reconciliation statements issued by local LSCs after the estimates are returned should assist colleges or other

providers in preparing their financial accounts for 2006/07 and help the LSC in preparing its own accounts.

Purpose of Final Claim: All Providers

19 The purpose of this claim is to provide the LSC with an assurance statement by the relevant accounting officer over the regularity of the provider's funding claim and ILR data returns. This also enables the LSC and the college or other provider to have an agreed final outturn that enables comparison of outturn to allocation on a provider, local, regional and national basis. The final claim will also determine for providers outside plan-led funding whether any funds paid for 2006/07 will be recovered for retrospective clawback. The LSC expects the overall total of cash claimed to be consistent with any financial provision being made by the college or other provider for recovery of funds in its financial statements.

20 The final claim, which includes final ILR adjustments and any manual adjustment, should be signed off as being materially accurate. To assist in making good-quality ILR and funding returns to the LSC, all plan-led funding providers should also make use of the data self-assessment toolkit (DSATs) reports that are relevant to their own provision and data prior to signing their final claim.

21 As stated in paragraph 26 of this booklet, any retrospective recovery of funds will be finally determined using the final funding claim 2006/07, taking account of any audit qualifications and, in exceptional circumstances, the results of any separate LSC investigation.

Purpose of Further Education Funding Auditor's Opinion on a Final Claim: Providers Outside Plan-led Funding

22 The purpose of this opinion is to provide the LSC with supplementary assurance over the funding claimed by providers and for whom the LSC requires assurance for its own accounts that the funding claimed by them poses no risk to public funds. This opinion also provides the LSC with a final opinion on the college's funding entitlement for 2006/07 to enable the LSC to give an assurance to the college and its financial statements auditor on the expected final funding position for the year 2006/07.

Annex B: Further Education Individualised Learner Record Funding Estimate/Claim 2006/07 (In-year Estimate/End-year Estimate/Final Claim)*: All Providers

Reference: *FE ILR Funding Estimate/Claim 2006/07*
(also available on the LSC website).

Please return this form to the appropriate local LSC office or ILR auditor as advised in this booklet.

All colleges and other providers receiving funding from the LSC for 2006/07 are asked to complete and forward this form to their local LSC in accordance with the relevant deadlines set out in Table 1. For claims requiring external ILR auditor opinions, please forward the claim form to the auditors with a request that they return it in its original form, together with their audit report, to the relevant local LSC office in accordance with the relevant deadlines set out in Table 1.

*Please delete as appropriate.

Part 1 of funding estimate/claim

Name of LSC-funded college or other provider in 2006/07 (*please print*):

LSC unique provider information number (UPIN) code in 2006/07:



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All colleges and other providers are asked to complete this section. The report from the Learner Information Suite (LIS) funding claim report provides the necessary information to assist in completing the form below. All colleges and other providers are asked to send a copy of this report with their funding estimate/claim return.

Purpose of funding claim

The purpose of the final claim is to provide the LSC with an assurance statement by the relevant accounting officer over the regularity of the college or other provider's funding claim and ILR data returns, as well as being used for providers not within plan-led funding to determine whether any funds paid for 2006/07 will be recovered for underperformance. As stated in paragraph 26 of this booklet, the adjustments of funds will be finally determined using the final funding claim 2006/07, taking account of any audit qualifications and, in exceptional circumstances, the results of any separate LSC investigation

FE ILR funding estimate/claim 2006/07 (in-year estimate/end-year estimate/final claim)* (*Delete as appropriate)

Provider name: *(please print)*:

Age group	Category	Full-time	Part-time	Total cash (£)	Provider manual adjustment (details included in Part 2 of claim)			Revised overall total claim
					Full-time adjustment	Part-time adjustment	Total adjustment (numbers and cash)	
16-18	Learner numbers							
	FTEs							
	Funding value (£)							
19+	Learner numbers							
	FTEs							
	Funding value (£)							
Skills for Life – All ages (also included in above rows)	Learner numbers							
	Funding value (£)							
PCDL (also included in first two rows)	Learner numbers							
	Funding value (£)							
Additional learning support (ALS)	Learner numbers included in above							
	Funding value not included above (£)							
Total (excludes Skills for Life and PCDL rows above)	Learner numbers							
	FTEs							
	Funding value (includes ALS funding) (£)							

The head of the college or other provider (or in the case of HE institutions, the person with responsibility for further education (FE) in the institution) must sign the declaration below for all final claims. The LSC also provides the previous page as a spreadsheet on its website. As the spreadsheet includes automatic totalling, it should aid completion of the form.

Declaration

I certify that, to the best of my knowledge, this final funding claim has been calculated from data correctly extracted from the records of the college or other provider, which accurately reflect enrolments during 2006/07, in accordance with the guidance and definitions set out in the booklets *Funding Guidance for Further Education in 2006/07* and *FE ILR Funding Compliance Advice 2006/07* and any relevant guidance.

I also certify that, to the best of my knowledge, the final funding claim is free from misstatement, whether caused by fraud or by other irregularity or error, and also complies with the guidance given in the booklets *Funding Guidance for Further Education in 2006/07* and *FE ILR Funding Compliance Advice 2006/07*.

The head of the college or other provider must sign below.

Signature (<i>head of college or other provider</i>):
Name (<i>please print</i>):
Position:
Date:

The Final Funding Claim form (Part 1) and the Funding Diff form (Part 2) are treated as a single return and must be returned together, either to the local LSC office or, where an audit opinion is needed, to the relevant funding auditor office.

The claim workbook available on the LSC website contains more detailed guidance on how to complete Part 1.

Funding Diff Form 2006/07: All Providers

Reference: *FE ILR Funding Estimate/Claim 2006/07*

Please return this form to the appropriate local LSC office.

All colleges and other providers receiving funding from the LSC for 2006/07 are asked to complete this form whenever a manual adjustment is being claimed on Part 1 of this form, and to return it with Part 1. Colleges and other providers should use this form to record the reason(s) for the difference between the funding claim and the cash generated by processing the relevant ILR return through the notified versions of the LIS using the notified release of the LAD, or any updated version. A list of acceptable manual adjustments is included in Annex H.

Part 1 of funding estimate/claim

Name of LSC-funded college or other provider in 2006/07 (*please print*):

LSC unique provider information number (UPIN) code in 2006/07:

Manual adjustment number (see Annex H of this booklet)	Description	Learners affected (number)	Difference (funding)
2007 in- and end-year estimate returns only	Funding not yet generated on ILR return for 2006/07		
Total difference arising from manual adjustments (cash adjustments must match total manual cash adjustment in Part 1).			

Annex C: Audit Report on Learner Data Final Returns 2006/07 (Only Provider- contracted Funding Auditors)

Reference: *FE ILR Funding Estimate/Claim 2006/07*
(also available on the LSC website).

Please return this form to the appropriate local LSC office.

Higher education institutions and former external institutions or other provider's funding auditor final claim opinion (LSC-contracted funding auditors for all providers outside plan-led funding should use Annex D). Funding auditors (usually the financial statements auditors) of other FE providers are requested to photocopy, and then complete and return this form to the relevant local Learning and Skills Council (LSC) office by a deadline of no later than 30 November 2007.

Addressee: LSC

Name of LSC-funded college or other provider in 2006/07 (*please print*):

LSC unique provider information number (UPIN) code in 2006/07:



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The statement of responsibilities and the basis of our opinion apply to all sections of the audit report (all sections should be completed by the institution's external financial statements auditors).

This report is made solely to the LSC, in accordance with the terms of our engagement. It has been released to the LSC on the basis that this report shall not be copied, referred to or disclosed, in whole (save for the LSC's own internal purposes) or in part, without our prior written consent. We acknowledge that the LSC will disclose this report to the Governing Body of the relevant College ("the Governing Body" and "the College"), to enable the Governing Body to verify that an auditor's report to the LSC has been commissioned by the LSC and issued in accordance with the requirements of the LSC's Audit Code of Practice issued in December 2004, and to facilitate the discharge by the LSC of its functions in respect of the College.

During our work referable to this report we may have communicated with the Governing Body but any such communications will have been made (i) without assuming or accepting any responsibility or accepting any liability to the Governing Body or the College in respect of our work for the LSC, and (ii) solely for the purposes of obtaining information relevant to our work for the LSC and not for the purpose of establishing any form of relationship with

the Governing Body or the College that might give rise to duties and responsibilities in respect of our work for the LSC being extended to the Governing Body or the College.

Our work has been undertaken so that we might state to the LSC those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the LSC for our work referable to this report, for this report, or for the opinions we have formed

Statement of responsibilities

The head of the institution certifies that the funding claimed has been calculated from data correctly extracted from the institution's records, which accurately reflect enrolments during 2006/07 in accordance with the guidance and definitions in this booklet and as set out in the booklets *Funding Guidance for Further Education in 2006/07* and *FE ILR Funding Compliance Advice 2006/07* together with other relevant guidance. The funding auditor's responsibility is to form an independent opinion, based on our audit of the total funding claim, and to report our opinion to the LSC.

Basis of our opinion

We conducted our audit in accordance with the guidelines for institutions and their funding auditors set out in this booklet and in *FE ILR Funding Compliance Advice 2006/07* (and any relevant auditing advice from the Auditing Practices Board). A funding audit includes examination on a sample-test basis of evidence relevant to the funding claim returned by the institution to the LSC, and of the Individualised Learner Record (ILRF05) that supports it. We planned and performed our audit in order to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the total funding claim is free from material misstatement, whether caused by fraud or by other irregularity or error.

Opinion

We have reviewed the entries in the total claim for funding of

as shown on attached form *FE ILR (Final) Funding Claim 2006/07* and form *Final Funding Diff 2006/07*, returned by the above institution, and the Individualised Learner Record ILRF05 (2006/07) return which supports it, and have carried out a programme of tests on a sample basis that includes those specified in the LSC's guidelines for institutions and their funding auditors in *FE ILR Funding Compliance Advice 2006/07*.

Part 1

Delete all but one of subparagraphs (a) to (e) below:

- a The opinion has been submitted to the LSC by 30 November 2007, we have no comments on the audit, and ...
- b The opinion has been submitted to the LSC after 30 November 2007 (the reasons for the delay in signing are given in the attached report), we have no comments on the audit, and ...
- c Subject to the comments in the attached report dated

(if signed after 30 November 2007 the reasons for the delay in signing are given in the attached report), ...
- d Subject to the amendments shown in red on the attached copies of returns and/or printouts of ILR records, and subject to the comments in the attached report dated
- e As explained in the attached report dated
we cannot confirm that ...

... in our opinion, in all material respects, the college's total final funding claim has been properly compiled in accordance with relevant guidance issued by the LSC. The relevant guidance is specified in this booklet and in *FE ILR Funding Compliance Advice 2006/07* and in *FE Funding Guidance 2006/07*.

An authorised auditor must sign below and provide the relevant details requested

Signature: <i>(all parts of this opinion)</i> :
Audit firm <i>(please print)</i> :
Contact name <i>(please print)</i> :
Contact telephone number:
Date:

Attachments

	Yes	No	N/A
Original form <i>FE ILR Funding Claim 2006/07</i>	<input type="checkbox"/>	<input type="checkbox"/>	
Original form <i>FE ILR Funding Diff 2006/07</i>	<input type="checkbox"/>	<input type="checkbox"/>	
<i>Learner Information Suite Funding Claim Report</i>	<input type="checkbox"/>	<input type="checkbox"/>	
Copy of management letter	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please ensure that any amendments to forms, where made by the auditor, are written by hand in ink on the attached copies. Please ensure that all the above documents are returned (including returns where applicable) and that any amendments to forms, where made by the auditor, are written by hand in red ink on the attached copies.

Management letter

	Yes	No
Issues relevant to this report are included in the financial statements management letter	<input type="checkbox"/>	<input type="checkbox"/>
Issues relevant to this report are included in a separate management letter and attached to this report	<input type="checkbox"/>	<input type="checkbox"/>
A separate management letter will follow this report	<input type="checkbox"/>	<input type="checkbox"/>

Annex D: Audit Report on Learner Data Final Returns 2006/07 (Only LSC- contracted Funding Auditors)

**Reference: FE ILR Funding Estimate/Claim 2006/07
(also available on the LSC website).**

Please return this form to the appropriate local LSC office.

Further education colleges and providers (only for those outside plan-led funding) Individualised Learner Record audit opinion for return by Learning and Skills Council (LSC) contracted auditors
LSC-contracted funding auditors of further education providers are requested to complete and return this form to the relevant local LSC office by a deadline of no later than 30 November 2007.

Addressee: LSC



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Name of LSC-funded college or other provider in 2006/07 (*please print*):

LSC unique provider information number (UPIN) code in 2006/07:

The statement of responsibilities and the basis of our opinion apply to all sections of the audit report (all sections should be completed by the provider's funding auditors).

This report is made solely to the LSC, in accordance with the terms of our engagement. It has been released to the LSC on the basis that this report shall not be copied, referred to or disclosed, in whole (save for the LSC's own internal purposes) or in part, without our prior written consent. We acknowledge that the LSC will disclose this report to the Governing Body of the relevant College ("the Governing Body" and "the College"), to enable the Governing Body to verify that an auditor's report to the LSC has been commissioned by the LSC and issued in accordance with the requirements of the LSC's Audit Code of Practice issued in December 2004, and to facilitate the discharge by the LSC of its functions in respect of the College.

During our work referable to this report we may have communicated with the Governing Body but any such communications will have been made (i) without assuming or accepting any responsibility or accepting any liability to the Governing Body or the College in respect of our work for the LSC, and (ii) solely for the purposes of obtaining information relevant to our work for the LSC and not for the purpose of establishing any form of relationship with

the Governing Body or the College that might give rise to duties and responsibilities in respect of our work for the LSC being extended to the Governing Body or the College.

Our work has been undertaken so that we might state to the LSC those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the LSC for our work referable to this report, for this report, or for the opinions we have formed

Statement of responsibilities

The Principal or equivalent of the college certifies that the funding claimed has been calculated from data correctly extracted from the college's records, which accurately reflect enrolments during 2006/07, in accordance with the guidance and definitions set out in *Funding Guidance for Further Education in 2006/07* and other relevant guidance. Our responsibility, as the LSC's contracted funding auditor, is to form an independent opinion, based upon our audit of the funding claim, and to report our opinion to the LSC.

Basis of our opinion

We conducted our audit in accordance with the LSC's audit guidelines (and any relevant advice from the Auditing Practices Board). The audit approach includes examination on a sample test basis of evidence relevant to the funding claim returned by the college to the LSC, and of the Individualised Learner Record (ILRF05) that supports it. We planned and performed our audit in order to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the total funding claim is free from material misstatement, whether caused by fraud or by other irregularity or error.

Part 1

We have reviewed the total claim for funding of on form *FE ILR Funding (Final) Claim 2006/07* and form *ILR Funding Diff 2006/07*, returned by the above college to the local LSC, and have carried out a programme of tests on a sample basis in accordance with the LSC's audit approach and guidelines.

Delete all but one of subparagraphs (a) to (e) below:

- a The opinion has been submitted to the LSC by 30 November 2007, we have no comments on the audit, and ...
- b The opinion has been submitted to the LSC after 30 November 2007, (the reasons for the delay in signing are given in the attached report), we have no comments on the audit, and ...
- c Subject to the comments in the attached report dated
(if signed after 30 November 2007 the reasons for the delay in signing are given in the attached report), ...
- d Subject to the amendments shown in red on the attached copies of returns and/or printouts of ILR records, and subject to the comments in the attached report dated
- e As explained in the attached report dated we cannot confirm that ...

... in our opinion, in all material respects, the college's total final funding claim has been properly compiled in accordance with relevant guidance issued by the LSC. The relevant guidance is specified in this booklet and in *FE ILR Funding Compliance Advice 2006/07* and in *FE Funding Guidance 2006/07*.

An authorised auditor must sign below and provide the relevant details requested

Signature: <i>(all parts of this opinion)</i> :
Audit firm <i>(please print)</i> :
Contact name <i>(please print)</i> :
Contact telephone number:
Date:

Attachments

	Yes	No	N/A
Original form <i>FE ILR Funding Claim 2006/07</i>	<input type="checkbox"/>	<input type="checkbox"/>	
Original form <i>Final Diff 2006/07</i>	<input type="checkbox"/>	<input type="checkbox"/>	
<i>Learner Information Suite (LIS) Funding Claim Report</i>	<input type="checkbox"/>	<input type="checkbox"/>	
Copy of management letter	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please ensure that any amendments to forms, where made by the auditor, are written by hand in ink on the attached copies. Please ensure that all the above documents are returned (including returns where applicable) and that any amendments to forms, where made by the auditor, are written by hand in red ink on the attached copies.

Management letter

	Yes	No
Issues relevant to this report are included in a separate management letter and attached to this report	<input type="checkbox"/>	<input type="checkbox"/>
A separate management letter will follow this report	<input type="checkbox"/>	<input type="checkbox"/>

Annex E: Reconciliation Statement for 2006/07: All Providers

Provider name: Casterbridge College
Provider UPIN Code: 12345
Local LSC: A local LSC office
Institution payment code: Q2CAS01

Date: 1 August 2007
Financial auditor: Audit Firm
ILR auditor: Audit Firm

The LSC databases show the following funding reconciliation data for the year 2006/07.

Table (E) 1: FE ILR funding position 2006/07

1.1	Academic year 2006/07	Cash (£)
1.2	Main funded allocation	8,500,000
1.3	Additional allocation(s)	0
1.4	Total allocation	8,500,000
1.5	Outturn cash	8,505,000
1.6	ILR cash variance	5,000
1.7	Adjusted outturn cash for any cash protection	
1.8	Variance (usually 1.5 minus 1.4, but if a figure is shown in box 1.7, then variance will be 1.7 minus 1.4)	5,000

Table (E) 2: Cash recovery 2006/07

Table (E) 2 shows in box 2.2 the amount of any funds to be returned to the LSC and, in box 2.5, the source of outturn information.

2.1 Academic year 2006/07	2.2 Cash recovery	2.3 Cash already paid/ recovered	2.4 Cash to be adjusted
Clawback	0	0	0
2.5 Source of outturn information	End-year estimate		

Please see explanation in *FE ILR Funding Estimate/Claim 2006/07*. If any further clarification is needed, please contact your local LSC office.

Guidance on the Reconciliation Statement 2006/07

Table (E) 1: FE ILR funding position 2006/07

- 1.2 Main cash allocation for 2006/07.
- 1.3 Additional cash allocation.
- 1.4 Total of 1.2 + 1.3.
- 1.5 Expected outturn cash for 2006/07 (currently based on end-year estimate).
- 1.6 Cash variance.
- 1.7 Adjusted outturn cash for any cash protection (see "Calculation of Cash Protection for 2006/07 Teaching Year" below).
- 1.8 Variance (usually 1.5 minus 1.4, but if a figure is shown in box 1.7, then variance will be 1.7 minus 1.4).

Table (E) 2: Cash recovery 2006/07

- 2.2 Total cash recovery calculated for 2006/07. This should only be regarded as the final figure if box 2.5 shows "Final claim approved by local LSC". Any cash adjustment or recovery shown will be recovered in three equal instalments from January to March 2008 from payments sent to colleges or other providers by the LSC. Where any debt exceeds the payment due, the balance will be applied to the following month's payment. Negative values will show as recovery of funds.
- 2.3 Cash already recovered. This box refers to payment adjustments already posted to your payment account within the LSC's accounting system.
- 2.4 Difference of the above: that is, 2.2 minus 2.3.
- 2.5 Status of the validation of audit and funding claim returns for 2006/07. The codes and their meanings are shown below.

Possible outturn comments that might appear in box 2.5 on the reconciliation statements

For any further clarification that is needed, providers should contact their relevant local LSC.

Timely final funding claim and clear audit opinion	LSC has received a timely final funding claim and a clear audit report (final claim audit opinion (a)). The audit wording part will not appear for plan-led funding providers.
Late final funding claim and clear opinion report (final claim audit opinion (b)).	LSC has received a late final funding claim and a clear audit
Qualified final claim and audit opinion	LSC has received a final funding claim and a qualified audit report (final claim audit opinion (c) or (d)).
Seriously qualified final claim and opinion	LSC has received a final funding claim and a seriously audit qualified audit report (final claim audit opinion (e)).
Final claim only	Final claim only (plan-led funding providers).
In-year estimate	In-year estimate used to assess outturn position.
End-year estimate	End-year estimate used to assess outturn position.
Nil return	Nil outturn assumed in absence of claim.
Free text	Local LSC may overwrite system comments with locally agreed text in exceptional circumstances.

Calculation of Cash Protection for 2006/07 Teaching Year (Only for Providers Outside Plan-led Funding)

Provider name: Casterbridge College

Local LSC: A local LSC office

Date: 1 August 2007

Protected outturn cash: £7,200,000

Cash protection will only apply to colleges or other providers who return final claims in accordance with the timetable set out in Table 1 and whose outturn delivery is below their protected outturn figure shown above. The protection shown in this example is not available to any institution that received cash protection in both 2004/05 and 2005/06, and is not necessarily available to providers who have previously received two consecutive years of cash protection, for example, in 2003/04 and in 2004/05 but not in 2005/06.

	Cash protection 2006/07	Calculation	
1.1	2006/07 allocation	8,500,000	
1.2	2005/06 allocation	8,000,000	
1.3	90% 2005/06 allocation	7,200,000	
1.4	Recoverable cash	1,300,000	1.1–1.3
1.5	Additional allocations	0	
1.6	Recoverable cash from 2006/07	1,300,000	1.5+1.6

For new providers being funded by the LSC, the above guidance is tempered as follows: In Year 1 there is no protection, as there was no allocation in the previous year. In Year 2, protection is limited where the actual provision delivered in Year 1 is significantly below the funding allocation. This can be defined as follows.

- To gain full cash protection in Year 2, then in Year 1 at least 90 per cent of Year 1 allocation must have been delivered.
- If delivery in Year 1 is below 90 per cent of Year 1 allocation, then protection is limited to only 90 per cent of Year 1 delivery (and not 90 per cent of allocation).
- The above is also applied in any following years until a provider can demonstrate that it has significantly met a funding agreement.

The LSC cannot guarantee funding to providers without a track record of delivery and performance.

Annex F: Calculation of any Recovery of Funds for 2006/07: Providers Outside Plan-led Funding

This annex sets out in detail how the Learning and Skills Council (LSC) will calculate the recovery of funds for 2006/07. The starting point for any calculation will be the comparison of the agreed final Individualised Learner Record (ILR) funding claim and audit opinion against the further education (FE) funded cash allocation. The LSC and the college or other provider will need to agree on both the actual level of ILR cash outturn and the percentage level of outturn against target. The following terminology will be used throughout this annex.

Terminology	Explanation of terminology
ILR cash allocation	The amount of cash allocated by the LSC to an FE provider for 2006/07. The cash figure includes any supplements for area or specialist-college weightings.
ILR cash outturn	The amount of cash claimed by an FE provider on its final funding claim. It will include any supplements for area or specialist-college weightings. It will be made up as the combination of the 2006/07 final ILRF05 return total for the college or other provider together with any agreed manual adjustment figure (which could be either a positive or a negative adjustment to the ILR total). During the year, this figure may be calculated from ILR or interim returns to the LSC for the purposes of interim adjustments.
Protected outturn cash figure	For any college or other provider that has exceeded its core funding entitlement in either of the previous two years, this is its minimum cash entitlement for 2006/07. Where outturn cash falls below this level, any recovery of funds is capped by the application of this relief.
Additional allocation	Any additional allocation paid in year that is reconciled through the ILR. These will be recovered for any underdelivery on a pound-for-pound basis and are not subject to any tolerance for underdelivery.
Recovery of funds (for 2006/07)	The amount of funding being recovered from colleges or other providers for shortfalls against funded targets (for 2006/07). This has often been referred to as clawback in the sector.
<i>De minimis</i> limit	As in 2005/06, the LSC has set this limit at 3 per cent of the college's or other provider's ILR cash allocation.
The thresholds for recovery of funds and any core protection funding are only available to colleges or other providers returning final claim and audit opinions to the LSC by the deadline of 30 November 2007.	

Recovery of funds calculations – providers outside plan-led funding

For colleges and other providers returning ILR final funding claims and final funding audit opinions by no later than 30 November 2007: the LSC *de minimis* limit for recovery of funds is 3 per cent of the FE ILR cash allocation for 2006/07 (but based on the allocations agreed with colleges or other providers and on which they were paid during the 2006/07 teaching year, that is, usually up to 20 July 2007).

No retrospective clawback for main ILR FE funding allocations will be recovered for 2006/07 below the *de minimis* limit. This means that colleges or other providers with outturns between 97 per cent and 100 per cent of their FE ILR-funded target will be paid 100 per cent of their ILR funding allocation. This limit does not apply to any additional or supplementary allocations.

For 2006/07, the LSC expects to calculate the 97 per cent threshold by reference to the allocation paid for the teaching year 2006/07.

For colleges or other providers delivering below 97 per cent of their ILR funding agreement, the LSC will allow some additional time to agree the reduction in their allocation, but this must be agreed with the local LSC by no later than 30 November 2007 and in time to reduce the funds paid for the teaching year 2006/07 by no later than 20 December 2007.

Colleges or other providers wishing to take advantage of the *de minimis* limits can only return baseline funding with a consequential similar reduction in their 2007/08 and subsequent allocations. These providers will need to provide the LSC with robust evidence that they will be able to meet their revised target for 2007/08. For the colleges or other providers that have already agreed reductions in their allocations for 2007/08, this will be taken into account in deciding the reduction in baseline funding for 2007/08 and future years.

The LSC expects baseline-funding reductions to be agreed as early as possible in order to assist colleges and other providers in gaining early sign-off of their claims and financial accounts.

Recovery of funds: examples for Casterbridge College 2006/07

	Example 1	Example 2	Example 3*	Example 4*	Example 5	Example 6
Allocation	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000
Additional allocation	0	0	0			
Total allocation	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000
ILR cash – outturn	8,095,000	7,810,000	7,750,000	7,600,000	7,400,000	6,400,000
Variance (in cash)	+95,000	-190,000	-250,000	-400,000	-600,000	-1,600,000
Outturn variance against target (in %)	101.19	97.63	96.88	95.00	92.50	80.00
Funding outturn in % adjusted for de minimis limit	100.00	100.00	96.88	95.00	92.50	80.00
Calculation for actual delivery of funds						
Variance (in cash)	+95,000	-190,000	-250,000	-400,000	-600,000	-1,600,000
De minimis relief	0	190,000	*	*	0	0
Cash protection relief	0	0	0	0	0	748,250
Actual recovery of funds	0	0	-250,000	-400,000	-600,000	-851,750
Final funding reconciliation payment 2006/07	8,000,000	8,000,000	7,750,000	7,600,000	7,400,000	7,148,250
	*Colleges and other providers delivering below 97 per cent have the opportunity to return baseline funding to access the de minimis relief				# Recovery limited by cash protection guarantee at 90 per cent of previous year's funding	

Annex G: Example Learner Information Suite Funding Claim Report 2006/07: All Providers

Further education Individualised Learner Record funding claim 2006/07 (in-year/year-end/final claim*) (*Delete as appropriate)

Provider name:

Age group	Category	Full-time	Part-time	Total cash (£)
16–18	Learner numbers	1,500	1,500	
	FTEs	1,500	300	
	Funding value (£)			5,800,000
19+	Learner numbers	700	10,000	
	FTEs	700	1,750	
	Funding value (£)			5,200,000
Skills for Life) – All ages (included in above rows)	Learner numbers	1,000		
	Funding value (£)			400,000
PDCL– All ages (included in first two rows above)	Learner numbers	0		
	Funding value (£)			0
Additional learning support (ALS)	Learner numbers included in above	250	1,000	
	Learner value not included in above (£)			500,000
Total (excludes Skills for Life and PDCL rows)	Learner numbers	2,200	11,500	
	FTEs	2,200	2,050	
	Funding value (includes ALS) (£)			11,500,000

Note: The only difference between the report for 2006/07 and the report for 2005/06 is that a new line for PCDL is shown under the Skills for Life lines.

Annex H: Manual Adjustments 2006/07: All Providers

Manual adjustments to 2006/07 funding claims derived from a specified version of the learner information suite using specified versions of the learning aim database (see paragraph 13 of this booklet).

Number	Possible reason for a manual adjustment to final funding claim	LSC response for 2006/0
Audit or local LSC adjustments		
2007-1	Audit adjustments may be proposed to manual adjustments claimed on the form <i>Final Diff 2006/07</i> (Part 2) or to reflect errors in an institution's claim or the lack of an adequate audit trail. Providers may also use this number for agreed local LSC adjustments used to resolve a funding claim issue, for which auditors will need to see written local LSC agreement.	Manual adjustments will probably not be warranted in cases where the adjustment arises from significant errors in the institution's Individualised Learner Record (ILR) return.
Calculation of loadbands		
2007-2	Some institutions run programmes of more than one year's duration where the number of guided learning hours (glh) varies significantly between the two years. The Learner Information Suite (LIS) calculates funding for such programmes by averaging the number of glh per period for each aim. In general this generates the appropriate amount of cash, but in a few cases the LSC has agreed that the circumstances are exceptional and warrant a different approach.	In exceptional cases where the LSC has agreed to calculate funding based on the separate glh for separate years of the programme, a manual adjustment may be warranted.
2007-3	For learning programmes where the total glh for the loadbanded elements of a programme is 450 or more, the national rate of £2,394 (programme weighting A) may be claimed for those loadbanded elements. Where relevant, the higher programme-weighting figure can obviously be claimed. For learning programmes where the loadbanded element consists of two or more loadbanded qualifications, and where the glh for these qualifications is 450 or more, the LIS may not generate the correct result. The LIS is designed to operate by calculating a cash value for each qualification separately.	This may lead to an understatement or overstatement of cash value, and may warrant a manual adjustment.

Annex H: Manual Adjustments 2006/07: All Providers (continued)

Number	Possible reason for a manual adjustment to final funding claim	LSC response for 2006/0
Changes to a learner's learning programme		
2007-4	Where an individually listed qualification lasts a number of years, but is completed early, the program may not have enough information on the previous year's funding to calculate a cash value correctly. For example, suppose an individually listed qualification may be expected to last three years, and is listed at £600. If the learner completes after only two years, the program will assign cash at the rate of £300 per year in the second year. However, the institution is likely to have claimed £200 for the first year (based on the original expected length), so £100 will not have been claimed. Similar issues apply to loadbanded qualifications.	This would warrant a manual adjustment.
2007-5	Where learners withdraw from loadbanded programmes after the expected end date recorded on the ILR, the LIS will not take account of ghl delivered after the expected end date in determining the loadband, as these will not be recorded in the data for the learners.	This could lead to an understatement or overstatement of cash value, and would warrant a manual adjustment.
2007-6	Some learners transfer from an LSC-funded learning programme to a learning programme funded from other sources (for example, a programme funded through work-based learning), or vice versa. The LIS will have insufficient information to reflect this situation fully, and so the LIS is unable to determine the correct cash value	This could lead to an understatement or overstatement of cash value, and would warrant a manual adjustment.
2007-7	If the delivery method, delivery mode or employer role changes in the middle of the year, then the institution will only be able to record one set of circumstances in fields A17, A18 and A19 in the ILR file. In this case, the LIS will not be able to determine that more than one pattern applied during the year, and may therefore calculate an incorrect cash value in cases where these fields affect funding, such as distance-learning qualifications, and qualifications delivered	This could lead to an overstatement of cash value and would warrant a manual adjustment.
Maximum cash value limits		
2007-8	For learning programmes provided in the workplace, the maximum length of delivery of such programmes will normally be 329 ghl a year. The LIS does not have sufficient information to allow it to determine whether a learning programme is being delivered this way, and so does not apply this upper limit.	This could lead to an understatement of the amount of cash and may warrant a manual adjustment.

Annex H: Manual Adjustments 2006/07: All Providers (continued)

Number	Possible reason for a manual adjustment to final funding claim	LSC response for 2006/0
Maximum cash value limits		
2007-9	<p>The LIS imposes a maximum funding per learner value that limits the base rates that can be calculated in one triannual period. In some cases and for some patterns of delivery, the operation of this calculation has unintended effects in limiting cash in ways that are anomalous. Institutions believing that the operation of the maximum funding per learner value should not apply for certain programmes were asked to write to their local LSC before the programme commenced. If, before the start of the programme, the local LSC gave written approval that a programme should be exempt from the maximum funding per learner value, then this adjustment should be included in the final claim. Local LSCs do not expect to receive any general requests for dispensation from the maximum funding per learner value for learners on full-year programmes.</p>	<p>If agreed, such an adjustment would lead to an increase in cash value and would warrant manual adjustment.</p>
European Social Fund		
2007-10	<p>In some cases, European Social Fund (ESF) funding for a learner does not correspond to a calendar year, but ceases before the end of that learner's learning programme. For example, ESF funding may extend only into the spring period, but the learner's learning programme may extend into the summer period. The institution will be unable to reflect this situation in the ILR, and so the LIS will not be able to generate the correct cash value for the learner.</p>	<p>This could lead to an understatement or overstatement of cash value, and would warrant a manual adjustment.</p>
Sandwich courses		
2007-11	<p>Where learners are engaged in sandwich programmes, the LIS can generate an incorrect amount of cash, as the ILR data does not contain information about when learners are on placement.</p>	<p>This would warrant a manual adjustment.</p>
Achievement cash		
2007: no manual adjustments	<p>No achievement manual adjustments are necessary for 2006/07 as achievement funding is being generated solely from the application of a ratio calculated on the basis of the achievement funding in a previous year. Previous-year achievements, identified after completion of the previous year's funding claim, may not be claimed as the tolerance system introduced from 2002/03 removes the need for this bureaucracy.</p>	<p>This would not warrant a manual adjustment.</p>

Annex H: Manual Adjustments 2006/07: All Providers (continued)

Number	Possible reason for a manual adjustment to final funding claim	LSC response for 2006/0
Additional support cash		
2007-12	Where an institution's staff consider that the additional support bands arising from personal counselling may not be recorded on the ILR return on ethical grounds, the LIS will not have the information necessary to calculate the additional support cash. Note: anonymised additional support forms, with adequate justification for the claimed costs, should still be prepared in a form that may be shared with the ILR auditor.	This would lead to an understatement of the amount of cash and may warrant a manual adjustment for providers.
2007-13	For learners attending outside the traditional teaching year (that is, for two, four or five terms) a summary manual adjustment can be considered where a case can be made for a net loss of overall funding. This calculation should exclude all full-traditional-year learners who withdraw from their courses during the year. Only providers outside plan-led funding can apply for this adjustment, as providers within plan-led funding do not face retrospective clawback.	Providers should only seek approval for this adjustment for material losses of funding due to their recruitment outside the usual teaching-year cycle.
Types of learner qualifications		
2007-14	Where learners complete multiple basic-skill learning aims where the total ghl are 450 or more, separate claims should be made for each learning aim. A manual adjustment to the ILR is needed to claim the full amount of eligible funding (see paragraph 120 of <i>Funding Guidance 2006/07</i>)	This would warrant a manual adjustment.
2007-15	Where learners complete learning aims for independent living skills where the total ghl are 450 or more, separate claims should be made for each learning aim. A manual adjustment to the ILR is needed to claim the full amount of eligible funding (see paragraph 122 of <i>Funding Guidance 2006/07</i>)	This would warrant a manual adjustment.
Adjustments agreed in response to any government initiatives or special circumstances		
2007-16	This adjustment number will be used to respond to any government initiative or special circumstance that arises in 2006/07. Previous examples were foot and mouth protection; Army personnel involved in learning who moved to Iraq. The local LSC will agree the use of this adjustment, if needed.	This may warrant a manual adjustment.
Adjustments agreed as part of a national contract initiative		
2007-17	The LSC has agreed to vary the normal funding rates for some special projects. The difference between the agreed funding rate and the LIS funding rate is claimed as a manual adjustment.	This would warrant a manual adjustment.

Annex H: Manual Adjustments 2006/07: All Providers (continued)

Number	Possible reason for a manual adjustment to final funding claim	LSC response for 2006/0
<p>2007-18</p>	<p>Basic skills within the entitlement (all providers)</p> <p>Where learners are following basic skills learning aims instead of key skills because, following diagnostic assessment, it is deemed more appropriate for them to do so, the LIS will not be able to calculate the entitlement funding correctly. In these situations the LIS funds the key skills element of entitlement funding as well as the basic skills alternative. This could lead to an overstatement of the entitlement funding and would warrant a manual adjustment.</p> <p>Where the basic skills learning aim is the same size as the key skills component of entitlement funding, providers should adjust their claim downwards so that it does not include any funding for the key skills which are being replaced by basic skills. Where the basic skills learning aim is larger than the key skills component of entitlement funding, providers should further adjust their claim so that it includes funding for the additional hours delivered on the basic skills learning aim. It is assumed that the key skills component of the entitlement is approximately 108 glh, or 36 glh per key skill. Therefore, depending on the size of the basic skills programme that replaces the key skills within the entitlement, only those hours above 36 glh, 72 glh, or 108 glh delivered on the basic skills alternative should be counted as "additional". These additional hours would attract the basic skills uplift and be funded through the loadbands.</p> <p>In both of these cases, it is not intended that full-time learners who study basic skills as an alternative to key skills within the entitlement should be counted as basic skills learners. This would apply even if the basic skills alternative is 80 glh or more. Therefore the disadvantage uplift for basic skills learners should not apply in those situations. Providers should ensure that they make a manual adjustment where the LIS allocates the basic skills disadvantage uplift to the whole of a learner's learning programme.</p>	<p>This is a mandatory manual adjustment where the effect on the college funding claim is material.</p>
<p>Programmes that may require a manual adjustment.</p>	<p>Manual adjustment numbers 19, 20 and 21 must be considered together. Providers need only make an adjustment to their funding claim where the net effect of all three adjustments is considered material to their funding claim in accordance with the principles of funding as set out in <i>Funding Guidance 2006/07</i>.</p>	
<p>2007-19</p>	<p>Due to the current drive to rationalise reference numbers by the Qualifications and Curriculum Authority (QCA), the LSC has recognised that a few qualifications have been entered onto the National Qualifications Framework (NQF) that contain multiple pathways with potentially divergent glh data. Where this is the case the LSC has opted to fund the qualification at the value of the pathway with the lowest number of glh. As such, this manual adjustment is to be used if the provider is offering the larger pathway in order to bridge the difference in funding.</p>	<p>This would warrant a manual adjustment.</p>

Annex H: Manual Adjustments 2006/07: All Providers (continued)

Number	Possible reason for a manual adjustment to final funding claim	LSC response for 2006/0
Basic skills within the entitlement (all providers)		
2007-20	<p>There are qualifications on the NQF, such as the Skills for Working Life learning aims, that offer a wide range of units across a number of areas of learning. The LSC has assigned a programme weighting to these learning aims; however if the provider is mostly delivering units of the aim that would warrant a programme weighting different to that set by the LSC, then a manual adjustment may be used.</p> <p>Providers claiming this manual adjustment must demonstrate they have taken account of any funding over-claims as well as under-claims before seeking local LSC agreement to an overall positive manual adjustment. Local LSCs will only agree to this adjustment if the difference has a material impact on the provider's funding claim.</p>	This would warrant a manual adjustment.
2007-21	<p>Where learners undertake a series of qualifications in the same or very similar subjects, such as a national award followed by a national certificate followed by a national diploma, either concurrently or consecutively, and their earlier programmes give them exemption from studying parts of their later programme, the LSC expects providers to proportionally reduce the funding claimed for the later programmes.</p> <p>For example, a learner who has completed a BTEC national award and then undertakes a BTEC national certificate and is then only required to undertake 6 units instead of the usual 12 units to gain the national certificate. In this case, the provider would only be expected to claim half the funding for the certificate, as the LSC has already funded the other half whilst the learner studied the national award.</p>	This would warrant a manual adjustment.
Guidance on possible LIS adjustments for which no manual adjustment is now required in accordance with the recommendations of the bureaucracy task force		
2007-22	<p>Providers are not expected to make small changes to their funding claims via manual adjustments. Providers are encouraged to accept their ILR funding totals and are not required by the LSC to work through all the guidance on manual adjustments. Providers must, however, apply manual adjustment 21 where this gives a material difference to their funding claim. If, however, providers seek a manual adjustment, then both negative and positive adjustments must be made. The audit adjustment can be made in either direction without a provider needing to consider any of the other manual adjustments.</p>	This would not warrant a manual adjustment.

Annex I: FE Partner Provider Details

Reference: *FE ILR Funding Estimate/Claim 2006/07*
(also available on the LSC website).



Leading learning and skills

Part 1

All colleges and other providers claiming funding from the LSC for 2006/07 for provision delivered in partnership with other organisations are asked to complete and forward this self-declaration form to their local LSC as also requested in paragraph 68 of *FE ILR Funding Compliance Advice 2006/07*. This form is available in a workbook with this addendum on the website and the LSC expects returns to be made in the workbook format.

Section 3 of *FE ILR Funding Compliance Advice 2006/07* and in particular Table 1 and paragraphs 79-82 (77-80) partner provider provision that should be declared to the local LSC on this form.

Addressee: LSC

Name of LSC-funded college or other provider in 2006/07 (please print):
LSC unique provider information number (UPIN) code in 2006/07:
Date of return:

Type of delivery (see Table 1 in <i>FE ILR Funding Compliance Advice 2006/07</i>)	
Trading name of partner provider This must include any other related business trading names involved in any LSC-funded provision.	
Trading address of partner provider Only the postcode is needed if the full address is returned in Annex I ILR Return Register of Franchise and Other Partners.	
Partner provider delivery number (ILR field A22)	
Value and length of annual contract* Record total £ of LSC funding expected to be claimed for the provision from the LSC. Record expected start and end date of contract in the format mm/yyyy.	
Value of annual contract in learner numbers	
Record either FT and PT learner numbers or learner numbers and expected FTE value – state which.	
Delivery location postcode(s) of partner provider provision (ILR field A23)*	
Amount (as a %) of LSC funding passed to partner provider for the provision*	

FE Partner Provider Details

Reference: *FE ILR Funding Estimate/Claim 2006/07*
(also available on the LSC website).



Leading learning and skills

Part 2

*The amount of detail required by the provider's local LSC in this part of the form depends on the answers given to the questions marked * in Part 1 and any other individual requirements defined by the local LSC.

Provision delivered within the normal recruitment area of the provider, contributing to local LSC targets and/or skills targets and with most of the funding passed to the partner provider reduces the need for detailed information below.

To reduce unnecessary bureaucracy, providers must therefore discuss with their local LSC the amount of detail needed on their individual forms before returning them to their local LSC.

Details of any known lead-provider arrangements and/or other LSC providers the "partner provider" contracts with:

Details of any out-of-area recruitment:

Details of qualifications (usually the titles) and/or curriculum being delivered (or any local LSC-defined information needs):

Details of contribution to local LSC targets and/or skills priorities:

Summary of services given for funding retained by LSC-funded provider:

Any additional information or concerns the provider wishes to share with the local LSC:

Notes

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