

Circular 03/12

**For Action: Responses to Annexes A and B are required by
6 February 2004**

A response to Annex D is required by 31 October 2003

**A pre-audit copy of the Adult and Community
Learning 2002/03 Use of Funds statement
should also be sent to the Learning and
Skills Council by 31 October 2003**

Funding

**Audit of the Use of Funds: Adult and Community Learning,
Former External Institutions and Sixth Form Funding in
Local Education Authorities for 2002/03**

Summary

This circular provides guidance to local education authorities (LEAs) on the preparation of Use of Funds statements for their adult and community learning (ACL) and former external institutions (EI) funding allocations (2002/03).

Each LEA should arrange for its Use of Funds statements to be signed by the chief financial officer of the LEA, and, in the case of the ACL statement, by the officer designated as the officer responsible for adult learning, and then arrange for the statements to be audited by its external auditor.

Audited statements should be returned to the head of finance at the local Learning and Skills Council (local LSC) by 6 February 2004.

The LSC requires LEAs to self-certify the propriety and regularity of schools' spending of LSC funds. This circular does not request any assurance work on the Use of Funds in school sixth forms.

This circular is of interest to chief education officers, LEA chief financial officers, LEA officers responsible for adult learning, heads of LEA-maintained former EIs, heads of finance in local LSCs and LEAs' external auditors.

This circular supersedes Circular 02/10 and Circular 02/25.



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Responses to this document

A pre-audit copy of the ACL 2002/03 Use of Funds statement, Annex A, should be sent to the Learning and Skills Council by 31 October 2003.

Annex D should be sent to the Learning and Skills Council by 31 October 2003.

Audited returns for Annexes A and B are requested by 6 February 2004.

Further information

For further information, please contact the following:

For enquiries about ACL

National Provider Financial Assurance Division

Learning and Skills Council West of England

PO Box 164

St Lawrence House

29–31 Broad Street

Bristol. BS99 7HR

Tel: 0117 372 6520/6517. Email: chris.herbert@lsc.gov.uk or phil.eames@lsc.gov.uk

For enquiries about former external institutions

National Provider Financial Assurance Division

Learning and Skills Council London Central

Centre Point

103 New Oxford Street

London. WC1A 1DR

Tel: 020 7904 0672. Email: clive.gordon@lsc.gov.uk or phil.eames@lsc.gov.uk

For enquiries about sixth form funding

National Provider Financial Assurance Division

Learning and Skills Council

Cheylesmore House

Quinton Road

Coventry. CV1 2WT

Tel: 024 7682 3993

Email: ian.mason@lsc.gov.uk

External auditors with enquiries should contact the Audit Commission directly.

Tel: 0117 975 7816. Email apagtechsupport@audit-commission.gov.uk

Executive Summary

This circular provides guidance to local education authorities (LEAs) on the preparation of statements showing the use of adult and community learning (ACL) and former external institutions funding allocations for 2002/2003, and outlines early arrangements for 2003/04.

Each LEA should arrange for its statement to be signed by the chief financial officer of the local education authority; for the ACL statement by the officer designated as the officer responsible for adult learning, and then arrange for the statements to be audited by its external auditor.

Audited statements for Annexes A and B should be returned to the head of finance at the local LSC by 6 February 2004.

The LSC requires LEAs to self-certify the propriety and regularity of schools' spending of LSC funds. This circular does not request any assurance work on the Use of Funds in school sixth forms.

This circular is of interest to chief education officers, LEA chief financial officers, LEA officers responsible for adult learning, LEA officers responsible for sixth form funding, heads of LEA-maintained former external institutions, finance teams in local Learning and Skills Councils (local LSCs), other bodies intending to provide ACL for 2003/04 and the external auditors of LEAs.

Audit of the Use of Funds: Adult and Community Learning, Former External Institutions and Sixth Form Funding in Local Education Authorities for 2002/03

Section 1: Adult and Community Learning

Introduction

1 This part of the circular sets out the requirements of the Learning and Skills Council (LSC) for the audit of the use of LSC funds provided to local education authorities (LEAs) to deliver adult and community learning (ACL) during 2002/03.

2 The LSC has allocated ACL funding to LEAs during 2002/03 through the funding streams shown in Table 1 below. LEAs are asked to complete the Use of Funds statement in Annex A, by funding stream, for the funding periods shown below. The dates covered by the ACL funding streams reflect the periods of time for which the LSC has received the funding from the Department for Education and Skills (DfES).

Table 1 ACL funding periods 2002/03

ACL activity	Period of funding to LEAs
Main ACL grant	1 Aug 2002 – 31 Jul 2003
Family learning	1 Aug 2002 – 31 Jul 2003
Family literacy, language and numeracy	1 Aug 2002 – 31 Jul 2003
MIS infrastructure support	1 Aug 2002 – 31 Jul 2003
Adult ethnic minority achievement	1 Apr 2002 – 31 Jul 2003
Capital – minor works	1 Apr 2002 – 31 Mar 2003
Capital – Special Educational Needs and Disability (SEND) Act	1 Apr 2002 – 31 Mar 2003
Capital – major capital improvement schemes	1 Apr 2002 – 31 Mar 2003

3 Under the *Learning and Skills Act 2000*, the LSC took over responsibility for the provision and funding of education and training for persons over 16, with effect from 1 April 2001. This includes the provision of:

- proper facilities for education (other than higher education), training and organised leisure time occupation connected with such education and training suitable to the requirements of persons who are above compulsory school leaving age but who have not attained the age of 19; and
- reasonable facilities for education (other than higher education), training and organised leisure time occupation connected with such education and training suitable for the requirements of persons who have attained the age of 19.

4 Each LEA in receipt of the main ACL grant from the LSC has agreed an adult learning plan with its local LSC. The adult learning plan sets out the adult and community education to be provided in each LEA area using LSC funds. The LSC grants funds to LEAs for the delivery of adult and community learning in accordance with the adult learning plans. A funding agreement, signed by both parties, records the agreement regarding the conditions of funding to be paid in support of the LEA's agreed adult learning plan and the additional ACL funding initiatives.

5 The LSC has a duty to account to parliament each year on the proper use of the public funds that it provides to learning providers. To support this process the Chief Executive of the LSC, as the responsible accounting officer, requires LEAs to provide an annual audited Use of Funds statement. The arrangements described in this circular will allow the Chief Executive of the LSC to discharge his responsibility with respect to funds used for ACL.

6 The LSC has consulted the Audit Commission on the guidance contained in this

circular. Later in 2003 the Audit Commission will make a certification instruction available to those auditors whom it has appointed as LEA external auditors to provide guidance on the audit of ACL.

Requirements: Use of Learning and Skills Council Funds

7 This circular sets out the LSC's requirement for all LEAs to provide a statement of the use of LSC funds and an auditor certification showing that they have been used for the purposes intended. The assurance arrangements are similar in principle to those for 2001/02.

8 The LEA's chief financial officer (designated officer under Section 151 of the *Local Government Act 1972*) and the responsible officer for LSC funding of ACL are named in the LEA's funding agreement with the LSC. These officers are required to sign a declaration that the information included on the statement of the use of LSC funds has been correctly extracted from the LEA's records, that the LSC's funds have been used solely to meet the costs of delivering the agreed adult learning plan and LSC-funded ACL projects, and that the LEA has exercised proper control over those funds it has received from the LSC. The conditions under which the LSC provides the ACL revenue and capital grants are set out in individual LEAs' funding agreements with their local LSC.

Eligibility of Expenditure

9 The eligibility of expenditure for the individual ACL funding streams is outlined on the next page.

Main adult and community learning grant

10 Except as otherwise agreed by the local LSC in writing, the LSC's funds for delivery

have been used solely to meet the costs of delivering the agreed adult learning plan during the period from 1 August 2002 to 31 July 2003. Where LEAs have contracted out part or all of their provision of adult and community learning, they should be able to demonstrate that financial and non-financial monitoring of the contracted-out provision has taken place. Contracting and monitoring procedures should be in place to demonstrate that learners are receiving proper tuition and that payments to providers are made in accordance with contracts.

Family learning, family literacy, language and numeracy, ethnic minority achievement grant

11 The basis of funding and allocations is set out in:

- LSC Handling Note 3: *Family Literacy and Numeracy and Ethnic Minority Achievement Grant*, dated 30 January 2002;
- LSC Handling Note 4: *Family Learning*, dated 20 March 2002; and
- LSC Handling Note 7: *Family Learning*, dated 25 April 2002.

These handling notes were sent to named ACL contacts in LEAs and to executive directors of local LSCs.

Management information infrastructure

12 The basis of funding and allocations is set out in:

- LSC Handling Note 8, *MIS Infrastructure Funds Criteria for Use: Eligibility principles and guidance*, dated 16 July 2002, addressed to named ACL contacts in LEAs; and
- Roger Mylward's letter dated 21 June 2002, addressed to executive directors and ACL contacts in local LSC offices.

Capital: Major projects, minor works and disability access

13 The basis of funding is set out in the LSC's *Guidance on Application for Capital Funds*, including Annexes A to E, dated 12 December 2001, which was sent to LEAs and local LSCs. The LSC will permit underspent 2002/03 allocations for major capital projects to be rolled forward in to 2003/04 to enable projects to be completed.

Completion of the Use of Funds Statement

14 The statement of the Use of Funds requires LEAs to identify for each ACL funding stream:

- the level of grant that the LSC has allocated to the LEA for 2002/03;
- the total payments in respect of 2002/03 that the LEA has received from the LSC;
- the total of the LEA's ACL expenditure on ACL which has been met from LSC funds;
- the difference between the LEA's funding allocation and its actual expenditure; and/or
- LSC grant received, including any unspent balance of funds.

15 Local authorities should complete the statement of the Use of Funds in Annex A.

- a **Column 1** shows the LEA's main ACL grant. This grant is subject to the Secretary of State's funding guarantee for 2002/03. LEAs which meet the conditions in paragraphs 23 to 24 will be eligible to carry forward into 2003/04 any unspent balance from their 2002/03 main ACL allocation.
- b **Column 6** shows the LEA's capital allocation for major capital projects

- (applicable in some LEAs). Any unspent balance on major projects for 2002/03 will be carried forward into 2003/04.
- c **Enter on lines 1, 9 or 13** the amount of grant allocated by the LSC for 2002/03. The funding period for each ACL activity is shown in the headings to Parts A, B, and C of Annex A. Include any changes agreed by the LSC during 2002/03.
- d **Enter on lines 2, 10 or 14** the total cash which the LEA received or is due to receive from the LSC for the relevant funding period. Include any claims for the period which were settled up to the date of the chief financial officer's certificate in Annex A.
- e **Enter on lines 3, 11 or 15** the amount of the LEA's expenditure on ACL which has been funded by grant from the LSC. This figure should not exceed the total allocation figure on lines 1, 9 or 13. If it is greater than lines 1, 9 or 13 enter the total allocation figure.
- f **Enter on column 1, line 4** the difference between the LEA's 2002/03 allocation and the LEA's 2002/03 expenditure. Any underspend in column 1, line 4 is subject to the Secretary of State's funding guarantee. Carry-forward of any main ACL underspend in this column is permitted only with the local LSC's written agreement, and is subject to compliance with the terms and conditions in the funding agreement and satisfactory delivery of the 2002/03 adult learning plan.
- g **Enter on columns 2 to 8, lines 4, 11 or 15** the difference between the grant income received by the LEA (line 2) and actual expenditure (line 3). The treatment of any unspent LSC funds on lines 5, 12 and 16 not applied to projects will depend on the individual conditions of funding for each ACL activity.
- h **Enter on column 1, line 6** any underspend from the 2001/02 main ACL grant which the local LSC agreed that the LEA could carry forward into 2002/03.
- i **Enter on line 7** the total expenditure during 2002/03 funded from the underspend brought forward from 2001/02.
- j **Enter on line 8** any unspent balance of the 2001/02 underspend. The LSC will seek repayment of any main ACL grant balances brought forward from 2001/02 which remain unspent at 31 July 2003.
- 16 The ACL activities of many LEAs generate tuition fees and other income. This additional income should **not** be offset against the total expenditure entered on line 3.
- 17 The period covered by the Use of Funds statement will not coincide with the financial reporting period of the LEA. However the LSC expects LEAs to have procedures in place for identifying income and expenditure for the period from 1 August 2002 to 31 July 2003. LEAs should ensure that their accounting systems enable the preparation of the information required for the Use of Funds statement.
- 18 The chief financial officer and the officer designated with responsibility for ACL must complete the declarations on the Use of Funds statements before passing it to the LEA's external auditor. To enable the LSC's Chief Executive to fulfil his responsibility for the proper use and control of public funds, the LSC requires a certificate from the chief financial officer. Where the chief financial officer of the LEA has delegated authority under Section 151 of the *Local Government Act 1972* to another officer to provide the certificate, this must be stated on the declaration and evidence of such delegation of Section 151 authority provided to the LEA's external auditors.
- 19 The declarations confirm that the information on the return is correctly extracted from the LEA's records; that the funds received have been used solely to meet the costs of delivering the agreed adult learning plan and other LSC-funded projects; and that the LEA has exercised proper control over those funds.

The conditions of funding are set out in the funding agreements made between individual LEAs and the local LSCs.

20 The signed return should be sent to the LEA's external auditor by 31 October 2003. A pre-audit copy of the return should also be sent to the head of finance at the local LSC by 31 October 2003.

Certification of the Return

21 The Use of Funds statement requires the external auditor to certify:

- the LEA's entitlement to funds for each ACL activity during 2002/03;
- the amount of funds that the LSC has paid to the LEA for individual ACL activities in respect of 2002/03; and
- the use of these funds in delivering the agreed adult learning plans and other LSC grant funded ACL projects in 2002/03.

22 In column 1, the main ACL grant, expenditure on line 3 must not exceed the allocation on line 1. If the expenditure on line 3 exceeds the grant received on line 2, the LEA will receive the balance of funding from the LSC.

23 If the main ACL grant allocation in column 1, line 1, exceeds expenditure on column 1, line 3, the LSC will review the circumstances surrounding the underspend of funds disclosed on line 4. This review will be conducted through negotiation between the local LSC and the LEA. The local LSC may permit the LEA to carry forward the whole or part of the underspend disclosed in line 4 and add it to their funding for 2003/04. This permission would be given where the local LSC was satisfied as to how these additional funds would be applied to the delivery of learning activities relating to the local LSC's strategic plans. For example, this might be an increase in LSC-funded activity through the adult

learning plan. Subject to the outcome of the 2002/03 Use of Funds audit, the LSC will require the LEA to refund any agreed underspend brought forward from 2002/03 which remains unspent at 31 July 2004. LEAs wishing to carry forward the unspent balance from their 2002/03 main ACL allocation should apply in writing to their local LSC by 31 October 2003. Applications should be supported by a pre-audit copy of the LEA's 2002/03 Use of Funds statement.

24 LEAs should note that the Secretary of State's funding guarantee for the main ACL grant ends on 31 July 2003.

25 Where the local LSC is unable to identify how underspent funds from the main ACL grant would be applied for LSC purposes, and, following consultation with the relevant LEA, the determination of the amount repayable will be at the responsible local LSC's sole discretion. The method of recovery will be agreed by negotiation and may be through a reduction in the LSC's allocation to the LEA during a funding year or a repayment in cash. In all circumstances the LSC will seek a recovery of funds where:

- the adult learning plan is not delivered satisfactorily; or
- there is evidence from audit or other review that LSC funds declared as having been applied to LSC purposes have not been so applied.

Timetable for 2002/03 Returns

26 For 2002/03, the LSC has put in place a programme of additional assurance work during the summer of 2003. This work will be performed by the LSC's local provider financial assurance teams at a sample of LEAs.

27 Other timetable issues are dealt with at the end of this circular as they are common to ACL and former external institutions.

Support Arrangements

28 LEA chief financial officers and responsible officers may make enquiries about the compilation and audit of the Use of Funds statements by contacting their local LSC or the LSC's National Provider Financial Assurance Division, c/o Learning and Skills Council West of England (Tel: 0117 372 6520 or 0117 372 6517, Fax: 0117 372 6433). External auditors should contact the Audit Commission (Tel: 0117 975 7816).

Arrangements for 2003/04

29 The Use of Funds circular will be revised for 2003/04 to reflect the LSC's funding arrangements for that year. In several areas of England local LSCs are contracting with providers other than LEAs for the 2003/04 ACL provision. Assurance arrangements will be made for these providers, commensurate with the level of assurance that will be required from LEAs.

Section 2: Former External Institutions

Introduction

30 This part of the circular sets out the requirements of the LSC for the submission by LEAs of an audited return on their former external institutions' use of LSC funds for the year ended 31 July 2003. These paragraphs are intended to help former external institutions and LEAs in making these returns and in briefing their external auditors in auditing the returns. The arrangements are similar to those for 2001/02, except that the requirement for each institution to submit a separate return has been removed. One return covering all institutions maintained by the LEA is required.

31 Former external institutions are those providers of further education (FE) which are funded under a specific financial memorandum with the LSC. In a few cases, they are commercial or voluntary sector learning providers: such institutions are also required to submit a Use of Funds statement and this is covered by a separate letter. Colleges incorporated under the *Further and Higher Education Act 1992* and other LSC-funded providers of FE which are not colleges, such as directly funded **learn**direct hubs, are not subject to the requirements of this circular.

32 The LSC's Chief Executive, as its accounting officer, has a duty to ensure the proper use and control of the public funds that the LSC allocates to learning providers. To discharge that duty, the Chief Executive requires former external institutions, through their financial memorandum with the LSC, to:

- ensure that LSC funds received under the financial memorandum are used only for the purpose(s) provided; and
- provide annually an audited Use of Funds statement in relation to LSC funds received under the financial memorandum. It is this audited

statement that is the subject of this circular.

33 Former external institutions may receive additional ring-fenced funds such as those to support access, childcare, childcare places and basic skills summer schools, or the standards fund. Former external institutions must ensure that these additional funds are only used for their specified purposes and that unspent balances are repaid to the LSC.

34 The LSC also requires former external institutions to submit an audited funding claim and Individualised Learner Record (ILR) for 2002/03 to the LSC. Arrangements for this will be set out in a separate circular.

Requirements

Use of funds return 2002/03

35 The LSC requires LEAs that maintain former external institutions, which received LSC FE funding under a financial memorandum for the year ended 31 July 2003, to make a return in three parts (see Annex B).

36 All LEAs must:

- for each former external institution they maintain, provide a statement of the use of LSC funds provided under their financial memorandum in Part I of the return (one copy of Part I for each institution); and
- arrange for their external auditors to provide the LSC with a report, including an audit opinion that LSC funds were used for the purpose(s) intended in Part III of the return. Only an overall opinion is required on a single Part III covering all of the LEA's former external institutions.

37 The chief financial officer (designated officer under Section 151 of the *Local Government Act 1972*) must also complete the declaration at Part II of the return before the return is audited. Where the chief financial

officer of the local authority has delegated authority under Section 151 to another officer to sign the declaration, this must be stated in Part II of the return. LEA-maintained former external institutions are required to provide evidence of any delegation of Section 151 authority to their external auditors.

38 The LSC has consulted the Audit Commission on its guidance as it relates to LEA-maintained former external institutions. The Audit Commission will make available a certification instruction (CI EDU23E (02-03)) to auditors whom it has appointed as local authority external auditors.

Cessation, mergers and transfers

39 The requirement to submit a return also applies in respect of any organisation that:

- was funded as an former external institution for the year ending 31 July 2003, but is no longer so funded;
- has inherited prime responsibility for the assets and liabilities of any former external institution that received LSC funds under a financial memorandum for the year ending 31 July 2003; or
- was funded as a former external institution for the year ended 31 July 2003 and has subsequently merged with another former external institution. A separate Part I is required for each of the former institutions that have merged (where they each received a funding allocation). The newly merged institution is responsible for the completion and signing of these returns.

40 Where an LEA-maintained former external institution has transferred from one LEA to another, the LEA responsible for the former external institution at the date on which the return is required by the LSC must complete and sign the declaration in Part II of the return.

Completion of Returns

Part I and Part II

41 The return is attached to this circular at Annex B in three parts. Part I requires each former external institution to declare:

- the former external institution's entitlement to funds for the year ended 31 July 2003;
- the value of funds the former external institution received during the year ended 31 July 2003; and
- that the former external institution made proper use of public funds in providing eligible courses for the year ended 31 July 2003.

42 Part I requires additional analysis within line 1 in order to provide a breakdown of the different elements of funding allocated for the year ended July 2003. Guidance notes for completing this analysis are set out in Annex C of this circular.

43 The head of each institution and the chief financial officer of the local authority must sign the declarations in Part I and Part II respectively before passing the Use of Funds return to the LEA's financial statements auditor. The declarations confirm that the information included on the former external institution's return is correctly extracted from the institution's accounts and records, and that the funds received from the LSC were applied in accordance with any conditions imposed by the LSC. Such conditions are set out in each former external institution's financial memorandum with the LSC for the year ended 31 July 2003.

Part III

44 The audit report must be given by the auditors of the local authority appointed by the Audit Commission. The form of the audit report is that agreed between the LSC and the Audit Commission in the Audit Commission's

certification instruction (CI EDU23E (02-03)) to its appointed auditors.

45 Former external institutions, LEAs and their auditors are reminded that the year covered by the institution's return ended on 31 July 2003. This period will not necessarily coincide with the financial reporting period of the institution. However, the LSC requires institutions to have procedures in place for identifying income and expenditure for the year ended 31 July 2003.

Eligibility of Expenditure

46 The only provision eligible for LSC funding is that which is specified in the funding agreement, letter or circular from the LSC notifying the institution of its allocation. A course is not eligible for LSC funding unless it has been approved under Section 98 of the *Learning and Skills Act 2000*. Sections 96 and 97 of the *Learning and Skills Act 2000* provide that courses for the further training of teachers or youth and community workers, postgraduate courses, first degree courses and courses for the Diploma of Higher Education or the Certificate in Education are not eligible for LSC funding.

47 Details of which qualifications have been approved can be found on the DfES website: <http://www.dfes.gov.uk/section96> lists courses for learners under the age of 19, and <http://www.dfes.gov.uk/section97> lists courses for learners aged 19 or over.

48 The funding allocation includes that for courses for students aged 16 or over who are pursuing courses of higher education (HE) falling within paragraph 1(g) or 1(h) of Schedule 6 to the *Education Reform Act 1988*. Paragraph 1(g) covers courses that prepare learners for a professional examination at a higher level than the standard of A-level or the examination for the National Certificate or the National Diploma of Edexcel (formerly the Business and Technical Education Council). Paragraph 1(h) covers courses providing

education at a higher level (whether or not in preparation for an examination) than the standard of A-level or the examination for the National Certificate or the National Diploma of Edexcel.

49 As stated in paragraph 33, former external institutions must ensure that funds are only used for their specified purposes and that unspent balances are repaid to the LSC.

Support Arrangements

50 Former external institutions, local education authority chief financial officers and their financial statements auditors may make enquiries about the compilation and audit of the return at Annex B by contacting the LSC's National Provider Financial Assurance Division (Tel: 020 7904 0672).

51 Auditors proposing to qualify their report should consult the Audit Commission grants team (Tel: 0117 975 7816, Fax: 0117 979 0552, Email: apagtechsupport@auditcommissionsion.gov.uk) where they have queries about any qualifications to their audit report.

52 The purpose of this request is to examine the proposed qualification and to ensure a consistent approach between auditors.

Section 3: Common Issues for Adult and Community Learning and Former External Institutions Returns Timetable for 2002/03 Returns

53 The LSC has sent five copies of this circular for each LEA. One copy is for the LEA's chief education officer, one copy is for the chief financial officer. The LSC requests that the LEA passes one copy to its external auditor. The LEA asks that those LEAs who have delegated the LSC's funding to their former external institutions to pass one copy of the circular to the heads of those institutions.

54 LEAs need to agree a timetable with the external auditors for the audit that allows the certified statement of the Use of Funds to reach the local LSC by 6 February 2004. Any LEA unable to meet this deadline is asked to inform their local LSC in writing and provide a date when the return will be available.

55 Audited statements of the Use of Funds, using the forms provided at Annexes A and B to this circular, should be sent to the head of finance at the local LSC, to arrive by 6 February 2004. The addresses of local LSCs can be obtained from the LSC's website (www.lsc.gov.uk).

56 The returns form a significant part of the LSC's evidence showing how providers have used LSC funds. The National Audit Office (NAO) will consider this evidence, as part of its audit of, and reporting on, the LSC's own 2002/03 financial statements. The NAO has stressed to the LSC the importance of prompt submission of returns.

Overdue Returns and Qualifications

57 LEAs are reminded that the LSC has a statutory duty to account to parliament each year on the proper use and control of public funds. In the absence of audited statements, the LSC cannot assure parliament that its funds were applied properly.

58 Where the Chief Executive of the LSC cannot secure timely assurance about the proper use and control of funds at an LEA, the LSC may, following consultation with the LEA:

- seek to secure other provision for the learners;
- require satisfactory assurances and action by the LEA. Such an agreement will also be supported by restrictions on the funding provided;
- the agreement and other relevant correspondence will be copied to the Audit Commission; and
- recover funds.

59 Where a return is qualified, the LSC may impose similar sanctions to those set out above.

Section 4: Sixth Form Funding

Introduction

60 From 1 April 2002, for the first time, school sixth forms were funded by the LSC through LEAs. This circular does not request any assurance work on the Use of Funds in sixth forms, as the LSC will rely on the work of the Audit Commission and local authority internal auditors as regards schools generally.

61 In the light of this control environment, the LSC will ask local authorities to self-certify the propriety and regularity of schools' spending of LSC funds. Annex D should be completed and returned to the Learning and Skills Council, Cheylesmore House, Quinton Road, Coventry, CV1 2WT by 31 October 2003, marked for the attention of Ian Mason. There is no requirement for Annex D to be audited.

62 There is a small number of LEAs that do not have any schools with sixth forms within their area. For these LEAs Annex D must be completed and returned in respect of funding for post-16 pupils with statements of special educational needs (SEN) only.

Completion of the Use of Funds Statement

63 The Use of Funds statement requires LEAs to identify:

- the level of grant that the LSC has allocated to the LEA for the four months to 31 July 2002 and 2002/03;
- the total payments in respect of the four months to 31 July 2002 and 2002/03 that the LEA has received from the LSC;
- the level of grant that the LSC has allocated to the LEA in respect of post-16 pupils with statements of special educational needs for the year ended 31 March 2003; and

- the total payments in respect of post-16 pupils with statements of special educational needs for the year ended 31 March 2003.

64 The chief financial officer and the chief education officer must complete the declarations on the Use of Funds statements. The declarations confirm that the information on the return is correctly extracted from the LEA's records; that the LEA has exercised proper control over the funds received from the LSC; that the funds have been disbursed in accordance with the Financing of Maintained Schools (England) Regulations; and that the LSC's funds for post-16 pupils with statements of special educational needs (SEN) have been used for their intended purpose.

65 The uses of the LSC allocation of funds by LEAs are set out in:

- the Financing of Maintained Schools (England) Regulations 2002, paragraph 17;
- the Financing of Maintained Schools (England) Regulations (Amendment No 3) 2002, paragraph 3; and
- the Financing of Maintained Schools (England) Regulations 2003, paragraphs 15 and 16.

Support Arrangements

66 Local authority chief financial officers and LEA chief education officers may make enquiries regarding the compilation of the return at Annex D by contacting the LSC's National Provider Financial Assurance Division at Cheylesmore House, Quinton Road, Coventry, CV1 2WT (Tel: 024 7682 3993).



John Harwood, Chief Executive

Annex A: Use of Funds Statement for Adult and Community Learning for 2002/03

National Provider Financial
Assurance Division
Learning and Skills Council
West of England
PO Box 164
St Lawrence House
29-31 Broad Street
Bristol. BS99 7HR
Tel: 0117 372 6520
Fax: 0117 372 6433

www.lsc.gov.uk
chris.herbert@lsc.gov.uk

Reference: Circular 03/12

This form should be completed, certified by the chief financial officer of the local education authority in receipt of funds and the officer designated with responsibility for adult and community learning, and countersigned by the local authority's external auditor.



Learning+Skills Council

Adult and Community Learning Provision 2002/2003

Local authority name <i>(please print)</i>
Contact officer for queries
Name <i>(please print)</i>
Telephone no. Fax no.

Use of Funds statement for adult and community learning 2002/2003

Line no	Column 1 Main ACL grant £	Column 2 Family learning £	Column 3 MIS infra-structure £	Column 4 Capital: Minor works £	Column 5 Capital: SEND Act £	Column 6 Capital: Major improvement schemes £	Column 7 Ethnic minority achievement grant £	Column 8 Family literacy, language & numeracy £
	Part A: Projects funded by the LSC for the period August 2002 to July 2003							
	Use of 2002/03 LSC grants (Lines 1-5)							
1	LEA's total agreed LSC allocation from 1 August 2002 to 31 July 2003							
2	Total grant income received from LSC from 1 August 2002 to 31 July 2003							
3	LEA's total expenditure from 1 August 2002 to 31 July 2003 funded by LSC							
4	For Column 1 only: Underspend on 2002/03 main ACL grant (line 1 less line 3)							
5	For Columns 2 to 3: Balance repayable to LSC (line 2 less line 3)							
	Use of 2001/02 underspend brought forward into 2002/03. Lines 6-8, Column 1 only							
6	Underspent LSC funds brought forward from 2001/02							
7	Expenditure between 1 August 2002 and 31 July 2003 funded from 2001/02 underspend							
8	Unapplied balance of 2001/2002 underspend (line 6 less line 7)							

line no.	Column 1 Main ACL grant £	Column 2 Family learning £	Column 3 MIS infra-structure £	Column 4 Capital: Minor works £	Column 5 Capital: SEND Act £	Column 6 Capital: Major improvement schemes £	Column 7 Ethnic minority achievement grant £	Column 8 Family literacy, language & numeracy £
	Part B: Projects funded by the LSC for the period April 2002 to March 2003							
	Use of LSC capital grants 2002/2003							
9	LEA's LSC grant allocation from 1 April 2002 to 31 March 2003							
10	Total grant: income received from LSC from 1 April 2002 to 31 March 2003							
11	LEA's total expenditure from 1 April 2002 to 31 March 2003 funded by LSC							
12	LSC 2002/03 funds not applied to projects (line 10 less line 11)							
	Part C: Projects funded by the LSC for the period April 2002 to July 2003							
	Use of LSC grants 2002/2003							
13	LEA's total agreed LSC allocation from 1 April 2002 to 31 July 2003							
14	Total income received from LSC from 1 April 2002 to 31 July 2003							
15	LEA's total expenditure from 1 April 2002 to 31 July 2003 funded by LSC							
16	Balance repayable to LSC (line 14 minus line 15)							

Certificate of Chief Financial Officer and Responsible Officer

Local authority name

I certify that to the best of my knowledge and belief that:

- the information in lines 1 to 16, columns 1 to 8, has been correctly extracted from the LEA's records;
- the Learning and Skills Council's funds have been used solely for the purposes specified in the adult learning plan and in accordance with the conditions of funding;
- the LEA has exercised proper control over those funds that it has received from the LSC as set out in the LEA's funding agreement with the local LSC; and
- I hereby undertake to repay any balances due to the Learning and Skills Council.

Chief Financial Officer

Signature

Name (*please print*)

Job title

Date

Responsible Officer

Signature

Name (*please print*)

Job title

Date

A pre-audit copy of Annex A should be sent to the head of finance at the local Learning and Skills Council by 31 October 2003.

Certificate of Auditor Appointed by the Audit Commission

The Statement of Responsibilities of grant paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns, issued by the Audit Commission, sets out the respective responsibilities of these parties, and the limitations of our responsibilities as appointed auditors. I/we have:

- examined the entries in this form (which replaces or amends the original submitted to me/us by the authority dated)* and the related accounts and records of the authority in accordance with certification instruction A1 prepared by the Audit Commission for its appointed auditors; and
- carried out the tests specified in certification instruction CI EDU02E (02-03) prepared by the Audit Commission for its appointed auditors, and I/we have obtained such evidence and explanations as I/we consider necessary.

(Except for the matters raised in the attached qualification letter dated)*

I/we have concluded that the entries are:

- fairly stated; and
- in accordance with the relevant terms and conditions.

Signature

Name *(please print)*

Organisation

Job title

Date

* *(delete as necessary)*

The certified return should be sent to the head of finance at the local LSC, and a copy of the certified return should be sent to the LEA by 6 February 2004.

Annex B: Use of Funds Statement for Former External Institutions for the Year Ended 31 July 2003

National Provider Financial
Assurance Division
Learning and Skills Council
London Central
Centre Point
103 New Oxford Street
London
WC1A 1DR
Tel: 020 7904 0672
Fax: 020 7904 0655

www.lsc.gov.uk
clive.gordon@lsc.gov.uk

Reference: Circular 03/12

Please complete this form clearly in ink.

All former external institutions are asked to complete Parts I and II of this return, a separate Part I being completed for each institution. The chief financial officer of the local education authority should sign Part II. The LEA should then pass the signed return to their external auditor for their report on it in Part III.

Once audited, all relevant parts of this form should be returned to the head of finance at the relevant local LSC to arrive on or before 6 February 2004. Auditors are asked to provide a copy of their report simultaneously to the LEA.



Learning+Skills Council

Name of funded external institution for the year ended 31 July 2003 <i>(please print)</i>
LSC code for former external institution for the year ended 31 July 2003
Contact name for queries <i>(please print)</i>
Telephone no. for queries
Name of LEA <i>(please print)</i>

Part I. This must be completed before passing to the external auditor. The notes at Part III must be followed when completing the form.

LSC Funding

1 Funding allocation for the year ended 31 July 2003

main allocation	£	<input type="text"/>
access, childcare and other learner support funds	£	<input type="text"/>
basic skills and ESOL	£	<input type="text"/>
standards fund	£	<input type="text"/>
Local Initiative Fund	£	<input type="text"/>
other – please specify	£	<input type="text"/>
Total	£	<input type="text"/>

2	Net funds received during the year ended 31 July 2003	£ <input type="text"/>
3	Funds receivable in respect of the year ended 31 July 2003 based on level of activity*	£ <input type="text"/>
4	Add: Balance brought forward from the year ended 31 July 2002	£ <input type="text"/>
5	Plus or minus adjustments relating to previous years (if any)	£ <input type="text"/>
6	Less: Cost of providing eligible courses in the year ended 31 July 2003 (net of fee income), and eligible expenditure from other ring-fenced allocations	£ <input type="text"/>
7	Excess (+) /shortfall (-) of funds available for future eligible courses	£ <input type="text"/>
8	Balance carried forward to next year	£ <input type="text"/>

***The figure in line 3 should include the elements of funding listed in line 1.**

Declaration

I certify that, to the best of my knowledge and belief, the information above has been correctly extracted from the institution's accounts and records, and that the amount of funding receivable in respect of the year ended 31 July 2003 was applied in accordance with the conditions under which it was received from the Learning and Skills Council.

Declaration to be completed by the head of institution

Signature
Name <i>(please print)</i>
Position <i>(head of institution)</i>
Date

Part II. Declaration to be completed by the chief financial officer of the local authority

I certify that, to the best of my knowledge and belief, the information above has been correctly extracted from the institution(s)' accounts and records, and that the amount of funding receivable in respect of the year ended 31 July 2003 has been applied in accordance with the conditions under which it was received from the Learning and Skills Council.

I confirm that either *(please tick one of the boxes below)*:

I am the chief financial officer (designated officer under Section 151 of the *Local Government Act 1972*); or

I have delegated authority to sign in place of the chief financial officer as designated officer under section 151 of the *Local Government Act 1972*.

Signature
Name <i>(please print)</i>
Position <i>(chief financial officer)</i>
LEA name
Date
Name <i>(please print)</i>
Name of Audit Firm
Address
Telephone
Email
Date

Delete as necessary

Please ensure that any amendments to Part I, where made by the auditor, are written by hand in red ink.

Part III. This must be completed by the auditor

Report of auditor appointed by the Audit Commission

The Statement of Responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns, issued by the Audit Commission, sets out the respective responsibilities of these parties, and the limitations of our responsibilities as appointed auditors. I/we have:

- examined the entries in this form (which replaces or amends the original submitted to me/us by the authority dated)* and the related accounts and records of the authority in accordance with certification instruction A1 prepared by the Audit Commission for its appointed auditors; and
- carried out the tests specified in certification instruction EDU 23E (02-03) prepared by the Audit Commission for its appointed auditors, and I/we have obtained such evidence and explanations as I/we consider necessary.

(Except for the matters raised in the attached qualification letter dated)*

I/we have concluded that the entries are:

- fairly stated; and
- in accordance with the relevant terms and conditions.

Signature

Name (*please print*)

Name of organisation

Job title

Date

Annex C: Guidance on Completing Part I of Annex B

1 Enter at line 1 the institution's funding allocation for the year ended 31 July 2003. This will comprise:

- the institution's final funding allocation (Annex A to the funding agreement for the year ended 31 July 2003);
- access, childcare and other learner support funds as agreed with the local LSC and shown on the Certificate of Acceptance issued by the LSC to the institution. Terms and conditions for this funding were set out in a 'terms and conditions' document issued by Robin Richmond under Circular 01/08 *FE Learner Support Funds 2001/02*;
- 'Basic skills and ESOL in local communities' – FE summer schools allocation as advised by letter from the local LSC;
- allocations from the standards fund and the Local Initiative Fund as advised by the local LSC; and
- any other LSC funding allocation for the year ended 31 July 2003, including ESF co-financing, under the former external institution's funding agreement/financial memorandum with the LSC. Adult and community learning funds should be excluded, as these will be covered by the ACL use of funds statement.

2 Calculate the total funding and enter this where indicated.

3 At line 2, enter the actual funds received from the LSC during the year ended 31 July 2003, **net** of funds recovered from the former external institution and **irrespective** of the period to which they relate. Recovery may have been achieved by a reduction in funding or by repayments to the LSC. The line 2 entry may differ from the total shown at line 1 due to recoveries and/or to:

- timing differences; and/or
- in-year adjustments for over- or under-achievement of student activity.

4 Enter at line 3 the amount of funds that the institution is entitled to receive in respect of the year ended 31 July 2003 based on its level of activity. This figure should comprise cash allocations to the extent that the institution has satisfied the conditions of funding.

5 The above approach should treat basic skills summer school(s) (BSSS) funding consistently with the treatment of BSSS units in institutions' funding returns. Therefore, include only the following in institutions' use of funds returns for the year ended 31 July 2003:

- BSSS funding relating to learners who enrolled for a BSSS in 2003 and completed their courses by 31 July 2003; and
- BSSS funding relating to learners who enrolled for a BSSS in 2002 who had not completed their courses by 31 July 2002.

6 Enter at line 4 the balance brought forward. This represents funds which remained **unused** at the end of the last period. This entry should correspond with any positive balance carried forward at line 8 on the previous year's statement, which was compiled on an accruals basis to identify LSC funds held by institutions but not yet applied.

7 Enter at line 5 any adjustment(s) made since the previous return was completed in respect of prior years' funding, that is, any adjustments which affect the balance brought forward in line 4 above.

8 Enter at line 6 the net identified cost of providing courses eligible for LSC funding and for which LSC funding is claimed, after deducting any fee income earned from the courses.

9 Enter at line 7 the excess (+) or shortfall (-) of funds available to meet eligible costs. This should equal the amounts shown at line 3, plus line 4, plus or minus line 5, minus line 6.

10 The balance carried forward at line 8 represents the excess of funds made available as calculated at line 7. Enter at 8 'nil' if there is a shortfall of funds calculated at line 7.

11 Round all the amounts in Part I of the return to the nearest whole number.

Annex D: Use of Funds Statement for School Sixth Form Funding for the Period 1 April 2002 to 31 July 2003

Cheylesmore House
Quinton Road
Coventry
CV1 2WT
T 024 7649 3975
F 024 7649 3835

www.lsc.gov.uk
Email: ian.mason@lsc.gov.uk

Reference: Circular 03/12

This statement should be completed and certified by the chief financial officer of the local authority in receipt of funds and the chief education officer.

Once completed the statement and certificate should be returned to:

Ian Mason
Assurance Manager
Learning and Skills Council
Cheylesmore House
Quinton Road
Coventry
CV1 2WT



Please submit this statement and declaration by 31 October 2003. **There is no requirement for this statement to be audited.**

Learning+Skills Council

School Sixth Form Funding for the Period 1 April 2002 to 31 July 2003

Local authority name <i>(please print)</i>
Contact officer for queries
Name
Telephone no.

1	LEA's allocation from LSC for school sixth form funding from 1 April 2002 to 31 July 2002	£000	<input type="text"/>
2	Total cash received by LEA from LSC for school sixth form funding from 1 April 2002 to 31 July 2002	£000	<input type="text"/>
3	LEA's allocation from LSC for school sixth forms from 1 August 2002 to 31 July 2003	£000	<input type="text"/>
4	Total cash received by LEA from LSC for school sixth forms from 1 August 2002 to 31 July 2003	£000	<input type="text"/>

Funding for post-16 pupils with statements of special educational needs (SEN) for the period 1 April 2002 to 31 March 2003

LEA name <i>(please print)</i>
Contact officer for queries
Name
Telephone no.

1	LEA's allocation from LSC for post-16 pupils with statements of special educational needs from 1 April 2002 to 31 March 2003	£000	<input type="text"/>
2	Total cash received by LEA from LSC for post-16 pupils with statements of special educational needs from 1 April 2002 to 31 March 2003	£000	<input type="text"/>

Certificate of Chief Financial Officer and Chief Education Officer

LEA name.....

I certify that to the best of my knowledge and belief that:

- the information on pages 1 and 2 has been correctly extracted from the LEA's records;
- that the LEA has exercised proper control over those funds that it has received from the Learning and Skills Council;
- the LSC's funds for school sixth forms have been disbursed in accordance with the Financing of Maintained Schools (England) Regulations, other than as set out below; and

-
- the LSC's funds for post-16 pupils with statements of SEN have been used for their intended purpose and that all the LEA's duties to post-16 learners with statements have been fulfilled, other than as set out below.
-

Chief Financial Officer

Chief Education Officer

Signature.....

Signature.....

Name (*please print*).....

Name (*please print*).....

Job title.....

Job title.....

Date.....

Date.....

There is no requirement for these statements and certificate to be audited.

Notes

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