

FE ILR Funding Claims 2003/04

FE ILR In-year, FE ILR Interim and FE ILR Final Funding Claims 2003/04 together with FE ILR Funding Compliance guidance 2003/04 (formerly known as ILR Audit Guidance)

Summary

This circular provides the technical information required by further education colleges and providers to complete their funding claims for 2003/04. It includes forms for all Individualised Learner record (ILR) funding claims and external ILR auditor opinions for the year 2003/04, superseding Circular 03/11. It should be used in conjunction with LSC publications *Funding Guidance for Further Education in 2003/04* and *ILR Audit Guidance for Further Education in 2002/03*. This circular supplements the *ILR Audit Guidance for 2002/03* which remains the main body of funding compliance guidance to ILR claims for 2003/04. New FE ILR compliance advice for 2004/05 will be issued in the summer 2004 to take account of the new plan led funding approach for many providers.

This confirms the funding reconciliation system for 2003/04 and is broadly similar to that set out in Circular 03/11 for the teaching year 2002/03.

An annex to this circular will be published on the LSC web site in the summer/autumn 2004 giving up to date technical information to support funding claims.

Supersedes Circular 03/11



Overview

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. These aims underpin both *Trust in FE* and *Success for All*, the Government's strategy for reforming further education and training.

The new approach to funding reconciliation introduced in Circular 03/11 remains in place for 2003/04. Through this, the LSC acknowledges that colleges need to be able to plan with confidence to deliver the results expected of them.

The more flexible reconciliation of allocations outlined in Circular 03/11 remains:

- no clawback of funds or reduction in allocation for colleges and providers achieving 97 per cent or more of their planned activity
- the opportunity for institutions achieving below 97 per cent of planned activity to bring themselves within the 97 per cent threshold by returning baseline funds for the previous year; and
- unplanned-growth payments for colleges and providers that over deliver in key priority areas.

Colleges and providers that are achieving between 94 per cent and 97 per cent of their planned activity have until the end of January 2005 to negotiate a reduced allocation for the current academic year. Those achieving below 94 per cent must agree the return of baseline funds for the teaching year 2004/05 to come within the threshold.

The timescales set for 2002/03 have been shortened for 2003/04 as the LSC continues to work with the sector to meet the objective of confirming funding as soon after the end of each teaching year as possible. The sector has made great progress in 2002/03 with all colleges returning final funding claims before the end of February 2004, an unprecedented achievement since incorporation.

Some additional detail is included in the funding claim for 2003/04 to enable both providers and the LSC to more quickly calculate possible additional funds for unplanned-growth. An automated report will be provided to simplify completion of the funding claim form. No additional unplanned-growth funding claims will be necessary. Clawback for main allocations will be calculated by comparing total funding earned with the total final allocation.

The same claim form can now be used for each return, including the year-end claim. The self-assessment checklist return is dropped for 2003/04, as this information is provided to ILR auditors as part of their planning discussions and the return is therefore no longer necessary.

The LSC published a comprehensive FE ILR audit guidance booklet for 2002/03 and this document is confirmed as the main guidance for 2003/04 apart from the small changes set out in this circular. This again should help providers with their planning and assist in early completion

of funding returns. In accordance with the start of plan-led funding in August 2004 the LSC expects to be able to publish simpler FE funding compliance advice for 2004/05 in the summer 2004 to replace the previous more complex ILR audit guidance.

These arrangements continue to represent real progress in our journey to streamline and simplify funding arrangements and to remove all unnecessary bureaucracy. They will also enable colleges and other providers to plan more effectively and to benefit from the increased flexibility these changes are designed to deliver.

Further information

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

Responses to this document

The responses needed to this circular vary according to providers and these are set out in detail in Table 1 at the start of the main circular.

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Executive Summary

Date: April 2004

Subject: Every further education (FE) provider is required to **provide the LSC with three funding claims for 2003/04** of the total funding generated by the college or other provider with reference to the 2003/04 FE funding allocation.

This circular provides all funding claim forms and external Individualised Learner record (ILR) auditor opinions for the year 2003/04 and provides guidance to colleges or other providers and external ILR auditors on how to complete and return them. It also includes an example of an unplanned-growth/recovery statement together with guidance on the calculation of unplanned-growth and recovery of funds for 2003/04. The audit guidance for FE providers for 2003/04 will be by reference to FE funding guidance 2003/04, ILR audit guidance 2002/03 and the update to that guidance contained in paragraphs 30 to 33 and Annex K of this circular.

Any updates to this circular will be published on the LSC web site from the summer 2004, including any updates to Annex J (valid manual adjustments for 2003/04), and the notified versions of the Learning Aims Database (LAD) and Learner Information Suite (LIS) to be used for compiling funding claims.

The LSC is bringing forward the deadlines for Ufi hubs for 2003/04 as this is their last year of FE ILR funding before they move to the new agreed LSC and Ufi funding arrangements from 1 August 2004. All Ufi hubs, including recipient college hubs are required to submit their own separate funding returns for 2003/04. The changed dates are set out in table 1 and explained in paragraphs 9 and 10.

Intended recipients: Principals of colleges,

heads of institutions, Executive Directors of local Learning and Skills Councils, external ILR 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 circular provides the deadlines for the various returns required from colleges and other providers for 2003/04.

All FE ILR Funding Claims 2003/04

Introduction

1 All colleges or other providers are required to make three FE ILR funding claims for 2003/04 and a relevant Individualised Learner record (ILR) auditor report is required depending on the type of provider. The required returns are set out in Table 1 on the next page and this circular provides guidance on how to make the returns.

2 For colleges and providers achieving below 97 per cent of targeted activity, the following deadlines apply:

- agreement of any planned change in allocation by **31 January 2005** for colleges delivering between 94 per cent and 97 per cent of their allocation, as actually paid during the 2003/04 teaching year; and
- agreement of any planned change in allocation by **30 July 2004** for colleges delivering below 94 per cent of their allocation, assessed as that paid in the actual funding year ended 31 July 2004 in respect of the 2003/04 teaching year.
- agreement of any planned change in allocation to access the 3 per cent tolerance entirely depends upon agreement to return baseline funding and the LSC would normally expect to see similar consequential reductions in 2004/05 allocations.

3 No action to agree any return of allocation is necessary by any college or provider delivering 97 per cent or above of its funding allocation. Colleges and other providers are reminded that all the above dates are the latest possible. Early returns

of both data and unused allocations are encouraged.

4 Claims and audit opinions should be returned to the relevant local Learning and Skills Council (local LSC) in accordance with the timetable agreed between the college, its ILR auditors and local LSC. The LSC welcomes early returns, but any agreed timetable must meet the deadlines given for each return.

In order to access unplanned-growth payments, the recovery of funds thresholds or any cash core funding protection as set out in this circular, colleges and other providers must comply with the deadlines for returns set out in this circular.

5 The dates for returns of ILR for 2003/04 remain those published and the final ILR F05(2003/04) is due one week before the final claim. The LSC has agreed to the request of their ILR contracted auditors to continue with an extra week between signing off funding claims and return of the ILR. The reasons for the changed dates for Ufi hubs are set out in paragraphs 9 and 10.

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 2003/04. These claims will form the basis for any unplanned-growth payments or any recovery of funds to be carried out in the spring/summer terms 2005. The performance of each college or other provider in 2003/04 will also be taken into account in future funding allocation processes.

7 The various returns and example explanatory annexes in this circular are listed in Table 2.

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

Type of Provider/ Annex Required	FE college	FE college (Pathfinders including 2002/03 pilot colleges)	Other FE providers (includes those known as former EIs and HEIs)	Ufl Hubs
Annex B: Year End out-turn claim	31 August 2004	31 August 2004	31 August 2004	1 June 2004
Annex B: Interim Claim	31 December 2004	30 November 2004	31 December 2004	31 August 2004
Annex B: Final Claim	11 February 2005	31 January 2005	11 February 2005 (for HEIs the deadline is 25 March 2005)	30 September 2004
Annex C: Interim Audit Opinion	31 December 2004	N/A	N/A	31 August 2004
Annex D: Pathfinder Audit Report	N/A	30 November 2004	N/A	N/A
Annex E/F: Final Audit Report	Annex E: 11 February 2005	N/A	Annex F: 11 February 2005 (for HEIs the deadline is 25 March 2005)	Annex E: 30 September 2004
Date by which return of funding for those achieving below 94% of their allocation must be agreed	30 July 2004 (recovered by 20 August 2004)	30 July 2004 (recovered by 20 August 2004)	30 July 2004 (recovered by 20 August 2004)	30 July 2004 (recovered by 20 August 2004)
Return of funding for those achieving above 94% but below 97% of their allocation	31 January 2005 (recovered by 20 February 2005)	31 January 2005 (recovered by 20 February 2005)	31 January 2005 (recovered by 20 February 2005)	31 January 2005 (recovered by 20 February 2005)

*External institutions (EIs)**Higher education institutions (HEIs)*

Table 2. Explanatory annexes in this circular

Annex	Description
A	Guidance for Completing forms ILR Funding Claims 2003/04
B	FE ILR Funding Claim 2003/04 (In-year/Interim/Final)
C	Audit Report on FE Learner Data Interim Returns 2003/04
D	Audit Report on ILR Controls in FE Pathfinder Colleges 2003/04
E	Audit Report (by LSC ILR Contractor) on Learner Data Final Returns 2003/04
F	Audit Report (by Non LSC ILR Contractor) on Learner Data Final Returns 2003/04
G	Unplanned-growth/Recovery Statement for 2003/04
H	Calculation of either Unplanned-growth or any Recovery of Funds for 2003/04
I	Example Reports: LIS Summary of Funding by Allocation Type; CAAT Funding Report
J	Manual Adjustments 2003/04
K	FE ILR Funding Compliance Guidance 2003/04, including the Addendum on Distance Learning

College Funding and Audit Returns

8 For 2003/04, LSC contracted external ILR auditors are asked to use the audit opinion at Annex E of this circular for the final return. For the interim return the auditors will use the audit opinion given in Annex C. The Pathfinder colleges in the Trust in FE Pilot are required to return the funding claims for 2003/04, and their appointed ILR auditor should use Annex D to report on their controls work. The timescales for returns are shortened to represent the savings in time to the college from the simpler ILR audit. Any pathfinder college receiving a less than satisfactory 'c' opinion they will need to enter into discussions with their local LSC and ILR auditors to determine what additional ILR

audit work is required to address the deficiencies identified by the ILR auditors.

Ufi Hub Funding and Audit Returns

9 For 2003/04, the LSC (in agreement with Ufi) has significantly brought forward the deadlines for Ufi returns. This is being done to enable hubs to complete and sign off their funding for 2003/04 as quickly as possible after the start of the new funding arrangements for 2004/05 on 1 August 2004. Ufi funding does not normally require the delay in calculating achievement funding that necessitates the usual longer cycle for FE returns, and the LSC and Ufi believe these dates are achievable with goodwill on all sides.

10 To assist in this process, the LSC encourages both hubs and ILR auditors to use the in-year controls audit to identify any likely problems and resolve them on an in-year basis. For those hubs with at least a satisfactory control report and satisfactory in-year substantive ILR audit testing, the LSC is content to agree that the interim claim and audit opinion can be used to finalise the funding for 2003/04. Those hubs willing to adopt this approach may still at their own discretion make a final claim and audit return within the normal FE time-scales if they identify any additional funding missed by an earlier return. Alternatively, they may simply submit their agreed ILR FE04 (2003/04) as their ILR FE05 (2003/04) return.

HE and Former External Institution funding and Audit Returns

11 For 2003/04, external auditors of higher education institutions and LSC-funded former external institutions are asked to use the audit opinion in Annex E for the final claim. No audit opinion is yet required for the interim 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

12 Most colleges and all other providers are required to provide the LSC with an audited final return of funding for 2003/04, usually in the spring term after the end of the 2003/04 teaching year (earlier in 2003/04 for Ufi hubs). Colleges or other providers and external ILR auditors are reminded that this return is expected by 11 February 2005. If colleges, other providers or external ILR auditors anticipate that this return will not be received by 11 February 2005, 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. For Higher Education (HE) institutions the deadline is extended to allow for the time needed by the Higher Education Statistical Agency (HESA) for the necessary data conversion exercise.

Arrangements

13 All colleges or other providers are asked to make FE ILR claims of funding for 2003/04, by completing form *ILR FE Funding Claim 2003/4* in Annex B to this circular. The LSC will issue estimated unplanned-growth/recovery statements to all colleges or other providers on the basis of the first two returns, and final statements after receipt of final returns. Providers should be aware that, if ILR auditors qualify their claims the LSC is likely to require further work by the provider and its auditor on the claim. FE Colleges and their financial statement auditors will be able to use these documents to assist in completing the college's financial statements.

14 Guidance on completing the forms can be found at Annex A. You should pass the final claim to your external ILR auditors and ask them to send it to the LSC with their report on the audit of the 2003/04 final funding claim and supporting data for 2003/04. In order to assist in completing the forms the LSC has provided a report Summary by Funding Allocation Type within the Learner Information Suite (LIS) that provides a breakdown of the generated ILR cash. To assist in completing the new claim format for 2003/04, the LSC also provides Computer Assisted Audit Techniques (CAAT) report named as *30.01.07 Circular 03/11 Annex L* 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. Examples of these reports are shown in Annex I.

15 Colleges and external institutions are reminded that ILRF05 (31 December 2004;

2003/04) data should be sent by the web portal to the LSC to arrive no later than 4 February 2005. The final funding claim for 2003/04 cannot be fully processed until ILRF05 data have been received and validated by the LSC. Higher Education (HE) institutions will be sent July HESA data, converted to ILR format by late January or early February 2005. This will enable them to process the data using a version of the Learner Information Suite (LIS), which will be advised in a technical update to Annex J of this circular on the LSC website nearer the time of the return.

16 Colleges or other providers should note the guidance on the audit of final funding claims set out in the LSC document *ILR Audit Guidance for Further Education in 2002/03*. Particular attention should be paid to the checks regarding franchising and other partnership provision, and the need for this is confirmed in paragraph 32.

17 The LSC will compare the college's or other provider's final funding claim with the cash generated by processing the institution's ILRF05 (31 December 2004; 2003/04) return, or equivalent data derived from the institution's HESA return, through the notified version of the LIS using the notified release of the qualification database. The LSC expects cash generated from ILRF05 to be consistent with the final funding claim, after taking account of manual adjustments. For colleges or other providers assistance advice on manual adjustments that are acceptable to the LSC are published in Annex J of this circular. Annex J may also be updated on the LSC website after publication of this circular to include any manual adjustments agreed after initial publication.

18 Colleges and other providers are requested to use their Unique Provider Information Number (UPIN) as their LSC code on returns for 2003/04.

Changes to Audit Opinions for 2003/04

19 The LSC amended the audit opinion for 2001/02 to assist colleges or other providers and auditors in making more timely returns and to emphasise the importance of the accuracy of the funding claim. The audit opinion for both interim and final returns requires 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 audit opinions submitted after that date will not enable the LSC to record the college or other provider as submitting timely data returns.

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

21 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 or other providers meet the timescales set out in this circular. **Those colleges or other providers failing to meet the return timetable for final claims lose access to any additional unplanned-growth allocation or any of the cash tolerances against clawback.**

Adjustments to Payments

22 For the purposes of calculating payments to colleges or other providers, the LSC will calculate the performance of each institution in 2003/04 as described in this Circular and in *Funding Guidance for Further Education in 2003/04*, and in particular, by comparing the institution's total funding eligible for LSC funding with the funded cash in its funding agreement.

23 These performance measures will be used to calculate the final funding to be paid to the college or other provider for 2003/04. The LSC will make unplanned-growth payments to eligible colleges or other providers in spring/summer 2005. These payments will only be made on receipt of timely audited final funding claims. Annex H provides some examples of unplanned-growth payments.

24 The LSC remains very concerned about the small number of providers falling significantly short of their planned activity targets. The sector response to Circular 03/11 has been very positive and many providers have taken advantage of the opportunity provided by Circular 03/11 to sensibly re-base their funding. The LSC expects those providers who failed to take up the opportunities provided last year to ensure that by the end of 2003/04 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 actual clawback of funding in 2002/03 and in 2003/04 or have their ILR audits qualified, the LSC will need to consider very carefully when they will be able to enter the new plan-led funding approach.

25 The LSC intends to moderate any recovery of funds for colleges or other providers that have not achieved their funding agreement in 2003/04 as follows:

- The previous Further Education Funding Council (FEFC) de minimis limit for clawback is raised from the lower of £5,000 or 5 per cent of FE-funded allocation to the higher of 3 per cent of the LSC FE funded cash allocation or £5,000 (the £5,000 limit is retained so that none of the smaller institutions is adversely affected from this change in the de minimis limit). For most colleges or other providers, this means that

performance above 97 per cent of the FE cash allocation will not result in any recovery of funds.

- Calculations will be based on the funding allocated for 2003/04 and actually paid to colleges or other providers for the year. This means that any significantly under-performing college or other provider wishing to reduce its funding allocation for 2003/04 must agree the reduction in its allocation in time to return the funds to the LSC by no later than its 20 August 2004 recurrent-funding payment from the LSC. Colleges or other providers can only return baseline funding with a consequential reduction in their 2004/05 allocation.
- Colleges or other providers facing shortfalls for underperformance where the delivery on their final funding claim is between 97 and 94 per cent of the FE-funded cash allocation will be offered a final opportunity to return part of their baseline funding for 2003/04 and 2004/05 so that they can then take advantage of the higher de minimis limit. For these colleges or other providers baseline funding will need to be agreed with the LSC by 31 January 2005 and returned to the LSC by no later than 20 February 2005.
- Colleges or other providers whose final underperformance exceeds 6 per cent of the FE-funded cash allocation will be subject to full clawback for all under performance (although this may be reduced where the performance of colleges or other providers entitles them to protection on the basis of previous published guidance on cash protection). This will be calculated solely by reference to the allocation for 2003/04 that has been paid to the college or other provider by no later than 20 August 2004.

The moderation set out in the first three bullet points above is dependent on the LSC receiving the final funding claim and ILR audit opinion by the deadlines set out in Table 1. Those colleges or other providers that **fail to meet the deadline for returns will face full recovery of funds** for underperformance. These arrangements are described in more detail in Annex H.

26 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 and ILR auditors, those colleges or other providers delivering below 97 per cent, but above 94 per cent, are encouraged to ensure that any baseline funding being returned to the LSC is agreed as early as possible this Autumn.

27 The LSC intends to begin phased recovery of funds for 2003/04 under achievement in 2004/05 on a basis similar to that for previous years, likely to be in one-third instalments starting in March 2005. The LSC will be calculating likely underachievement 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 unplanned-growth/recovery statements based on these calculations from the Autumn 2004.

28 Where colleges or other providers submit their final funding claim by 11 February 2005, their profiled recovery for spring/summer 2004 will be based on that return, and this data will replace any previously notified interim data. The final recovery of funds for underperformance in 2003/04 will usually be determined using ILRF05, the final funding claim 2003/04 (taking account of any audit qualifications) and, in exceptional circumstances, the results of any separate LSC investigation.

FE College ILR Auditor Form G2 (and any Relevant G3 Form)

29 For FE colleges whose funding claims are being audited under the LSC audit contract, their interim claim and interim audit opinion should be returned with the ILR auditor form G2 (and form G3 if issued). This form has been separately provided to the ILR audit firms by the LSC and is intended to assist colleges or other providers in agreeing their financial statements with their external financial statements auditor.

FE ILR Funding Compliance Guidance 2003/04

30 For the 2003/04 teaching year FE providers and their ILR auditors are asked to use the ILR audit guidance for 2002/03 as amended by the additional guidance in Annex K of this circular. The only substantive change to the ILR audit guidance for 2002/03 is to distance learning to reflect the new funding arrangements for 2003/04. This guidance incorporates the advice provided in the addendum to ILR audit guidance 2002/03.

Background of compliance advice

31 The LSC's intention is to move towards simplification of FE funding and it wants to simplify as much as possible the final year of ILR audit for most colleges. Colleges are expected to have properly consulted with their local LSC prior to delivery of any higher risk provision and to comply with the spirit as well as the letter of funding guidance. The audit opinion is on the funding claim; the LSC is content with some minor ILR data inaccuracies and does not expect funding claims to be adjusted or providers to suffer unnecessary bureaucracy for isolated non-systematic data problems.

32 The LSC is however very concerned about the small number of colleges whose 2001/02 and 2002/03 claims fell well outside both the spirit and letter of our guidance. Colleges are reminded that Trust in FE is a two way process and significant departures from our guidance are unhelpful to the whole FE sector. In this context, colleges are reminded of the need to consult with their local LSC prior to any partnership/franchise arrangements and the need to now declare the delivery postcode on their ILR returns. This includes any partnership arrangement where a third party is paid a fee by the college for finding/enrolling learners.

33 Annex K includes guidance from the 2002/03 *FE ILR Audit Addendum*, *FEFC Franchise Circular 99/37* and a very small amount of new guidance. This means that the only circulars needed in addition to this one for ILR audit are as follows:

- *FE Funding Guidance 2003/04* (and addendum).
- *ILR Audit Guidance 2002/03*.
- *ILR Manual 2003/04* (for technical guidance on ILR data only).

Annex A: Guidance for Completing Forms ILR Funding Claims 2003/04

Calculation of ILR Cash

1 Guidance on the calculation of funding cash for the 2003/04 funding allocation is given in the document *Funding Guidance for Further Education in 2003/04*. The funding claim returns for 2003/04 are attached as Annex B of this circular. Further guidance is provided in *ILR Audit Guidance for Further Education in 2002/03*.

2 In order to assist in completing the forms the LSC has provided a report *Summary by Funding Allocation Type* within the LIS that provides a breakdown of the generated ILR cash. To assist in completing the new claim format for 2003/04 the LSC also provide a CAAT report 30.01.07 *Circular 03/11 Annex L* 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 these reports is shown in Annex I. If a college or other provider has no claim in a category then an entry of '0' must be recorded.

Allocations

3 The final funding claims 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 claims. Claims for any additional types of allocation should comply with the additional guidance given by the LSC for each type of allocation. Further guidance on additional types of allocation is also available in *FE Funding guidance 2003/04* and in *ILR Audit Guidance for Further Education in 2002/03*.

Completing the Form

4 All colleges or other providers are asked to indicate on forms *FE ILR Funding Claim 2003/04* the total funding cash that they are claiming for the teaching year 2003/04.

5 Colleges or other providers should provide summary numerical information on the final claim diff form relating to manual adjustments for each claim form.

6 Before contacting the LSC's funding eligibility team, colleges or other providers are asked to discuss with their ILR auditor instances where they wish to make a manual adjustment for any matter that does not appear in Annex J. They will be given an adjustment number if the manual adjustment is agreed by the LSC and with their ILR auditor. Information on any agreed additional manual adjustments is shown on the LSC's website (www.lsc.gov.uk). *ILR Audit Guidance for Further Education in 2002/03* indicates that the LSC expects external ILR auditors to pay particular attention to any such manual adjustment requests made by colleges or other providers.

Learner Information Suite

7 The LSC will provide a version of the LIS to help colleges or other providers make their in-year and final claims for funding in 2003/04 and will notify the version number on our website before claims are due to be returned to the LSC.

8 All colleges or other providers returning the ILR data for 2003/04 are asked to use

notified versions of the LIS and the notified release, or any updated version of the LAD to calculate their final total of funding. External ILR auditors have been asked to use the same versions of the software when checking final funding returns from institutions.

9 For all colleges, Ufi hubs and external institutions, the 2003/04 audit of learner numbers is based on the individualised learner record (ILR). All HE institutions make a similar return of learner records to HESA, from which a return equivalent to the ILR is derived and given to the LSC and to the HE institutions. The HE institutions can use the notified version of the LIS to calculate their final total of funding.

Declaration

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

11 The principal or head of 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 2003/04, in accordance with the guidance and definitions set out in *Funding Guidance for Further Education in 2003/04* and other relevant guidance.

12 They also certify that to the best of their knowledge, the funding claim is free from miss-statement, whether caused by fraud or by other irregularity or error and also complies with the audit guidance given in this circular and in *ILR Audit Guidance for Further Education in 2002/03*.

Purpose of FE ILR In-year and Interim Claims

13 The purpose of these claims is to enable the LSC and the college or other provider to determine whether any funds paid for 2003/04 will be recovered for under-performance or if any further funds are due for additional growth in priority areas. 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. The interim claim, which includes estimates for achievements, final ILR adjustments and any estimated manual adjustment, should be signed off as being materially accurate. As stated in paragraph 28 of this circular, the recovery of funds will be finally determined using the final funding claim 2003/04, taking account of any audit qualifications and, in exceptional circumstances, the results of any separate LSC investigation.

Purpose of FE ILR Auditor's Opinion on an Interim Claim

14 The purpose of this opinion is to provide the LSC with an interim opinion on the college's (hub's) estimated funding entitlement for 2003/04, in order to enable the LSC to give an assurance to the college (hub) and its financial-statements auditor on the expected final funding claim for the year 2003/04 by providing an estimated unplanned-growth/ recovery statement.

Purpose of Final Claim

15 The purpose of this claim is to enable the LSC and the college or other provider to determine whether any funds paid for 2003/04 will be paid for over-performance or recovered for underperformance. As stated in paragraph 28 of this circular, the adjustments of funds will be finally determined using the

final funding claim 2003/04, taking account of any audit qualifications, and in exceptional circumstances, the results of any separate LSC investigation.

Purpose of FE ILR Auditor's Opinion on a Final Claim

16 The purpose of this opinion is to provide the LSC with 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.

Annex B: FE ILR Funding Claim 2003/04 (In-year/Interim/Final)*

Cheylesmore House
Quinton Road
Coventry
CV1 2WT
T 024 7682 3264
F 024 7682 3334
www.lsc.gov.uk

Reference: Circular 04/03 *FE ILR Funding Claims 2003/04*

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

All colleges and other providers receiving funding from the LSC for 2003/04 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.



Learning+Skills Council

(Part 1 of funding claim) *Please delete as appropriate (Reference Circular 04/03 *FE ILR Funding Claims 2003/04*)

Name of Council-funded college or other provider in 2003/04 (<i>please print</i>)

LSC UPIN code in 2003/04

All colleges and other providers are asked to complete this section. The reports *Summary by Funding Allocation Type* from the Learner Information Suite (LIS) and CAAT Report Number 30.01.07 headed *Circular 03/11 Annex L* provide the necessary information to assist in completing the claim table below. All colleges and other providers are asked to send a copy of these reports with their funding claims.

Purpose of Funding Claim

The purpose of this claim is to enable the LSC and the college or other provider to determine whether any funds paid for 2003/04 will be paid for over performance or recovered for underperformance. As stated in paragraph 28 of this circular the adjustments of funds will be finally determined using the final funding claim 2003/04, taking account of any audit qualifications, and in exceptional circumstances, the results of any separate LSC investigation.

FE ILR Funding Claim 2003/04 (In-year/Interim/Final Claim)* (*Delete as appropriate)

Provider name: Provider code:									
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 (£)								
19+ basic skills	Learner Numbers								
	FTEs								
	Funding Value (£)								
ALS	Learner Numbers included in above								
	Funding Value NOT included above (£)								
	Learner Numbers								
Total	FTEs								
	Funding Value (£)								

The head of the college or other provider (or in the case of HE institutions, the person with responsibility for further education in the institution) must sign the declaration below. The LSC also provides the previous page as a spreadsheet on its web site that will print as the page to aid completion, and that includes automatic totalling.

Declaration

I certify that, to the best of my knowledge, this funding claim has been calculated from data correctly extracted from the records of the college or other provider, which accurately reflect enrolments during 2003/04, in accordance with the guidance and definitions set out in *Funding Guidance for Further Education in 2003/04* and other relevant guidance.

I also certify that to the best of my knowledge, the funding claim is free from mis-statement, whether caused by fraud or by other irregularity or error, and also complies with the audit guidance in this circular and that given in *ILR Audit Guidance for Further Education in 2002/03*.

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

Funding Diff Form 2003/04 (Part 2 of Funding Claim)

Please return this form to the appropriate local LSC office. (Reference Circular 04/03 FE ILR Funding Claims 2003/04)

All colleges and other providers receiving funding from the Council for 2003/04 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 published in Annex J of this circular.

Name of Council-funded college or other provider in 2003/04 (<i>please print</i>)
LSC UPIN code in 2003/04

Manual adjustment number (see Annex J of this circular)	Description	Learners affected (no.)	Difference (funding)
Total difference arising from manual adjustments (number must match total manual adjustment in part 1).			

Annex C: Audit Report on FE Learner Data Interim Returns 2003/04

Cheylesmore House www.lsc.gov.uk
Quinton Road
Coventry
CV1 2WT
T 024 7682 3264
F 024 7682 3334

Reference: Circular 04/03 *FE ILR Funding Claims 2003/04*

Please return this form to the appropriate local LSC office.

LSC contracted external ILR auditors of FE colleges (or Ufi hubs) are requested to complete and return this form to the relevant local LSC office by a deadline of no later than 31 December 2004 for FE colleges and 30 August 2004 for Ufi hubs (see Table 1 of circular).

Addressee: Learning and Skills Council



Learning+Skills Council

FE College (or Directly Funded Ufi Hubs) ILR Audit Opinion for LSC Contractors

Name of Council-funded college or other provider in 2003/04 (*please print*)

LSC code in 2003/04

The Statement of respective responsibilities and the Basis of the Opinion apply to the whole of the audit report (all parts should be completed)

Statement of respective responsibilities

The principal, or equivalent, of the college (or hub) certifies that the funding recorded in the final claim has been calculated correctly from data extracted from the college's records, which accurately reflect enrolments during 2003/04, in accordance with guidance and definitions set out in this circular and in the booklets *Funding Guidance for Further Education in 2003/04* and *ILR Audit Guidance for Further Education in 2002/03* together with other relevant guidance. Our responsibility as the LSC-contracted auditor is to form an independent opinion, based upon our audit of the final funding claim and individualised learner record, and to report our opinion to the LSC.

In addition, the college makes an interim claim of the estimated total cash for 2003/04, and the estimated value of any additional growth funding. Our responsibility as the LSC-contracted auditor is to report on the total value of the estimate, based upon our interim audit.

Purpose of interim opinion

The purpose of this report is to provide the LSC with an interim opinion on the college's (hub's) estimated funding entitlement for 2003/04 to enable the LSC to give an assurance to the college (hub) and its financial-statements auditor on the expected final funding claim for the year 2003/04 by providing an estimated unplanned-growth/recovery statement.

Basis of our report

We conducted our audit in accordance with the Council's audit guidelines and programmes and issue the following report:

Report

We have reviewed the Interim Claim for prepared by the above college (or hub) and provided to the local LSC, and have carried out a programme of tests on a sample basis in accordance with the Council's audit approach and guidelines.

Please select only one of subparagraphs (a) to (c) below:

- a. We have no comments on the audit, and, in our opinion, in all material respects, the information provided in the college's (hub's) interim return and G2 is consistent with data included in the college's (hub's) individualised learner record ILRF04 (31 July 2004; 2003/04) and interim audit adjustments, and has been properly compiled in accordance with relevant guidance issued by the Council. The relevant guidance is specified in this circular and in the booklets *Funding Guidance for Further Education in 2003-04* and *ILR Audit Guidance for Further Education in 2002/03*.
- b. We have raised concerns with the college (hub) and local LSC, and further details are contained in the attached report dated

The cash referred to in the attached report has been (*delete one of the points below*):

- i. included in the college's (hub's) estimated funding entitlement for 2003/04.
- ii. excluded from the college's (hub's) estimated funding entitlement for 2003/04.

With the exception of these areas, we have no comments on the audit, and, in our opinion, in all material aspects, the information provided in the college's (hub's) interim return is consistent with data included in the college's (hub's) individualised learner record ILRF04 (31 July 2004; 2003/04) and interim audit adjustments, and has been properly compiled in accordance with relevant guidance issued by the Council. The relevant guidance is specified in this circular and in *ILR Audit Guidance for Further Education in 2002/03*.

- c. We are unable to issue an opinion. Our findings have been separately reported to the LSC.

(Please tick) Paragraph a ☐ Paragraph b ☐ Paragraph c ☐

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

Signature
Audit firm (please print)
Date
Contact name (please print)
Contact telephone number

Attachments

	Yes	No
Original form FE ILR (Interim) Funding Claim 2003/04*	<input type="checkbox"/>	<input type="checkbox"/>
ILR auditor form G2 (and any form G3) (reference for this is paragraph 29 of this circular)	<input type="checkbox"/>	<input type="checkbox"/>
Summary by Funding Allocation Type report and CAAT report	<input type="checkbox"/>	<input type="checkbox"/>
<p>(*) inclusion of a copy of the ILR Interim Claim 2003/04 and any ILR Auditor Form G2 is mandatory.</p> <p>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 of 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.</p>		

Annex D: Audit Report on ILR Controls in FE Pathfinder Colleges 2003/04

Cheylesmore House
Quinton Road
Coventry
CV1 2WT
T 024 7682 3264
F 024 7682 3334
www.lsc.gov.uk

Reference: Circular 04/03 *FE ILR Funding Claims 2003/04*

Please return this form to the appropriate local LSC office.

LSC contracted external ILR auditors of FE colleges are requested to complete and return this form to the relevant local LSC office by a deadline of no later than 30 November 2004 for FE Pathfinder colleges.

Addressee: Learning and Skills Council



Learning+Skills Council

Name of Council-funded college or other provider in 2003/04 *(please print)*

LSC code in 2003/04

This report is required to confirm the college's Pathfinder funding-reconciliation for 2003/04.

Audit Report

Please select only one of subparagraphs (a) to (c) below:

This report is based on our assessment of the in-year controls work on FE Pathfinder colleges.

- a. The controls are either good or excellent.
- b. The controls are satisfactory.
- c. The controls are less than satisfactory.

Where the controls are graded less than satisfactory a separate report has been provided to the LSC that identifies the work needed to address the weaknesses.

Name of Audit firm of College *(please print)*

Annex E: Audit Report on Learner Data Returns 2003/04

Cheylesmore House www.lsc.gov.uk
Quinton Road
Coventry
CV1 2WT
T 024 7682 3264
F 024 7682 3334

HEI and EI External Auditor Final Claim Opinion Only

Reference: Circular 04/03 *FE ILR Funding Claims 2003/04*

Please return this form to the appropriate local LSC office.

External auditors of higher education institutions and external institutions are requested to photocopy, and then complete and return this form to the relevant local LSC office by a deadline of no later than 11 February 2005.

Addressee: Learning and Skills Council



Learning+Skills Council

Name of Council-funded college or other provider in 2003/04 <i>(please print)</i>

LSC UPIN code in 2003/04

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 auditors).

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 2003/04 in accordance with the guidance and definitions in this circular and as set out in the booklets *Funding Guidance for Further Education in 2003/04* and *ILR Audit Guidance for Further Education in 2002/03* together with other relevant guidance. The external 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 external *ILR auditors set out in this circular and in ILR Audit Guidance for Further Education in 2002/03* (and any relevant auditing advice from the Auditing Practices Board). An 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 examined the entries in the claim for funding of, as shown on attached form *FE ILR (Final) Funding Claim 2003/04* and form *Final Funding Diff 2003/04*, returned by the above institution, and the individualised learner record ILRF05 (31 December 2004; 2003/04) return which supports it, and have carried out a programme of tests on a sample basis that includes those specified in the Learning and Skills Council's guidelines for institutions and their external ILR auditors in *ILR Audit Guidance for Further Education in 2002/03*. The audit opinion for Ufi cash is provided solely within the second part of the opinion and is not covered in the first part of the opinion given below.

Part 1

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

- a. The opinion has been submitted to the LSC by 11 February 2005, and we have no comments on the audit, and ...
- b. The opinion has been submitted to the LSC after 11 February 2005, (the reasons for the delay in signing are given in the attached report) and we have no comments on the audit, and ...
- c. Subject to the comments in the attached report dated (if signed after 11 February 2005 the reasons for the delay in signing are given in the attached report) and ...
- 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 Council. The relevant guidance is specified in this circular and in *ILR Audit Guidance for Further Education in 2002/03* and in **FE Funding Guidance 2003/04**. Our opinion on any Ufi activity is provided in the second part of this report.

Part 2

This section should be completed by external ILR auditors for all institutions that have been part of a Ufi learning hub in receipt of Council funds through either a recipient college or a directly funded hub. Auditors should be aware that for some institutions this section might not be applicable.

Delete non-relevant paragraphs a, b, or c, below. :

We have reviewed the returns for Ufi activity in accordance with the Council and Ufi guidance for Council-funded learning centres forming part of Council-funded learning hubs. We have carried out a programme of tests on a sample basis in accordance with the Council's audit approach.

Please complete or delete the appropriate sub-paragraphs below

- a. We have no comments on the audit, and ...
- b. Subject to the comments in the attached report dated and...
- c. As explained in the report dated we cannot confirm that ...
...in our opinion, in all material respects, the returns for Ufi activity have been properly compiled in accordance with relevant guidance issued by Ufi and the Council.

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

Signature

Audit firm *(please print)*

Date

Contact name *(please print)*

Contact telephone number

Attachments

	Yes	No	N/A
Original form <i>FE ILR Funding Claim 2003/04</i>	<input type="checkbox"/>	<input type="checkbox"/>	
Original form <i>FE ILR Funding Diff 2003/04</i>	<input type="checkbox"/>	<input type="checkbox"/>	
<i>Summary by Funding Allocation Type</i> report and CAAT report	<input type="checkbox"/>	<input type="checkbox"/>	
Copy of management letter	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p><i>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 of 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.</i></p>			

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 F: Audit Report on Learner Data Final Returns 2003/04

Cheylesmore House www.lsc.gov.uk
Quinton Road
Coventry
CV1 2WT
T 024 7682 3264
F 024 7682 3334

FE College (and Directly Funded Ufi hubs) ILR Audit Opinion for LSC Contractors

Reference: Circular 04/03 *FE ILR Funding Claims 2003/04*

Please return this form to the appropriate local LSC office.

LSC-contracted external ILR auditors of FE colleges are requested to complete and return this form to the relevant local LSC office by a deadline of no later than 11 February 2005 (no later than 30 September 2004 for Ufi hubs).

Addressee: Learning and Skills Council



Learning+Skills Council

Name of Council-funded college or other provider in 2003/04 (<i>please print</i>)

LSC UPIN code in 2003/04

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 auditors).

Statement of responsibilities

The Principal or equivalent of the college (or hub) certifies that the funding claimed has been calculated from data correctly extracted from the college's records, which accurately reflect enrolments during 2003/04, in accordance with the guidance and definitions set out in *Funding Guidance for Further Education in 2003/04* and other relevant guidance. Our responsibility, as the LSC's contracted 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 Council'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 Claim 2003/04* and form *ILR Funding Diff 2003/04*, returned by the above college (hub) to the local LSC, and have carried out a programme of tests on a sample basis in accordance with the Council's audit approach and guidelines. For colleges only acting as Ufi learning centers the audit opinion on Ufi cash is provided solely in the second part of the opinion and is not covered in the first part of the opinion given below.

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

- a. The opinion has been submitted to the LSC by 11 February 2005, and we have no comments on the audit, and
- b. The opinion has been submitted to the LSC after 11 February 2005, (the reasons for the delay in signing are given in the attached report) and we have no comments on the audit, and
- c. Subject to the comments in the attached report dated (if signed after 11 February 2005 the reasons for the delay in signing are given in the attached report) and ...
- 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 (hub's) final funding claim has been properly compiled in accordance with relevant guidance issued by the Council. The relevant guidance is specified in *ILR Audit Guidance for Further Education in 2002/03* and in *FE Funding Guidance 2003/04*.

Part 2

This section should be completed by the ILR auditor for colleges that have been part of a Ufi learning hub in receipt of Council funds through either a recipient college or a directly funded hub. Auditors should be aware that for some colleges this section might not be applicable.

Delete all but one of subparagraphs (a) to (c). Delete also the non-relevant paragraph.

We have reviewed the returns for Ufi activity in accordance with the Council and Ufi guidance for Council-funded learning centres forming part of Council-funded learning hubs. We have carried out a programme of tests on a sample basis in accordance with the Council's audit approach.

Please complete or delete the appropriate sub-paragraphs below

- a. We have no comments on the audit, and ...
- b. Subject to the comments in the attached report dated and...
- c. As explained in the report dated we cannot confirm that ...
...in our opinion, in all material respects, the returns for Ufi activity have been properly compiled in accordance with relevant guidance issued by Ufi and the Council.

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

Signature *(all parts of this opinion)*

Audit firm *(please print)*

Date

Contact name *(please print)*

Contact telephone number

Attachments

	Yes	No	N/A
Original form <i>FE ILR Funding Claim 2003/04</i>	<input type="checkbox"/>	<input type="checkbox"/>	
Original form <i>Final Diff 2003/04</i>	<input type="checkbox"/>	<input type="checkbox"/>	
Summary by Funding Allocation Type and CAAT report	<input type="checkbox"/>	<input type="checkbox"/>	
Copy of management letter	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p><i>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 of 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.</i></p>			

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 G: Unplanned-growth/ Recovery statement for 2003/04

Provider Name: Casterbridge College

Date: 01 August 2004

Provider UPIN Code: 12345

Institution Payment Code: Q2CAS01

Local LSC: A LSC Local Office

ILR Auditor: CON

Financial Auditor: KPMG

The Council databases show the following data and recovery of funds for the years 2003/04.

Table (G) 1 ILR funding position 2003/04 including any adjustments cash

1.1	Academic year 2003/04	Cash (£)
1.2	Main funded allocation	8,000,000
1.3	Additional allocation(s)	0
1.4	Total allocation	8,000,000
1.5	Out-turn cash	8,005,000
1.6	ILR cash variance	5,000
1.7	Adjusted out-turn cash for any cash protection	
1.8	Variance (usually 1.5-1.4, but if a figure shown in box 1.7, then variance will be 1.7-1.4)	5,000

Table (G) 2 Cash recovery 2003/04

Table (G) 2 shows in box 2.2 the amount of funds to be paid/returned to the LSC and in box 2.5, the source of out-turn information.

2.1 Academic year 2003/04	2.2 Unplanned-growth/Cash Recovery	2.3 Cash already paid/ recovered	2.4 Cash to be adjusted
Clawback	0	0	0
Growth in 16-18 provision	0	0	0
Growth in 19+ basic skills	0	0	0
Growth in ALS	0	0	0
2.5 Source of out-turn information			

Please see explanation in Circular 04/03 *FE ILR Funding Claim 2003/04*. If any further clarification is needed please contact your local LSC office.

Guidance on the 2003/04 Unplanned-growth/Recovery Statement.

Table (G) 1. ILR funding position 2003/04 including any cash adjustments

- 1.2 Main cash allocation for 2003/04 (if a Ufi hub, then Ufi allocation will show on this line)
- 1.3 Additional cash allocation
- 1.4 Total of 1.2 + 1.3
- 1.5 Expected out-turn cash for 2003/04 (currently based on interim claim)
- 1.6 Cash variance
- 1.7 Adjusted out-turn cash for any cash protection (see Calculation of cash protection for 2003/04 teaching year on the next page but one)
- 1.8 Variance (usually 1.5 – 1.4, but if a figure is shown in box 1.7, then variance will be 1.7 - 1.4)

Table (G) 2. Cash recovery 2003/04

- 2.2 Total unplanned-growth/cash recovery calculated for 2003/04. This should only be regarded as the final figure if box 2.5 shows 'Final Claim approved by local LSC'. Any cash adjustment/recovery shown will be recovered in three equal instalments during Spring 2005 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. Response growth payments will appear as positive values and negative values will refer to 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 – 2.3.
- 2.5 Status of the validation of audit and funding claim returns for 2003/04. The codes and their meanings are shown on next page.

Possible out-turn comments that might appear in box 2.5 on the Unplanned-growth/Recovery 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)
Late Final Funding Claim and Clear Opinion	LSC has received a late final funding claim and a Clear audit report (final claim audit opinion b)
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 Audit Opinion	LSC has received a final funding claim and a Seriously Qualified audit report (final claim audit opinion e)
Pathfinder college Final Claim	LSC has received a final claim from a Pathfinder college (Annex D opinion a or b)
Pathfinder college Interim Claim	LSC has received an interim claim and a Clear audit control report (Annex D opinion a or b)
Pathfinder college Qualified claim	LSC has received an interim claim and a Qualified audit control report (Annex D opinion c)
Interim FLPAID	LSC has received an interim claim and a Clear audit report (interim claim audit opinion a)
Interim Qualified	LSC has received an interim claim and a Qualified audit report (interim claim audit opinion b)
Seriously Qualified Interim Claim	LSC has received an interim claim and a Seriously qualified audit report (interim claim audit opinion c)
In-year Claim	In-year claim used to assess out-turn position
Nil return	Nil out-turn assumed in absence of claim
<i>"Free text"</i>	Local LSC may overwrite system comments with locally agreed text in exceptional circumstances

Calculation of Cash Protection for 2003/04 Teaching Year

Provider Name: Casterbridge College

Date: 01 August 2004

Local LSC: A LSC Local Office

Protected out-turn cash: £6,819,120

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 out-turn delivery is below their protected out-turn figure shown above. The protection shown in this example is not

available to any institution that received cash protection in both 2001/02 and 2002/03, and is not necessarily available to providers who have previously received two consecutive years of cash protection, for example, in 2000/01 and in 2001/02 but not in 2002/03.

	Cash Protection 2003/04	Calculation	
1.1	2003/04 allocation	8,000,000	
1.2	2002/03 allocation	7,942,500	
1.3	90% 2002/03 allocation	7,148,250	
1.4	Recoverable cash	851,750	1.1–1.3
1.5	Additional allocations	0	
1.6	Recoverable cash from 2003/04	851,750	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. For new directly funded hubs in 2003/04, the LSC will take account of the allocation and out-turn provided through the recipient college in 2002/03 in determining any appropriate levels of protection.

Annex H: Calculation of Either Unplanned-growth or any Recovery of Funds for 2003/04

This annex sets out in detail how the LSC will consider unplanned-growth payments and calculate the recovery of funds for 2003/04. The starting point for any calculation will be the comparison of the agreed final ILR funding claim and audit opinion against the FE funded cash allocation.

The LSC and the college or other provider will need to agree on both the actual level of ILR cash out-turn and the percentage level of out-turn 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 2003/04. The cash figure includes any supplements for area or specialist-college weightings.
ILR cash out-turn	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 2003/04 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 out-turn cash figure	For any college or other provider that has exceeded its core funding target in either of the previous two years, its minimum cash entitlement for 2003/04. Where out-turn cash falls below this level, any recovery of funds is capped by the application of this relief.
Additional allocation	Unplanned-growth in-year payments that will be recovered for any under delivery on a pound for pound basis. These are regarded as down payments for any

Terminology	Explanation of terminology
	unplanned growth due to be calculated from final claims and as such, are paid for additional delivery on a pound for pound basis and not subject to any tolerance for under delivery.
Ufi allocation	On the unplanned-growth/recovery statements all Ufi allocations will be shown as main allocations. All recipient Ufi colleges in 2003/04 should return separate funding claims for its Ufi activity, and separate audit opinions are required from its ILR auditor.
Unplanned-growth	The amount being paid by the LSC to FE providers for allocation and/or payment for 2003/04 for exceeding their funding agreement. The assessment of any entitlement will be offset by any additional in-year FE allocations.
Recovery of funds (for 2003/04)	The amount of funding being recovered from colleges or other providers for shortfalls against funded targets (for 2003/04). This has often been referred to as clawback in the sector.
De minimis limit	As in 2002/03, the LSC has set this limit at the higher of 3 per cent of the colleges or other providers ILR cash allocation or £5,000.
Unplanned-growth payments, 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 11 February 2005 (25 March 2005 for HEIs).	

Unplanned-growth calculations

The LSC is committed, to paying unplanned-growth to colleges or other providers whose ILR cash out-turn is greater than their funded target in the priority groups. Any payments will appear as additional allocations to colleges or other providers over delivering in the targeted areas of 16-18 learners, basic-skills learning and reasonable associated additional support claims.

Any in-year additional allocations and/or unplanned-growth allocations are not subject to any tolerance for under performance.

Recovery of funds calculations

For colleges and other providers returning ILR final funding claims and ILR final audit opinions no later than 11 February 2005 (25 March 2005 for HEIs), the LSC is raising the de minimis limit for recovery of funds to the higher of:

- 3 per cent of the FE ILR cash allocation for 2003/04 (but based on the allocations agreed with colleges or other providers and on which they were paid to 20 August 2004); or
- £5,000.

No clawback for main ILR FE funding allocations will be recovered for 2003/04 below the de minimis limit. This means that colleges or other providers with out-turns 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 will match funding reconciliation with the funding allocation guidance in Circular 03/01 *Success for All*.

This limit does not apply to any additional or unplanned-growth supplementary allocations. For 2003/04, the LSC expects to calculate the 97 per cent threshold solely by reference to the allocation actually paid for the teaching year 2003/04 and by no later than 20 August 2004. This means that any college or other provider wishing to reduce its funding allocation for 2003/04 must agree the reduction in their allocation in time to return the funds to the LSC by no later than the provider's 20 August 2004 recurrent-funding payment from the LSC. Colleges or other providers wishing to take advantage of the new de minimis limits can only return baseline funding with a consequential similar reduction in their 2004/05 and subsequent allocations.

For colleges or other providers delivering between 94 per cent and 97 per cent of their ILR funding agreement, their recovery of funds may be moderated if they agree to return baseline funding for 2003/04, 2004/05 and subsequent allocations that enables them to meet the 97 per cent threshold for 2003/04, and if they provide the LSC with robust evidence that they will be able to meet their revised target for 2004/05. For the colleges or other providers that have already agreed reductions in their allocations for 2004/05, this will be taken into account in deciding the reduction in baseline funding for 2004/05 and future years.

Colleges or other providers will need to agree the return of their baseline funding to the LSC

in time for the LSC to recover the funding from their recurrent-funding payment on 20 February 2005. This measure is being introduced so that those colleges or other providers with audited performance falling only a little short of the new de minimis threshold do not have to suffer a disproportionate cash penalty for their performance shortfall.

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. The absolute final deadlines that must however be met in order to make the necessary amendments to payments to colleges and other providers are set out in paragraph 2 of this circular.

Recovery of funds examples for Casterbridge College 2003/04

	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	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 out-turn	7,995,000	7,810,000	7,750,000	7,600,000	7,400,000	6,400,000
Variance (in cash)	-5,000	-190,000	-250,000	-400,000	-600,000	-1,600,000
Out-turn variance against target (in %)	99.94%	97.63%	96.88%	95.00%	92.50%	80.00%
Funding out-turn 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)	-5,000	-190,000	-250,000	-400,000	-600,000	-1,600,000
De minimis relief	5,000	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 2003/04	8,000,000	8,000,000	7,750,000	7,600,000	7,400,000	7,148,250
<div> <div> *Colleges and other providers delivering between 94% and 97% have the opportunity to return baseline funding to access the de minimis relief </div> <div> # Recovery limited by cash-protection guarantee at 90% of previous year's funding </div> </div>						

Annex I: Example Reports: LIS

Summary of Funding by Allocation Type, and CAAT Report: 30-01-07

Circular 03/11 Annex L

Provider: 115466 Casterbridge College C

Academic Year: 2003/04

Collection F04:

Allocation Type: Supported by LSC FE funding: sector FE colleges and other further education institutions (external institutions).

Period	On-Programme	Achievement	Fee Remission	Additional Support	Total
1	2,328,000.00	70,000	400,000.00	150,000.00	2,948,000.00
2	2,000,000.00	230,000	350,000.00	140,000.00	2,720,000.00
3	1,492,000.00	460,000	250,000.00	130,000.00	2,332,000.00
	5,820,000.00	760,000.00	1,000,000.00	420,000.00	8,000,000.00

Total

Period	On-Programme	Achievement	Fee Remission	Additional Support	Total
1	2,328,000.00	70,000	400,000.00	150,000.00	2,948,000.00
2	2,000,000.00	230,000	350,000.00	140,000.00	2,720,000.00
3	1,492,000.00	460,000	250,000.00	130,000.00	2,332,000.00
Report Total	5,820,000.00	760,000.00	1,000,000.00	420,000.00	8,000,000.00

Other Allocation Types include (and will be shown in separate boxes above as appropriate):

- Supported by LSC FE funding: specialist designated college non schedule 2 provision (schedule 2 shown separately where applicable).
- Supported by LSC FE funding: Ufi provision included in a separate allocation to a recipient further education institute.
- Supported by LSC FE funding: directly funded Ufi hub provision

Example of CAAT Report 30-01-07 Circular 03/11 Annex L

FE ILR Funding Claim 2003/04 (In-year/Interim/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	9,000	
	FTEs	700	1,500	
	Funding Value (£)			4,800,000
19+ Basic skills	Learner Numbers	0	1,000	
	FTEs	0	250	
	Funding Value (£)			400,000
ALS	Learner Numbers included in above	250	1,000	
	Learner Value NOT included in above (£)			500,000
Total	Learner Numbers	2,200	11,500	
	FTEs	2,200	2,050	
	Funding Value (£)			11,500,000

Note: The major difference between the report for 2003/04 and the report for 2002/03 is that the 19+ learner rows now exclude the funding shown on the 19+ basic skill learner rows.

Annex J: Manual Adjustments

2003/04

Manual adjustments to 2003/04 funding claims derived a from specified version of the learner information suite (LIS) using specified versions of the learning aim database (LAD)

No.	Possible Reason for a Manual Adjustment to Final Funding Claim		LSC Response for 2003/04
Auditor adjustments			
2004-1	Audit adjustments may be proposed to manual adjustments claimed on the form <i>Final Diff 2002/03</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 ILR return.	
Calculation of Load Bands			
2004-2	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 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 Council has agreed that the circumstances are exceptional and warrant a different approach.	In exceptional cases where the Council has agreed to calculate funding based on the separate GLH for separate years of the programme, a manual adjustment may be warranted.	
2004-3	For learning programmes where the total GLH for the load-banded elements of a programme is 450 or more, the national rate of £2,073 (programme weighting A) may be claimed for those load-banded elements. Where relevant, the higher programme- weighting figure can obviously be claimed. For learning programmes where the load-banded element consists of two or more load-banded 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 under-statement or overstatement of cash value, and may warrant a manual adjustment.	
Changes to a Learner's Learning Programme			
2004-4	Where an individually listed qualification lasts a number of years, but is completed early, the program may not have enough information on the	This could lead to an under-statement or overstatement of	

	<p>previous year's funding to calculate a cash value correctly.</p> <p>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 load- banded qualifications.</p>	cash value and would warrant manual adjustment.
2004-5	Where learners withdraw from load-banded programmes after the expected end date recorded on the ILR, the LIS will not take account of GLH delivered after the expected end date in determining the load band, as these will not be recorded in the data for the learners.	This could lead to an understatement of the amount of cash and may warrant a manual adjustment.
2004-6	Some learners transfer from a Council-funded learning programme to a learning programme funded from other sources (for example programme funded through work-based learning), or vice versa. The LIS will have insufficient information to fully reflect this situation, 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.
2004-7	<p>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.</p> <p>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 by dedicated employer-based provision.</p>	This could lead to an understatement or overstatement of cash value, and would warrant a manual adjustment.
Maximum Cash Value Limits		
2004-8	For learning programmes provided in the workplace, the maximum length of delivery of such programmes will normally be 329 GLH 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 overstatement of cash value and would warrant a manual adjustment.
2004-9	The LIS includes a funding taper that limits the base rates that can be calculated in one tri-annual period. In some cases and for some patterns of delivery, the operation of the taper has unintended effects in limiting cash in ways that are anomalous. Institutions believing that the operation of the taper 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 taper, then this adjustment should be included in the final claim. If agreed, such an adjustment would lead to an increase in cash.

European Social Fund (ESF)		
2004-10	In some cases, 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.	This could lead to an understatement of cash value, and may warrant a manual adjustment.
Sandwich Courses		
2004-11	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.	This would warrant a manual adjustment.
Achievement Cash		
2004-12	In some cases, learners withdraw before the end of their course but return for the final assessment and thereby achieve the qualification. Institutions may claim achievement cash for such learners, but should not claim any funding for learners who enrol at the institution simply to take an examination. The LIS will not calculate the correct amount of cash in such cases. For load-banded qualifications, the load band to be used to establish the amount of achievement cash that can be claimed should be determined from the actual GLH delivered by the institution. For individually listed programmes, achievement cash may be claimed in full, but the amount of on-programme cash claimed should be reduced to exclude that for tri-annual periods for which the learner was recorded as withdrawn on the census date. Previous-year achievements, identified after completion of the previous year's funding claim can no longer be claimed as the tolerance system introduced in 2002/03 removes this bureaucracy.	This could lead to an understatement of the amount of achievement cash, and would warrant manual adjustment. Providers may no longer claim previous-year achievements not available when 2002/03 funding claims were calculated
2004-13	The LIS will not be able to calculate correctly the achievement cash for key skills delivered as part of a full-time programme for 16-18 year-olds if the key skills element has been delivered as part of another qualification and no GLH have been attributed to the key skills qualification.	This could lead to an understatement of the amount of achievement cash, and would warrant manual adjustment.

Additional Support Cash		
2004-14	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.	This would lead to an understatement of the amount of cash and would warrant a manual adjustment. 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 auditor.
2004-15	For learners attending outside the traditional teaching year (that is, for 2, 4 or 5 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.	Providers should only seek approval to this adjustment for material losses of funding due to their recruitment outside the usual teaching-year cycle.
Types of Learner Qualifications		
2004-16	Where learners complete multiple basic-skill learning aims where the total GLH is 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 Funding Guidance 2003/04).	This would warrant a manual adjustment.
2004-17	Where learners complete learning aims for independent living skills where the total GLH is 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 Funding Guidance 2003/04).	This would warrant a manual adjustment.
Armed Forces Postings Resulting from either the Conflict in the Gulf or the Firefighters Dispute		
2004-18	The LSC has provided separate guidance to the Armed Forces Ufi hubs relating to funding that can be claimed to offset disruption to learning from postings to the Gulf.	This would warrant a manual adjustment.
Adjustments agreed as part of a National Contract Initiative		
2004-19	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 will need to be claimed by a manual adjustment. A separate alpha code will be given for each project, to appear after the number 20.	This would warrant a manual adjustment.

<i>Ufi Adjustments Agreed for 2003/04 Only</i>		
2004-20	The LSC has agreed with Ufi that hubs can claim a manual adjustment for learners on Ufi courses where the Ufi learning materials have been purchased and no other LSC funding is available. This must be agreed with the ILR auditor and local LSC and the purchase of the learning materials is being used as a proxy for proof of on-course assessment and support. The LSC does not expect the application of this adjustment in itself to require auditors to qualify their ILR audit opinions.	ILR auditors have been given guidance by the LSC on the application of the <i>National Solution</i> and the calculation of any necessary manual adjustment.
2004-21	The LSC agreed for 2002/03 final funding claims that some hubs could claim a positive cross-year-learner manual adjustment. This adjustment must be reversed out in 2003/04 as a negative manual adjustment to 2003/04 final funding claims.	A negative adjustment must be made to match any positive manual adjustments agreed for 2001/02. The negative adjustment is applied to the relevant hub in 2002/03.
2004-22	The LSC will consider a positive cross-year-learner manual adjustment for 2003/04 where hubs demonstrate that the usual recruitment pattern of learners has placed them at a significant disadvantage at the end of the current funding arrangements, and as hubs move into the new funding arrangements for Ufi for 2004/05. The LSC will consider cases where colleges and hubs support the use of this adjustment to assist in agreeing the separation of funding between 2003/04 and 2004/05.	A positive adjustment maybe agreed for hubs on an individual basis with the LSC, the local LSC and the Ufi regional office.
2004-23	Where the LSC agreed any temporary uplift courses for part of the teaching year 1 August 2003 – 31 July 2004 and the LIS can only hold one value for the year. This funding will need to be claimed by a manual adjustment.	This would warrant a manual adjustment.
<i>Guidance on Possible LIS Adjustments for which no Manual Adjustment is now Required in Accordance with the Recommendations of the Bureaucracy Task Force</i>		
	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 the guidance on manual adjustments. 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.	This would not warrant a manual adjustment.
Manual adjustments added after the first publication of this document are numbered, dated and printed below. A new version of this Annex will then be posted to the web-site as the changes are made.		

Annex K: FE ILR Funding Compliance guidance 2003/04, including the Addendum on Distance Learning

(This will be replaced for 2004/05 by a simpler FE ILR Funding compliance advice to reflect agreed reductions in bureaucracy by the LSC.)

1 Colleges and other providers are advised that the ILR audit guidance for 2002/03 should also be applied to 2003/04 ILR data returns and funding claims, apart from the additional guidance given in this annex. This annex also includes all relevant advice in the Addendum to ILR Audit Guidance 2002/03.

Contents

2 This paragraph summarises the guidance from the 2002/03 ILR audit addendum that also applies to the 2003/04 teaching year. The detail follows after paragraph 3 summarising new guidance for 2003/04:

- Reference to delivery postcode field on ILR.
- Materiality and CAATS.
- Small work placements within a programme.
- Full cost recovery courses.
- Basic-skills programmes.
- University for Industry (brand name **learnirect**).

3 The changes from the original 2002/03 guidance are summarised below:

- The distance learning guidance in paragraphs 127 to 149 and the Frequently Asked Questions guidance are deleted and replaced by the guidance in this document.
- The LSC has announced the end of the dedicated employer discount from the start of the 2004/05 teaching year. For 2003/04 ILR auditors are asked to accept the basis of funding agreed between the college and employers prior to the commencement of provision and not to attempt to reclassify any provision as dedicated employer during their ILR audit work. As the franchise discount is not being ended for 2004/05, a similar approach is not expected to partner-assisted provision.
- The ILR audit guidance for FE 2002/03 makes reference to old FEFC circulars. Relevant guidance from these circulars not reproduced in the 2002/03 ILR audit guidance is now included in this document, so reference back to these circulars is no longer needed.
- There is further guidance on additional learning support with confirmation that the costs of college premises should not normally be included in claims for additional learning support. Following discussions with ILR auditors the LSC remains concerned about the misapplication of claims for funding additional support by some colleges.

- Providers are reminded that for load-banded provision, in particular, the GLH recorded in the ILR should be that planned for the provision. In planning provision, providers should take account of known events that may affect classes taking place (for example public holidays or religious festivals). This advice accords with the principles of plan-led funding.
- Load-banded claims should not be adjusted to take account of individual learner absence for classes cancelled for reasons out-side the college control, (for example, extreme weather conditions) or for any reason that could not have been reasonably anticipated before the course started.
- The LSC expects to fully fund learners joining courses late, but only where they are able to attend over 80% of the planned course. These learners should not constitute the majority of the class

Introduction

4 The LSC's intention is to move towards simplification of FE funding and it wants to simplify as much as possible the final year of ILR audit for colleges. Colleges are expected to have properly consulted with their local LSC prior to delivery of any contentious provision and to comply with the spirit as well as the letter of funding guidance. The audit opinion is on the funding claim, the LSC is content with some minor ILR data inaccuracies and does not expect funding claims to be adjusted or providers suffer unnecessary bureaucracy for isolated non-systematic data problems.

5 The LSC is, however, very concerned about the small number of colleges whose 2001/02 and 2002/03 claims fell well outside both the spirit and the letter of our guidance. Significant departures from our guidance are unhelpful to the whole FE sector, and in

particular, jeopardise that college's participation in plan-led funding. In this context, colleges are reminded of the need to consult with their local LSC prior to any partnership/franchise arrangements and the need now to declare the delivery postcode on their ILR returns. This includes any partnership arrangement where a third party is paid a fee by the college for finding/enrolling learners.

6 For colleges, the LSC will use the 2003/04 in-year ILR controls audit and assessment of funding out-turn against allocation for 2002/03 and likely out-turn for 2003/04 to assess the following:

- Confirmation of Pathfinder status for 2003/04 (see Annex D of this circular).
- Extension of Pathfinder status to some colleges.
- ILR audit resource to be diverted from pathfinder colleges to colleges where 2002/03 audits have been qualified or auditors have experienced real difficulty in signing-off funding claims. This is intended to assist a small number of colleges in becoming eligible to move successfully into plan-led funding in 2004/05.

Delivery Postcode on ILR

7 The LSC has noticed the growth in partnership/franchise provision in a small number of colleges and the difficulties this has caused in evidencing control of their partnership provision. The LSC see the new delivery postcode as a key field on the ILR (field A23) that will identify to ILR auditors the higher risk elements of a college's provision. A new CAAT is being developed to identify provision by post code delivery, and ILR auditors are expected to cross reference this field to college's declarations of partnership/franchise arrangements.

8 Colleges and other providers are reminded of the need to consult their local LSC before

commencing any partnership provision with private training companies (this includes any provision delivered by distance learning). Colleges should not use the complexities in the definition of the difference between franchising and partner-assisted delivery to avoid the need to consult their local LSC over provision delivered with partners.

Materiality and CAAT Reports

9 Providers and ILR auditors are reminded that providers were expected from 2002/03 to run the CAATs in-year and use them to clean their data prior to substantive audit testing. The LSC ILR audit opinion is now based on the final funding claim and includes reference to claims being materially correct. The LSC acknowledges the difficulty for providers in trying to provide data with perfect precision. Where a provider can demonstrate that errors identified by CAATs are not material, the LSC does not expect them to suffer unnecessary bureaucratic burdens in clearing these through the funding claim. Providers should be able to claim reasonable funding for all eligible learners and under no circumstances be forced to lose all the funding for a few learners in order to solve their data processing problems.

10 Similarly, the LSC is not expecting providers to have to make small overall manual adjustments to their funding claim, in accordance with the recommendations of the Bureaucracy Task Force. As explained in a note published in November 2002 on the LSC website, providers and auditors have the opportunity to adjust funding claims during audit by a manual adjustment of up to 2 per cent of the ILRF05 total, rather than having to make time-consuming and bureaucratic changes to the actual ILRF05 data return.

11 The LSC expects providers to agree their main funding claim total (ILRF04) with their ILR auditor for their interim claim. The only material change that should then occur to the

final funding claim total (ILRF05) is the actual calculation of achievement funding. The LSC does not expect auditors to ask providers to re-run all the CAATS reports unless there has been a material movement in the on-program or additional support funding agreed at the interim stage. Within the spirit of the new approach to trust in FE, the LSC does not want those providers trying to improve their final data returns to be subjected to any unnecessary delay or bureaucracy for small, insignificant funding changes.

Small Work Placements Within a Program

12 During the course of previous ISR and ILR audits, a small number of providers experienced difficulties in providing the necessary audit evidence to support their GLH claims for work-based experience. This was resolved in the past by agreeing a GLH figure based on the GLH that would have been claimed had the learners been attending their normal classes. This was agreed on the basis that the lecturers concerned were spending the same amount of time supporting learners at their placements in the workplace as they would have spent in delivering normal classes. As the placements were only a small part of the overall load-band claim, the LSC view was that it seemed reasonable to allow the load-band claim to stand.

13 In one example, the provider was sending all the learners out on four- week block placements and the tutor was then supporting the learners by travelling round to see all his individual learners in their workplaces. The tutors had difficulties evidencing the actual amount of GLH and argued that much of their support was on a one-to-one model. As the time the tutors were spending supporting their learners matched their normal classroom delivery time, the LSC was content for them to claim equivalent GLH to the figure generated during their class-based weeks of attendance.

14 As the LSC has discontinued the 14 multiplier for 2003/04, providers may see this type of approach as a fair means of claiming funding that reduces the bureaucracy in trying to evidence work-placement-guided learning. Providers wishing to consider this should consult their local LSC. For those providers where the lecturers are travelling around providing support to their individual class learners for short block placements, this approach at least recognises that the costs to the provider are no less than those incurred by normal classroom delivery.

Full Cost Recovery Courses

15 The Department for Education and Skills has set the LSC challenging fee targets. These include contributions from both learners and employers. The LSC is well aware that many FE providers already contribute towards these targets by running full-cost-recovery courses and see no need to seek LSC funding for these learners. The LSC is also aware that some provision can be very expensive to run, and that providers need to charge fees in excess of the usual 25 per cent fee element. This means it is often very difficult to determine the precise boundary between full-cost-recovery and LSC-funded provision.

16 In general, the LSC expects providers to see their provision as full-cost – recovery provision where the tuition fee charged to the learner approaches 75 per cent of the national rate available for the programme of study. Providers charging learners a high fee that incorporates a number of factors will need to distinguish between the tuition fee charge and any other charges before seeking LSC funding for these learners.

17 The LSC has been presented with questions from providers where the fee charged to the learner include the following items:

- residential costs for course placements;

- costs for books and other similar learning materials;
- expenses for specialised equipment and/or related consumables;
- fees for non-LSC-funded courses;
- registration fees with relevant professional societies; and
- fees for specialised services not related to the learner's LSC-funded-programmes.

18 Providers wishing to claim LSC funding for learners being charged high fees that include any of the above are asked to ensure that they provide their learners with a detailed breakdown of the fee, so that only the real tuition fee charge is used in determining whether LSC funding is appropriate. Providers are expected to consult their local LSC where the tuition fee approaches (or in a few rare cases exceeds) the 75 per cent limit to avoid unnecessary difficulties at audit.

19 The booklet *Funding Guidance for FE in 2003/04* in paragraph 78 refers to further guidance in paragraph 330 of that booklet. The information above in paragraphs 15 to 18 of this annex supersedes that guidance.

Basic Skills Programs

20 Learners following non-accredited learning aims for basic skills are recorded on the ILR against the generic (CBS) class codes that reflect both the subject area (literacy, numeracy or English as a Second or Other Language (ESOL) and the level of the programme (pre-entry level, entry level, Level 1 or Level 2). The breadth of each level is such that many learners are unlikely to achieve a whole level in one go. As a result, some providers divide each level into smaller components of learning, and learners are enrolled on several different learning aims at the same level, in the same academic year (or

in the case of learners following part-time programmes, in subsequent academic years), using the same generic class code.

21 Where this is the case, the learning aims must be clearly differentiated to provide evidence that the learner is progressing and is not simply repeating the same learning. Achievement funding may be claimed where there is clear evidence of achievement against each of the stated, and differentiated, learning aims.

22 In 2002/03, providers were concerned to understand what counted as appropriate audit evidence to support claims for achievement funding where learners achieved non-accredited learning aims for basic skills. The LSC expects evidence supporting such claims to be as robust as that presented in support of claims for achievement funding for nationally recognised and approved qualifications on the National Qualification Framework (NQF). In this respect, there are no specific additional requirements for non-accredited learning aims.

23 Appropriate evidence may include the following: enrolment forms, learning agreements, attendance registers, records of progress, assessment and internal verification, learners' work and institutions' certification of achievement, as specified in the learners' learning agreements.

24 Where providers use Individual Learning Plans (ILPs) to record learners' learning aims, goals and progress towards achievement, it is achievement of the stated learning aims and not of the ILPs that count as evidence for achievement funding. This is because ILPs often include goals that are personal to the learner and that are not strictly about the learning aim.

25 The LSC provides further guidance to local LSCs by publishing basic-skills bulletins on its intranet, and some of these are then also published on the LSC's external website. Numbers 5 and 9 have currently been published at: www.lsc.gov.uk/National/Documents/SubjectListing/FundingLearning/BasicSkills/default.htm

When does a Basic-skills Learner Become Eligible for the Disadvantage Uplift?

26 Providers and ILR auditors are advised to note the guidance issued in June 2003, which clarified when learners following basic-skills learning aims become eligible for the disadvantage uplift. This guidance can also be found in the Addendum to the *Funding Guidance for Further Education in 2003/04* and is reproduced below.

27 For **2002/03** and **2003/04**, a learner will be deemed to be a basic skills learner, and therefore entitled to the disadvantage uplift allocated to such learners, if his or her learning programme meets at least one of the following criteria:

- a It consists of a single learning aim that is an approved basic skills qualification, or is based on (referenced to) the national standards, that is, a learning aim that attracts the programme weighting of 1.4. GCSE qualifications in Maths or English (for all learners) and key-skills qualifications in communication and application of number up to and including Level 2 (for full-time 16-18 year-old learners) do not attract the 1.4 programme weighting and therefore do not count towards entitlement to the disadvantage uplift.
- b It consists of two or more learning aims, all of which are basic skills learning aims attracting the 1.4 programme weight (in this case 100 per cent of the learning programme is focused on basic skills).
- c It comprises more than one learning aim, at least one is a basic-skills learning aim attracting the 1.4 programme weight and 50 per cent or more of the guided learning hours (GLH) delivered in any academic year are connected to basic-skills learning aims.

- d It comprises more than one learning aim, at least one is a basic-skills learning aim attracting the 1.4 programme weight and the basic-skills learning aim(s) involve at least 80 GLH in any academic year. This will apply no matter how many GLH are delivered on the remaining (that is, the non-basic skills) learning aims that comprise the learning programme. Providers should note that the GLH figure of 80 has been calculated from a statistical analysis of the number of GLH per learner on basic-skills learning aims attracting the 1.4 programme weighting.
- e In exceptional cases, if the learning programme does not meet the numerical thresholds described in criteria (c) and (d) above, the local LSC and the college can agree jointly that in their judgement the student's programme of study is primarily focused on basic skills. In these cases it is expected, the number of GLH connected to the basic-skills learning aims would still approach the figures in (c) and (d) above. Local LSCs would need to confirm their agreement in writing to the college.

University for industry (Ufi) (Brand Name: learndirect)

28 A variety of problems have arisen in the previous ILR audits for Ufi hubs in evidencing their funding claims. The LSC has responded to these on a flexible basis and produced further guidance during 2002/03 to enable resolution of funding claims. To assist in achieving consistency, this annex confirms the additional guidance that is now available from 2002/03.

29 During 2002/03, the LSC and Ufi have jointly run a variety of training events for hubs and learning centres to improve their understanding of FE funding and audit rules.

These recognised that both Ufi and its provision are relatively new to FE, and transitional help was needed to comply with the full guidance. Taking account of the new funding arrangements from 1 August 2004, all transitional arrangements will now cease on 31 July 2004.

30 Ufi has recently published on its web-site "An introduction to the evidence requirements for **learndirect** provision" that explains the LSC's funding and audit requirements. All hubs and learning centres are expected to fully comply with funding and audit guidance in 2003/04, and this document separates out the core LSC guidance for all **learndirect** provision. It is available at: www.learndirect-partners.co.uk/qualityandin-spection/auditsupport/supportdocs/evidenceintro.doc

31 The main transitional arrangements for 2002/03 and 2003/04 are described below, concerning:

- application of the *National ILR Audit Solution*; and
- management of cross-year learners.

32 Guidance on the application of the national solution can be obtained from the local LSC. This solution allows providers to claim funding on the basis of purchased Ufi learning materials where ILR auditors are having difficulties in seeing full evidence of learner participation. This approach has been agreed to ensure that learning centres that have incurred costs in delivering provision are not severely penalized, provided that real evidence of the learner exists. This approach will only be agreed where ILR auditors are satisfied that this poses no risk to the LSC's own accountability for public funds.

33 Ufi has provided a guidance note on the management of cross-year learners and providers are expected to comply with this guidance. Those hubs that claimed funding in 2002/03 for cross-year learners in summer 2003 must reduce their 2003/04 funding claim by the agreed adjustment to their 2002/03 funding.

34 The LSC agreed during 2002/03 that it was possible for Ufi learners to complete their learning aims without necessarily attending the whole of their course of study. This concession was introduced to recognise that, in many traditional FE courses, learners do not necessarily attend all classes, but those who achieve their learning outcomes are generally fully funded. The LSC expects all learners for whom achievement funding is being claimed to have completed at least 70 per cent of their learning programme material.

35 Table 3 sets out the agreed LSC and Ufi guidance on completion by learners of both their programme and their learning aims. Completion means that the learner has finished the course and has worked through each module as necessary to complete the programme of learning. The references in the table to learning goals agreed in advance as a proportion of whole **learndirect** courses refer to the proportion of the course material necessary to achieve the learner's whole learning goal and not to learners only achieving a proportion of their learning goal.

Table 3: Guidance on completion in a learndirect context.

Learning goals agreed in advance as a proportion of whole learndirect course	Proportion of goals completed	Funding
100%	100%	100% of national rate for the learndirect course
100%	Less than 100%	Subject to normal guidance on funding withdrawals
70% - 99%	Learner completes the agreed learning goal	100% of national rate for the learndirect course
70% - 99%	Learner completes only part of the agreed learning goal	Subject to normal guidance on funding withdrawals
Less than 70%	Learner completes the agreed learning goal	No funding
Less than 70%	Learner completes only part of the agreed learning goal	No funding
<i>The funding claimed is subject to the normal guidance on fee remission, achievement, disadvantage, area costs etc.</i>		

36 The LSC has agreed with the Ufi some worked examples of learners who complete their learning goals despite not completing

their learning programme and these are available on the Ufi website at www.learndirect.co.uk

Distance Learning

37 This guidance replaces paragraphs 127 to 140 of *ILR Audit Guidance for Further Education in 2002/03*.

38 The LSC has recognised the administrative bureaucracy incurred over the last three years by providers complying with the funding rules on claiming distance learning using the learning multiplier. To reduce this burden, the LSC has now set out new guidance for claiming distance-learning delivery, in Annex F of *Funding Guidance for Further Education in 2003/04* and in its addendum. The LSC expects the audit for 2003/04 to reflect the intended reduction in bureaucracy. Claims for funding will fall into the two categories set out below.

39 First, any listed provision delivered as distance learning in 2003/04 can be claimed and audited as listed provision. This approach should also be applied where the recommended or average GLH for qualifications have been chosen as the basis of any load-banded claim. Providers who consider the listed funded rate does not adequately reflect their costs of delivery may choose one of the other options for funding, subject to the agreement of their local LSC, but the provision will then be audited in accordance with the chosen funding option (see paragraph 10 of *Addendum to Funding Guidance for FE in 2003/04*).

40 Secondly, providers will have agreed with their local LSC a funding claim for load-banded distance learning in 2003/04. Any support auditors give to local LSC on claims in this category should concentrate on simple overall reconciliation of costs rather than the bureaucratic reconciliation of any individual learning logs. In many cases the funding agreed for 2003/04 will have been based on the providers' audited experiences and the costs arising in 2002/03.

41 Providers will still need to show evidence that their learners have received guided-learning support, but will no longer need to

provide detailed time reconciliation of individual support to auditors. The LSC is reducing the definition of higher risk distance and open learning to include only:

- a learners enrolled out-side the providers usual recruitment area; and
- b franchise or partner-assisted provision.

42 The LSC has provided some guidance on completing the distance learning costs form, and this guidance is reproduced in the addendum at the end of Annex K of this document.

Distance Learning: Frequently Asked Questions

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

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

Q Should the log of tutor/learner contact correlate to the claim for tutor costs?

A Yes. Where the total costs claimed for tutor contact time exceed the total of tutor/learner contact logged then providers may have difficulty evidencing their distance-learning funding claim. Auditors may decide to evidence this by relating the total of the resources made available by the provider (for example, tutor timetabled availability) to the resources claimed, and not by any attempted bureaucratic reconciliation of individual logs for learners and tutors.

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

A Yes, but only as needed for good

educational practice. Evidence, as with all listed provision, will be needed of some actual tutor support for every learner for whom funding is being claimed.

Q Does the general guidance on out-of-area provision apply to distance learning?

A Yes. The LSC provides a budget to local offices primarily for the education of learners in their own area. The LSC is not concerned about very small numbers of out-of-area learners, but all significant or material provision delivered out of area should be discussed and agreed with the local LSC as part of the planning dialogue. The LSC regards provision as higher risk where it is delivered outside either your own or a neighbouring local LSC area.

Q Why have some NVQs still not been given a listed rate?

A The LSC is committed to listing as many qualifications as possible but some qualifications have such a wide variety of delivered GLH that an agreed listed value cannot be calculated.

Q When assessing the 'reasonableness' of funding claims, will auditors take details of the costing pro-forma individually to compare with actual costs, or will they look at the overall figures?

A The LSC is interested in the overall funding position first and the detail second. If the overall distance learning costs are reasonable there should be no need to go down to any detail in audit or to look to change the funding being claimed.

Additional Learning Support

43 During the course of previous ISR and ILR audits a small number of providers experienced difficulties in providing the necessary audit evidence to support their Additional Learning Support (ALS) claims. Providers are reminded that additional support should not be used to claim general college

overhead costs. For example the general cost of lighting, heating and running college buildings should not be included within additional support claims. The LSC does not expect colleges to divide up their buildings so some part of their building is solely devoted to additional support and thus argue their costs can be included within additional support claims. Additional support is intended to cover non-recurring costs directly associated with the additional learning needs of learners.

Standard class size for small class additional learning support

44 During the course of the audits in 2001/02 and 2002/03, the LSC has received several queries relating to the calculation of ALS for small-group activity. In the calculation, the actual planned small-group size has to be compared with the standard class size in the college.

45 The LSC confirms that the standard class size should be calculated using the following method:

- An average class size is found from register or other data based on the number of fundable learners attending. This is intended to exclude learners who withdraw before the first census and other learners who do not qualify for Council funding.
- The classes considered should exclude basic skills in literacy and numeracy and in English for Speakers of Other Languages (ESOL) as the funding rates for these learning aims effectively include an ALS element for small-class delivery.
- If the average class size cannot be found by this method, then a value of 14 should be used, as this is the average for all further education institutions.

Previous Further Education Funding Council (FEFC) Franchising Guidance Not Incorporated into ILR Audit Guidance 2002/03

46 The guidance given below is only that which is included in previous FEFC circulars and not re-produced in LSC guidance. As a result of providing this guidance, there is now no need for providers to refer to old FEFC guidance for the delivery of provision in 2003/04.

47 Paragraph 266 of *Funding Guidance for Further education in 2003/04* gives exemption from the discount for provision, which is community-based, and normally within non-profit-making bodies. The definition of a non-profit-making body is any organisation, that is prohibited from making any payment or distribution to its members in money or in kind, other than any payment to reflect bona fide expenses, for example, a registered charity.

48 Institutions are reminded that a college awarded a grade 4 or 5 in leadership (formerly referred to by FEFC as governance), management or quality assurance should not enter into any new franchising contracts including any replacement of existing franchised provision without going into detailed discussions and with the written agreement with its local LSC.

Control criteria for franchised/partner assisted provision

49 For each franchise arrangement, a comprehensive contract must have been put in place before the commencement of the provision, and providers should take account of the guidance above on the content of the contract.

50 The control criteria require that governing bodies approve a generic contract for franchise provision. They may then delegate to the Principal the responsibility for ensuring that adequate scrutiny of individual contracts is undertaken.

51 The institution should have a written agreement, retained as auditable evidence, which confirms that the Council's funding has not displaced other funds and that there is no duplication of funding from another source for the provision.

Management and quality assurance

52 A partner organisation should report on an ongoing basis, to each partner college, whether it has entered into contracts with other colleges, and should commit to confirm the volume and value of those contracts. Colleges should be proactive in ensuring they receive such reports. The colleges should liaise to determine which of them holds the largest contract with the partner organisation, where size is defined by the total amount of cash delivered with the partner organisation. For these purposes colleges, should treat all companies or organisations that are in the same common ownership or control as one organisation, and should look carefully at any arrangements where a number of companies or organisations seem to share a similar ownership or control. Each institution should have a written agreement, retained as auditable evidence, which confirms that the Council's funding has not displaced other funds and that there is no duplication of funding from another source for the provision.

53 The college with the largest contract shall be regarded by the LSC as having lead responsibility for the provision. In the event that all contracts made by one partner organisation are of a similar size in terms of the amount of cash, it is expected that the college with the longest-standing relationship with the partner organisation shall take lead responsibility. The responsibilities of the lead college include co-ordinating with the other colleges, by:

- initiating sample checks, either directly or through external auditors, to confirm that the provision exists and is consistent with expectations of the college and of the students undertaking the programmes;

- undertaking visits (some of which will be unannounced) to ensure that the provision is taking place;
- checking that the provision is recorded consistently by the partner organisation, in that the number and characteristics of the students accord with the colleges; and
- confirming that arrangements are in place to ensure that there should be no risk of double-funding and that conflicting approaches to control and quality assurance arrangements are minimised.

Summary

54 The LSC substantially re-wrote the ILR audit guidance for 2002/03, and hopes providers will find it helpful to use the same document for 2003/04. New advice will be produced for 2004/05 to take account of the changes being brought about by plan-led funding for most FE providers.

Addendum on Distance Learning

(this is reproduced at the end of Annex K for quick reference)

Guidance for Providers and local LSCs on Completing The Data Collection Form for Load-banded Learning Aims Delivered by Distance Learning*

Introduction

1 The Distributed and Electronic Learning Group (DELG) recommended to the LSC in 2002 that funding should be mode-free. The interim tariff for distance learning provision ("the 14 multiplier") will therefore be replaced from 2003/04.

2 Providers who deliver learning aims with a listed funding rate by distance learning will usually claim the listed rate. Providers who consider the listed funded rate does not adequately reflect their costs of delivery may chose one of the other options for funding but the provision will then be audited in accordance with the chosen funding option.

3. Providers who deliver learning aims funded through the loadbands will be able to choose between three methods of determining the funding rate to be claimed. In each method the funding rate claimed must be agreed between the provider and local LSC prior to commencing the provision. A completed "Agreement Form" will be the only acceptable evidence of this agreement.

Option (i): The LSC will make available on its website the average number of GLH used to deliver a range of learning aims. This will be a weighted average of the GLH delivered to groups of learners and the enhanced GLH (eGLH) delivered by distance learning. Providers can use this average value to identify the appropriate loadband and claim this rate for their provision.

- Therefore if the average GLH for a specific learning aim totalled 84, this would fit into the 60-89 loadband with a national base rate of £352.

Option (ii): The Qualifications and Curriculum Authority (QCA) will make available on its website the recommended number of GLH for new qualifications approved for inclusion on the National Qualifications Framework. Providers will be able to use this figure to identify the appropriate loadband and related national base rate.

- Over time, these qualifications will be included in the LSC's information, as data on the actual number of GLH used to deliver the learning aims is collected through ILR returns.

Option (iii): Complete the Data Collection Form. It is anticipated that providers will only need to complete the costing form where:

- they are delivering less-well-known learning aims that are not included in either set of data provided by the LSC or QCA; and
- they believe the costs they necessarily incur in the delivery of the learning aims by distance learning are greater than the funding identified through the methods described above.

4 Whichever method is used to determine the funding rate, the figure which is agreed between the provider and the local LSC should be one of the national base rate (NBR) figures included in the table of load-banded values (page 58 of the *Funding Guidance for Further Education in 2003/04*).

- In Option (i), it will be the NBR for the loadband related to the average GLH figure.
- In Option (ii), it will be the NBR for the loadband in which the QCA-recommended GLH lies.
- In Option (iii), it will be the NBR nearest to the recommended funding rate from the Data Collection Form.

Information required on the form

5 The recommended funded rate should be for the whole course, irrespective of how long it takes to deliver. LSC software will automatically apportion the funding rate over the number of tri-annual periods used to deliver the course.

6 In estimating the costs necessarily incurred in the delivery of the distance-learning programme, providers should exclude any funding uplifts in their calculations. For example, providers should discount from their calculations the impact of area costs, specialist college factor, and programme weighting. This is to allow the nearest estimation of the national base rate to be made. LSC software will apply the required funding uplifts from data provided in providers' ILR returns.

7 The Data Collection Form has been designed to be comprehensive and to meet the needs of a wide range of providers. Therefore providers may not need to complete every line of the form. Local LSCs, through dialogue with providers, will need to be reassured that all costs are necessarily incurred in the delivery of the learning aim by distance learning.

8 The LSC recognises that providers may approach Section B of the Data Collection Form in different ways. Over time it may be possible to identify standard percentage uplifts for the indirect and overhead costs related to distance learning. Until then, providers should use the information in the following paragraph when they complete Section B.

9 The indirect and overhead costs requested in Section B relate to the provision of the distance-learning provision and providers should not include apportioned costs related to premises usage, for example. Providers should include in this section only those costs that can be clearly evidenced to be necessarily incurred in providing the programme.

10 For distance-learning provision that is delivered by a franchise partner, the LSC expects that the costs included on the Data Collection Form should be related to the franchise partner. In this case, the costs of managing franchise provision in the college could be apportioned in Section B.

Suggestions for tests of reasonableness

11 The best scenario for agreeing funding rates is where the local LSC and provider have built up a mutual trust based on the provider's demonstrated quality, value for money, degree to which provision meets skills needs, and ability to hit targets.

12 Tests of reasonableness are a useful way of verifying the acceptability of the case made. They provide a 'rule of thumb' against which judgements can be made, but are no substitute for in-depth knowledge of how the provider operates.

13 Any of the examples listed below could provide a test of reasonableness.

- a Compile a summary sheet of all distance learning delivered by the provider, and estimate the number of staff needed to operate the provision. Can the provider evidence that it employs this number of staff?
- b Use the number of learners and information on case loading to estimate the number of staff needed to deliver the learning aim. Does the provider employ this number of staff for this function?
- c Calculate the amount of the group based activity and one-to-one activity.

Multiply the one-to-one activity by 14 and then add this to the group based activity. The resulting number of GLH should not be very different from the recommended funded rate.

- d Estimate the ratio between group-based activity and one-to-one activity. Is the mix of group work and distance-learning activity reflected in the recommended rate?
- e If the recommended rate derived from the costing data and/or the GLH data on the websites is greater than the historical level of funding, local LSC need to:
 - scrutinise the costing data to ensure reasonableness; and
 - explore the history and rationale of the programme for justification of the costs.

Quality issues

14 Last but not least, the local LSC will need to be reassured that the learner is receiving a good deal. Thus, the local LSC will want to explore certain areas with the provider that include, but are not restricted to, the following:

- Why is the course delivered by distance learning?
- How is quality monitored and assessed? This could include data on retention and achievement rates, and feedback from previous students.

Notes

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