

Funding Guidance for Further Education in 2003/04

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Further information

For further information, please contact the appropriate Learning and Skills Council local office. Please refer to Annex M for a list of local offices.

Executive Summary

Date: February 2003

Subject: Funding Guidance for Further Education in 2003/04

Intended recipients: Principals, chief executives, chief education officers, heads of institutions, finance directors and management information officers of further education establishments

Status: For information

- a. This document sets out the Learning and Skills Council's approach to and the authoritative guidance for the funding of further education in 2003/04. All institutions and organisations that receive funding from the Learning and Skills Council for the provision of further education are required to comply with the Guidance. It provides the Learning and Skills Council's consolidated funding guidance for further education in 2003/04.
- b. In setting out the approach for 2003/04, the Learning and Skills Council seeks to establish strategic, long-term and mature relationships with colleges and other institutions with an emphasis on mutual trust and openness. Institutions and the Learning and Skills Council will need to develop a strong partnership approach to ensure local learner needs are met.
- c. Included within this document are:
 - I. a description of the funding formula;
 - II. the confirmed national rates;
 - III. definitions of programme and learner eligibility; and
 - IV. the funding planning and budgeting process.

d. The document is set out as follows:

Section 1 provides an introduction to the document and gives a summary of the funding formula. It provides details of the Secretary of State for Education and Skills' priorities for 2003/04 and gives a summary of the Learning and Skills Council's decisions in relation to funding for this year. The overarching funding principles and parameters for the Learning and Skills Council, colleges and other institutions are also described.

Section 2 provides definitions of key terms used in subsequent parts of this document.

Section 3 covers key aspects of the national rates and related issues, including the application of the formula, weightings and uplifts.

Section 4 addresses learner and programme eligibility.

Section 5 reviews the types of institution that receive further education funding and the arrangements under which this funding is received.

Section 6 covers the Learning and Skills Council's approach to planning and budgeting, including baselines, growth and the funding allocations process.

Associated Audit Guidance

The Learning and Skills Council's funding audit guidance for 2003/04 is scheduled to be published in summer 2003.

Funding Guidance for Further Education in 2003/04

Section 1: Introduction and Background

1 This document (the Guidance) provides the Learning and Skills Council's (LSC's) funding guidance for further education (FE) in 2003/04. All institutions and organisations which receive funding from the LSC for the provision of FE are required to comply with the Guidance. It covers policy areas similar to those in *Funding Guidance for Further Education 2002/03*.

2 The information given in this document provides details of the LSC's approach to funding FE in 2003/04. The Guidance will operate in the wider policy contexts of *Success for All* and *Trust in FE* and the implementation strategies that will develop from the consultation process taking place in February, March and April 2003.

Funding Priorities and Parameters for 2003/04

Secretary of State's priorities

3 The Government's priorities for FE for 2003/04 were set out in the grant letter of 5 December 2002 from the Secretary of State for Education and Skills (the Secretary of State) to the chairman of the Council.

4 The high level objectives that the Secretary of State has set out for the Council are to:

- encourage young people to remain in learning and increase their attainment;

- increase demand for learning, and achievement of skills and qualifications by adults;
- maximise the contribution of education and training to economic performance; and
- raise standards in teaching and learning, and ensure equality of opportunity for all.

5 In addition, priority activities were identified in the following areas:

- to ensure that the sector develops the capability to play a full part in the delivery of a more coherent phase of learning for 14-19 year olds;
- drive forward the implementation of *Success for All*, the strategy for driving up standards in FE and training; and
- engage with employers nationally, regionally and locally, working in partnership with Sector Skills Councils (SSCs) and Regional Development Agencies (RDAs).

6 The Secretary of State has, to reflect these priorities, specified the following key targets:

- "By 2010, 90% of young people by age 22 will have participated in a full-time programme fitting them for entry into higher education or skilled employment.
- By 2004, increase by 3% points the number of 19 year olds achieving a qualification equivalent to NVQ level 2, compared to 2002; with a further

increase of 3% points by 2006.

- Increase the proportion of 19 year olds achieving a level 3 qualification to 55% in 2004.
- Improve the literacy and numeracy skills of 1.5 million adults and young people by 2007.
- Reduce by at least 40% the number of adults without a level 2 qualification by 2010, with one million adults currently in the workforce achieving level 2 standard between 2003 and 2006.
- Following consultation, set challenging targets for minimum performance and value for money in FE colleges and other providers."

Policy Developments and Council Response

Success for All

7 The Department for Education and Skills (DfES) published its strategies for reform and investment in the post-16 learning and skills sector in *Success for All: reforming further education and training* in November 2002. The key themes in *Success for All* are:

Theme 1: Improving choice and responsiveness in each local area;

Theme 2: Prioritising teaching and learning;

Theme 3: Developing leaders, teachers, lecturers, trainers and support staff; and

Theme 4: Developing a framework for quality and success.

8 The LSC is developing, in consultation with the learning and skills sector, the implementation strategies to deliver the policies described in *Success for All*. For example, the LSC has published proposals for creating a framework for quality and success

(theme 4) through new planning, funding and accountability approaches in *Success for All - Implementation of the framework for quality and success* (January 2003) as part of a consultation process to be conducted during Spring 2003. This Guidance will operate in the developing context of *Success for All* in 2003/04.

Bureaucracy Task Force

9 The Bureaucracy Task Force (BTF) has, under the leadership of Sir George Sweeney, considered the issue of unnecessary bureaucracy in FE colleges. The report of the BTF, *Trust in the Future* (November 2002) identifies how the LSC should address the issue of bureaucracy in FE colleges. The LSC's initial response to *Trust in the Future* was given in a pamphlet, *Trust in FE*, also published in November 2002. Both documents are available from the LSC's website (www.lsc.gov.uk).

10 The LSC will be working to develop and implement anti-bureaucracy strategies during 2003 and beyond. For example, the consultation document *Success for All - Implementation of the framework for quality and success* (January 2003) includes a description of how trust relationships will be developed with colleges in 2003. The guidance will operate within the broader context of the anti-bureaucracy agenda, to which the LSC is fully committed.

11 During 2003, the LSC will be reviewing its approach to funding in order to simplify the methodology. This will involve consultation with the sector at an early stage and the outcomes of this will inform funding policy for 2004/05, and the relevant guidance due to be published in early 2004.

12 Sir George Sweeney will also be leading a second task force in 2003, that will look at the bureaucracy issues facing other providers, including adult education institutions, work based learning providers and adult and community learning providers. Bureaucracy issues in respect of school sixth forms will continue to be addressed by the DfES through

existing structures. The findings of this second task force are also likely to impact on funding policy in the relevant areas from 2003 and beyond.

13 The LSC will also be considering during 2003 how funding approaches for further and higher institutions could be harmonised in order to reduce the bureaucracy levels for colleges and other providers who are funded by the LSC and the Higher Education Funding Council for England (HEFCE).

Council Funding Group

14 The Council, at its July 2002 meeting, decided to establish a Council Funding Group (CFG) to focus on funding issues and report back on these in full to the Council. The CFG has met regularly since September 2002 and is due to make its final report to the Council in September 2003. The emerging policy contexts of *Success for All* and *Trust in the Future* have informed the CFG's work which is focusing particularly on simplifying the Council's funding approaches and developing entitlements to learning for particular target groups. Early consultation on the emerging themes of the CFG's work is planned to commence in late Spring 2003, the outcomes of which will inform the final recommendations to be made to the full Council in September 2003. The CFG, at an early stage of its work, developed broad values and principles which were presented to the full Council in December 2002. These values and principles are set out in paragraphs 15 to 16 of the main document.

Values

15 The LSC's mission statement is underpinned by certain implied values which guide and inform its decisions and actions.

16 These values are:

- **Accessibility and choice** of appropriate learning opportunities (for students and employers).

- **Inclusiveness** of learning opportunities (appropriate support for learners, the equality agenda and a strong culture of learning).
- **Employability** focus (including responsiveness to employers, economic and government agenda).
- **Quality** of learning experience (enhancing quality, maintaining standards).
- **Effectiveness and efficiency** in the use of (scarce) resources.

Principles of Funding Learning

17 The mission and values provide the framework within which the principles of funding learning may be inferred. Thus the funding methodology should:

- i. be transparent, simple and stable;
- ii. deliver comparable funding for similar learning in similar circumstances as a part of the harmonisation agenda;
- iii. allow mediation at national and local level within and between demand (students and employers) and supply (providers);
- iv. define the relationship between the funding contributions of the individual, employer and the state beyond a publicly funded entitlement;
- v. be linked strategically to investment in infrastructure, and allow intervention to address market failure; and
- vi. minimise bureaucracy consistent with the need for public accountability.

Funding Parameters in the FE Context

18 The LSC seeks to establish strategic, long-term and mature relationships with colleges and other institutions with an emphasis on mutual trust and openness. Institutions and the LSC will need to develop a strong partnership approach leading to greater integration of local and institutional planning to ensure local learner needs are met. Within this framework, the LSC will seek to follow the funding priorities stated in paragraphs 3 to 6. The LSC will expect institutions to have regard to the corresponding funding parameters as described in paragraph 21 overleaf.

19 In providing funding to colleges and other institutions, the LSC will seek to ensure the following parameters are adhered to:

- a) Meeting learner needs by:
 - i. prioritising funding for provision that meets local needs and targets set out in the local strategic plan;
 - ii. reflecting national priorities such as achieving the level 2 and level 3 qualification targets, improving basic skills levels, widening participation, promoting social inclusion, the entitlement to education and training for 16-18 year old learners;
 - iii. promoting the need to address unmet demand; and
 - iv. ensuring an appropriate balance between qualifications and other provision is maintained which reflects learner demands, local needs and national priorities.
- b) Funding learners by:
 - i. ensuring that funding follows the learner;
 - ii. promoting quality improvements in retention and achievement;

- iii. having in most cases a direct relationship with the provider so that there is usually only one intermediary between the LSC and the learner, with the possibility of one level of sub-contracting, where this can add value; and
- iv. ensuring franchising focuses on local partnerships which add value, with more distant or national arrangements operating only where a clear rationale exists.

c) Funding provision by:

- i. reflecting the directly incurred costs of efficiently delivered provision (with an appropriate contribution to overheads) within the national funding framework and rates;
- ii. establishing policy frameworks which will enable funding to reflect the volume of provision delivered to learners; and
- iii. reviewing the national funding rates periodically.

20 In claiming funding, colleges and other institutions are expected to follow the principles described below.

a) Meeting learner needs by:

- i. giving priority to the needs of the local area, with reference to the local LSC's annual statement of learning and skills needs;
- ii. taking account of the annual statement of priorities for the development of local provision as embodied in the local LSC's strategic plan and business plan;
- iii. seeking to address unmet local needs and to include previously non-engaged, disadvantaged and basic skills learners;

- iv. maintaining a balance between qualifications and other provision which is appropriate to local needs and national priorities; and
 - v. expecting to provide for at least the same number of learners with learning difficulties and/or disabilities as in the previous year and to provide for the additional learning support needs of learners.
- b) Planning provision by:
- i. avoiding unnecessary competition by encouraging strong communication links and a collaborative approach with other providers and stakeholders;
 - ii. ensuring that partnership arrangements should be based on a sound rationale which results in tangible benefits for learners;
 - iii. discussing new, potentially significant or unusual provision (including provision identified by the LSC as carrying significant risk) with the local LSC before delivery commences; and
 - iv. ensuring that planned provision for which LSC funding will be sought does not represent a substitution or displacement of pre-existing activity which has been funded from other sources.
- c) Claiming funding by:
- i. seeking and claiming funding at national rates to reflect the costs of delivery and ensure multiple funding for provision is not claimed;
 - ii. ensuring that duplication of provision in a learner's programme of study is avoided and, where this occurs due to an overlap in learning aim content, adjusting the funding claimed to reflect the degree of overlap;
 - iii. considering glh as the key driver of costs incurred when determining the level of funding claimed; and
 - iv. discussing with the local LSC what funding should be claimed in circumstances where the calculation of funding to be claimed results in a level of funding which is clearly well in excess of the costs incurred (for example, in relation to some distance learning provision).

Key Changes for 2003/04

21 The introduction of the current funding formula in 2002/03 represented a considerable level of change for the FE sector. In 2003/04 significant policy developments resulting from the work of the BTF and *Success for All* will represent considerable shifts for the FE sector at a macro level. The LSC has therefore sought to minimise changes to the detail of the funding approach for 2003/04. Work will continue in 2003 through the CFG to address the recommendation of the BTF that the LSC's funding approach should be reviewed and simplified and this will inform the funding methodology from 2004/05.

22 Vertical lines in the right hand margin of the document indicate where the text has been changed from *Funding Guidance for Further Education in 2002/03*. In some cases, the text has been moved rather than altered. In addition, paragraph numbers have changed throughout the document and some terms have been abbreviated and figures used for numbers rather than words. The word Council has been replaced by LSC where appropriate. Significant changes from 2002/03 are listed overleaf:

Developing policy context

- impacts of policy developments relating to *Success for All* and *Trust in the Future*;
- the values and principles of funding developed by Council Funding Group are included; and
- approach to recovery of funds to be informed by outcomes of the *Success for All* consultation (paragraph 331).

Basic skills

- clarification of the LSC's approach to defining and funding basic skills;
- extension of eligibility of short programmes in basic skills to part time 16-18 year old learners (see paragraph 139); and
- external candidates taking approved basic skills qualifications.

Eligibility and fees issues

- extension of eligibility to receive learner support funds to 16-18 year old asylum seekers;
- eligibility for funding of qualifications falling outside of approval (see paragraph 241 in the main document); and
- if fees are charged for a learning aim approach or exceed 75% of the national rate, the guidance on full cost recovery courses should be followed.

16-18 learners

- expectation that 16-18 year old learners will be engaged in studying approved qualifications (see paragraph 238);
- limitations on funding externally certificated other provision for 16 -18 year olds (outside the entitlement element);
- expectations of key skills component of entitlement (see Annex D, paragraph 18); and

- rate for 16-18 entitlement increased due to incorporation of the Special Grant (see Annex D, paragraph 16).

Distance delivery

- policy context of distributed and electronic learning (DEL) and blended learning as a result of the Distributed and Electronic Learning Group; and
- changes to the planning and funding approaches and expectations for DEL (see paragraphs 226-228 in the main document and Annex F).

Planning and budgeting

- timescales and approaches to planning and budgeting (Section 6); and
- priorities for funding including other provision (paragraphs 245, 307-323).

European social fund

- detailed guidance on the LSC's approach to traditional European Social Fund (ESF) projects where match funding from the LSC is sought.

National rates for 2003/04

23 Details of the changes to the national rates for 2003/04, as recommended by the National Rates Advisory Group (NRAG), are detailed in Section 3 and Annex D. In summary, the key changes are:

- new funding rates for both disadvantage and area costs will be introduced over a two-year period;
- for distributed and electronic learning (DEL), the current 'interim tariff' which uses the multiplier of 14 will no longer apply;
- the unintended benefits of uplifting the actual cost of ALS costs by the area costs uplifts and/or the specialist college factor, where these apply, will be removed;
- the programme weightings for music performance, music history,

agricultural and horticultural engineering, and veterinary services will be changed;

- the funding for Advanced Vocational Certificate of Education (AVCE) 3 unit awards and the International Baccalaureate will be changed; and
- consolidation of separate streams of funding into national base rates.

The Funding Formula for 2003/04

24 Circular 01/13, *Post 16 Funding Arrangements for 2002/03*, (October 2001) provided details of the new national funding formula and specifically how this formula would apply to FE in 2002/03.

25 The remainder of this section reiterates the application of the national funding formula to FE in 2003/04.

Applying the formula to further education

26 The stages of applying the formula in FE are as follows:

- national base rate** - reflecting the length of the learning aim and the basic cost of delivery. The national base rate includes:
 - assumed fee income** - 25% of the unweighted national base rate will be met through assumed fee income, reflecting tuition fees paid by the learner to the provider. If the learner is eligible for fee remission, there will be no reduction in the unweighted national base rate;
 - achievement** - 10% of the weighted national base rate, uplifted where appropriate for disadvantage and area costs, which is conditional on the learner achieving in accordance with the LSC's funding guidance. The achievement element is not, therefore, additional funding; it forms a part of the national rate payable for a particular learning aim;

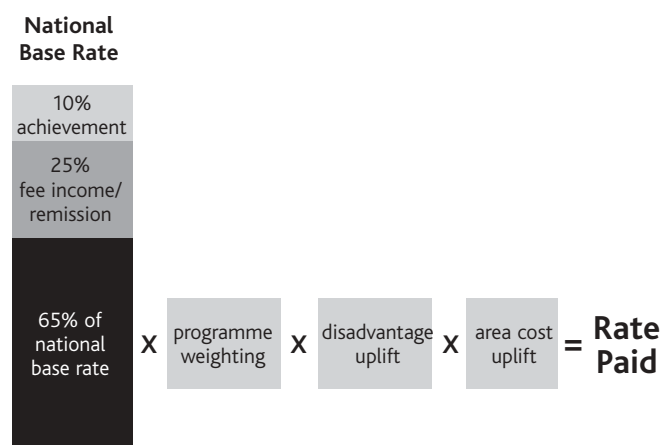
b. **programme weighting** - reflecting that some learning aims of similar length or leading to an equivalent qualification but in different programme areas are more costly to deliver than others, for example engineering provision is more costly than business administration;

c. **disadvantage** - an uplift supporting the policy intention and reflecting the costs of widening participation and also reflecting that some learners come from backgrounds which have disadvantaged them; and

d. **area costs** - a weighting factor reflecting the significantly higher costs of delivering provision in London and related areas.

27 Diagram 1 illustrates the key elements of the funding formula:

Diagram 1 Key elements of the funding formula



28 Where a learner is expected to pay tuition fees, a reduction will be made in the rate paid which is equal to 25% of the national base rate (without weighting or uplift). It should be noted that the proportion of each element (excluding the achievement element) in the rate paid will vary depending on the weighting and uplifts applied.

Examples 1 and 2 illustrate how the proportions vary. Further details of each element of the formula are provided in Section 3

Example 1: Edexcel National Award with a programme weight of D.

rate paid = £3,648

Fee income/remission	Core Funding	Achievement
£570	£2713	£365
(16% of rate paid: 25% of national base rate)	(74%)	(10%)

Example 2: Load banded provision of 130glh with a programme weight of B.

rate paid = £727

Fee income/remission	Core Funding	Achievement
£162	£492	£73
(22% of rate paid: 25% of national base rate)	(68%)	(10%)

Section 2: Definitions

Introduction

29 This section provides detailed definitions of some of the key terms used in this Guidance. Further definitions of terms, phrases and acronyms used in the document are provided in the glossary.

Learner Definitions

Learner eligibility

30 The LSC will consider as eligible for funding any person who meets the criteria under paragraphs 181 to 188 in Section 4 of this guidance. In addition to learners listed in these paragraphs the LSC will consider other exceptional circumstances. If an institution believes a learner should be considered for funding under exceptional circumstances, they should contact their local LSC.

Full-time learner

31 The definition of a full-time learner is a learner enrolled on a programme of at least 450 glh in any 12-month period. This 450glh would include the glh associated within the 16-18 entitlement (assumed by the LSC to be 180 glh a year). This definition includes learners that withdraw after a census date. Funding calculations continue to be on a per period basis. Institutions with learners aged 16-18 who study programmes of fewer than 450 glh that are equivalent to two AS/A2 levels plus the entitlement may seek approval from their local LSC for those learners to be considered full-time on an exceptional basis.

32 In respect of Curriculum 2000, institutions should note that Ministers expect full-time programmes for 16-18 year-olds to be substantially greater than the minimum threshold level, and that learners will engage in a broader curriculum experience.

Part-time learner

33 A learner engaged in a programme which is less than 450 glh in any 12-month period is regarded as a part-time learner. Specific guidance relating to such learners who are claiming job seekers' allowance is given in Annex I.

Learner profile full-time equivalents

34 For the purposes of monitoring learner numbers, and in the context of three year funding agreements (see Circular 03/01, *Success for All - Implementation of the framework for quality and success*), the definition for full-time equivalent (FTE) learners will be learner profile FTEs.

35 A learner studying a programme of 450 or more planned glh in a funding year will count as one FTE.

36 A learner studying a programme of less than 450 glh in a funding year will be converted to a fraction of one FTE by dividing the planned glh of the learner's programme by 450.

16-18 year-old learner

Monitoring

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

Funding

38 In relation to eligibility for the level of funding available for 16-18 year old learners, a wider definition is used. For funding purposes a 16-18 year-old learner aged 16, 17 or 18 on 31 August in the calendar year when the learner begins a programme of study. This wider definition ensures that the funding of

16-18 year-old learners does not change during an individual's programme if they become 19 years old. Such learners, if full time, may be funded for the 16-18 entitlement. They do not have to pay tuition fees if they become 19 during their programme and institutions may continue to claim fee remission.

Adult learner

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

Learner fees/remission

Assumed fee income

40 There is an expectation that, where appropriate, learners (or their employers) will make a contribution to the costs of delivering their programme through the payment of tuition fees or a contribution towards the programme costs to the provider. This assumed fee income will, where relevant, be reflected in a reduction of the funding payable for the programme by 25% of the unweighted national base rate.

Fee remission

41 Certain categories of learners are not expected to pay tuition fees and in such cases the full national base rate will be paid. The categories of learners who are entitled to fee remission are:

- 16-18 year-olds. The Secretary of State does not expect tuition fees to be charged to full-time or part-time 16-18 year-old learners;
- unemployed learners in receipt of Jobseekers' Allowance;

- those in receipt of income-based benefits (formerly means tested benefits, the main categories being Council tax benefit, housing benefit, income support and income-based Jobseekers' Allowance);
- learners who are the unwaged dependants (as defined by the Benefits Agency) of those listed above;
- learners taking programmes where the learning aim is basic skills;
- learners who are asylum seekers in receipt of the equivalent of income based benefit (assistance under the terms of the *1999 Immigration and Asylum Act*) and their dependants; and
- certain learners participating in LSC-funded projects where identified in the project specification.

Disadvantage uplift

42 The purpose of the disadvantage uplift is to ensure that certain learners attract a funding enhancement, which reflects their relative disadvantage and the expected additional costs incurred by institutions in attracting and retaining such learners. Further details on changes in this area from 2003/04 are given in paragraphs 97 to 98 of this Guidance.

Learners eligible for the disadvantage uplift

43 The disadvantage uplift is applicable to certain groups of learners, including those living in deprived areas and basic skills learners.

44 The following groups of learners are eligible for the disadvantage uplift factor of 11% (this is the mid point of the 10% used in 2002/03 and the NRAG recommendation that an uplift of 12% should be implemented in stages during 2003/04 and 2004/05):

- basic skills learners;
- people living in deprived areas (based on wards - 11% uplift on average);

- people living in hostels and residential centres;
- people with mental health problems;
- travellers;
- people whose statutory education has been interrupted;
- people in or who have recently left care;
- asylum seekers;
- refugees;
- ex-offenders;
- full-time carers;
- people recovering from alcohol or drug dependency; and
- Single Regeneration Budget (SRB) funded learners.

45 People who fall into one of the following groups are not automatically eligible for a disadvantage uplift, unless they meet one of the criteria outlined above:

- the long-term unemployed;
- single parents;
- those living in areas of rural deprivation or isolation;
- residents of former coalfields taskforce areas; and
- learners enrolled on ESF funded provision.

46 Providers should note that the connection between the disadvantage uplift and learners enrolled on ESF-funded provision has been discontinued. This applies to both co-financed and traditional ESF projects and reflects the changes implemented by the LSC in relation to ESF.

47 The disadvantage uplift factor for those living in deprived areas is based on the postcodes of home addresses to identify areas of disadvantage. These are measured using the

Index of Multiple Deprivation 2000 which is used widely as the best measure of disadvantage. Institutions will need to determine their own procedures for identifying learners whose disadvantage uplift factor is not determined by postcodes.

48 An updated file of postcodes with disadvantage factors will be available on the LSC's website (www.lscdata.gov.uk/data/wideningparticipation.html)

49 During the year an institution will be in the best position to identify whether new postcodes have appeared in areas it normally recruits from. For most institutions, it is unlikely that they will be significantly affected. If an institution does find a significant number of learners quoting new postcodes, as an interim measure the institution is advised to compare the uplift factors, if any, of adjoining postcodes, and take the predominant one. The annual updating of postcode information should then remove the need for this temporary estimation before the final claim is made.

50 Where learners automatically qualify for the disadvantage uplift, for example in the case of basic skills learners, postcodes are not used.

Homeless learners

51 A higher disadvantage uplift of 13% (this is the mid point of the 12% used in 2002/03 and the NRAG recommendation of 14% to be implemented in stages during 2003/04 and 2004/05) may be claimed for the following individuals:

- people living in supported accommodation (see paragraph 52) provided by a registered social landlord (RSL) or housing association (HA) registered with the Housing Corporation, or provided by another non-profit-making organisation in a building owned by an RSL or HA;
- people living in supported

accommodation provided by a registered charity; and

- people living in supported accommodation registered with the local authority or National Housing Federation.

52 “Supported accommodation” means Foyers, hostels and other forms of managed accommodation providing housing management support to the residents.

53 The disadvantage uplift for homeless learners is 13% in total.

Provision Definitions

Learning aim

54 A learning aim is defined as a single element of learning, which attracts a national base rate of funding at either a listed value or a loadbanded value reflecting glh.

Learning programme

55 A learning programme is defined as all of a learner’s activities which involve the use of the resources of the institution at which the learner is enrolled. AS and A2 levels taken in subsequent years are considered to constitute a single learning programme. A learning programme may be composed of one or several learning aims.

Guided learning hour

56 Guided learning hours (glh) are defined as all times when a member of staff is present to give specific guidance towards the learning aim being studied on a programme. This includes lectures, tutorials, and supervised study in, for example, open learning centres and learning workshops. It also includes time spent by staff assessing learners’ achievements, for example in the assessment of competence for NVQs. It does not include time spent by staff in the day-to-day marking of assignments or homework where the learner is not present. It does not include hours where supervision or assistance is of a general nature and is not specific to the study of the learners.

Learning Provision

57 The *Learning and Skills Act 2000* recognises two types of learning provision. These are:

- approved qualifications - these are learning aims which lead to qualifications approved by the Secretary of State under Section 96 and Section 97 of the *Learning and Skills Act 2000*. In this Guidance, ‘qualifications’ refers to approved qualifications; and
- other provision - these are learning aims which do not lead to qualifications as defined above.

58 Further details are provided in Section 4, paragraphs 236 to 244.

Tri-annual periods

59 Funding is calculated using three periods per year, known as tri-annual periods. These are :

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

Start period

60 The start period for a learner is the first tri-annual period in which an institution can claim funding for that learner. It is determined by the date on which the learner’s learning programme begins and ends. Further details of how start dates relate to start periods are given in Annex L.

Census dates

61 Census dates are used to determine whether funding is claimable in a tri-annual period. The census dates are:

- 1 October;
- 1 February; and
- 15 May.

Section 3: Rates Elements of The National Base Rates

Introduction

62 The funding rates for individual learning aims enable each institution to determine the total amount of funding that may be earned for each learner enrolled at the institution. The key elements of the funding rates are described in Section 1 and in summary are:

- the national base rate incorporating core funding, the assumed fee element and achievement. Core funding is a proportion of the national base rate paid for a learning aim and represents 65% of the national base rate before programme weighting, disadvantage or area uplift have been applied;
- programme weighting;
- disadvantage uplift; and
- area costs uplift.

63 In addition to the funding formula indicated above, there will continue to be additional learning support (ALS) funding to meet the individual requirements of learners with additional learning needs (see paragraphs 104 and 107 for further details).

64 The national base rates in 2003/04 have been increased by 10%. This increase in the FE rates, in addition to the recommendations made by the NRAG, takes into account a 2.5% increase for inflation and the additional 2% increase announced in *Success for All*. Funds for the teachers' pay initiative (TPI) and aspects of the Standards Fund have also been consolidated into the funding rates. Funding rates have been increased by 3.5% for this element. There is an additional 2% to offset increased contributions to the teachers' pension scheme.

65 The 10% increase in the national base rates in 2003/04 is, therefore, made up of:

- newly allocated funding; and
- consolidation of funding that previously flowed through separate initiatives of TPI and the continuing professional development (CPD) element of the Standards Fund.

66 The consolidation of previously separate funding into the national rates was recommended by the BTF (*Trust in the Future* page 29) in order to reduce audit requirements and to give greater influence and control of the funding to frontline managers. The distribution of consolidated funds (now part of the national rates) will be influenced by volumes and patterns of provision and not by the criteria previously used to determine the distribution of the separate funded initiatives. This is an unavoidable consequence of consolidation and institutions can expect their 'share' of the consolidated funds to change in 2003/04 as a result. However, the newly allocated funds represent 6.5% of the overall increase. The LSC will ensure, through increased monthly payments where necessary, that the 6.5% increase in FE rates will be made available to all FE institutions in 2003/04. Further information is available in an information sheet, *Question and Answer: The Consolidated Element of Funding Rates*, see (www.lsc.gov.uk/news_docs/Funding-Rates_QAs.doc).

Impact of the New Approach

Multiple learning aims

67 Where learners take multiple learning aims, the overall funding associated with the total learning programme is likely to increase under the new formula as the "incorporated" entry element of funding is included in each national base rate.

68 The LSC is aware that there is a potentially perverse incentive for institutions to artificially split learning aims into multiple learning aims in order to gain additional funding. Any artificial splitting of learning aims in order to gain funding must be avoided and

this will be identified as a high risk area for external audit purposes for 2003/04.

Pre-entry advice and guidance

69 The LSC considers that it is essential that learners have access to clear and full information on the costs of programmes before enrolment.

70 The funding for each learner's programme is still based on the principle that learners are provided with pre-entry advice and guidance. Such advice and guidance is crucial if the learning programme is to match a learner's aspirations, expectations and abilities. Institutions should not claim separate funding for a learning aim which represents provision typically forming part of pre-entry advice and guidance or induction activities.

71 The successful outcome of pre-entry advice and guidance is a learning agreement signed on behalf of the institution and by the learner. Whilst recognising that different types of learners may require different approaches to advice and guidance, the learning agreement should provide confirmation that the following broad areas have been covered:

- implications of the choice of learning programme;
- entry requirements for each learning aim within the learning programme;
- an assessment of the suitability of the learning programme;
- support for the learner; and
- a brief description of the nature of the procedures involved in the process of advice and guidance.

72 The additional costs of specialised assessments of learners with learning difficulties and/or disabilities should be included in the ALS costs form (see Annex C).

Fees and fee remission

Fee remission

73 Fee remission is applicable to all 16-18 year old learners, including those on part-time programmes, and continues to be available for adult learners who meet specified criteria (see paragraph 41). Where fees are remitted for the learners who meet these criteria, the institution should not charge the learner. In these cases the full national base rate will be payable with the achievement element dependent on whether or not the learner achieves (see paragraphs 82 to 88).

74 Where a learner's learning aim is a basic skills qualification, this automatically attracts full fee remission. In addition the learner should not be charged for any other aspect relating to their basic skills learning aim. If the learner wishes to undertake an additional learning aim which is not basic skills, fee remission may not be claimed for the additional learning aim unless the learner is otherwise eligible for fee remission (see paragraph 41).

75 A learner in receipt of an eligible benefit on enrolment shall be eligible for fee remission for the whole of the academic year. If a learner becomes eligible for tuition fee remission during the academic year, the institution can claim tuition fee remission from the next census date until the end of the academic year and the individual learner record (ILR) should be amended accordingly.

76 It remains the responsibility of the institution to establish eligibility for tuition fee remission at the start of each academic year for learners who are starting and learners who are continuing their studies.

Assumed fee income

77 Where fee remission does not apply, 25% of the national base rate for the learning aim, before weighting or uplift, is deducted from the funding available. This proportion of funding represents the assumed fee income.

This approach is an extension of the assumptions pre-incorporation when the Council of Local Education Authorities (CLEA) recommended fee rates which were maintained in the FEFC methodology. In the case of dedicated employer-based provision, the FEFC changed this assumption to 50% from 1998/99 onwards and this will continue to apply.

Tuition fees

78 Institutions are able to set the levels of fees charged to learners. The local LSC will monitor fee levels through the provider review process, to ensure that variations do not adversely affect provision in the area. Where institutions do charge more than 25% as tuition fees, they will be able to retain the full amount charged. If the tuition fees charged approach or exceed 75% of the national rate, institutions need to consult the guidance on full cost recovery courses in paragraph 330.

79 The LSC's funding approach makes the assumption that all learners, (other than those eligible for fee remission, including learners aged 16-18), are charged a tuition fee as a contribution. Where institutions do not charge fees, the full national base rate may be claimed where the LSC's fee remission criteria apply and this is appropriately evidenced.

80 The requirement to remit tuition fees for 16-18 year olds applies to provision funded through the formula described in this Guidance. There are well-established arrangements where providers of work-based learning (WBL) for young people (for example, foundation and advanced modern apprenticeships) establish agreements for colleges to deliver aspects of the provision, such as qualifications that form part of a modern apprenticeship framework. In these circumstances, the provider agrees a funding transfer to the college. These arrangements are not affected by the requirements relating to tuition fees for 16-18 year old learners. Colleges may continue to receive funding from WBL providers for the services they provide for learners. Additional LSC funding may not be claimed for this provision (see paragraph 244).

Other fees for 16-18 year- old learners

81 No compulsory enrolment, registration or examination fees can be charged to students aged 16-18 in full-time or part-time education (see paragraph 281).

Achievement funding

82 Achievement funding of 10% of the weighted national rate for the learning aim may be claimed for successful certificated completion of qualifications (including basic skills qualifications).

83 Achievement funding may also be claimed for 16-18 year- old learners achieving key skills qualifications that are part of the learners' entitlement.

84 Achievement funding may also be claimed for other provision in the following circumstances:

- higher level vocational learning aims;
- other basic skills learning aims referenced to the national standards;
- externally certificated other provision; and
- institution certificate of achievement as specified in the learner's learning agreement (including provision for learners with learning difficulties and/or disabilities).

85 Achievement funding may not be claimed for other provision that does not lead to certification of attainment.

Partial achievements of whole qualifications

86 Where qualifications and externally certificated provision are not fully achieved, an appropriate proportion of the achievement funding can be claimed if a learner has achieved at least one of the credits or modules towards the final award.

87 For example, if an advanced vocational certificate of education (AVCE) has a maximum of 12 credits/modules/units and a learner achieves 5 of these, the eligible achievement funding would be 5/12 of the total funding available for achievement.

88 Achievement, whether partial or full, should be claimed at the end of each learning aim.

National Rates Advisory Group Research in 2002

89 The National Rates Advisory Group (NRAG) undertakes research as necessary to enable it to make properly informed judgements. In 2001 and 2002, the NRAG commissioned a series of research projects on the following;

- a review of programme weightings (PricewaterhouseCoopers);
- a review of the transition to LSC funding for work-based learning provision including consideration of programme weightings (SCALE Consultants);
- area costs and sparsity (Frontier Economics); and
- the cost of disadvantage (Robson Rhodes, Ben Johnson Hill Associates and Critical Thinking).

Copies of the final reports of these studies are posted on the LSC's website at www.lsc.gov.uk.

90 Steering panels consisting of members of the NRAG and practitioners were established for each research project. Final reports were received at the September 2002 meeting of the NRAG. Proposals contained in these reports were modelled for affordability and options based on the outcomes were shared with focus groups representing FE, WBL and schools sixth forms during November 2002. The outcomes were also shared with a focus group representing adult and community learning in January 2003.

91 The recommendations that the NRAG makes to the Chief Executive of the LSC are determined by the outcomes of the focus groups and the full meetings of the NRAG. They are also influenced by affordability and do not necessarily reflect the views expressed in the report presented by the research consultants.

Programme weighting factors

92 Programme weightings recognise that some programmes are more costly to deliver than others. There are six programme weightings (Table 1).

Table 1 Adjusted programme weighting factors

Category	Programme weightings
A	1
B	1.2
C	1.3
D	1.6
E	1.72
Basic Skills	1.4

93 The NRAG commissioned research from PricewaterhouseCoopers (PwC) on the relative costs of provision in different curriculum areas. PwC's report recommended a number of amendments to the programme weightings. The NRAG recommended that some of these changes to the programme weightings should be implemented in 2003/04. This follows advice from the subgroups of the NRAG and consultation groups that were held with representatives of each sector.

94 The following changes in programme weightings will apply from August 2003:

- Music Performance (learndirect classification LH) is increased from 1.3 to 1.72;
- Music History (LF) is decreased from 1.3 to 1.12; and
- Agricultural and Horticultural Engineering (SK) and Veterinary

Services (SN) are increased from 1.3 to 1.6.

Specialist institution factor

95 The 10% uplift for specialist colleges will continue in 2003/04. The issue was considered by the NRAG which recommended that further work be commissioned. The factor applies to FE institutions only. The HEFCE operates a similar scheme for specialist institutions in the HE sector. There has been no agreement to provide reciprocal arrangements between FE and HE.

96 A specialist institution is defined as either an agricultural and horticultural college, or an art and design and performing arts college, or an institution with both of the following: 70% of the total provision is in one or two programme areas and 40% of the total provision in programme weightings C, D or E. The position of any new or merged institution in relation to the specialist college factor will be reviewed on the basis of its pattern of provision as described above.

Disadvantage uplift

97 The national base rate, after application of the relevant programme weighting, is multiplied by the appropriate disadvantage uplift factor for the individual learner to generate the funding claimed (see paragraphs 42 to 50 for the definition and further details).

98 Under the formula the disadvantage uplift is applied to the national base rate uplifted by the programme weighting. The NRAG has recommended that the funding for disadvantage should be:

- based on the Index of Multiple Deprivation 2000, replacing the current index based on 1992 data;
- increased with increases phased over two years; and
- based on a new index of deprivation using 2001 census data when this becomes available.

Index of Multiple Deprivation

99 The Index of Multiple Deprivation 2000 (IMD 2000) is the most recently available index. It gives a value of relative deprivation for every ward in the country and is widely used in Government. It is based on:

- income (25%);
- employment (25%);
- health deprivation and disability (15%);
- education, skills and training (15%);
- housing (10%); and
- geographical access to services (10%).

100 In summary, it shows an overall reduction in the level of disadvantage for England compared with the 1992 index but a widening gap between more disadvantaged and more prosperous areas.

101 The result of introducing the IMD 2000 and additional funding for disadvantage is to increase funds for most institutions. However, the change in the pattern of disadvantage reflected in the IMD 2000 compared with 1991 data will result in reductions for some institutions. Revised ward and postcode data details will be posted on the LSC's website in early Spring 2003.

102 The increased disadvantage uplift will mean that:

- funding for learners living in the 15% most deprived wards of the country will be increased for disadvantage;
- the funding uplift for these learners range from 8% to 24% dependent on the level of deprivation recorded in IMD 2000 this compares with a range from 5% to 20% in 2002/03;
- the uplift for learners studying basic skills will be increased from 10% to 12% over two years as will the uplift for other learners in the categories specified in paragraph 44, so will be 11% in 2003/04;

- the uplift for homeless learners will be increased from 12% to 14%. This increase will be phased in over two years so will be 13% in 2003/04; and
- the new funding will be introduced over two years, and the mid point of the 2002/03 and the NRAG recommended values will be used in 2003/04.

Non-formula consideration

103 The NRAG considered the case made in the research reports for some non-formula distribution of disadvantage funds to encourage engagement of new learners. It noted the reservations expressed in the consultation groups about this approach. Taking account of these considerations, and likely restrictions on funds, the NRAG recommends that this option should not be pursued at this stage. The NRAG will consider the issue further in its ongoing work.

Area costs uplift

104 The NRAG commissioned research by Frontier Economics to consider the effects of area on costs of provision. Whilst the overall conclusions of the research into area costs showed some variations in relative cost in areas outside London and the South East, there was a clearly marked difference between London and the South East and the rest of England. The area cost uplifts proposed by Frontier Economics have been scaled down by the LSC to ensure they are affordable within current budget allocations. The recommended area cost uplifts are set out in Table 2. The area uplifts for 2004/05 are the full effects. In 2003/04 the area uplifts will be the midpoint between the 2002/03 value and the full effect value. A detailed breakdown of each region is provided in Annex E.

Table 2 Area cost factors

Local LSC Region and Districts	Area Uplifts		
	2002/03	2003/04	2004/05
London A	12%	16%	20%
	18%	19%	
Berkshire (fringe and non-fringe)	0%	6%	6%
	3%	7.5%	
Crawley	3%	7.5%	12%
London B	6%	9%	12%
	12%	12%	
Surrey	3%	7.5%	12%
Buckinghamshire fringe	3%	6.5%	10%
Hertfordshire fringe	3%	6.5%	10%
Buckinghamshire non-fringe	0%	3.5%	7%
Oxfordshire	0%	3.5%	7%
Essex fringe	3%	4.5%	6%
Kent fringe	3%	4.5%	6%
Bedfordshire	0%	1.5%	3%
Hertfordshire non-fringe	0%	1.5%	3%
Hampshire	0%	1%	2%
West Sussex non-fringe	0%	0.5%	1%
Rest of England	0%	0%	0%

105 In the light of affordability considerations the NRAG recommended that the uplift changes be phased in over two years. For 2003/04 institutions will receive half the change implied by the recommendations. No institution will receive a lower uplift than at present.

106 The NRAG also recommended that area costs should be reviewed in three years' time, with a view to implementing changes in 2006/07.

Additional learning support

107 The approach to claiming funding for ALS needs in FE in 2003/04 will be unchanged from 2002/03. The LSC originally intended to introduce new arrangements for the post-16 sector from 2003/04. However, both the second stage consultation exercise which took place between September and November 2002 and the parallel cost study undertaken by the Learning and Skills Development Agency (LSDA) have highlighted some significant issues which need to be explored during 2003/04.

108 The LSC will be testing some alternative approaches to funding ALS with a number of providers during 2003/04 with a view to implementing new arrangements from 2004/05.

109 Further details of the funding arrangements for 2003/04, together with an indication of the outcomes of the second stage consultation and the LSDA cost study are provided at Annex C.

110 There is a change in 2003/04 in that the specialist college factor and area cost uplift will no longer apply to ALS. This is to overcome the anomaly where the actual costs of ALS are already included in the funding claimed and do not require further uplift. This change will also be applied to the cost calculations used in the funding of loadbanded learning aims delivered by distributed and electronic learning (DEL).

Calculating Funding

Listed national base rates

111 The national rates for generic individually listed learning aims are set out in Annex A. The full national funding rate is shown for each programme weighting factor. The assumed fee income is shown separately. The rate payable where learners do not attract fee remission is the national rate less the assumed fee income.

112 The values for individually listed learning aims are available for a learner who completes the aim irrespective of the time taken to complete the programme. The same rate is payable irrespective of the duration of the learning aim.

113 The national rates for other listed learning aims may be found in the learning aims database.

Loadbanded learning aims

114 The values available for learning aims that are not individually listed are determined by assigning the learning aim to a loadband based on the expected glh for the learning aim. Each learning aim is considered separately.

115 The values of national rates available for the loadbands in 2003/04 are set out in Annex A. Some NVQs remain in the loadbands and the learning aims database can be used to identify these.

Calculating loadband rates

116 To determine the rate payable for a particular learning aim which is not individually listed, the institution should:

- determine the total expected glh for the learning aim. This is the number of hours initially planned to deliver the learning aim, and will be recorded in the learning agreement;
- refer to Annex A to determine which band the glh for the learning aim falls into; and

- refer to the appropriate programme weighting column to derive the weighted national base rate.

117 This method does not apply to DEL which is described separately in Annex F.

118 Particular guidance applies to large loadbanded learning aims with durations of more than one year. That is, for those delivered over more than three funding periods at a rate of 450 glh or more a year. In such cases, the appropriate loadband for the maximum glh delivered in any one academic year should be used. Where glh in an academic year do not reach the maximum, the funding claimed should be reduced pro rata.

Example 1

A learning aim of 1,200 glh is delivered over two funding years. This is 200 glh per funding period, or 600 glh per year. The learning aim is funded at the 600-629 glh loadband rate in each year.

Example 2

A learning aim of 800 glh is delivered in five tri-annual periods over three academic years, starting in April 2004 and finishing in December 2005. In each funding period, 160 glh are delivered, giving a maximum of 480 glh in the year when delivery over three tri-annual periods takes place. The appropriate loadband to be used with this learning aim is, therefore, the 480-509 glh loadband. In 2003/04, the one tri-annual period delivered is funded at one third of the 480-509 glh loadband rate. In 2004/05, when three tri-annual periods are delivered, the learning aim is funded at the whole of the 480-509 glh rate. In 2005/06, the one tri-annual period is funded at one third of the 480-509 glh rate.

Loadbands and basic skills

119 For 2003/04 the national rates for basic skills provision are given in Annex A. Programmes delivered between 450 and 659 glh per year continue to be based on the previous listed rate. Programmes delivered

in 660glh or more are funded through the loadbands.

120 Where a learner completes multiple basic skills learning aims for which the total glh is 450 or more, separate claims should be made for each learning aim. A manual adjustment to the ILR will be needed to claim the full amount of eligible funding.

Loadbands and Independent Living Skills

121 In 2003/04 independent living skills programmes delivered between 450 and 719 glh will be funded at a national base rate of £2,633. Programmes of 720 glh or more will be funded through the loadbands.

122 Where a learner completes multiple learning aims in 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 will be needed to claim the full amount of eligible funding.

Funding and tri-annual periods

123 Funding is earned by an institution for each tri-annual period wholly or partly completed by a learner.

124 A learner is deemed to have wholly or partly completed a period where:

- the learner is enrolled at and attending the institution on the census day for the period; and
- the learner's programme began and finished between any two census dates and has not withdrawn.

125 In this case, the learner is deemed to have wholly or partly attended one period only, even where their programme actually spans two tri-annual periods.

Withdrawal

126 Learners who have withdrawn from a programme by the census date should not be counted as wholly or partly completing that period. A learner should be considered to have

withdrawn from a programme of study where he or she is known to have made a decision to withdraw from the programme of study, or to transfer from a full-time to a part-time programme, or from a part-time to a full-time programme. In addition learners should be considered to have withdrawn where they have not attended classes for at least four continuous weeks, excluding holidays (unless there is auditable evidence of an intention to return).

127 These provisions apply also to distance learning, as described in Annex F.

128 The withdrawal date is the last date of actual attendance, or the last contact date for distance learning programmes.

129 Particular care should be taken to monitor withdrawals in flexible open learning and in distance learning provision.

Withdrawals from short programmes

130 For learning aims which are 12 weeks or less in duration, if a learner remains on the learning aim for at least half of the total learning aim length, this will attract the relevant national rate for the learning aim (with achievement dependent on whether the learner achieves or not). If the learner withdraws from the learning aim before the halfway point, no funding will be payable. This approach can be used with information held on the ILR, which includes the start date of each learning aim, the anticipated end date and the actual end date for each learner.

131 For programmes of one week planned duration or less, the learner must participate in the programme at least once after enrolment to be eligible for LSC funding.

132 The approach to withdrawals will not change in relation to learning aims which are longer than 12 weeks.

Funding taper

133 The LSC funds programmes on the basis of costs incurred. When a learner's programme comprises many individual learning aims there is evidence that the glh delivered do not increase in proportion to the funding available. In such cases there will be a proportional reduction in additional funding and an eventual cap on the level of funding which may be claimed for an individual learner. The funding taper starts to apply when a learner's programme is unusually large.

134 Institutions should note that the funding taper applies to both loadbanded and individually listed learning aims.

Learners and programmes affected by the taper

135 The funding taper limits the value of the national base rate for very large learning programmes.

136 The taper applies to:

- all funded learners; and
- all learning programmes except those where the local LSC has provided written authorisation to the institution that the taper should not apply.

Operation of the taper

137 The effects of the taper are calculated on national base rates, that is, before any programme weighting factor is applied and before any discount for franchising or increased fees assumption for dedicated employer provision is applied. The funding for 16-18 entitlement is not subject to the taper and for the purposes of calculating the effects of the taper it should be removed from the calculation. The taper applies to the national base rate funding that may be claimed for a learner studying a programme equivalent to five AS qualifications over one year, expressed on a tri-annual period basis. The taper will operate as follows:

- learner programmes funded at national base rates of up to and including £1,215 per tri-annual period will not be subject to the taper;
- learner programmes funded at base rates of above £1,215 per tri-annual period will be subject to a 50% discount rate for all national base rate funding above £1,215; and
- the maximum funded national base rate per tri-annual period that may be claimed, unless written authorisation as described above has been obtained, will be £1,337.

Non-application of the taper

138 Examples of programmes where the local LSC would consider not applying the taper would include:

- intensive programmes - where a full-time programme is accelerated to enable learners to complete in less than a year (i.e. across only one or two tri-annual periods) and the taper would unfairly limit funding; and
- programmes with high number of glh - often in practically based subjects and reflecting employment demands which provide high numbers of weekly glh and continue throughout the year.

139 If institutions believe certain learning programmes should be exempt from the taper, they should write to their local LSC before the programmes commence and provide details of:

- the learning programme, including each learning aim, the number of learners, the title, national qualification code, start date, end date, glh and the level of funding; and
- reasons why the institution considers the taper should not apply to the learning programme.

140 Where the local LSC agrees with the institution's view, written approval to make a manual adjustment to the ILR to remove

the effects of the taper will be issued.

Basic skills - Adult literacy, numeracy and language (ESOL)

Key priority

141 Improving the basic skills of the nation is a key priority for the Government and is reflected in the Secretary of State's remit letter to the LSC, which charges the LSC with the task of reaching the most disadvantaged people in our society and placing their interests and concerns at the heart of our provision.

142 The LSC has adopted the national target of ensuring 750,000 adults improve their literacy, numeracy or language (ESOL) skills by 2004, and sets out its commitment to this task both in the Corporate Plan and the LSC's delivery plan, *Improving Adult Literacy and Numeracy*.

143 The Secretary of State makes clear in the LSC's grant letter (5 December 2002) the expectation that the LSC will continue to work towards the existing 2004 target and will, in addition, take the lead in delivering the new target for 2007 to:

"improve the literacy and numeracy skills of 1.5 million adults and young people by 2007, in partnership with the Prison Service and JobCentre Plus".

144 The LSC expects each institution to give particular attention to ensuring its basic skills provision contributes to the LSC's target for this priority area.

Basic skills provision

145 In *Improving Adult Literacy, Language and Numeracy*, adult basic skills provision is defined as provision which caters for the literacy, language (English for speakers of other languages - ESOL) and numeracy needs of post-16 learners including those with learning difficulties or disabilities, from pre-entry level to level 2. In the context of basic skills, 'adult' refers to any learner over the age of 16 (that is, no longer in compulsory education), with no upper age limit. Basic skills covers the key skills

of communication and application of number up to level 2, whether delivered as stand alone provision or as part of a vocational programme or bolt-on learning aim, and whether delivered full-time, part-time or through self-study or ICT.

146 The national strategy for literacy and numeracy carries forward the approach adopted by the Government in the schools sector, where the literacy and numeracy strategy covers all aspects of these skills, including communications and mathematics. In this context, literacy and numeracy is the generic term for all related activity. Thus, the key skills of communication and application of number are included because these qualifications require learners to pass the national test before they can be awarded. For similar reasons, the definition extends to GCSE English and Mathematics which measure achievement up to level 2. The funding arrangements for basic skills provision are described in paragraphs 148 to 156.

147 Institutions should ensure that learners are enrolled on learning aims which are appropriate to their needs. For example, prior to enrolment onto basic skills learning aims, learners should have a demonstrable need for this provision, shown, for example by previous educational attainment or through initial and diagnostic assessment.

Charging basic skills learners

148 The LSC indicated in Circular 01/18, *Indicative Funding Rates for Further Education in 2002/03*, paragraph 4.9, its commitment to supporting Ministers' intentions that basic skills education should be free to the learner with no hidden costs passed on from providers. Institutions will, therefore, wish to ensure that basic skills learning aims do not involve any costs for learners. Such costs may include registration and examination fees, the costs of materials, and administrative charges.

Funding basic skills provision

149 The LSC's approach to funding basic skills is detailed in Circular 01/18, Section 4. The key

points are reproduced below.

150 In summary, the LSC's funding approach to basic skills learning aims in 2003/04 will include:

- ensuring that provision is free to the learner;
- paying the full national base rate for basic skills learning aims as these automatically attract fee remission;
- applying a programme weighting factor of at least 1.4 to basic skills learning aims to ensure that funding has increased in line with other funding rates; and
- basic skills learners will attract a disadvantage uplift of 11% (rising to 12% in 2004/05).

151 Basic skills provision will, therefore, be funded at a level which is more than 40% higher than learning aims of a comparable size in other curriculum areas (with a programme weighting factor of 1.0).

152 The LSC seeks to support Ministers' wishes to identify and recognise literacy, numeracy and ESOL achievements that count towards the national target. However, the LSC seeks also to fund provision in an appropriate manner which ensures that Ministers' priorities are fully supported with due regard to the effective use of public funds.

153 The LSC therefore makes a distinction between those basic skills learning aims that attract the uplift in funding and those that count towards the national target.

154 For funding purposes, the following provision will be funded as basic skills and will attract the relevant uplifts described in paragraph 150:

- learning aims leading to qualifications in literacy, numeracy and ESOL qualifications at entry level and levels 1 and 2;
- key skills qualifications in application of number and communication at

levels 1 and 2 for learners aged 19 and over and learners aged 16-18 who are following a part-time programme; and

- learning aims based on the national standards for basic skills as expressed in the national curricula for adult literacy, numeracy and ESOL, where these support learners in their progress towards nationally approved qualifications.

155 Qualifications which count towards the national target but will not be eligible for the basic skills uplifts are:

- key skills qualifications in communication and application

of number at levels 1 and 2 where these are delivered as part of the entitlement for full time 16-18 year old learners; and

- Partial achievement of the above qualifications, where this is achievement of the key skills external test. The external tests for key skills in Communication and Application of Number at levels 1 and 2 are the same tests as those for adult literacy at levels 1 and 2.
- GCSE in Mathematics and GCSE in English.

156 Table 3 provides a summary of the learning aims that count for different purposes:

Table 3 Funding basic skills – learning aims

Learning aims	Funded as Basic Skills	750,000 Target
Learning aims leading to approved (see note) literacy, numeracy and ESOL qualifications at entry level and levels 1 and 2	✓	✓
Key skills qualifications in application of number and communication at levels 1 and 2 for learners aged 19+ and for those learners aged 16-18 who are following a part-time programme	✓	✓
Learning aims based on the national standards for basic skills in literacy, numeracy and ESOL	✓	✗
Key skills qualifications in communication and application of number at levels 1 and 2 where these are delivered as part of the entitlement for full-time 16-18 year-old learners	✗	✓
GCSE in Mathematics and GCSE in English	✗	✓

Notes to Table 3

'Approved qualifications' are those that are approved by the Secretary of State under Section 96 and Section 97 of the Learning and Skills Act 2000. Only entry qualifications at entry level 3 count towards the national target.

For ESOL qualifications, there is a further period of transition until 31 July 2004. During this period, all learners who achieve ESOL qualifications externally certificated by a national awarding body recognised by QCA, will count towards the target. Further guidance on the transition period for ESOL provision will be published separately.

Funded as basic skills: defined as basic skills for funding purposes, and the basic skills weighting, fee remission and disadvantage uplift apply.

750,000 target: learners who achieve in these categories count towards the target of 750,000 learners improving their basic skills by 2004. However, learners who achieve more than one qualification may be counted only once towards the target.

KEY: ✓ = applies ✗ = does not apply

157 Other learning aims which have, in previous years, been claimed by institutions as basic skills provision but which are not based on the national standards, ceased to be treated as basic skills provision from August 2002. They continue to be fundable but will not attract the uplifts associated with basic skills provision. This reflects Ministers' intentions that basic skills provision should reflect the national standards for adult literacy and numeracy and the framework established by the DfES and Qualifications and Curriculum Authority (QCA).

Basic skills delivered within the entitlement

158 The entitlement for full-time 16-18 year-old learners includes funding for appropriate key skills provision at level 1 and 2. It is not anticipated that funding additional to the entitlement will be claimed for full-time 16-18 year-olds in respect of basic skills at level 1 or 2.

Short learning aims for basic skills learners

159 The LSC recognises the need for basic skills provision to be offered with maximum flexibility if learners are to be engaged in this high priority area of provision. The short learning aims of 3 and 6 glh are, therefore, available to learners who are over 19 years old and those aged 16-18 who are following a part-time programme. This is intended to enable colleges and other institutions to provide attractive learning opportunities which will engage learners and will enable progression onto longer learning aims.

160 The learners referred to in paragraph 159 may be enrolled on one 3 glh taster or diagnostic programme in each of the basic skills (that is, literacy, numeracy, and ESOL). A learner may follow programmes of both 3 glh and 6 glh in adult basic skills provided that the institution can demonstrate that the two programmes have significantly different learning goals. For example, an institution might use a 3 glh programme as an extended period of diagnostic assessment for individuals

with adult basic skills needs (up to a maximum of one such assessment for each of the basic skills, that is, literacy, numeracy and ESOL).

161 After conducting the diagnostic assessment/s, one 6 glh programme in each of these areas may then be used to provide an intensive programme of tuition (to improve particular aspects of literacy, numeracy and/or ESOL). A combination of up to one 3 glh and one 6 glh programmes for each basic skill would be eligible for funding with the expectation that the learners would then progress on to a more substantial programme. Therefore, for each learner, up to 27 hours of short learning aim provision in relation to basic skills may be claimed (i.e. 3 x 3 glh + 3 x 6 glh).

Developing embedded basic skills (DEBS) project

162 In the *Funding Guidance for Further Education in 2002/03*, the LSC indicated an intention to explore a range of funding issues, including those relating to the delivery of embedded basic skills programmes.

163 The Developing Embedded Basic Skills (DEBS) project is an action research programme funded jointly by the LSC and the Adult Basic Skills Strategy Unit (ABSSU) in the DfES. The aims of the programme are to identify and evaluate models of delivery, determine key success factors for quality provision and consider a range of funding issues associated with this delivery. The project ran from July 2002 to March 2003 and the final report will inform future guidance on this issue.

External Candidates Taking Adult Literacy, Language and Numeracy Qualifications

164 The LSC in supporting the target of 750,000 adults improving their literacy, numeracy and language (ESOL) skills by 2004, and the subsequent target of 1.5 million learners by 2007, will fund external candidates wishing to undertake the external assessment for approved basic skills qualifications i.e. the QCA accredited certificates in Adult Literacy

and Numeracy at LSC funded FE institutions' assessment centres.

165 A £52 rate applies to every individual approved basic skills qualification for which an external candidate is proposing to enter (that is literacy, numeracy or ESOL) but is subject to the following conditions:

- the institution is an approved assessment centre for the basic skills qualification entered for by the external candidate;
- the external candidate is registering for an approved basic skills qualification (that is appearing on the current section 96/97 list of approved basic skills qualifications);
- the £52 is used by the provider on behalf of the external candidate to cover all the awarding body costs and other associated centre administration and management costs, and that no additional charge is made to the external candidate; and
- the institution will claim the £52 rate as a manual adjustment on their funding claims for 2003/04. This will be counted as part of an institutions' achievement of their funding allocation.

166 If the external candidate has no formal (that is externally accredited) qualification at the level and subject area (that is literacy, numeracy or ESOL) for which they are entering, then a successful outcome in the qualification will count towards the institution's basic skills achievement target. However, no additional achievement funding will be available in these instances since the external candidate will not have undertaken the associated learning programme with the institution.

167 An external candidate is defined as an individual who is not enrolled with the institution in the current funding year for any learning programme. External candidates may subsequently enrol with the institution for a further programme of study after taking the external assessment (the qualification), but the LSC does not expect institutions to regard learners recruited in the usual way as 'external candidates' before the commencement of their learning programme. However diagnostic assessment (as distinct from external assessment for a basic skills qualification) for new learners undertaking basic skills programmes is fundable as a 3 glh programme.

Distributed and electronic learning, and blended learning

168 Distributed and electronic learning (DEL) is the term the LSC uses to encompass those forms of learning delivery sometimes called:

- distance learning;
- on-line learning;
- electronic learning (e-learning);
- open learning; and
- flexible learning.

169 These approaches are normally contrasted with 'traditional' methods, typically:

- a group of learners starting and finishing together in time and at a particular physical location;
- a sequential series of study elements designed and organised by one or more lecturers; and
- lecturers are responsible for the transmission of knowledge through direct contact with learners using oral and written communication.

170 In practice, many programmes are a combination of any or all of the above learning delivery methods. These combinations are referred to as *blended learning*.

171 The funding for this type of provision has been revised for 2003/04 and is described in Annex F.

European Social Fund

172 The funding arrangements for non co-financed ESF projects are described in Annex I.

Learner support

173 FE learner support funds comprise three separate allocations to meet:

- childcare support costs for FE learners wherever they study;
- residential accommodation costs for FE learners who have to study away from home; and
- general access costs (living and learning) for FE learners studying in FE providers.

174 Learners on distance learning programmes are eligible for learner support and help may be given for the purchase of equipment or with travel or childcare needs in order to participate in face-to-face activities e.g. tutor support or opportunities for interaction with other learners.

175 These funds are distributed to colleges and other providers offering LSC funded FE learning aims so that they may provide financial help to learners whose access to, or completion of, education might be inhibited by financial considerations. Providers must have written policies for the disbursement of these funds, which are made widely available and which they are able to defend.

176 The timetable for the allocation of FE learner support funds will be similar to that for participation funds in order to allow institutions to integrate their planning of learning capacity and learner recruitment.

177 In order to inform learner support development and provide management data, colleges and other providers are requested to enter the categories of learner support

received by the learner in the 'learner support reason' field of the ILR. Failure to do so may result in the recovery of FE learner support allocations.

Learner support relating to Higher Education

178 HE students attending FE colleges and participating in learning aims directly funded by the HEFCE are not eligible for general FE learner support funds. These students are eligible for bursary and hardship funds currently administered by the DfES. HE students on franchised or partnership learning aims should apply for funding for associated living and learning costs from their franchiser or HE institution.

179 Students participating in learning aims of HE falling within paragraph 1(g) or 1(h) of Schedule 6 to the *Education Reform Act of 1998* will be eligible for FE learner support funds providing that the learning aims are funded by the LSC. Paragraph 1(g) covers learning aims in preparation for a professional examination at a higher level than Level 3 (that is, AVCE or AS/A2 level). Paragraph 1(h) covers learning aims providing education at a higher level than level 3 which may not involve preparation for an examination.

A to Z of Other Rates Considerations

180 A detailed A to Z description of rates in relation to specific learning aims is provided at Annex D.

Section 4: Eligibility Arrangements 2003/04

181 This section sets out the eligibility of learners and provision for LSC funding.

Learner eligibility for funding

Ordinary residence

182 The LSC has a duty to secure, in relation to England only, the provision of:

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

183 For funding purposes the LSC regards as ordinarily resident in a given country or region, any person who habitually, normally and lawfully resides from choice and for a settled purpose in that country. Temporary absences from the relevant area should be ignored. If someone has not been ordinarily resident because he or she, their parent or their spouse were working temporarily abroad, they will be treated as though they have been ordinarily resident in the relevant area.

Eligible learners

184 The following persons will be eligible for funding (these groups correspond to the groups listed in Education (Fees and Awards) Regulations, 1997 (the Regulations)), that is:

- a) a person who, on the relevant date, is 'settled' in the UK, and who has been ordinarily resident in the UK and Islands

(that is including the Channel Islands and the Isle of Man) for the three years preceding the relevant date (that is, the dates 1 September, 1 January or 1 April closest to the beginning of the first term of the person's learning aim), and whose main purpose for such residence was not to receive full-time education during any part of the three year period; 'settled' means having either indefinite leave to enter or remain (ILE/R) or having Right of Abode in the UK. British citizens and certain other citizens have the Right of Abode in the UK:

- i those who hold British Citizen passports;
 - ii British Dependent Territory Citizens (now known as British Overseas Territory Citizens);
 - iii those whose passports have been endorsed to show they have Right of Abode in the UK; and
 - iv those who have a certificate of naturalisation or registration as a British Citizen as defined in the Glossary.
- b) a national of any European Union (EU) country or the child of an EU national who has been ordinarily resident in the European Economic Area (EEA) for the three years preceding the 'relevant date', and whose main purpose for such residence was not to receive full-time education during any part of the three-year period. Spouses of EU nationals are not eligible unless they are eligible in their own right;
 - c) an EEA migrant worker or the spouse or child of an EEA migrant worker who has been ordinarily resident in the EEA for the three years preceding the 'relevant date' and whose main purpose for such residence was not to receive full-time education during any part of the three year period;

- d) anyone who is recognised as a refugee by the UK Government (granted Refugee Status) who has remained ordinarily resident in the UK and Islands since so recognised, or the spouse or child of such a refugee;
- e) anyone refused Refugee Status but who has been granted exceptional leave to enter or remain (ELE/R) by the UK Government and has remained ordinarily resident in the UK and Islands since so recognised, or the spouse or child of such a person; and
- f) learners studying under reciprocal exchange agreements.

185 In addition to the groups outlined above, the LSC will also consider the following groups of learners to be eligible for LSC funding:

- a) persons who have legally been living in England for the three years immediately preceding the start of the programme ignoring temporary absences. This does not include persons with time limited leave to remain as a student whose leave to remain does not extend to the expected end date of the proposed learning aim of study;
- b) asylum seekers and their dependants (those over 19 are not eligible for learner support funds) in receipt of:
 - i income based benefits;
 - ii or assistance under the terms of the Immigration and Asylum Act 1999 or the Children Act, 1989;
 - iii or financial assistance (subsistence payments) from the National Asylum Support Service (NASS); and
 - iv or in receipt of assistance under the National Assistance Act 1948;
- c) persons with exceptional leave to enter or remain, their spouses and children
- d) persons with recently settled status. This means those having been granted indefinite leave to enter or remain, Right

of Abode or British Citizenship within the three years immediately preceding the start of the course; and

- e) the spouse of a person with settled status, who has been both married, and resident in the UK, for one year.

186 In addition to the groups above, the LSC will also consider the following groups of 16-18 year old learners as eligible for funding:

- any unaccompanied asylum seekers aged 16-18 who are placed in the care of social services;
- 16-18 year olds accompanying parents who have the right of abode or leave to enter or remain in, the UK;
- 16-18 year old dependants of teachers coming to the UK on a teacher exchange scheme; and
- 16-18 year olds entering the UK (where not accompanied by their parents) who hold full British Citizen passports (but not British Overseas passports), or 16-18 year olds whose passports have been endorsed to show they have the Right of Abode in this country. (Holders of passports describing them as British Overseas Citizens have no automatic Right of Abode in the UK, nor do other non-EEA nationals).

187 Where a 16-18 year old is in the country only for a short stay, the practicality of providing a place needs to be considered; and it should be noted that from 2003/04 all LSC funded 16-18 learners are eligible for learner support funds.

188 In addition to learners in the categories listed in paragraphs 181 to 183 above, the LSC will consider other exceptional circumstances. Where an institution believes a learner should be considered for funding under exceptional circumstances, they should contact their local LSC.

Learners not eligible for LSC funding

189 For funding purposes the eligibility of the learner must be established at the start of their programme. If a learner is not eligible for LSC funding at the start of their programme, it is very unlikely that they would become eligible for funding during the period of their learning programme. Institutions should seek advice from local LSCs as necessary.

190 Overseas learners, whose main purpose for residence in the UK has been to attend a fee-paying school are not eligible for LSC funding.

191 LSC funding should not be claimed for learners attending short learning aims as visitors to England, including those studying for an externally accredited provision on the basis of full-cost recovery. Short learning aims are generally regarded as up to six weeks duration, where up to 30 hours a week are spent in guided learning. This includes, in particular, holiday or summer school learning aims and in particular English as a foreign language (EFL).

Learners from Wales and Scotland

192 Institutions are reminded that Wales and Scotland have their own funding arrangements. There may be exceptional circumstances where on occasions individual Scottish or Welsh learners may wish to travel to or reside in England to study where specialist provision is not offered locally. The LSC has reciprocal arrangements with the funding Councils for Wales and Scotland for institutions close to the borders. However, it is not expected that institutions in England will recruit entire groups of learners from outside their local area. Such learners should be referred to the possibility of a distance learning or Ufi programme delivered by their local institution or hub in Wales or Scotland. If the learning programme is not available through this route, permission to enrol the learners must be sought from the institution's local LSC.

Overseas learners

193 For funding purposes, a learner will be defined as an 'overseas' learner where they do not meet the criteria defining a 'home' learner as set out in paragraphs 181 to 184. Overseas learners are not eligible for LSC funding and the institution may wish to charge full-cost fees.

194 Institutions should ensure that they have at least one member of staff who is familiar with and able to advise the institution on the funding of learners from abroad. Where a learner is eligible for LSC funding, the appropriate level of fees should be charged. To avoid any inconsistency of approach, full-cost fees cannot be charged to a learner for whom LSC funding is also being claimed.

Study outside England

Learners in the Armed Forces, Ministry of Defence or Civil Service

195 The LSC recognises that British armed services personnel may wish to continue in education and training whilst serving their country. The LSC will fund eligible programmes of study for service personnel, Ministry of Defence (MOD) or civil servants, their spouses and dependants via a sector institution in the following circumstances:

- where the individual normally resides in other parts of the UK but is on a posting in England; and
- where an individual normally resides in England but is posted outside England as part of his or her work with the armed services. This includes cases where the individual begins a programme in England and is posted elsewhere while enrolled on this programme, and cases where the individual commences a programme while posted outside England. In both cases, the LSC will fund the programme to completion. It is expected that such provision will be made via distance learning or through Ufi, other than in exceptional

circumstances. Franchised delivery to members of the armed forces overseas will not be eligible for funding.

196 Learners of other nationalities serving in the British armed forces, for example Ghurkha soldiers posted in England, their spouses and dependants, should be considered eligible for funding for the duration of their posting in England.

Learners employed temporarily outside England

197 Where, as part of the requirements of employment, a person who is ordinarily resident in England, is required to work outside England for short periods that person, their spouse and dependants will be considered eligible for LSC funding providing the person continues to pay taxation in England. It is expected that such provision will be made via distance learning or through Ufi, other than in exceptional circumstances.

Periods of study outside England

198 The LSC recognises that learners who are eligible for funding as ordinary residents and are undertaking a substantial LSC-funded programme in England may, as part of this programme, spend a short period of time outside England. The LSC will consider such provision eligible for funding where this provides a minor but essential part of a qualification, which cannot be provided in England. Institutions seeking to make such provision should seek advice from their local LSC before entering into arrangements. An exception to this guidance will be made for learners serving in the armed forces (see paragraph 195).

Unforeseen events/special cases

199 The LSC will issue guidance in-year in response to directives from the DfES, which identify exceptional circumstances, which may result in additional groups of learners becoming eligible for funding.

200 Such guidance will be issued to local LSCs for forward transmission to institutions and posted on the LSC's website.

Age

201 As stated in the *Learning and Skills Act 2000*, the LSC has a duty for the provision of proper and reasonable facilities for education (other than HE), training and organised leisure time occupation connected with such education suitable to the requirements of persons who are above compulsory school age.

Learners of compulsory school age

202 There is a single date when young people can legally leave school, which is the last Friday in June for those people who have completed year 11. For the purposes of funding, 'under 16' means 'of compulsory school age.'

203 Where parents seek to enrol a young person of compulsory school age on a full-time programme, institutions are advised to involve the school and local education authority (LEA) in discussions as appropriate. Institutions are reminded that the education standard spending assessment settlement calculated for each LEA contains funds for each learner of compulsory school age in a maintained school, excluded from school, or educated 'otherwise'. In most cases an institution wishing to enrol a learner of compulsory school age should seek funding from the LEA or school if appropriate. Where an LEA declines to provide funds for a young person of compulsory school age at an institution and the LSC determines the circumstances are not exceptional and the institution wishes to enrol the young person, the institution may charge a fee.

Exceptional circumstances

204 The LSC may fund provision for learners of compulsory school age. The Secretary of State would expect the LSC to exercise its

power to secure provision for such learners only in exceptional circumstances. The learner numbers underlying the proposed grant to the LSC do not allow for any general expansion in the number of learners under 16. For the purposes of the funding agreement, 'under 16' means 'of compulsory school age'.

205 In exceptional circumstances the LSC will consider provision for learners of compulsory school age as eligible for LSC funding subject to the following:

- the provision must meet an individual learner's needs bearing in mind the learner's aptitude and ability, and the provision must be included on the Section 96 list as suitable for pre-16 as well as post-16 learners;
- it is not envisaged that groups of learners would be eligible for funding since, by inference, the circumstances are unlikely to be exceptional;
- where learners of compulsory school age enrol on basic skills summer schools programmes, the institution must obtain prior agreement from their local LSC; and
- persons of compulsory school age are not eligible for the 3 and 6 glh learning aim arrangements.

Learners enrolled in schools

206 Where a learner is enrolled in a school, but wishes to undertake a part-time learning aim outside school hours which is not connected with their full-time programme at school, for example by enrolling on an evening class, they will be eligible for LSC funding provided the learner is over compulsory school age. The LSC will not fund evening resit GCSE programmes at an FE institution for such learners.

207 The LSC will not fund learners who are enrolled full-time in a school and who wish to follow part of their programme in an FE institution during school hours. In such

circumstances, whatever the age of the learner, this provision should be treated as link provision, and the school is expected to meet the costs of this provision.

208 The LSC will separately fund a small number of special projects for 14-18 year-olds.

Groups of Learners

Higher Education learners

209 The LSC does not expect to fund FE qualifications or other programmes for groups of HE learners. The funding provided by the Higher Education Funding Council for England (HEFCE) for HE learners is intended to fund all of the learners' programmes. If, in order to gain their HE qualifications, a group of learners require, for example, key skills, additional tuition in mathematics or sports coaching awards, the LSC would normally expect this to be funded out of the resources provided by the HEFCE for the HE programme. Colleges and other providers are reminded that, as with the rest of this Guidance, this expectation applies to additional learndirect courses being taken by HE learners.

210 Responsibility for the funding of all prescribed HE formerly funded by the FEFC and of Higher National Certificates (HNCs) and Higher National Diplomas (HNDs) in FE institutions and the associated funding transferred to the HEFCE from August 1999.

211 The LSC may fund non-prescribed HE learning aims in LSC-funded institutions. Non-prescribed learning aims are those that fall outside the schedule of prescribed learning aims of HE as defined in the Education (Prescribed learning aims of Higher Education) (Wales) (Amendment) Regulations 1998. These higher level vocational learning aims are generally professional learning aims leading to accreditation by a professional body and do not include, for example, part-time certificates in HE. Changes in the volume and type of this provision should be considered by the local LSC in the context of local needs analyses.

212 The QCA is currently reviewing and accrediting qualifications in this area of provision.

Staff employed by an institution as learners

213 As part of their delivery plans linked to *Success for All*, institutions will be setting improvement targets for the acquisition of professional qualifications by teachers and lecturers. Some institutions may have the capacity to deliver such qualifications to their own staff. Where these qualifications are eligible for funding by the LSC, institutions may deliver the provision in the most appropriate way and claim funding accordingly.

214 For other types of provision staff employed by an institution may be funded on eligible programmes providing that attendance is outside their contracted working hours or that they are released for training and make the time up, or are replaced. It is not expected that the numbers of such enrolments will be significant. Institutions should retain appropriate audit evidence.

Persons detained by court order – resettlement of offenders

215 As part of Ministers' intention to improve arrangements for the resettlement of prisoners, the LSC will continue to work more closely with the Prison Service and other agencies to support learning and skills development in prisons and continuity of learning arrangements for prisoners on release.

216 The Prison Service will continue to have primary responsibility for the funding of prisoners' education and training whilst individuals are detained in custody – but local LSCs will have discretion where resources are not available within the Prison Service to fund or co-fund learning and development programmes in partnership with the Prison Service and others. The LSC has commissioned research by LSDA into the range of such activities undertaken by local LSCs and a report will be published in Autumn 2003.

217 The focus for the LSC will be to engage prisoners who are close to the end of their sentence in order to promote continuity of engagement in learning after release. The DfES anticipates that the day release programme will cover 600 prisoners in 2003/04. Vocational programmes at local colleges for those from participating prisons will be eligible for LSC funding. The Prisoners' Learning and Skills Unit will notify participating prisons, and their respective local LSCs of their allocation of places.

218 Some local LSCs are already involved with prisons or local networks to support prisoners and ex offenders; working with employers and/or voluntary bodies to develop prisons as a local resource of skilled staff, or working with government offices to secure ESF resources for resettlement initiatives to prepare prisoners for and on release.

Community punishment orders

219 Community Punishment Orders (CPOs) supervised by the Probation Service can incorporate education and training relevant to the needs of individual offenders and subject to the requirements of Probation Service national standards and guidance from the National Probation Directorate. There is no limit to the proportion of an order that can be used for education and training, although, in practice, the internal requirements of the Probation Service make it unlikely that the total of all ordered hours would be available for guided learning. This should be taken into account when planning a programme.

220 For 2003/04 CPO programmes will be eligible for funding subject to the following conditions.

- Where offenders are provided with additional resources, over and above that provided by the CPO, to enable them to follow a programme of education and training. The supervision for CPO is funded by the Probation Service.

- Where the provision is franchised, the institution must ensure that supervision and teaching staff are present. It is not acceptable for both functions to be delivered by the same person at the same time.

221 All cases should involve the employment of additional delivery staff, who would not have been present without LSC funding, whose contract is explicitly for the provision of glh.

222 Funding may be claimed for provision eligible for FE funding.

223 The LSC expects that the funding will be used to support active structured learning that meets the individual needs of offenders and that will improve their employability. The LSC recognises that the Probation Service and other agencies (for example, the Youth Justice Board) receive funding to address the behavioural and social needs of offenders. The LSC would normally expect to fund provision over and above this, which leads to a qualification or unit of a qualification within the national qualifications framework. In particular cases where 'other provision' may be more suitable to meet learners' needs, providers should retain evidence of the assessment procedure leading to the development of the learner's programme together with records, that demonstrate progress.

224 This guidance also applies to Guided Skills Learning within Enhanced Community Punishments which uses opportunities within Community Punishment work for offenders to learn employment related skills.

225 Colleges and other institutions seeking to develop provision with CPO providers for the first time should consult their local LSC at an early stage.

Enrolment at more than one LSC-funded institution

226 Whilst recognising that learners may occasionally enrol at more than one institution, groups of learners enrolled on a full-time programme at an institution should not be enrolled on part-time programmes at other institutions, especially through franchised provision. For example, it would not be appropriate for several learners enrolled on a full-time sports and leisure programme to be enrolled at another institution to do a first-aid or sports coaching qualification, especially through franchised provision. This could lead to an over-claim of funding.

Provision by health authorities or social services

227 The LSC's remit does not extend to funding types of provision for people with learning difficulties and/or disabilities that are the responsibility of other agencies such as health authorities and social services. Joint funding of integrated packages of learning and care, however, will continue to be appropriate in some circumstances. The LSC will encourage agencies to work together at local level to develop joint packages of funding for programmes and activities for individuals. Institutions should consult their local LSC when planning such provision.

Programme Eligibility for Funding

Introduction

228 This section sets out the general principles of programme eligibility and types of programmes that may be funded by the LSC.

229 Institutions are reminded that they should consider the eligibility of provision for LSC funding whilst planning provision and before enrolling learners. It is important when considering the eligibility of any provision that institutions work within the intention, the spirit and the framework of the funding guidance.

230 Where an institution intends to deliver any provision that is not clearly identifiable as within the implied terms of this Guidance, the institution should contact their local LSC and seek written clarification before proceeding and retain evidence of guidance given. This is especially important where growth in other provision and new and/or possibly contentious modes of delivery are involved. This would include delivery via the Internet, delivery in new partnership arrangements with third parties and provision funded through the approach described in Annex F, paragraphs 16 to 21 (the DEL costing approach).

231 Local LSCs are likely to wish to ensure that the needs of learners in the locality and travel-to-learn area are given the highest priority in terms of institutional planning and provision. Any planned new or increased provision that requires a costing approach described in Annex F paragraphs 16 to 21 or is out of area should be discussed with and agreed in advance by the local LSC. It is not intended that there will be any restriction on the delivery of provision to learners from other local LSC areas where, for example, this reflects travel-to-learn patterns.

232 The LSC takes the view that provision is likely to achieve the best results and be most useful to the learner where there is some form of face-to-face contact and opportunities for learners to interact with each other and for peer support are encouraged. Therefore it is expected that the learner would have access to a physical centre within a reasonable travelling distance. Due to the nature of distance learning and e-learning the LSC recognises that the learner would normally access this facility only occasionally and therefore may be prepared to travel a greater distance that would be reflected by normal 'travel-to-learn patterns'.

233 Institutions who deliver electronic and/or distance learning and wish to operate on a wider geographical basis, without necessarily providing access to a local support centre, will need to make the case to the local LSC that their provision satisfies at least one of the following criteria:

- It is specialist or unique provision with limited availability.
- It is of particularly high quality such as related to a Centre of Vocational Excellence (CoVE).
- It is innovative or part of a limited pilot project.

In formulating its response the local LSC will consider the position on a regional basis and will only agree to provision being delivered nationally in exceptional cases.

234 The LSC reserves the right to disallow funding claims for ineligible programmes. Institutions should note that the eligibility of provision is subject to review by external auditors and subsequently by the LSC.

235 Institutions are reminded that the learning aim database (LAD) at www.lscdata.gov.uk provides information about qualifications and other provision. It should not be used as the sole means of confirming the eligibility of learning aims for LSC funding.

Funding of provision

236 The LSC has powers to fund a wide range of provision. It will use its powers as flexibly as possible to enable colleges and other institutions to meet the targets set out in its Corporate Plan and local plans. However, Ministers emphasised in *Learning to Succeed* the expectation that the LSC "will give priority to learning aims that lead to nationally recognised qualifications and – more generally – to encourage learning towards recognised qualifications". This has been re-iterated in the LSC's 2003/04 Grant Letter in which the achievement of skills and qualifications by young people and adults remains a high level objective.

237 The LSC identifies two broad types of provision eligible for LSC funding:

- approved qualifications – these are learning aims which lead to qualifications approved by the Secretary of State under Section 96

and Section 97 of the *Learning and Skills Act 2000* (that is approved for inclusion within the national qualifications framework). A list of approved qualifications under Section 96 and Section 97 can be accessed on the DfES website: www.dfes.gov.uk/section96 and www.dfes.gov.uk/section97 respectively; and

- other provision – these are learning aims which do not lead to approved qualifications as defined above.

Approved qualifications

238 The LSC will fund all qualifications approved by the Secretary of State under Section 96, which are available to eligible learners of above compulsory school age and under 19.

239 The LSC will also fund qualifications approved by the Secretary of State under Section 97, which are available for eligible learners aged 19 and over. Individual units or modules of these qualifications are also eligible for LSC funding for adult learners (that is aged 19 and over) provided that unit certification is available from the awarding body.

240 Qualifications approved under Sections 96 and 97 are also included in the LSC's LAD. Newly approved qualifications will be added to this list as details become available but normally on a monthly basis.

Other provision

241 Provision which does not consist of approved qualifications (see paragraph 237) will be classified as other provision and will be eligible for funding apart from ineligible provision (see paragraph 249).

242 There are 3 main types of other provision available to all eligible learners over compulsory school age:

- a) learning aims that lead to external qualifications or external certificates

of attainment not approved by the Secretary of State (for example Quality Assurance Agency for HE (QAA)-validated Access to HE);

- b) learning aims that lead to internal qualifications or internal certificates of attainment (for example college certificated); and
- c) learning aims with attainment but with no certification (for example record of attendance only).

243 Ministers expect 16-18 year-old learners to engage in provision which leads to the achievement of approved qualifications. The DfES has clarified that for 16-18 year-old learners, Section 96 of the *Learning and Skills Act 2000* limits the LSC's powers to fund learning aims defined in category (a) Learning aims defined as category (a) are usually ineligible for funding in addition to the learner's main programme. However, it is permissible for institutions to deliver provision defined as category (a) within the entitlement curriculum for full time 16-18 year-old learners. The LSC does not expect to fund any growth for 16-18 year-old learners for category (a) provision outside the entitlement curriculum. In some cases, institutions may feel that the needs of particular groups of learners cannot be met through approved qualifications, and that non-approved external qualification provision offers the best curriculum opportunities for such learners. If institutions wish to continue to offer non-approved external qualifications to 16-18 year-old learners this should be discussed with their local LSC during the 2003/04 funding round. The national and local offices will continue to monitor closely activity in this area of provision in 2003/04.

244 For learners aged 19 and above, all 3 categories (a - c) are eligible for LSC funding. However, Section 97 prohibits the LSC from making any payments (see Section 97 paragraph (2)(a),(b) and (c);(5);(6);(7)) directly to awarding bodies (or outside agencies) in respect of learning aims defined in category

(a). In 2003/04 other provision will continue to include Access to Higher Education learning aims and higher-level vocational learning aims which have not been approved by the Secretary of State as qualifications. The latter are learning aims that fall outside the schedule of prescribed learning aims of HE as defined in the *Education (Prescribed learning aims of higher education) (Wales) (Amendment) Regulations 1998*. They are learning aims that are generally professional leading to accreditation by a professional body. Part-time certificates in HE are not included.

LSC funding priorities

245 The LSC regards the funding of qualifications as a key priority in order to meet its challenging basic skills, level 2 and level 3 targets. However, it is recognised that the funding of other provision is central to the LSC's aim of increasing demand for learning by adults, particularly in the areas of first rung provision, for example, at pre-entry level.

246 Local LSCs will wish to discuss with institutions the types and amount of other provision that will be funded. Institutions must discuss any plans to increase the volume of other provision with their local LSCs at an early stage. Local LSCs will need to be assured that:

- for 16-18 year-old learners the provision is eligible;
- there is no alternative appropriate provision available within the national qualifications framework;
- proposed growth in 'other' provision is not at the expense of approved qualifications; and
- there are no adverse implications for the achievement of local targets.

247 Institutions are reminded that unhelpful competition should be avoided. Such issues will be considered as part of the provider review process and local LSCs will discuss the outcomes of this with institutions.

Programmes for learners with learning difficulties and/or disabilities

248 The arrangements for other provision should ensure that all learners, including those with profound and complex needs, are able to access education and/or training. Programmes or elements of programmes specifically designed for learners with learning difficulties and/or disabilities are eligible for funding, under the heading of 'other provision' (programmes may also include approved qualifications or for those aged 19 or over, parts of qualifications). In order to include all learners and different types of provision and providers, the determining factors for funding eligibility should relate to the programme, its structure and its delivery.

Ineligible provision

249 The following provision is not eligible for LSC funding:

- a) new provision leading to external qualifications or externally certificated provision not approved by the Secretary of State for 16-18 year-old learners except when delivered as part of the entitlement curriculum (as specified in paragraph 243);
- b) qualifications falling out of approval. For 2003/04, the LSC will not generally fund any enrolments onto qualifications after the approval end date where suitable alternative approved qualifications are available. Any learner enrolment on to a course leading to an approved qualification should be either on or before the last date of approval of that qualification. In addition the course itself (that is the teaching and learning, and not just the learner induction) must have commenced before the approval end date. Under exceptional circumstances (that is where there are no suitable approved qualifications currently available) providers should consult their local LSCs to agree appropriate provision eligible for

funding which meets identified learner needs and local priorities. However, the LSC will fund continuing learners enrolled on programmes before the approval end date in order to enable them to complete. Institutions are reminded that where learners are enrolled onto a course leading to a qualification nearing the end of its approval, they are responsible for checking qualification availability, registration and certification dates with the awarding body;

- c) prescribed HE including:
 - learning aims for the further training of teachers or youth or community workers;
 - post graduate learning aim;
 - first degree learning aim;
 - learning aim for the Diploma in HE;
 - learning aim for the Certificate in Education;
 - learning aim for the HND or HNC;
 - learning aim for any diploma awarded by an HEI;
- d) provision funded under the following schemes which are fully funded separately:
 - Foundation and Advanced Modern Apprenticeships;
 - Entry to Employment (E2E) funded through work-based learning;
 - the Learning Gateway and all other training under the New Deal Options;
 - NVQ training funded through work-based learning;
- e) full cost recovery provision;
- f) company-specific knowledge learning aims;
- g) vendor certificated courses – unless they are approved qualifications or are

embedded within and contribute directly towards the generic learning required to achieve an approved qualification.

Examples of vendor certificates include those of information technology (IT) companies that are specific to those companies' own products and services. Therefore, learners following a national qualification in IT for example may use the learning associated with vendor's products in order to achieve their qualifications. Vendor certificated courses may form part of the enrichment activities included within 16-18 full time learners' entitlement;

- h) primary driving or piloting skills;
- i) inward collaborative provision; and
- j) any other learning aims that are considered to be fully funded from other sources.

Types of Delivery

Direct partnership provision

250 The LSC currently recognises two types of delivery arrangements for FE. These are direct provision totally delivered by the institution, and partnership provision, that is where one or more aspects of the learning programme are delivered in partnership with a third party. Partnership provision can be further sub-divided into direct partnership provision and franchising. The main distinction between these types of partnership provision is the employment of teaching staff.

251 Table 4 should help institutions to distinguish between direct provision, direct partnership provision and franchised provision. Institutions planning to work with new partners in 2003/04 need prior approval from the local LSC before enrolling any learners.

Table 4 Types of provision

Service provided	Direct provision <i>Direct (institution)</i>	Partnership provision <i>Direct with Partner x</i>	(Covers both x + y) <i>Franchised y</i>
Employer of teaching staff	Institution (may use a recognised employment/staffing agency or self-employed staff)	Institution (the institution may use a recognised employment/ staffing agency or self-employed staff)	Franchise through an employment relationship. See Annex B paragraph 8 of FEFC Circular 99/37
Venue, including lighting, heating, caretaking	Institution	Partner	Institution/franchisee
Facilities such as: computer hardware/software	Institution	Partner	Franchisee
Teaching and learning resources	Institution	Institution/Partner	Franchisee
Responsibility for quality and audit	Institution	Institution	Institution
Marketing	Institution	Institution/Partner	Institution/franchisee
Advice and guidance	Institution	Institution	Determined by institution and carried out by institution or franchisee
Enrolment procedures	Determined by institution and carried out by institution	Determined by institution and carried out by institution	Determined by institution and carried out by institution or franchisee
Teach learners	Institution	Institution	Franchisee
Teacher development	Institution	Institution	Institution/franchisee
Learner charter	Institution	Institution	Institution
Additional learning support	Institution	Institution	Provided by franchisee or access to institution support
Monitor the programmes – quality assurance and learner record sampling checks	Constant monitoring	Constant monitoring which may include scheduled and unannounced visits by the Institution	Constant monitoring including scheduled and unannounced visits by the Institution
Nature of contract	None	Based on resources provided rather than volume of provision	Based on volume of provision
Accreditation with awarding body	Institution	Institution	Institution (other than in exceptional circumstances)
Subject to franchising discount	No	No	Yes (other than in community based and widening-participation)

252 Institutions planning to work with new partners in 2003/04 need prior approval from the local LSC before enrolling any learners.

Direct partnership provision

253 The LSC will be monitoring very closely the arrangements for direct partnership provision, particularly when it appears to be very similar in nature to franchised provision, or has evolved from provision which was previously franchised.

254 Partnership provision delivered in 2003/04 will continue to be funded at non-discounted rates. Institutions are advised to discuss direct partnership arrangements with local LSCs prior to entering into agreements for this type of provision and enrolling learners. Where an institution fails to do so, the LSC may have concerns about the eligibility of the provision for funding. The LSC provides further information on partnership provision in the *ILR Audit Guidance for Further Education in 2002/03* and *ILR Audit Guidance for Further Education in 2003/04* to be published in Summer 2003. In-year work by funding auditors on partnership provision may be requested by the LSC.

255 The LSC maintains a register of partners and records details of partnership arrangements within the ILR.

Franchised provision

256 The term franchising refers to outward franchising or sub-contracting, that is where a LSC-funded institution delivers provision for students enrolled at the institution through a partner body. If an institution makes provision for students enrolled at another institution, that is defined as inward franchising and such students should be recorded on the ILR form, FRANIN. The institution should not claim any funding for inward franchising.

257 Institutions are reminded to consult and conform to existing guidance and any subsequent updates, including *FEFC Circular 99/09, Franchising, Fees and Related Matters*, and *FEFC Circular 99/37, Franchising and Fees*, before entering into franchise arrangements.

The LSC plans to update these circulars later this year.

258 Key aspects of guidance include:

- the institution must be at all times in full control of the provision;
- the provision must not displace any activity the partner would have delivered anyway;
- the provision must not be unplanned and take place merely to make up a shortfall in the institution's activity; and
- plans to offer provision which may be seen as contentious must be shared with the local LSC prior to agreeing a contract and before enrolling learners.

259 The Secretary of State, in a letter to the chairman of the FEFC in May 2000, approved the FEFC policy of ending inappropriate franchise arrangements and those operating outside an institution's local area. **The LSC does not, therefore, expect any new contracts or increases in student numbers associated with distance franchise provision.** The LSC is working with Sector Skills Councils and National Training Organisations (NTOs) (sector bodies), employers and colleges on a number of pilot projects based around sub-regional centres of excellence, in order to progress some of the best practice from franchising, whilst enabling the value-added aspects of this to be tested. The DfES consultation document, *Funding Flows and Business Processes* (May 2000), indicated that franchising would continue to be supported where it added value, and that the local LSC would have the duty to monitor the quality and assess the value added.

260 Where a local LSC considers that the arrangements between a college and a partner do not secure adequate quality or add value, it will ask the college to review those arrangements. This review may include the balance between the funding transferred to the franchise partner and that retained by the college.

Arrangements for 2003/04

261 Institutions will be requested from time to time to provide details of their existing and planned franchised arrangements, and how they contribute to the achievement of their mission and strategic objectives. The information will form part of the development planning process. Information from the ILR will provide the LSC with an indication of each institution's franchised provision and information about the organisations with which institutions have franchise arrangements. However the LSC may request further information.

262 No LSC funding should normally transfer from colleges to employers, including through third parties, as part of a franchise arrangement to provide education and training to their employees. Reasonable payments to employers for the use of premises and equipment may be appropriate.

263 Arrangements for seconding an employer's staff may be contentious and further guidance on this and other issues will be made available in the *ILR Audit Guidance for Further Education in 2003/04*.

264 In franchise arrangements, an institution is responsible for ensuring that quality assurance arrangements for the franchised provision, including the application, where relevant, of the college charter to the provision, are in place.

265 Where the appropriate inspectorate has assessed an institution's leadership and management as inadequate, the LSC will make it a condition of funding that the institution may not enter into new, or extend existing, LSC-funded franchise arrangements until the appropriate inspectorate is satisfied that the deficiencies have been remedied. This will require institutions not to increase the student numbers for franchise arrangements above the numbers at the date on which the institution was notified by the Adult Learning Inspectorate (ALI)/OFSTED or previously by FEFC of the grading for leadership and management. The institution may claim funding for all legally

binding contractual commitments existing at the date on which the grade was notified. Institutions should not enter into any new contracts. Learners enrolled after the date of notification are only eligible for funding if there is a legally binding contractual commitment in existence at the date of notification. Where an institution has assessed itself as having inadequate leadership and management, the LSC would not expect it to increase its franchised provision.

Funding of franchised provision

266 As stated in FEFC Circular 99/37, *Franchising and Fees*, the LSC has confirmed that the funding associated with franchised provision is paid at a discounted rate of 0.67, other than for provision:

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

Annex H describes how the discount factor applies.

High risk provision

267 The LSC considers the following examples, including certain partnership arrangements for the delivery of the provision, raise potential issues of eligibility. Care is required to ensure that full compliance to funding and eligibility criteria can be demonstrated.

- a) former franchise partnerships transformed to direct delivery by any of the following means:
 - secondment arrangements;
 - facilities management, including the leasing and support of computer hardware, software, the provision of educational materials or administrative support;
 - distance learning arrangements;
 - staffing agency arrangements,

particularly when teaching on the agency's own premises;

- voluntary tutors that teach in their own workplace, particularly during their normal working time;
- b) ICT centres operated in partnership with third party companies that offer a restricted curriculum;
- c) provision delivered by distance learning, particularly on-line via the internet; and
- d) provision claimed using the costing approach described in Annex F paragraphs 16 to 21.

268 The LSC would be particularly concerned about new, previously unplanned partnerships entered into in the spring or summer term where the motivation is to make up a shortfall of activity.

269 Institutions wishing to deliver learning aims on-line via the internet, other than recognised Ufi learning aims, or to enter into partnership arrangements including, but not restricted to those described in Table 4, should contact their local LSC in advance of the delivery of provision. Where an institution fails to do so, the risk that the LSC may subsequently not fund the provision is much higher. The LSC is likely to request additional audit checks on provision described above.

270 Institutions have been advised of the risks inherent in certain types of provision. The LSC provided the most recent self-assessment checklist of risk factors in Circular 02/22, *Interim and Final Funding Unit Claims 2001/02* (Annex I). This enables institutions to classify provision as higher, medium or lower risk. The assessment of risk approach will be used by institutions and their external auditors in compiling the audit-testing programme for provision made in 2002/03 and in planning provision for 2003/04.

Learning Associated with Employment

Length of programmes delivered in the workplace

271 In the case of programmes provided in the workplace, the maximum length of delivery of such programmes will normally be 329 glh a year. This includes learning aims delivered by the accreditation of prior learning, or by distance learning, and provision for learners with learning difficulties and/or disabilities, or the equivalent, delivered in the workplace. This is based on the rationale that it is unlikely for the number of hours spent in training in the workplace, which should be clearly separate from normal working activity, to exceed a total of 329 glh in a normal working year.

Full-time employees

272 An individual cannot reasonably be considered to be in both full-time education and full-time employment at one and the same time. The LSC does not expect to fund learners on a full-time programme of study who are also employed on a full-time basis.

Employer dedicated provision

273 The Secretary of State has asked the LSC to put in place arrangements for securing additional contributions from employers. The assumed fee income is 50% of national base rates for dedicated provision for employers (see paragraph 77). This applies to eligible provision delivered either by an institution, an independent training institution or an employer, normally on an employer's premises where that provision is made for that employer's staff. The employer may be from the private, public or voluntary sector.

274 Institutions should note that where dedicated employer provision is delivered through franchise arrangements, the funding available is discounted by one-third in accordance with the LSC's guidance on franchising. The discount should be applied to

the cash sum after the 50% fee income has been deducted from the national rate. If learners attract a disadvantage uplift, the discount relating to franchising will not apply.

275 Table 13 (Annex G) gives guidance on whether provision is eligible for full LSC funding, should be subject to the employer-dedicated discount or is not eligible for LSC funding. In using Table 13, institutions should subject provision to the fundamental test as to whether the learning experience is mainly for the benefit of the learner or the employer. If the latter, the provision is likely to fall within the employer dedicated part of Table 13. Table 13 provides a number of examples to assist institutions in determining the answer to this fundamental test.

276 Institutions should discuss provision with local LSCs prior to enrolling learners to determine the funding status of the provision that has employer involvement. Local LSCs should use their discretion based on an overall assessment of the nature of the provision and provide written approval to the institution where the provision is eligible for LSC funding.

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

278 It is not envisaged that this will affect small employers as their staff more commonly attend provision open to the public. The Department of Trade and Industry (DTI) define a small employer as having fewer than 50 employees or an annual turnover of less than £8 million.

Section 5: Funding Colleges and Other Institutions

Types of Institutions Funded to Deliver Further Education

Further education colleges and higher education institutions

279 The majority of LSC-funded FE provision is delivered by FE colleges incorporated or designated (specialist designated institutions) under the *Further and Higher Education Act 1992*. The LSC will continue to fund FE colleges in 2003/04 through grant-in-aid and under a financial memorandum. A key feature of the financial memorandum is the appointment of the college principal as accounting officer. As accounting officer, the college principal has significant personal responsibilities for the use of public funds by the college and may appear before the Committee of Public Accounts. The financial memorandum and its practical application also confer many other mutual obligations and responsibilities on both the LSC and the college. While the LSC seeks to work in close partnership with all of its learning providers, the LSC has a unique relationship of both main regulator and main funding body of FE colleges.

280 The LSC also funds institutions regulated by the HEFCE to deliver eligible provision. These institutions account for their student numbers through their returns to the Higher Education Statistics Agency (HESA).

Former external institutions

281 The LSC also funds other institutions, formerly known as external institutions, for FE. The majority of these institutions are local education authority (LEA) maintained institutions; a smaller number are voluntary organisations or businesses. These institutions have until the 2002-03 financial year been funded through a grant agreement. All institutions funded under grant agreements are currently expected under these agreements

to demonstrate a proper use of public funds. This requirement and the associated annual audit of expenditure of the proper use of these funds will remain for LEA maintained institutions, as public bodies. The LSC has agreed with the Heads of Large former External Institutions (HOLEX) the possibility of changing the LSC's funding agreement with those institutions that are not public bodies. This would change the funding agreement for 2003/04 from a grant funding relationship to a contract funding relationship. A contract funding relationship would remove the requirement to demonstrate 'the proper use of public funds' to instead show the application of LSC funds 'for the purposes given'. Institutions funded in this way would not be subject to an annual audit of their spending of LSC funds. All institutions receiving FE funding will be subject to annual audit coverage of their learner data returns, as at present. The LSC's approach set out above to non-public sector institutions has been extended to new non-public sector providers of FE that are being funded in 2003/04.

Funding Agreements and Monitoring

Funding agreement

282 The LSC will enter into a funding agreement with each institution. The funding agreement will set out the funds for the provision of FE that the LSC has agreed to pay to the institution, and the education and training programmes that the institution has agreed to provide in return. Specifically, the institution will be expected to provide the education and training programmes contained in its strategic plan, or the equivalent, subject to responding to unforeseen circumstances. The institutions will be expected to:

- generate at least the total number of learner numbers and cash earned included in the institution's funding agreement with the LSC;

- increase the number of learners broadly in each growth category in line with their growth allocation;
- maintain the number of learners in other categories where the institution's level of funding is maintained; and
- notify the local LSC in writing at the earliest opportunity of any likely significant shortfall.

283 In response to the recommendation of the Bureaucracy Task Force, chaired by Sir George Sweeney, the LSC is looking to introduce a single funding agreement for all of its 2003/04 funding of FE colleges. This will build on progress in 2002/03, that saw the integration of colleges' FE and WBL funding agreements, to include all LSC funding streams into the Financial Memorandum. The LSC will extend the principle of single funding agreements to other providers where possible during 2003/04. The LSC will vary or add to the main funding agreement as necessary during 2003/04, in consultation with providers.

284 It is proposed that providers will agree a three year development plan with their local LSC, which will inform and underpin the three-year funding agreements to be introduced in 2003. Details of these proposals are outlined in Section 5 of Circular 03/01.

New Providers

285 The LSC will put in place funding agreements that match each providers' legal form, rather than the funding stream to which it relates. FE colleges will continue to be funded through grant-in-aid and a financial memorandum. Other public bodies will be offered a grant funding agreement. All other bodies will be normally offered a contract funding agreement. All funds paid to providers under these funding agreements will be subject to the terms and conditions of the main funding agreement.

286 Organisations seeking to become funded by the LSC should approach their local LSC in the first instance for advice about the

application process.

287 In order for a new FE provider to receive LSC funding the following criteria must be met:

- The local LSC will determine the need for the new provider having made an assessment against the needs of the local area as set out in the local LSC's Strategic Plan.
- The new provider assessment must be completed successfully. The full assessment process may not be necessary if a provider is already receiving LSC funding; in such cases, advice from the local LSC should be sought at an early stage.
- The LSC identifies the funding stream and mechanism by which the new provision will be funded.

Existing conditions of funding

288 The LSC will attach conditions to its funding of colleges and other institutions. Conditions (a) to (e) are required by the Secretary of State:

- Tuition fees shall not be charged to learners aged 16-18 in full-time or part-time education. The LSC has received advice from the DfES that 'no fee should be charged to learners aged 16-18 for instrumental tuition which is part of the syllabus for a prescribed public examination', which includes music qualifications on the Section 96 list. For the purposes of the funding agreement, '18', means 'under 19 on 31 August in the calendar year when the learner commences a programme of study'; it is intended that such learners should continue to receive free tuition in any consecutive subsequent year of study on the same programme.
- No fees or charges shall be made to learners in relation to basic skills learning aims. The basis for this decision is outlined in paragraph 145. Further

guidance on the funding of basic skills provision is detailed in paragraphs 149 to 157.

- c) No compulsory enrolment, registration or examination fees shall be charged to learners aged 16-18 in full-time or part-time education. Institutions will, however, be able to seek voluntary contributions from learners or their sponsors. Institutions would also be able to apply reasonable conditions of attendance in order to qualify for free examination entry, similar to conditions applied in schools. This condition of funding will not apply to other charges, for example relating to equipment and materials for vocational learning aims. (For further information, see the guidance issued June 2002, on 16-18 fees at http://www.lsc.gov.uk/news_docs/guidelines_16-18_fees.doc).
- d) Colleges in the FE sector shall provide the data required by the Secretary of State to permit the publication of comparative performance tables on learner achievement and other matters in the light of consultation. In particular, each college shall:
- provide to the DfES in a form and at a time to be specified: summary data relating to learner achievements in vocational qualifications; and
 - subsequently publish, alongside its information published by the college under Section 50 of the *Further and Higher Education Act 1992*, national summary data relating to all qualifications.
- e) Colleges in the FE sector shall have a college charter as envisaged in the Charter for Further Education.
- f) Colleges shall publish a disability statement.
- g) Institutions should supply other information as required by the LSC in order to enable it to report to the Secretary of State on equality issues.
- h) Where the appropriate ALI/OFSTED inspectorate has assessed a curriculum or subject area as weak, the institution shall not increase the learner numbers enrolled on to the first year of programmes in the curriculum area or areas in question until the inspectorate is satisfied that the deficiencies have been remedied and the curriculum area has been re-graded.
- i) If the ALI/OFSTED inspectorate assessed the leadership and management as inadequate, the institution may not enter into new, or extend existing, LSC-funded franchise arrangements, until the inspectorate is satisfied that the deficiencies have been remedied. The institution shall not increase the learner numbers for franchise arrangements above the numbers at the date on which the college was notified by the inspectorate of the gradings for its leadership and management.
- j) Where institutions have grades 4 or 5 outstanding for quality assurance or governance the LSC will apply the same conditions.
- k) The institution shall endeavour to provide for at least the same number of learners with learning difficulties and/or disabilities as it did in 2002/03 and at least to maintain the proportion of such learners in its overall enrolment total.
- l) The LSC's duties under the *Learning and Skills Act* are to secure proper facilities for learners aged 16-18 and reasonable facilities for learners over 19 years. In performing these duties, the LSC has to take account of the places where facilities are provided, the character of facilities and the way they are equipped. Whilst the responsibility for health and safety remains with the institutions they shall supply information, as required by the LSC on learner health and safety.

289 In certain circumstances, the LSC may not wish its funds to be used by an institution for a particular purpose, for example, to develop provision outside its local recruitment area. It may also wish specialist provision to be maintained. In such cases, following discussions with the institution, the LSC may wish to include a specific condition of funding in that institution's funding agreement. Such conditions will be subject to a moderation process within the LSC to ensure a consistent approach nationally.

Section 6: Planning and Budgeting Arrangements

Introduction

290 This section provides guidance on the planning and budgeting arrangements for 2003/04 and needs to be read in conjunction with Circular 03/01 *Success for All – Implementation of the framework for quality and success*.

291 The funding round process in 2003/04 is similar to that followed in 2002/03 although the timescale is much earlier than in previous years.

Policy Developments

292 The planning and budgeting arrangements for 2003/04 and beyond will develop during 2003 in the emerging context of *Success for All* and *Trust in the Future*. The LSC's proposals for implementing these policies, including development plans, three year funding arrangements and developing trust relationships will be consulted on in February, March and April 2003. Circular 03/01 *Success for All – Implementation of the framework for quality and success*, available from the LSC's website (www.lsc.gov.uk), provides further information.

Summary of the Planning and Budgeting Process

Aims

293 The aims of the planning and budgeting processes are:

- to ensure LSC funds are placed where they are most likely to deliver activity;
- to tackle the remaining underperformance built-in to inherited baseline funding; and

- to ensure the national priority for 16-18 and basic skills provision is fully funded in all areas.

Objectives

294 The timed objective of the planning and budgeting processes are:

- by 21 February 2003 through planning and negotiation, local LSCs will have determined broadly how funding will be deployed to FE institutions in their area;
- by 31 March 2003 the planning process will be complete and allocations can be issued to those institutions by local LSCs;
- by May 2003 all FE allocations will have been issued to and acknowledged by the institutions; and
- by August 2003 it is intended that all colleges and providers within the scope of the new three year funding arrangements will receive a firm allocation for 2004/05 and 2005/06 which will take account of any growth.

Key Changes from 2002/03

295 The changes for 2003/04 from 2002/03 are as follows.

- The LSC has produced proposals to introduce three-year funding agreements linked to the achievement of colleges' and providers' development plans (Circular 03/01).
- Institutions will not be asked to respond to a formal baseline funding figure. Instead local LSCs will determine the approach to be used in establishing an allocation.
- The timeline for the completion of the planning and budgeting round (that is, the issuing of allocations) has

- been brought forward to April 2003.
- The planning and budgeting learner profile matrix has been adjusted to include numbers of adult basic skills learners.
- The LSC will use provider numbers in place of the former FEFC 'College Codes' (for example, UPTON) on all correspondence.
- Allocations will be made to the nearest £1000 only to reflect an appropriate level of precision for planning purposes.
- A single funding agreement for all LSC funding of FE colleges is introduced.
- It is proposed that the vast majority of learning and skills sector providers will receive three-year funding agreements from 2003/04.
- The local LSC will agree with each institution the provision the institution will make in line with its funding agreement. The funding plan will be expressed in the form of cash values for 16-18, 19 and over, 19 and over basic skills, and additional learning support, and the number of learners (planned FTEs) to be delivered in each category (see Annex J).
- Institutions are free to enrol additional learners as they consider appropriate. However the LSC cannot guarantee to fund such additional recruitment. Institutions' performance in 2003/04, reflecting the local LSC's strategic plan, will however be a persuasive argument for increased allocations for 2004/05.
- The LSC expects institutions to continue to give priority to learning aims that lead to qualifications recognised by the Secretary of State. Institutions should, therefore, not plan to increase other provision at the expense of existing provision that lead to approved qualifications. Institutions wishing to confirm that their plans to develop this provision are in line with local needs and are, therefore, likely to be supported in the future should consult their local LSC (see paragraph 241).
- Each institution's performance is monitored against its funding agreement. Funding may be re-calculated if there is a significant change in the pattern of provision in relation to the funding agreement as outlined in paragraph 185 of Circular 03/01 and paragraphs 324 to 325 in this Guidance.

Approach to Planning and Budgeting

296 The LSC's approach to planning and budgeting in 2003/04 contains the following aspects.

- Local LSCs will be issued with an FE funding budget based on the projected performance of the existing provider base, the new uplift factors described in Section 3, and the distance-to-travel for the LSC targets (published in local strategic plans).
- Allocations will be discussed and negotiated with FE institutions based on the need to support the provision set out in the local strategic plans.
- Funding allocations that are agreed with institutions will be split into a baseline element, and a planned growth element (for additional targeted delivery). See paragraphs 301 to 302.

Timetable

297 The timetable for the planning and budgeting process in 2003/04 has been brought forward in line with the need to link

the strategic planning process, and to expedite the issuing of allocations.

Table 5 Timetable for the planning and budgeting process in 2003/04

Mid December 2002	FE funding budgets issued to local LSCs
December 2002-21 February 2003	Local LSCs discuss proposed allocations and learner numbers with each institution
21 February 2003	Local LSCs determine how funding will be deployed to FE institutions in their area
March 2003	Adjustments in funding will be agreed across local LSCs by moderation and subject to local and national priorities
March/April 2003 onwards	Final funding allocations, funding agreements, and contracts (including any Ufi allocations) issued by local LSCs
August 2003	Colleges and providers within the scope of the new three year funding arrangements will receive a firm allocation for 2004/05 and 2005/06 which will take account of any growth targets

Learner profiles

298 It is proposed that each college or provider agree a three year development plan with their local LSC. Institutions and the LSC will need to work closely together to achieve the rise in participation and achievement targets at national and local level, which the LSC has established. It is important, therefore, for institutions to agree and deliver minimum learner numbers as part of their funding agreement with the LSC. The learner profile alongside cash values will enable the LSC to monitor planned learner numbers in key categories of provision.

299 The number of learners to be delivered for 2003/04 will be finalised through discussions between the local LSC and the institution, and recorded using the learner profile.

300 The adult numbers in basic skills are subsets of overall 19 and over learner numbers.

301 An FTE is defined in paragraphs 34 to 36.

Ufi hubs

302 In 2002-03 financial year, £145.5 million was made available for learners enrolled on **learndirect** provision. In 2003-04, Ufi/**learndirect** will receive an increase in funding from the LSC which at least matches the uplift in funding available for adult learning and skills. At the time of writing, the LSC is in discussion with Ufi concerning the financial year budget to be set aside for the next three years **learndirect** provision. This is subject to the 2002/03 mid year review taking place in January/February 2003.

303 The LSC has agreed with Ufi the method of allocating these funds, taking into account the particular circumstances of the rapid development of **learndirect** provision and variations between hubs. Ufi has requested that institutions that wish to receive funds for **learndirect** provision in 2003/04 should apply to Ufi by 31 March 2003.

304 The local LSC, local Ufi representative and hub (for national hubs, the National Contracts

Service (NCS) agrees the allocation) will agree an allocation which reflects:

- an appropriate amount of funding taking into account the hub's target and aims; and
- the ability of the hub to deliver against the funding for which it has applied.

305 The allocation will comprise an element for the period from August 2003 to the end of March 2004, and an indicative sum for April 2004 to the end of July 2004, which falls in the 2004-05 financial year. The April to July 2004 element of the allocation will be confirmed following a mid-year review of hub performance to be undertaken jointly by the LSC and Ufi in early 2004. The local LSC will notify the hub of their allocation as soon as the mid year-review has been agreed.

306 Funds for **learnirect** provision will be included, but identified separately, in final allocations for 2003/04.

Local planning

307 Local LSCs face a variety of different needs, and their strategic plans will reflect this and will show how each local LSC plans to contribute to the achievement of the LSC's national targets. Local LSCs will want to consult with providers to establish participation target levels and address the specific needs of their localities whilst working within the context of the LSC's national vision, mission and key objectives.

308 In addition to their strategic plans, local LSCs have produced basic skills delivery plans, setting out how they intend to meet their targets for basic skills.

309 Institutions' learner profiles will be agreed as part of the local strategic planning process and learner numbers should relate to local LSCs' plans and priorities.

310 The LSC recognises that some employer groups have preferred to make national arrangements through the LSC. These are dealt

with through the NCS. Institutions involved will be informed separately of the arrangements for data collection and target allocation that are relevant to this provision.

Growth

311 This section needs to be read in conjunction with paragraph 186 of Circular 03/01 concerning growth targets and the implications for three year funding allocations. For 2003/04 local LSCs will determine the distribution of funding for growth. The DfES, in allocating funding to the LSC for 2003/04 has based its assumptions for growth on 5% for 16-18 year olds and 2% for adult learners. The decisions reached will be influenced by both local and national priorities, including:

- increases in 16-18 year old learner participation levels;
- increases in adult basic skills learners;
- increases in the number of learners achieving qualifications at level 2 or level 3;
- ensuring additional learning support needs are met.

312 Funding for growth has been allocated to local LSCs and the distribution of these funds will be agreed with institutions during the 2003/04 funding round discussions. Some local LSCs may wish to fund more planned growth than their allocation permits. A regional or national re-allocation of any unused planned growth funding is therefore planned in March 2003.

313 We expect institutions to give priority in their plans to meeting the guarantee of places for 16-18 year olds and adult basic skills learners. Local LSCs will expect all anticipated demand from these groups of learners to be met through planned provision. This may mean that not all other demands – particularly adult provision not leading to qualifications – can be met. However, there may be unexpected increases in the need for provision for the

guarantee groups during the year. In these circumstances we will ensure that local LSCs have sufficient funds to provide the necessary places.

Impact of quality on growth

314 The LSC will continue the practice of restricting growth in curriculum areas which require re-inspection.

315 Where an institution has assessed itself as having a weak curriculum or subject area, the LSC would not expect it to plan to increase the numbers of learners taken on to the first year of the programme in the curriculum area or areas in question.

316 There are some institutions where the LSC has significant concerns about the quality of provision, leadership and management and/or financial issues. The local LSC will undertake detailed discussions with these institutions to assess their capacity to deliver growth. These discussions may result in restrictions on the funding allocation for growth.

Priorities for Funding

317 Prior to 2003/04, the LSC was allocated participation funds for 16-18 year old and adult learners separately, and was restricted in its ability to vire (transfer) funds between two funding blocks.

318 For 2003/04 onwards, the DfES has merged participation funds into a single block, and the formal virement restrictions on the transfer of funds no longer apply. Funding for school sixth forms remains separate for 2003/04.

319 This change will give local LSCs and institutions greater flexibility to meet demand for learning and skills. Local LSCs will be agreeing delivery plans with institutions by the end of July 2003 which will include planned provision linked to the learner profile. The learner profile provides a framework for the provision plan to be agreed between the

institution and local LSC and will include planned 16-18 and 19 and over learner numbers and FTEs. This will form the basis of three year funding allocations proposed in Circular 03/01.

320 In the context of planning provision, local LSCs and institutions are required to give priority to 16-18 year old learners and adult basic skills learners. The LSC's expectation is that institutions will address the needs of these priority learners first, and will then agree with local LSCs how other local needs should be met. The LSC is mindful of the entitlement for 16-18 year-olds and therefore guarantee to fully fund all 16-18 provision, to ensure that no young person is denied learning on grounds of affordability. This guarantee also applies to adult basic skills provision.

321 Institutions are expected to use the funds allocated to them to deliver the planned provision agreed with the local LSC. This means significant changes (more than 5%) to the planned learner profile should be discussed with the local LSC as soon as they become known. This is particularly important in the case of the guarantee groups of 16-18 year old and adult basic skills learners.

322 Where an institution's provision is falling significantly short of its plan, the local LSC will discuss appropriate action. This may include requesting the institution to transfer some funds to reflect increased activity for the guarantee groups in other institutions. If the local LSC is satisfied that the demand for 16-18 and adult basic skills provision is being met, institutions will be able to use their funds flexibly to address other local priorities for adult learning and skills.

323 In summary, institutions should:

- give priority to the guarantee groups of 16-18 year olds and adult basic skills learners in their planned provision;
- discuss with local LSCs significant variation in planned learner profiles, especially relating to the guarantee groups; and

- agree in advance with local LSCs any redirection of funds from planned provision for priority learners to other groups.

Performance Against Funding Agreement

324 Institutions are expected to monitor actively their level of performance against their funding agreement with the LSC.

Where an institution identifies a potentially significant variation in the volume of provision being delivered compared to the volume for which funding is being paid, this information should be notified in writing to the local LSC at the earliest opportunity.

325 Local LSCs will wish to ensure that funding is available to support provision for learners. Unanticipated variations in demand may result in a mismatch between the funding paid and the provision being delivered. Paragraphs 184 and 185 of Circular 03/01 outline how significant variations in the pattern of provision will be addressed in the context of the three year allocation cycle.

Effect of performance in 2002/03 and 2003/04

326 The initial assessment of an institution's performance against its funding agreement for 2002/03 will be based on the ILRF01 (1 November 2002; 2002/03) return made to the LSC.

327 Institutions should discuss with local LSCs any significant variations between the total funding allocated and estimated performance in 2002/03.

328 Confirmation of the allocation in 2003/04 will result from discussions between the institution and the local LSC. Institutions that are expected to be significantly below target compared with their 2002/03 funding agreement and those that have not returned ILRF01 are unlikely to be allocated any growth for 2003/04.

329 Where an institution is not expected to meet its 2002/03 funding agreement, it will be expected to identify, with supporting evidence, how it intends to generate in 2003/04 at least the learner numbers and earned income in its 2003/04 allocation.

330 If this realistic assessment leads to a substantial reduction in funding compared to 2002/03, the LSC would consider exceptional support linked to a plan for bringing funding and provision into line agreed with the local LSC. The LSC would not normally expect an institution to receive a cash allocation less than 90% of its previous year's allocation. However such funding would also need to be linked to an agreed plan for bringing provision and funding into line.

331 A final funding claim for the 2002/03 year will be required after the year-end in February 2004 from each institution. Should the out-turn achieved by an institution be significantly less than that set out in its 2002/03 funding agreement, the LSC may review in-year the institution's 2003/04 funding allocation. The LSC will also consider the data from the first ILR return for 2003/04 as an indication of likely achievement in 2003/04, and may monitor achievement of learner numbers through an early monitoring return and discussion with the institution.

Outstanding audit certificates

332 A number of institutions have audit certificates relating to the use of funds or funding claims outstanding. The LSC will consider, on an individual basis, appropriate action, which could result in a reduced allocation for 2003/04 pending the receipt of a final claim.

Mechanisms of the 2003/04 Funding Round

Variations to funding allocations

333 Institutions that seek significant variations to the allocation should discuss this with their local LSC as early as possible and gather robust evidence to support any proposed changes.

334 The expectation is that an institution's provision will also reflect the local LSC strategic plan.

335 Where an institution is not expected to meet its 2002/03 funding agreement, supporting evidence will be required in order to support the same level of funding in 2003/04. Alternatively, institutions may propose a reduction in the allocation as part of its response to its 2003/04 funding allocation.

336 Further details on the mechanisms of the 2003/04 funding round are given in Annex J.

Exceptional features

337 An institution may identify whether it has any exceptional features it wishes the LSC to take into account when considering its funding allocation. To have a potential impact on an institution's funding allocation any features identified should meet **all** the following criteria:

- differentiation – the feature should be one that most institutions do not share, for example being the sole institution of a specialism in a region;
- scale – the feature should relate to a significant proportion of the institution's existing provision that is at least 30%. Institutions are expected to maintain small-scale specialisms within the funding allocated by the LSC; and
- proper and reasonable – the feature should have an evident bearing on the LSC's duty to secure proper and reasonable facilities for FE in England.

338 Where an institution has circumstances that are judged to be exceptional against these criteria, its funding allocation will be reviewed to ensure the LSC can meet its statutory duty under the *Learning and Skills Act 2000* in relation to securing facilities for FE.

In-Year Performance

339 Learner profiles will be used in 2003/04 for planning and monitoring purposes only and will not form part of the reconciliation process.

340 Local LSCs will discuss differences between planned enrolments and outcomes in 2002/03 with institutions and may agree a different balance or volume of provision for 2003/04 so that learner number expectations more closely match the funding allocated to the institution.

Approach to Recovery of Funds

341 The LSC is seeking to develop a strategic approach to the funding of FE institutions, which reflects the role of the LSC, at local and national level, in both the planning and funding of post-16 provision including mechanisms used to respond to institutions' under-achievement in relation to their funding agreement. Further guidance will be issued following the outcome of the *Success for All* consultation.

342 FE institutions need to consider the impact of their performance against their funding agreement for 2003/04. With the exception of those pathfinder colleges whose funding claim will not be subject to audit all other colleges should assume full recovery of funding for underperformance against their funding agreement.

343 The LSC is consulting providers on the implementation of *Success for All* and how the proposals affect providers' future agreements. In the meantime for planning purposes colleges should take a prudent view and assume full recovery of funds.

Safety Netting

344 For 2002/03, the LSC put in place protection arrangements for those institutions that would otherwise have lost funding in 2002/03 compared to 2001/02 solely as a result of the new funding approach.

345 Institutions that consider they face financial difficulties in 2003/04 as a result of the current funding approach should contact their local LSC to discuss their position (see paragraph 346 below).

Support for Institutions in Financial Difficulty

346 The LSC approach is that all institutions will receive the agreed allocation of funding for the relevant volume of learners. Where it is deemed necessary to provide additional funding to ensure adequate provision of learning in a locality, the LSC may offer additional support on specified conditions, set out within an agreed recovery plan.

Reorganisations (including mergers)

347 The LSC's approach to considering provider reorganisations, including those involving further education colleges is described in *02/09 Provider Reorganisations*. This provides the criteria that the LSC would wish to see satisfied before forwarding proposals for further education college reorganisations (including merger) to the Secretary of State for consideration. The LSC has delegated decision-making on such reorganisations to local LSCs. Institutions are advised to contact the appropriate local LSC at the earliest opportunity to discuss their proposals.

Next steps

348 The 2003/04 academic year will be an important one for institutions and the LSC as the principles and recommendations set out in *Success For All* and *Trust in the Future* are taken forward.

349 *Success For All* set out a commitment to investment and to reforms designed to raise standards, increase responsiveness and participation, and improve outcomes for learners and employers.

350 In *Trust in the Future* the need for a new relationship between the LSC and FE colleges and other providers that is based upon trust and transparency was identified, in which a culture of shared responsibility between institutions and the LSC nationally and locally is fostered.

351 Both initiatives emphasise that all colleges and providers and local LSCs should work together more closely in the planning of provision, and institutions will wish to engage in a full dialogue with their local LSC on an ongoing basis to ensure effective and soundly based plans are jointly developed and supported. Local LSCs should also be contacted to discuss any queries arising from this Guidance.

Annex A: Further Education Listed and Load Banded Rates for 2003/04

Table 6 FE Listed Rates 2003/04 (whole learning aim)

Qualification	National Base Rates (inc assumed fee element)						Basic skills (1.4)
	Assumed Fee		B (1.12)	C (1.3)	D (1.6)	E (1.72)	
	Element	A (1.0)					
EDEXCEL National Diploma (new syllabus) studied in a full-time programme	£1,367	£5,467	£6,123	£7,107	£8,748	£9,404	
EDEXCEL National Award (new syllabus) studied in a full-time programme	£570	£2,280	£2,554	£2,964	£3,648	£3,922	
EDEXCEL First Diploma (new syllabus) studied in a full-time programme	£570	£2,280	£2,554	£2,964	£3,648	£3,922	
GNVQ: Foundation or Intermediate	£570	£2,280	£2,554	£2,964	£3,648	£3,922	
Vocational GCSE studied in the day	£287	£1,147	£1,285	£1,491	£1,835	£1,973	
Vocational GCSE studied in the evening	£186	£746	£835	£969	£1,193	£1,282	
Vocational A Level (Advanced Vocational Certificate of Education Double Award (12 units))	£1,101	£4,405	£4,934	£5,727	£7,048	£7,577	
Vocational A Level (Advanced Vocational Certificate of Education) Advanced Level (6 units))	£570	£2,280	£2,553	£2,964	£3,648	£3,921	
Vocational A Level (Advanced Vocational Certificate of Education) Advanced Subsidiary (3 units))	£285	£1,140	£1,277	£1,482	£1,824	£1,961	
Each additional NVQ or GNVQ unit	£28	£112	£125	£145	£179	£192	
GCE AS level or A2 studied during the day (except General Studies)	£182	£729	£817				
Key skills qualifications (Application of Number, Communications and ICT)	£51	£204	£229				£286
GCE AS or A2 in General Studies (day or evening)	£88	£352	£394				
GCE AS or A2 studied during the evening (excluding General Studies)	£128	£511	£572				
GCSE studied during the day	£132	£527	£590				
GCSE studied during the evening	£93	£373	£418				
Short-course GCSE studied during the day	£81	£326	£365				
Short-course GCSE studied during the evening	£56	£226	£253				
Access to Higher Education (studied at a rate of over 150 g/h per tri-annual period for 3 or more periods)	£658	£2,634	£2,950	£3,424	£4,214	£4,530	
3 guided learning hour courses (ICT and basic skills)	£8		£35				£52
International Baccalaureate		£6,562	£7,349				

Comments

The previous table shows a selection of the indicative new rates (rounded to the nearest £).

The complete list of rates will be supplied with the learning aims database to be published on the LSC's website .

The figures for 2003/04 include an element for entry funding that is now incorporated into the national rate.

In 2003/04 approved basic skills courses will have a weight of 1.4.

Entitlement for 16–18 year old learners will be funded at £711 which includes core funding and fee remission.

Achievement funding for the key skills element in entitlement will be funded at 10% of the appropriate key skills national base rate.

Loadbanded rates for FE in 2003/04

GLH Range		Assumed Fee	Programme Weightings					Basic Skills
			A (1.0)	B (1.12)	C (1.3)	D (1.6)	E (1.72)	
6	8	14	56	63	73	90	97	79
9	13	21	85	95	110	135	145	157
14	19	27	107	120	139	171	184	157
20	29	32	129	144	167	206	221	198
30	39	51	204	229	265	327	351	327
40	49	60	241	270	314	386	415	375
50	59	70	279	312	362	446	479	426
60	89	88	352	394	457	563	605	525
90	119	135	540	605	702	864	929	756
120	149	162	649	727	844	1039	1117	909
150	179	190	760	851	988	1216	1307	1064
180	209	218	870	975	1132	1393	1497	1219
210	239	245	981	1099	1275	1569	1687	1373
240	269	273	1091	1222	1419	1746	1877	1528
270	299	300	1202	1346	1562	1923	2067	1683
300	329	328	1312	1470	1706	2100	2257	1837
330	359	355	1422	1592	1848	2275	2445	1990
360	389	383	1532	1716	1992	2452	2636	2145
390	419	411	1643	1840	2136	2628	2826	2300
420	449	438	1753	1964	2279	2805	3016	2455
450	479	570	2280	2553	2964	3648	3921	3409
480	509	570	2280	2553	2964	3648	3921	3409
510	539	570	2280	2553	2964	3648	3921	3409
540	569	570	2280	2553	2964	3648	3921	3409
570	599	576	2305	2581	2996	3687	3964	3409
600	629	596	2384	2670	3099	3814	4100	3409
630	659	615	2461	2757	3200	3938	4234	3446
660	689	635	2540	2845	3302	4064	4369	3556
690	719	655	2618	2932	3403	4189	4503	3665
720	749	674	2696	3019	3505	4313	4637	3805
750	779	694	2775	3108	3607	4440	4773	3954
780	809	713	2853	3195	3708	4564	4906	4103
810	839	733	2932	3283	3811	4690	5042	4253
840	869	752	3009	3370	3912	4815	5176	4401
870	899	772	3088	3459	4015	4941	5312	4551
900	929	792	3166	3546	4116	5066	5446	4699
930	959	811	3244	3633	4217	5190	5579	4849
960	989	831	3323	3721	4320	5316	5715	4997
990	1019	850	3401	3809	4421	5441	5849	5146

Note

The national base rates include the assumed fee element

Annex B: Programme Weightings by Subject Codes

1 Different qualifications in some sub-categories may attract different programme weighting factors. This annex shows the most likely programme weighting factors. The learndirect codes, that have replaced the superclass II codes, are indicated.

2 Individual qualifications should be checked against the latest version of the learning aims database. Where anomalies in the learning aims database are identified, institutions are asked to notify their local LSC.

Table 7 Programme Weightings by Subject Codes

Code	Title	Most likely programme weighting factor
A	Business / management / office studies	
AA	business / finance	A
AB	management (general)	A
AC	public administration	A
AD	international business studies	A
AE	enterprises	A
AF	management skills (specific)	A
AG	management planning & control systems	A
AJ	human resources management	A
AK	financial management / accounting	A
AL	financial services	A
AM	call centres	A
AY	office skills / administration	A
AZ	typewriting / shorthand / secretarial skills	A
B	Sales marketing & distribution	
BA	marketing / PR	A
BB	export / import / European sales	A
BC	retailing / wholesaling / distributive trades	A
BD	retailing: specific types	A
BE	sales work	A
BF	e-commerce	A

Annex B: Programme Weightings by Subject Codes

Code	Title	Most likely programme weighting factor
C	Information technology & information	
CJ	computer technology	B
CK	computer science / computer systems	B
CL	software engineering	B
CM	computer operations	B
CN	computer use	B
CP	using software & operating systems	B
CQ	using text / graphics / multimedia software	B
CR	using Internet software	B
CS	software for specific subjects / industries	B
CX	information work / information use	A
CY	information systems / management	B
CZ	libraries / librarianship	A
D	Humanities (history / archaeology / religious studies / philosophy)	
DA	humanities / general studies	A
DB	history	A
DC	archaeology	B
DD	religion	A
DE	philosophy	A
DF	classics	A
E	Politics / economics / law / social sciences	
EA	government / politics	A
EB	economics	A
EC	law	A
ED	social sciences	A
EE	social studies	A
F	Area studies / cultural studies / languages / literature	
FB	culture / gender / folklore	A
FC	literature	A
FJ	linguistic studies	A
FK	languages	A
FM	area / diaspora studies	A
	all English for speakers of other languages (ESOL)	1.4

Code	Title	Most likely programme weighting factor
G	Education / training / teaching	
GA	education / training / learning (theory)	B
GB	teaching / training	B
GC	teaching / training: specific subjects	B
GD	education / school administration	B
GF	careers / education guidance work	B
H	Family care / personal development / personal care & appearance	
HB	personal & self development	A
HC	career change / access	A
HD	basic skills	1.4
HE	personal finance / consumerism / rights	A
HF	parenting / carers	A
HG	people with disabilities: skills / facilities	B
HH	crisis / illness / self-help	A
HJ	personal health / fitness / appearance	A
HK	therapeutic personal care	C
HL	hair / personal care services	C
J	Arts & crafts	
JA	art studies	C
JB	art techniques / practical art	C
JC	design (non-industrial)	C
JD	museum / gallery / conservation skills & studies	B
JE	collecting / antiques	B
JF	arts & crafts: leisure / combined	B
JG	decorative crafts	B
JH	decorative metal crafts / jewellery	C
JK	fashion / textiles / clothing (craft)	C
JL	fabric crafts / soft furnishings	C
JP	wood cane & furniture crafts	D
JR	glass / ceramics / stone crafts	C
K	Authorship / photography / publishing media	
KA	communication / media	A
KB	communication skills	A

Annex B: Programme Weightings by Subject Codes

Code	Title	Most likely programme weighting factor
KC	writing (authorship)	A
KD	journalism	A
KH	print & publishing	D
KJ	moving image / photography	C
L	Performing arts	
LA	performing arts (general)	B
LB	dance	B
LC	theatre & dramatic arts	B
LD	variety circus & modelling	B
LE	theatre production	C
LF	music history / theory	B
LG	music of specific kinds / cultures	B
LH	music performance	E
LJ	music technology	D
M	Sports games & recreation	
MA	sports studies / combined sports	B
MB	air sports	B
MC	water sports	B
MD	athletics gymnastics & combat sports	A
ME	wheeled sports	B
MF	winter sports	B
MG	ball & related games	A
MH	country / animal sports	E
MJ	indoor games	B
N	Catering / food / leisure services / tourism	
NA	hospitality / catering (general)	C
NB	food / drink services	C
NC	catering operations	C
ND	hospitality operations	C
NE	baking / dairy / food & drink processing cookery	C
NF	home economics	C
NG	food science / technology	B
NH	tourism / travel	A

Code	Title	Most likely programme weighting factor
NK	leisure / sports facilities work	A
NL	country leisure facilities work	E
NM	arts / culture / heritage administration	A
NN	all NVQs in baking and food preparation	D
P	Health care / medicine / health & safety	
PA	health care management / health studies	B
PB	medical sciences	B
PC	complementary medicine	B
PD	paramedical services / supplementary medicine	A
PE	medical technology / pharmacology	B
PF	dental services	B
PG	ophthalmic services	B
PH	nursing	B
PJ	semi-medical / physical / physio / therapies	B
PK	psychology	A
PL	health & safety	B
PR	social / family / community work	B
PS	crisis support / counselling / advice work	B
PT	caring skills	B
PV	first aid	B
Q	Environment protection / energy / cleansing / security	
QA	environmental protection / conservation	B
QB	energy economics / management / conservation	B
QC	pollution / pollution control	B
QD	environmental health / safety	B
QE	cleansing	B
QG	funerary services	A
QH	security / police / armed forces	A
QJ	fire & rescue services	B
R	Sciences & maths	
RA	science	B
RB	mathematics	A
RC	physics	B

Annex B: Programme Weightings by Subject Codes

Code	Title	Most likely programme weighting factor
RD	chemistry	B
RE	astronomy / space science	B
RF	earth sciences	B
RG	land & sea surveying / cartography	C
RH	life sciences	B
RJ	materials science	B
RK	agricultural science	B
RL	pathological science	B
S	Agriculture / horticulture / animal care	
SA	agriculture / horticulture (general)	E
SC	crop protection / fertilisers / by-products	E
SD	crop husbandry	E
SE	gardening / floristry	E
SF	amenity horticulture	E
SG	forestry / timber production	E
SH	animal husbandry	E
SJ	fish production / fisheries	E
SK	agricultural / horticultural engineering / farm machinery	D
SL	agricultural / horticultural maintenance	E
SM	rural / agricultural business organisation	B
SN	veterinary services	D
SP	pets / domestic animal care	D
SQ	land based studies	E
T	Construction & property (built environment)	
TA	built environment (general)	C
TC	property: surveying / planning / development	A
TD	building design / architecture	B
TE	construction	C
TF	construction management	C
TG	building / construction operations	C
TH	building services / maintenance	C
TJ	interior design / fitting / decoration	C
TK	construction site work	C

Code	Title	Most likely programme weighting factor
TL	civil engineering	C
TM	structural engineering	C
	all NVQs in construction	D
V	Services to industry & commerce	
VD	quality & reliability management	A
VE	industrial control / monitoring	C
VF	industrial design / research & development	C
VG	engineering services	C
VH	facilities management	A
VJ	contracting (business / industry)	A
	all NVQs in engineering services	D
W	Manufacturing / production work	
WA	manufacturing (general)	C
WB	manufacturing / assembly	C
WC	instrument making / repair	C
WD	testing measuring & inspection	C
WE	chemical products	B
WF	glass / ceramics / concretes manufacture	C
WG	polymer processing	C
WH	textiles / fabrics (industrial)	D
WJ	leather footwear & fur	D
WK	woodworking / furniture manufacture	C
WL	paper manufacture	C
WM	food / drink / tobacco (industrial)	C
	all manufacturing NVQs (WA and WB)	D
X	Engineering	
XA	engineering / technology	C
XD	metals working / finishing	C
XE	welding / joining	D
XF	tools / machining	C
XH	mechanical engineering	C
XJ	electrical engineering	C
XK	power / energy engineering	C

Annex B: Programme Weightings by Subject Codes

Code	Title	Most likely programme weighting factor
XL	electronic engineering	C
XM	telecommunications	C
XN	electrical / electronic servicing	C
XP	aerospace / defence engineering	C
XQ	ship & boat building / marine / offshore engineering & maintenance	C
XR	road vehicle engineering	C
XS	vehicle maintenance / repair / servicing	C
XT	rail vehicle engineering	C
	all NVQs in engineering	D
Y	Oil / mining / plastics / chemicals	
YA	mining / quarrying / extraction	C
YB	oil & gas operations	C
YC	chemicals / materials engineering	B
YD	metallurgy / metals productions	B
YE	polymer technology	C
Z	Logistics / distribution / transport / driving	
ZH	logistics	A
ZN	purchasing & procurement	A
ZP	distribution	A
ZQ	transport services	A
ZR	aviation	A
ZS	marine transport	A
ZT	rail transport	A
ZV	road transport	A
ZX	driving / road safety	A
	GCE A levels, GCE AS levels, GCSEs and short-learning aim GCSEs with the exception of those listed below A	A
	Agricultural science	B
	Applied physics	B
	Archaeology	B
	Art & design	B
	Astronomy	B
	Biology	B

Annex B: Programme Weightings by Subject Codes

Code	Title	Most likely programme weighting factor
	Botany	B
	Building studies	B
	Catering	B
	Chemistry	B
	Communications studies	B
	Computer science	B
	Craft & design	B
	Dance	B
	Design & technology	B
	Drama	B
	Earth science	B
	Electronics	B
	Engineering	B
	Engineering & technology	B
	Environmental science	B
	Fashion & textiles	B
	Film studies	B
	Geography	B
	Geology	B
	Graphical communication	B
	Home economics	B
	Human biology	B
	Information studies	B
	Information technology	B
	Land surveying	B
	Marine navigation	B
	Media studies	B
	Meteorology	B
	Motor vehicle	B
	Music	B
	Performing arts	B
	Photography	B
	Physics	B

Annex B: Programme Weightings by Subject Codes

Code	Title	Most likely programme weighting factor
	Psychology	B
	Science	B
	Social biology	B
	Textiles	B
	Theatre studies	B
	Zoology	B

Annex C: Additional Learning Support

Additional Learning Support

1 The LSC's approach to funding additional learning support (ALS) in 2003/04 will remain largely unchanged from 2002/03. The LSC has undertaken extensive consultation with the post-16 sector between February and November 2002 (in Circular 02/04 and Circular 02/17) on establishing a common approach to funding ALS. The second stage of consultation focused on four possible funding options. In parallel, the LSC commissioned the Learning and Skills Development Agency (LSDA) to undertake a cost study which sought to establish the feasibility of standardising some or all elements of ALS funding.

2 The consultation and the LSDA cost study have raised a number of significant issues, some of which need to be explored in more detail before the LSC is able to confirm the future arrangements for funding ALS.

3 The consultation highlighted a fundamental issue for the LSC to resolve. The majority of responses, which were mostly from the FE sector, supported funding ALS on an 'actual costs' basis. The LSC recognises the underlying benefits to providers of such an approach. However, the LSC is committed to the recommendations of the Bureaucracy Task Force which include simplifying the LSC's approach to funding. Additionally, any new approach must ensure that funding promotes efficiency of delivery.

4 The cost study highlighted that there is the potential to standardise some key aspects of ALS – in particular staff costs. However, this needs to be explored in greater depth. Some possible alternative approaches to funding were also identified, which the LSC wishes to explore, including alternative ways of funding

small groups and the possibility of a two-tier approach which gives some scope for funding locally determined costs for more complex learner needs.

5 As a result, the LSC is proposing to work with some providers in 2003/04 to develop and test elements of a potential new approach. For the vast majority of institutions, however, the arrangements for 2003/04 will remain unchanged from 2002/03.

6 Further details of the consultation responses, the LSDA study and the pilots to be undertaken in 2003/04 will be published.

Definition

7 Additional funding may be claimed where an institution provides ALS to an individual and the extra costs of doing so are above a threshold level. ALS is defined as:

any activity that provides direct support for learning to individual learners, over and above that which is normally provided in a standard learning programme which leads to their learning goal. The additional learning support is required to help learners gain access to, progress towards and successfully achieve their learning goals. The need for additional learning support may arise from a learning difficulty and/or disability, or from literacy, numeracy or language support requirements.

8 For clarification, it is not intended that ALS funding be used to provide basic skills support where literacy, numeracy or language support are learning goals. In such circumstances, basic skills support should be met through the appropriate basic skills learning aims. However, where individual learners have been identified and assessed as

having **specific** additional basic skills support needs to enable them to progress on their programmes of study, which cannot be met effectively through a separate basic skills learning aim, this may be eligible as additional learning support (see paragraphs 19-20 of Annex C for further explanation).

9 The activities for which ALS may be claimed are intended to be additional activities which provide direct learning support to learners. They are not intended to include activities that would more usually be classified as learner financial assistance. Consequently, the definition of ALS, for funding purposes, does not include childcare or transport to the institution, although it could include transport within the institution for learners with mobility difficulties.

10 Where the majority of learners in a group appear to require additional help to succeed on their learning programme, this should be addressed in the design and delivery of the main learning programme or by reconsidering the choice of programme for these learners, rather than by applying the ALS mechanism. This would not, however, apply to discrete groups of learners with learning difficulties and/or disabilities.

11 Similarly, where it is apparent that an individual is following a programme at a level above that which the individual has been assessed as capable of achieving, consideration should be given to a more appropriate choice of programme for the individual. ALS funding should not be claimed in such circumstances.

12 ALS should not be used to lengthen artificially the working week or working year for learners where the institution has reduced the hours for the standard learning programme.

13 It is not intended that ALS should be used to deal with the everyday difficulties experienced by learners on their programmes, for example, an A level mathematics learner experiencing difficulty with calculus, nor for such activities as preparing for university entrance.

14 Each institution should determine which elements of support in the institution are additional to those already offered in an individual's learning programme and could, therefore, be costed to substantiate the institution's claim for additional learning support. Where a learning programme is designed as discrete provision for individuals with learning difficulties and/or disabilities, there must be clear evidence of the provision of ALS before a claim for additional learning support can be considered.

15 The phrase 'standard learning programme' refers to the actual learning programme which the learner is following alongside his or her peers. This may include elements of support delivered as part of the curriculum.

16 In many cases, a learner requiring ALS will have had a statement of educational need when a school pupil. Institutions will wish, in designing a learning programme, to have regard to a learner's statement which is likely to contain useful information.

17 The types of ALS provided for learners may include:

- additional teaching – either to reduce class sizes or to provide in-or out-of-class-support;
- other specialist staffing for example:; personal care assistant; mobility assistant; reader; note-taker; amanuensis; in-class support assistant; dedicated technician (for supply, maintenance and training in the use of equipment for learners with disabilities and/or learning difficulties); specialist tutor (for example, teacher of the Deaf, teacher of learners with dyslexia); communication support worker (for example, Brailist or support for Deaf learners); additional tutor support for counselling and guidance for individual learners that relates to his or her disability; material adaptation worker; educational psychologist;

- funding for a speech therapist and a physiotherapist – where such support is identified in a learning agreement as necessary to enable a learner to achieve his or her learning aims, and meets the definition of ALS, such support should be funded by the institution and is eligible for ALS funding. Normally, the provision of such support should follow an assessment by an appropriately qualified person. Where speech therapy or physiotherapy is not identified in a learning agreement as necessary to enable a learner to achieve his or her learning aims and does not meet the definition of ALS, funding should be sought from the relevant health authority;
- assessment and review pre-entry and on entry, on-programme and on exit where this involves specialist inputs or a higher level of input than that provided on the individual's learning programme;
- personal counselling - where such support is necessary to enable a learner to achieve his or her learning goal;
- transport between sites and to other off-site activities, for learners with mobility difficulties, but not home-to-institution transport; and
- administration - linked directly to individual learners and that is in excess of usual requirements, for example, time spent negotiating or delivering special examination facilities.

Equipment costs and depreciation

18 Whilst actual equipment costs cannot be claimed through the ALS mechanism, a depreciation charge for the equipment may be included. It should be calculated by dividing the actual cost of the equipment by the

estimated number of years of its useful life. Only the appropriate element of depreciation for equipment used by the learner for the time it was used may be claimed. If the lease costs are a revenue charge, for example an operating lease, the institution may claim the proportionate cost of the lease charge. Where a finance lease is used the depreciation charge is calculated with reference to the capitalised value divided by the term of lease or useful economic life. This should be calculated by an institution's finance department and must be shown in an institution's accounts.

Basic skills

19 Institutions may claim funding for providing programmes in numeracy, literacy and English for speakers of other languages (ESOL) in one of three ways:

- as a main programme for which the only learning aim is a set of objectives for basic literacy in English, to teach the basic principles of mathematics, or to improve the knowledge of ESOL (see section three, paragraphs 149 to 151 in the main document);
- the addition of an individually listed numeracy/literacy/language learning aim to a learner's main programme of study; or
- as ALS where the learner's programme has a learning goal which is not literacy, numeracy or ESOL, but where additional help in any of these areas is provided to the learner.

20 The second option (ii) indicated above, that is, the addition of an individually listed numeracy/literacy/language learning aim to a learner's programme of study, should be adopted where it is in the learner's best interests and would have a positive effect on the learner's ability to achieve their main learning outcome.

Additional learning support costs form

21 Where the institution wishes to claim ALS, it should complete the standard ALS costs form. The form should be signed by a member of the institution's staff and the learner as far as practical. **Where obtaining a learner's signature creates practical difficulties, the member of staff's signature will be sufficient. Institutions are asked to make a judgement about the appropriateness of this.**

22 The guidance notes on how to complete the ALS costs form and on the costing of ALS activities are given in Appendix 1 to Annex C. The form is available on the LSC's website at www.lsc.gov.uk/documents/ISR_audit_information. The form is intended to provide a standard framework against which institutions may assess the extra needs of learners with learning difficulties and/or disabilities and the costs of assessing these needs. The costs should:

- be calculated net of any specific income received from other sources;
- exclude the costs of staff training; and
- exclude support costs associated with learners enrolled at school and following link programmes in an institution.

Claiming funding for additional learning support

23 Claims for ALS funding will continue to be applied to support bands. The ALS bands, and their corresponding cash values, are set out in Appendix 2 to Annex C. The opportunity for institutions to request support beyond £19,000 for a learner in a year is retained, as indicated in paragraph 32 of Annex C.

Calculating cash values

24 Institutions should use the standard ALS costs form to calculate the extra costs incurred

in the teaching year August 2003 to July 2004 to meet the extra needs of the particular learner. The total sum will enable institutions to identify the appropriate ALS band to be claimed.

25 The cash values listed in Appendix 2 to Annex C relate to the cost of the individual's ALS provided for one year, including programmes completed in less than one year. Where a programme is completed in one period, all of the ALS costs can be claimed for that period. If the programme is completed in two periods, half the ALS costs may be claimed for each period.

Thresholds

26 The thresholds for part-time and full-time full-year learners' costs remain at £170 and £501 respectively. Anticipated ALS costs must be at or above these levels before additional funding can be claimed. The definitions of full-time and part-time learners are given in Section 2 of the main document, paragraphs 31 to 33. These thresholds will be applied on a per period basis where the costs connected with the planned ALS provided for a learner meet or exceed the threshold for an ALS cost band. If the learner subsequently withdraws from their programme, the ALS rate can be claimed on a per-period basis. This will ensure that institutions are still able to claim the appropriate proportion of funding for those learners who withdraw early and who may, therefore, fall below the annual threshold for ALS funding.

27 ALS claims should be calculated using the expenditure incurred in a tri-annual period. This expenditure should be increased pro rata to reflect the number of tri-annual periods the learner is anticipated to complete in the academic year. This will give an estimated annual expenditure, which must exceed the relevant threshold values (see paragraph 26 of Annex C) for ALS funding to be claimed.

28 If the annual expenditure does exceed the threshold value, the relevant annual cash sum may be claimed. The annual cash value should

be claimed pro rata for each tri-annual period of the programme that the learner completes.

29 For example, a learner on a programme planned for three tri-annual periods withdraws after only completing one period. If the actual amount spent in providing ALS during this period was £200, the additional support claim for the full learning programme would be calculated as the amount spent multiplied up to the implied amount which would have been spent if the three tri-annual periods had been completed, that is, $£200 \times 3 = £600$.

30 Since £600 exceeds an annual support cost threshold (that is, £501 – £1000), the institution can claim 1/3 of the annual rate, that is, $£751 \times 1/3 = £250$.

31 Claims for ALS on a per period basis are not eligible for funding where the planned costs of providing that support for the full learning programme in the academic year do not meet or exceed an appropriate ALS cost band.

32 Institutions may apply to their local LSC for specific additional financial support for learners whose ALS costs exceed £19,000. In such cases, it will be necessary to demonstrate the need for such additional funds.

33 The LSC is prepared to make further ALS available to enable institutions to maintain learner numbers (FTEs) whilst meeting the ALS needs of learners. Institutions should discuss such a requirement with their local LSC as part of the process of agreeing their funding allocation.

Area Costs Uplift and Specialist College Factor

34 Circular 02/04 highlighted an anomaly which exists with regards to those institutions that receive an area costs uplift. Currently those institutions receive disproportionate funds for ALS as the areas cost uplift is applied to the institutions' total funding claim, including the claim for actual costs associated with ALS.

35 Whilst no significant changes are to be made to the funding arrangements for 2003/04, the LSC considers it appropriate to address this anomaly. Therefore, the funding software will be amended to remove the area costs uplift from ALS claims.

36 A similar situation exists for colleges receiving a specialist college factor, where the actual costs of ALS are uplifted by the application of the specialist college factor. The funding software will also be amended to remove the specialist college factor uplift from ALS claims.

Audit evidence

37 Where the institution wishes to claim ALS, the individual's learning agreement should give a summary of the additional support to be provided to the learner and a copy of the ALS costs form should be retained with the learning agreement. It is intended that the form be retained by the institution as auditable evidence in support of a claim for ALS. Care should be taken to ensure that planned expenditure does not make disproportionate use of public funds.

38 The institution should also be able to make available to its auditors sufficient evidence to show that the ALS claimed was made available to the learner.

39 Detailed audit guidance on ALS funding for 2003/04 will be available in Summer 2003. In the meantime, institutions may refer to the audit guidance for 2002/03, set out in *ILR Audit Guidance for Further Education in 2002/03*, available on the LSC's website.

Appendix 1: Guidance on Completing the Additional Learning Support Costs Form

Introduction

1 This guidance is based on the advice provided previously to the FEFC by a subgroup of its Learning Difficulties and/or Disabilities Committee chaired by Professor John Tomlinson.

2 The LSC recognises that some learners will need ALS in order to reach their learning goal. The need for ALS may arise as a result of one or more of the following:

- the learner has a learning difficulty and/or disability which has implications for their learning;
- the learner needs help with literacy or numeracy;
- English is not the language spoken at home and the learner requires language support.

3 Institutions can claim funding for ALS if the costs of the ALS provided fall into one of the ALS cost bands included in the national rates. Institutions that are planning to increase significantly the number of learners requiring ALS should contact their local LSC.

Initial assessment of learning support needs

4 The evidence for claiming ALS funding, that is, the completed form, is the outcome of the process of initial assessment for learning support. The form is available on the LSC's website at www.lsc.gov.uk/documents/ISRAuditinformation. This initial assessment process generally occurs at the pre-entry and entry stages of the

learning programme and may be considered to have three main elements:

- initial identification of the learners who will need learning support;
- detailed assessment of their learning support needs; and
- development of a plan to provide ALS.

5 Institutions will use a range of assessment instruments and strategies throughout the learning programme to identify individuals' ALS needs. The assessments carried out should be relevant and identify an individual's need within the context of the curriculum they will be following. There is no standard assessment method which all institutions should use, and institutions will make their own judgements as to the most relevant assessment methods and materials to use for particular learners.

6 Once the provision required to meet an individual's ALS needs has been identified, it can be costed and the ALS costs form completed. This stage of the process will typically take place during the induction phase of the learning programme.

7 There are some learners who will have needs which are not identified during the pre-entry and entry stages. It is important that as soon as these needs are identified an assessment is carried out, and the ALS costs form completed. An individual's learning support needs may change during the programme and, if a review of their needs leads to a significant change in the provision being offered to them, the form should be revised. This is particularly important where the change in provision may lead to a change

in the ALS cost band into which the support costs fall.

8 Possible stages in the process of identifying and providing ALS are set out in Table 8.

Table 8 Stages in the process of identifying and providing ALS

Timing	Process	LSC Requirements
Previous institution year	Strategic planning including activities such as schools liaison, multi-agency planning	Strategic plan which includes a needs analysis of learners with learning difficulties and/or disabilities
February of previous year	Estimate of numbers of individuals requiring ALS and the level of their needs	Provision of supporting information to local LSC including an estimate of the amount of ALS funding required
Pre-entry/entry	Initial identification of needs, that is, the admissions and induction processes, Detailed assessment of each individual's ALS needs	Back-up evidence for the ALS costs form
Entry/induction	Development of a plan to support learning and costing the ALS to be provided	Completion of the ALS costs form
On-programme	Regular review of ALS needs	Revision of the ALS costs form as required
Achievement	Identifying support requirements for end-of-programme review, assessment, accreditation	Estimate of costs to be included in ALS costings

Providing audit evidence of additional learning support

9 In planning its provision for 2003/04, an institution will have prepared an estimate of the funding for ALS required for the year. The estimate of additional funding will draw on information derived from strategic planning activities, including multi-agency collaboration, school links, careers information and other activities.

10 Once the learners are engaged on their learning programmes, the institution is required to provide evidence of the ALS being provided in order to account for the ALS funding claimed.

11 The ALS costs form provides information on the costs of providing ALS. It will form part of the audit evidence to be retained by the institution in support of its claim for ALS funds. In addition, institutions should have

available evidence of the assessments which were carried out as part of the process of identifying the support required by the individual.

12 The process of initial assessment for learning support should be integrated into the other processes carried out during the entry phase of the learning programme. Institutions should consider how the various documents and auditable evidence required for the entry element are co-ordinated.

Costing additional learning support

13 The outcome of the initial assessment is an ALS plan which details the provision a learner will need to achieve his or her learning aims. This provision should be costed as part of the process of completing the ALS costs form. The costings used in completing the form should reflect the actual costs borne by

the institution. Institutions should adopt costing formulas which reflect the variations in their provision.

14 The following points may be helpful when costing the provision:

- Institutions should not include overhead costs such as central services or premises costs in the calculation of additional costs, as these are already met from the base unit of resource in recurrent funding.
- Additional teaching costs should be based on staff salaries plus on-costs and contracted hours.
- Costs for support staff could be calculated in the same way as additional teaching costs.
- The costings should relate to direct learning support for individual learners. The costs of a learning support co-ordinator may be included where the member of staff concerned is providing direct support to an individual learner.
- Where learners are on a discrete programme the additional costs of teaching smaller groups of learners can be included in the form. Before claiming any additional costs, institutions should reassure themselves that there is a clear rationale based on the needs and characteristics of the learners to restrict the size of the group.
- Institutions should calculate the additional costs by subtracting the average teaching cost for each learner on a standard programme from the teaching cost for each learner on a discrete learning aim. The costs of any other additional learning support provided within a discrete programme should also be included in the costing.
- Institutions may include a depreciation charge for capital equipment on the form. This should be calculated by dividing the cost of specialist equipment by the estimated number of years.
- The costs of any assessments required to identify equipment needs can be included in the costing of initial assessment.
- Maintenance of the equipment and training for the learner in the use of the equipment can also be included.
- Where a learner needs to have his or her learning materials adapted, the cost of preparation can be included in the form. This may involve tutor, administrator or support staff costs.
- The cost of providing ALS during assessment of achievement should be included. This might include for example, extra examination invigilator time, note-takers or an amanuensis.
- The cost of transport can be included within the form where the learner is being transported between institution sites or where transport to a particular place is an integral part of meeting the learner's learning support needs, for example, as part of learners' mobility training.
- Administrative costs in excess of the usual requirements for an individual can be included in the costings. For example, this could include liaison time with other agencies and time spent negotiating special examination facilities.

15 More detailed audit guidance will be available in summer of 2003. In the meantime, institutions may refer to *ILR Audit Guidance for Further Education in 2002/03*, which is available on the LSC's website.

Appendix 2: Additional Learning Support Bands

Table 9 ALS bands

Band	ALS costs per learner per year (£)	Rate per learner per year (£)
0	170-500 (for part-time students only)	335
1	501-1,000	751
2	1,001-1,500	1,251
3	1,501-2,000	1,751
4	2,001-2,500	2,251
5	2,501-3,000	2,751
6	3,001-3,500	3,251
7	3,501-4,000	3,751
8	4,001-4,500	4,251
9	4,501-5,000	4,751
10	5,001-5,500	5,251
11	5,501-6,000	5,751
12	6,001-6,500	6,251
13	6,501-7,000	6,751
14	7,001-7,500	7,251
15	7,501-8,000	7,751
16	8,001-8,500	8,251
17	8,501-9,000	8,751
18	9,001-9,500	9,251
19	9,501-10,000	9,751
20	10,001-10,500	10,251
21	10,501-11,000	10,751
22	11,001-11,500	11,251
23	11,501-12,000	11,751
24	12,001-12,500	12,251
25	12,501-13,000	12,751
26	13,001-13,500	13,251
27	13,501-14,000	13,751
28	14,001-14,500	14,251
29	14,501-15,000	14,751
30	15,001-15,500	15,251
31	15,501-16,000	15,751
32	16,001-16,500	16,251
33	16,501-17,000	16,751
34	17,001-17,500	17,251
35	17,501-18,000	17,751
36	18,001-18,500	18,251
37	18,501-19,000	18,751

Annex D: A to Z of Rates Considerations

Access to HE

1 Funding will continue to be available for Access to Higher Education programmes, including those formally recognised by the Quality Assurance Agency for Higher Education (QAA) and other locally devised programmes outside the QAA framework for funding as other provision. These learning aims prepare adult learners from non-traditional backgrounds and under-represented groups for admission to undergraduate education. The QAA regulates the framework for recognition of Access to Higher Education learning aims. When Access to Higher Education learning aims have gained formal recognition they are included on the UCAS database of QAA recognised Access learning aims which can be found at www.ucas.ac.uk. The age admission to QAA validated access programmes has been lowered from 21 years to 19 years following consultation in Autumn 2002. The QAA is currently producing guidelines for Authorised Validating Agencies and providers with regard to applications from September 2003. Further information is available on the QAA website at www.qaa.ac.uk

2 Some Access to Higher Education learning aims which are followed for at least 150 glh per tri-annual period for 450 glh or more a year have been listed in Annex A. All other Access to Higher Education programmes remain in the loadbands.

Accreditation of prior experience and learning

3 This is a process where the learner's prior knowledge and experience contributes to particular elements of a programme. For an individually listed learning aim, the full value of funding may be claimed when the

programme is delivered wholly or partly by the accreditation of prior experience and learning (APL), subject to a minimum threshold of 6 glh (9 glh for 16-18 year-old learners, apart from basic skills provision).

4 For a learning aim that is not individually listed, the value claimed for APL should be the value for the loadband into which it falls.

5 It would be unusual to gain full certification by APL and it is expected that some guided learning would be required. Where institutions are carrying out assessment, for example, of employees leading to the award of an NVQ after little or no guided learning input, this would not be eligible for funding (see paragraphs 59 to 61 in the main document).

Advanced levels (GCE, AS/A2)

6 For AS and A2 provision studied in the day (other than General Studies), the rate is based on a typical full-time 16-18 year-old learner studying four AS qualifications in Year 1 together with entitlement, followed by three A2 qualifications in Year 2 together with entitlement. Hence, there are nine elements in the learning programme. Under FEFC funding arrangements, eight entry units could be claimed for this programme. For 2003/04, the rate for each of these qualifications includes eight ninths of an entry unit in the national base rate for AS and A2.

7 The national base rate for AS and A2 has been adjusted to maintain funding levels reflecting learners typically achieving one key skills qualification in each year of their study.

8 For AS and A2 qualifications studied in the evening, the full entry funding is included in the new rates as typically only one such qualification is studied.

9 For AS or A2 General Studies studied in the day or evening, no entry funding is included within the new rate as these qualifications are normally studied as part of a larger programme that already has the entry funding absorbed into it.

Advanced vocational certificates of education

10 Advanced vocational certificates of education (AVCEs) are available as Advanced Subsidiary (3 units), single award (6 units) and double award (12 units) qualifications.

11 The National Rates Advisory Group (NRAG) has recommended that the funding rate for the three-unit qualification should be set at one-half of the funding for the AVCE 6-unit qualification. This reflects the way these qualifications are studied where normally they are an element of learners' programmes. The funding approach in 2002/03 was based on the integration of the former 'entry' element into the qualification as though it were the whole of the learners' programme, which is not generally the case.

12 The NRAG has also recommended that the funding rate for AVCE qualifications is reviewed further to investigate the costs of delivering these qualifications. It is expected that based on this work the rates will be further revised from 2004/05.

13 AVCEs and Advanced general national vocational qualifications (GNVQs) are funded as listed qualifications as detailed in Annex A, except where a learner having previously part finished the GNVQ or AVCE at the same or another institution re-enrols after a break in learning. Under these circumstances, the full funding for the qualification is inappropriate and funding for the qualification should be claimed using the appropriate loadband.

Edexcel First and National Qualifications

14 Annex D, paragraphs 13-17 of *Funding Guidance for Further Education in 2002/03*,

explained the new first and national qualifications that were being introduced. It showed how they compared with the older qualifications and the implications for funding. This guidance is not repeated here since the new qualifications are now fully in place.

Entitlement curriculum (see also key skills)

15 The introduction of Curriculum 2000 included an entitlement for the development of key skills, tutorial and enrichment activities for all full-time 16-18 year olds starting programmes from the 2000/01 teaching year onwards.

16 The LSC expects that the entitlement will include regular tutorials, relevant key skills and enrichment activities, which will be delivered in an appropriate number of glh that are additional to the other learning aims within the learner's programme. The performance review process includes consideration of the entitlement provision delivered by institutions and it is also reviewed during inspection.

17 From 2003/04, the Special Grant previously available for full time 16-18 year olds in full-time FE will be incorporated in the funding rates for entitlement. This will increase funding by £54.90 in addition to the 10% increase in the rates. This produces a national funding rate for the entitlement of £711.

Learners eligible for entitlement

18 Learners for whom entitlement funding may be claimed must be:

- aged under 19 on 31 August in the calendar year in which they start their programme of study; and
- studying on a full-time basis, as defined in Section 2, paragraph 34 in the main document.

19 In line with Ministers' expectations learners are expected to be:

- aiming to achieve any of the relevant QCA key skills qualifications at level

2, that is, communication, application of number and Information Technology, that they have not already achieved at GCSE grade A* - C or equivalent. This implies that learners are expected to register with the awarding body, take the end test and submit their portfolio for each key skill taken. Learners studying GCSEs in appropriate subjects are exempted from this requirement but key skills learning must still be included in the learner's entitlement;

- aiming to achieve one relevant level 3 key skills qualification if the intention is for the learner to pursue a professional or higher qualification;
- undertaking some key skills learning as part of the entitlement package where government expectations outlined above have already been met.

20 Where a learner has learning difficulties and/or disabilities, which make the QCA key skills qualifications inappropriate, institutions may still claim entitlement funding if the learner is enrolled on appropriate entry level alternatives, for example, entry level certificates in Adult Literacy or Adult Numeracy.

Key skills

21 The LSC, in line with Ministers' priorities, encourages institutions to enable learners to progress towards appropriate key skills levels throughout the whole of their programme. However, the LSC accepts that within a multi-year programme the needs of the learner may in some cases require, for example, the delivery of key skills early in the programme and enrichment later in the programme. Under these circumstances the full funding may still be claimed provided the overall glh for entitlement are in accordance with paragraphs 15-29 in Annex D.

Key skills look-alike list

22 Key Skill 'look-alikes' are learning aims which the LSC considers demonstrate similar content to the key skills of communication, application of number, or IT. Key skills look-alike qualifications are ineligible for funding where a candidate is aged between 16-18 and is being funded for the entitlement curriculum. In addition, no further funding will be available for such students if they are enrolled on institution certificated or non-certificated provision in literacy, numeracy or IT at the same level as the QCA key skills qualification which they are aiming to achieve.

23 Examples of 'look-alike' qualifications are published on the LSC's website and can be accessed at: www.lsc.gov.uk/new_docs/lookalike_list_Oct_2001.xls. Institutions are asked to note that:

- the look-alike examples are not a definitive list of qualifications which are ineligible for funding if studied alongside the entitlement. Providers are advised to seek guidance from their local LSC if they are unsure whether a qualification has content which overlaps with one of the key skills qualifications; and
- look-alike qualifications are not proxies for any of the key skills qualifications and, therefore, do not provide exemption from any aspects of the key skills qualifications.

Proxy qualifications

24 The QCA has published a list of proxy qualifications on its website. Proxy qualifications are those qualifications that have been agreed to assess the same knowledge and skills as aspects of the key skills. As a result of this overlap, candidates can claim exemption from parts of the key skills where they are able to provide proof of achievement of the proxy qualification.

25 Only qualifications that appear on the QCA list below have been mapped for the type of overlap required and can guarantee that the

candidate has been assessed in the appropriate knowledge and skills. This list of qualifications is reviewed periodically to ensure that it is appropriate.

26 The full list can be found on the QCA website at www.qca.org.uk/nq/ks/proxy_qualifications.asp

27 Where learners study proxy qualifications instead of the relevant key skills qualifications which form part of the entitlement, institutions should not claim funding for the proxy qualifications. In such cases, funding should only be claimed where the proxy qualifications are additional to the key skills element of the entitlement and are delivered in additional glh.

Enrichment

28 Some examples of appropriate enrichment activities are:

- learning aims that lead to external qualifications or external certificates of attainment not approved by Secretary of State, for example open college network (OCN) provision, wider key skills, Young Enterprise and Duke of Edinburgh awards;
- careers guidance;
- sports;
- music, dance and drama;
- industry related programmes, including vendor certificated courses such as those offered by IT companies (for example CISCO, Microsoft, Novell);
- health education; and
- the use of learning resource centres.

29 Part-time jobs undertaken by learners cannot be considered as eligible for funding as enrichment activities under the entitlement, except in exceptional circumstances. Work experience will be considered as an enrichment activity only where this is a structured approach with some tutor input.

However, where work experience is provided as a mandatory element of a qualification, it is deemed to be part of the main qualification and should not be considered as an enrichment activity.

Funding entitlement

30 Funding may be claimed for the key skills, tutorial and enrichment entitlement in each year of study. This funding is listed and reflects its broad equivalence to the teaching time expected for a GCE AS level over one year.

31 The funding of the entitlement includes fee remission and is, therefore, paid at the full national rate. Achievement funding for the proportion of the programme relating to achievements in key skills (application of number, communication and IT) may be claimed (see Annex A).

32 Where a learner in receipt of entitlement funding meets the expectations set out in paragraph 18 of Annex D during the first year of their programme, and goes on to achieve the next level in the key skills in the second or subsequent years of their programme, achievement funding may be claimed for each key skill at each level.

33 For 16-18 year-old full-time learners, guidance, tutorial skills and study skills are included in the entitlement and will not attract additional funding.

Entry level

34 Entry level is the first level of the national qualifications framework, below level 1. It is sub-divided into three levels (1, 2 and 3) which are broadly comparable with levels 1, 2 and 3 in the National Curriculum. The range of qualifications covered is below the level of GCSE grade G, and includes vocational and skills-based qualifications. The Section 96 list (to be found at www.dfes.gov.uk/section96) contains the entry level qualifications that can be used. Qualifications at entry level are called 'certificates'. Those that have been accredited by QCA are described as entry level certificates of educational achievement.

Exemptions

35 An institution may not claim any funding for any part of a learning programme from which a learner is already exempted as a result of previous certification. Institutions are expected to adjust the amount of funding claimed to reflect this guidance.

Free-standing mathematics qualifications

36 There are 11 freestanding mathematics qualifications (FSMQs) at foundation, intermediate and advanced levels. Each is a national qualification in its own right, accredited by the QCA. The QCA has confirmed that these awards do not relate to the key skill of application of number and can therefore, be funded in addition to the entitlement funding for 16-18 year-old learners. The FSMQs delivered in glh additional to the learning programme can be funded under the loadbands.

General certificates of secondary education (GCSEs)

37 For conventional general certificates of secondary education (GCSEs) studied in the day, in a similar way to AS and A2 programmes, eight entry units were available under the FEFC approach for full-time GCSE students who typically take five GCSEs. The indicative rate for each daytime GCSE, therefore, includes funding equivalent to eight-fifths (1.6) of an entry unit. For GCSEs studied in the evening the full entry funding is included in the 2003/04 rates.

GCSEs in vocational subjects

38 GCSEs in vocational subjects have been available for teaching from September 2002 and are listed qualifications. It should be noted that separate national rates apply for students undertaking GCSEs in vocational subjects at Key Stage 4 and students of post-compulsory school age taking GCSEs in vocational subjects at FE institutions. GCSEs in vocational subjects

will cover levels 1 and 2 (foundation and intermediate) of the National Qualification Framework, and will initially be available in eight vocational areas:

- applied art and design;
- applied business;
- engineering;
- health and social care;
- applied ICT;
- leisure and tourism;
- manufacturing, and
- applied science.

39 Vocational GCSEs enable progression to further study at intermediate or advanced level, including for example GCSEs, NVQs, GCEs and AVCEs.

40 GCSEs in vocational subjects are considered equivalent to two GCSEs in terms of size and demand and this is reflected in the listed national base rate for these qualifications.

GCSE (short learning aim) qualifications

41 These qualifications were introduced in September 1996. They are intended to take half the glh of a conventional GCSE qualification. GCSE (short-learning aim) qualifications are, therefore, individually listed at a national base rate which reflects the size of these qualifications.

General National Vocational Qualifications (GNVQs)

42 Six-unit foundation and intermediate GNVQs will continue to be available to learners alongside the eight GCSEs in vocational subjects in the short-term, but learners will not be able to commence learning aims leading to these qualifications after 31 August 2004.

International baccalaureate (IB)

43 The LSC has been advised by the NRAG, following guidance from the DfES and QCA, that the International Baccalaureate should be regarded as equivalent to four GCE A levels plus one AS level studied over two years. A national base rate for the full qualification in 2003/04 of £6,562 (excluding entitlement) has been agreed by the LSC following the NRAG's advice.

Key skills (see also entitlement)

44 There are three key skills qualifications at levels 1 to 4: communication, application of number and IT. Awarding bodies offering these qualifications are identified in the Section 96 list, under key skills.

45 Ministers' expectations are that learners who have not achieved Mathematics, English or IT at GCSE grades A* - C are expected to aim to achieve the appropriate key skills qualifications. In addition, learners commencing programmes of study at level 3,

with the aim of pursuing a further professional or higher qualification, should be supported by institutions in gaining at least one relevant key skills qualification at level 3 (see paragraph 21 of Annex D).

46 For 16-18 year old full-time learners, the core funding and fee element for key skills of communication, application of number and IT is incorporated within the funding for entitlement. Funding for achievement is paid separately based on the listed values and relevant programme weightings (see Table 10 below). Further information on key skills as part of 16-18 year old learners entitlement is given in paragraphs 15 to 33 of Annex D.

47 Funding is available for key skills qualifications at a listed rate for all part-time learners aged 16-18 and learners 19 and over, based on the national base rates for the 30-39 glh load-band.

48 The programme weighting factors that apply to key skills are shown in Table 10.

Table 10 Key skills programme weighting

Qualification	Level	Programme Weight
Communication, application of number	1 or 2	1.4 (basic skills)
ICT	1 or 2	1.12 (B)
Communication, application of number	3 or 4	1.0 (A)
ICT	3 or 4	1.12 (B)

Wider key skills

49 There are three wider key skill units at levels 1 to 4: working with others, improving own learning and performance and problem solving. These are separately fundable through the loadbands.

50 Funding may be claimed for the wider key skills in addition to the entitlement funding provided that additional glh are delivered at the appropriate level. However, the wider key skill units could also be delivered as

enrichment activity, in which case no additional funding should be claimed.

Mathematics AS/A2 levels

51 The QCA has informed the LSC that following a review of the implementation of Curriculum 2000, interim arrangements are being put in place for AS mathematics.

52 It has been identified that the content of AS mathematics requires review as there is concern that some aspects that may be more appropriate in the A2 are currently a

requirement in the AS. Pending this review, the Secretary of State has agreed to an interim solution for 2002/03, 2003/04 and 2004/05, which is to introduce an Autumn examination (in addition to the Summer assessment), so that those learners requiring more study time can delay their examination entry and extend the length of their study. It is not intended that the funding arrangements described in paragraphs 53-54 in Annex D for learners delaying examination entry until the Autumn should be used for learners wishing to resit the examination.

53 The NRAG considered that the funding implications of the additional work required to support learners extending their study time and delaying examination entry until the Autumn should be recognised. It recommended a rate of £163, that is, slightly less than one-third of the equivalent full-year rate.

54 The following national base rates for 16-18 full-time learners studying AS mathematics depend upon the length of time taken to complete and achieve the qualification:

- completed and achieved in one year: £729;
- completed and achieved in Autumn after extending teaching time into fourth term: $£729 + £163 = £892$;
- completed in one year but only achieved after re-sitting examination: $£729 + \text{loadband determined by glh delivered for resit programme}$.

Minimum learning aim duration

55 The minimum learning aim duration for 16-18 year-old learners is 9 glh unless a basic skills learning aim of 3 or 6 glh is being pursued by a part-time 16-18 year-old learner (see paragraphs 163-165 in the main document).

56 For learners aged 19 and over, the minimum is 6 glh, except for basic skills and ICT learning aims, where the minimum is 3 glh. The conditions which apply to the 3 and 6-glh

learning aims are set out in paragraphs 68-73 in Annex D.

57 The minimum learning aim duration for distance learning provision for learners aged 19 or over should be equivalent to 6 glh or more (see Annex F, paragraphs 36 to 38).

National vocational qualifications (NVQs)

58 NVQs are listed by the LSC where robust data is available on the number of glh in which the qualification has been delivered in previous years. The framework of NVQ delivery methods for listed NVQs is set out in Table 11. This framework shows how glh can be counted and the funding levels available for different approaches to delivery. Units of NVQs are eligible for funding as described in paragraphs 79-83 of Annex D.

Table 11 Framework of NVQ delivery methods

Delivery by	Solely institution		Institution and employer jointly		Institution and employer jointly	
Location	Entirely at institution		Mainly at workplace (partly at institution)		Entirely at workplace	
Component	Provider	glh	Provider	glh	Provide	glh
Skills-training (on the job)	Institution	✓	Employer	✗	Employer	✗
Underpinning knowledge and understanding (off-the-job)	Institution	✓	Institution (at workplace for institution)	✓	Employer	✗
Support and assessment	Institution	✓	Institution	✓	Institution	✓
National base rate	£2635		£1046		£699	

59 In determining the appropriate national funding rate to be claimed for an individually listed NVQ, institutions should consider the following:

- which of the three components are delivered by the institution;
- the number of glh delivered. Where the institution delivers all aspects of the NVQ (model 1) but this involves less than 450 glh, the national base rate will be £1,046;
- the length of time over which the programme is delivered;
- any overlap in content with any other NVQ or other qualification which is part of the learner's programme of study;
- for work-based learning, institutions must be able to demonstrate the delivery of actual glh as distinct from work-related supervision;
- for franchised provision, the institution must be able to demonstrate effective control; and
- institutions are expected to provide NVQs according to their current pattern. If an institution is introducing

an NVQ funded through the loadbands for the first time, it should seek the advice of the awarding body and/or other institutions with experience of offering the qualification to establish the appropriate glh for the learning aim.

60 The NVQs which are currently individually listed are included in the learning aims database, and institutions should check the database for listings of NVQs. All other NVQs will remain in the loadbands. Assumed fee income is 50% of national base rates for employer dedicated provision (see paragraph 273 in the main document).

61 The maximum funding should only be claimed where a learner is following a full-time qualification which is delivered in 450 or more glh.

62 Some NVQs are delivered in the workplace and funded through loadbands. Where institutions provide support and assessment only for a loadbanded NVQ, or where the institution and employer jointly deliver the loadbanded NVQ mainly at the workplace, funding should be claimed using the approach for distributed and electronic learning (DEL). (see Annex E for more details). Institutions may claim the loadband funding values instead of providing costing

information, if the majority of the provision is delivered in groups.

63 Providers will be required to provide costing information about the delivery of the provision. After approval by the local LSC, this rate will be used to fund the provision. The local LSC will check the costing information for reasonableness and may request support of external auditors in this process.

64 The following notes apply to all listed and loadbanded NVQs.

- Where a learner is in full-time employment a maximum national base rate of £1,312 may be claimed.
- Learners are expected to undertake only one full-time NVQ programme in a 12-month period unless exceptional circumstances apply.
- Where a learning programme consists of two or more NVQs in the same subject area, institutions should consider any overlap in content when determining the funding claimed for the second and any subsequent NVQ.
- Where support and assessment are provided by an institution, for example to employees, the provision will be eligible for funding if a significant level of support is provided for the programme as a whole together with assessment. If the institution only provides assessment this is ineligible for LSC funding.
- LSC funding should not be claimed for learners on NVQ programmes who are not registered with an awarding body.
- From January 2003 assessors and verifiers for NVQs must have obtained the appropriate single unit qualifications available from a range of awarding bodies. These assessor and verifier (A and V units) replace the 'D' units. Where these qualifications are claimed as part of a

learning programme designed to train an individual as an assessor or verifier, the learner should have appropriate experience in his or her work area before commencing the qualifications. The experience and currency required to assess any NVQ is defined by the 'assessment strategy' which accompanies each NVQ. For example, combining assessor and verifier units with diving qualifications below instructor level would be considered inappropriate and would be ineligible for LSC funding.

Religious education

65 The programme of study approved by the National Board of Religious Studies will be funded at a cash value of £112.

Resits

66 Many learning programmes are designed to enable learners to resit examinations and assessments. These are eligible for LSC funding. Where a learner fails to achieve a learning aim in the expected time span and stays on for additional time to complete, this is not considered to be a resit and no further funding should be claimed.

67 Where a learner achieves the learning aim but stays on to resit the assessment in order to improve the level of achievement, no further achievement funding may be claimed.

Short programmes of 3 and 6 glh

68 The rates for short learning aims are set out in Annex A.

69 Funding is available for the following:

- short learning aims of 3 glh and 6 glh in basic skills;
- short learning aims of 3 glh and 6 glh in ICT;

- 6 glh learning aims of adult learning and employment skills, including learning aims for family learning; and
- unitised programmes.

70 These learning aims should be targeted at adults, aged 19 and over, who may not previously have had access to LSC-funded provision or who are 'technologically disadvantaged'. However, short learning aims of 3 glh and 6 glh in basic skills are eligible for funding for part time learners under 19.

71 The LSC does not think it is appropriate to deliver 3 glh taster programmes by distance learning methods. Only programmes of 6 glh or more are eligible for funding if delivered by distance learning. Annex F describes in detail how funding for distance learning should be claimed.

Multiple short learning aims

72 A learner should not be enrolled on more than one 3 glh taster learning aim in ICT before moving onto a more substantial learning programme. It is expected that where a learner undertakes a 3 glh or 6 glh learning aim as outlined above, this will be studied prior to progressing to a more substantial programme.

73 Further guidance in relation to short learning aims in relation to basic skills is given in section three, paragraphs 159-161 in the main document.

Subsidiary or equivalent learning aims

74 The LSC will not fund learning aims which are subsidiary to other learning aims within a learning programme within a 12-month period. For example, a learning programme comprising GCSE Spanish and AS Spanish within the same 12-month period would not be funded for the subsidiary GCSE learning aim.

Trades Union Congress learning aims

75 The DfES provides additional funding for Trade Union Congress (TUC) learning aims. These have been discussed in relation to the "Revitalising Health and Safety" initiative. This funding is intended to pay the tuition fee element for learners on these learning aims who would not otherwise be eligible to claim fee remission.

76 The LSC, the DfES and the TUC have agreed that the national base rates for TUC learning aims will automatically include the tuition fee element.

77 Institutions should not record learners on TUC learning aims as eligible for fee remission in respect of the TUC learning aim because these are already funded at the full national rate. If such learners are recorded as eligible for fee remission in relation to TUC learning aims this will result in double-funding of the fee remission element being claimed by the institution.

78 Institutions should not charge tuition fees to learners on TUC learning aims as the full national base rate will be available for all learners on these learning aims. Achievement funding is payable where the learner achieves according to the LSC's funding guidance.

Unitisation

Adults

79 The LSC will fund unitised programmes for adult learners which consist of one or more units of approved qualifications. Each unit must be a minimum of 6 glh. It is expected that all unitised programmes will have coherence and a clearly stated rationale for an identified learner group. Each programme should better enable progression to further training, learning or employment, take account of the individual learner's needs regarding IT and basic and/or key skills and meet the rationale for offering the identified programme.

16-18 year olds

80 The funding of unitised provision continues to apply only to adult learners. The LSC expects learners aged 16-18, either full or part-time, to receive a substantial programme of study, comprising qualifications approved by the Secretary of State under Section 96. However, the offer of separate units of qualifications, as opposed to full qualifications, to 16-18 year old learners may be appropriate in certain circumstances, provided that this does not impact on the whole qualification provision available to such learners. Where appropriate, the LSC may agree to fund such provision, on a pilot basis, as part of the institution's recurrent funding allocation. If institutions wish to develop their curriculum offer to 16-18 year old learners to include individual units of qualifications, this should be discussed at an early stage with the local LSC.

Units

81 Units from approved qualifications at different levels may be combined, but all units included in the programme should be recognised as complete units by the appropriate awarding body. Institutions should seek confirmation that the awarding body (or bodies) will accept candidates registered on unitised programmes and that separate unit certification is available.

Funding

82 Most units will be funded through the loadbands and should be delivered in the glh normally allocated to the same units in the institution's standard, non-unitised/linear provision. The LSC does not expect institutions to artificially extend the glh of units of qualifications which would result in a higher level of funding claimed for a qualification delivered through unitisation, compared to that delivered as one complete learning aim.

83 Learners who, at the start of their programme, intend to achieve the whole qualification incrementally (that is, unit by unit) should register for the whole qualification and not for a unitised

programme. This will involve the learner agreeing a programme end date which may extend beyond the current funding year. Unitised programmes are designed for adults not intending to achieve or not able to commit to, the whole qualification at the point of signing their learning agreement. Learners who subsequently decide to register for the whole qualification within a complete funding year should have their learning agreements amended to reflect the necessary coding change.

Annex E: Area costs uplifts

Table 12 Area costs uplifts

LONDON A FULL EFFECT 1.20		LONDON B FULL EFFECT 1.12	
Camden		Barking and Dagenham	
Islington		Greenwich	
Kensington and Chelsea		Bexley	
Lambeth		Havering	
Southwark		Redbridge	
Westminster		Barnet	
Wandsworth		Enfield	
Hackney		Waltham Forest	
Tower Hamlets		Bromley	
Lewisham		Croydon	
Newham		Kingston upon Thames	
Haringey		Merton	
Hammersmith and Fulham		Richmond upon Thames	
City of London		Sutton	
		Brent	
		Ealing	
		Harrow	
		Hillingdon	
		Hounslow	
BEDFORDSHIRE AND HERTFORDSHIRE NON-FRINGE FULL EFFECT 1.03			
Bedfordshire County Council		Mid Bedfordshire	
Bedfordshire Police Authority		North Hertfordshire	
Bedfordshire Combined Fire Authority		South Bedfordshire	
Bedford		Stevenage	
Luton			
BERKSHIRE, SURREY AND WEST SUSSEX FRINGE FULL EFFECT 1.12			
Surrey County Council		Runnymede	
Surrey Police Authority		Slough	
Bracknell Forest		Spelthorne	
Crawley		Surrey Heath	
Elmbridge		Tandridge	
Epsom and Ewell		Waverley	
Guildford		Windsor and Maidenhead	
Mole Valley		Woking	
Reigate and Banstead			
BERKSHIRE NON-FRINGE FULL EFFECT 1.12			
Reading		Wokingham	
West Berkshire			

BUCKINGHAMSHIRE NON-FRINGE FULL EFFECT 1.07	
Aylesbury Vale	Milton Keynes
Wycombe	
HAMPSHIRE (excluding Isle of Wight) FULL EFFECT 1.02	
Hampshire County Council	Hart
Hampshire Police Authority	Havant
Hampshire Combined Fire Authority	New Forest
Basingstoke and Deane	Portsmouth
East Hampshire	Rushmoor
Eastleigh	Southampton
Fareham	Test Valley
Gosport	Winchester
(N.B. Isle of Wight is part of Rest of England for area costs uplift.)	
HERTFORDSHIRE AND BUCKINGHAMSHIRE FRINGE FULL EFFECT 1.10	
Broxbourne	South Bucks
Chiltern	St Albans
Dacorum	Three Rivers
East Hertfordshire	Watford
Hertsmere	Welwyn Hatfield
KENT AND ESSEX FRINGE FULL EFFECT 1.06	
Basildon	Harlow
Brentwood	Sevenoaks
Dartford	Thurrock
Epping Forest	
OXFORDSHIRE FULL EFFECT 1.07	
Oxfordshire County Council	West Oxfordshire
Cherwell	Oxford
South Oxfordshire	Vale of White Horse
WEST SUSSEX NON-FRINGE FULL EFFECT 1.01	
Adur	Arun
Chichester	Horsham
Mid Sussex	Worthing

Annex F: Distributed and Electronic Learning, and Blended Learning

LSC's approach

1 The Distributed and Electronic Learning Group (DELG) was established by the LSC in 2001 to provide advice on a range of issues with this type of learning including funding. It has now considered various aspects of delivering DEL and has received evidence from a wide range of contributors. Its final report was received and accepted by the LSC in July 2002. The report included recommendations on the approach for funding DEL in 2003/04 and beyond. The report is available on the LSC's website (www.lsc.gov.uk). The funding approach recommended in the DELG report has also been considered and welcomed by the NRAG.

2 The DELG report recommended that the funding of DEL should, as far as possible, be the same as for more traditional learning. This has been accepted by the LSC and will be implemented from 2003/04. In particular for distance learning, this means that the use of the 14 multiplier is discontinued.

Definition of DEL

Distance Learning

3 Distance learning is defined as delivery in which learners use specially prepared learning materials for their private study and are provided with active tutor support, by suitably qualified staff. This enables learners successfully to achieve the qualification, or in the case of non-certificated or accredited learning aims, the intended outcome. Distance learners are typically work- or home-based and have only occasional in-person contact with the provider, which typically may be by telephone or e-mail.

4 Distance learning involves a substantial amount of self-directed work. The learning materials and the support may be provided by paper-based correspondence, by video or audio-tape, by accessing electronic materials on-line through the Internet or supplied on other media. The definition of distance learning does **not** include learning workshops, open access, or drop-in centres where the institution provides learning support and counselling facilities, together with access to materials and resources.

5 A distance learning programme should include all of the following elements, in addition to the learning materials:

- initial assessment to ensure that the programme and the mode of delivery is appropriate to the needs of the learner;
- induction;
- specialist tutor support;
- technician support where appropriate;
- counselling and guidance;
- additional learning support where necessary and appropriate; and
- the delivery method should be clearly identified in the programme literature and the learning agreement.

6 Distance learning offers flexibility to learners in the timing and location of study. There is considerable evidence to suggest that learners find it more difficult to achieve their learning goals using this approach unless they are very actively supported. The support should include a robust marking and comments service for their work which may be in electronic form or on paper. It is expected that the marking and comments service

should be provided by suitably qualified subject tutors, who are additionally trained to support distance learners.

7 The marking service provided should include feedback on the programme content, assignments, and the learner's literacy, numeracy and language skills where appropriate. Given the limited opportunities for oral and other informal interaction with learners, the feedback should be robust, that is, specific, detailed and focused on improvement. Feedback or formative assessment which is no more than an administrative process (for instance on-line assessment tools, scoring multiple-choice answer sheets or completing a pro-forma marking template) will not meet the criteria for a robust written comments service. The tutor support may be provided face-to-face, on an individual basis, or in a group; or by telephone, e-mail, video-conferencing, or other electronic means.

e-learning

8 e-learning is learning that involves a substantial amount of ICT technology, such as using computers and the Internet.

Open learning

9 Open learners, in contrast to distance learners, frequently study in learning centres, computer workshops, open access and drop-in centres, where they can directly access a range of curriculum resources and tutor support and guidance. Open learning involves more frequent direct face-to-face contact with tutors.

Blended learning

10 The term 'blended learning' describes a mix of learning delivery methods which includes some traditional learning, combined with distance, open and/or e-learning in a variety of proportions. Evidence from inspection and elsewhere strongly suggests that distance learning is more effective when combined with some whole group activity. Tutor and peer support have been identified as factors which aid retention and achievement.

Conversely, low retention and achievement rates have been shown to be associated with programmes delivered exclusively by distance learning methods.

DELG report

11 The DELG report considered the approach to the funding of DEL. It made a number of recommendations. In essence these are:

- The delivery of DEL is different from traditional methods but the funding of provision should be mode-free and neither encourage or discourage DEL.
- Capacity building, including capital costs and the training of staff, should be separate and not formula driven, as initial costs are unusually high for e-learning.

12 The extract from the DELG report that considers funding is included at Appendix 3 to Annex F. The funding of DEL will therefore follow the general approach for funding further education, that is funding rates are based on learning aims that are either listed or load banded.

Funding DEL

Listed learning aims

13 Listed rates will apply to learning aims irrespective of the mode of delivery. Hence, if an institution delivers a listed learning aim, the standard rate will apply no matter how the delivery takes place, whether for instance it is completely classroom-based, workshop based using e-learning, blended learning or other non-traditional methods. This is different to the approach in 2002/03. However, the costs of delivery should broadly be in line with the funding paid.

14 Where more than one listed rate applies to a particular learning aim, for example with GCSEs and A-levels, the higher rate may be used.

Load banded learning aims

15 The funding rates for load banded learning aims are dependent on the number of guided learning hours (glh) each learner receives. This is most appropriate where learners are taught in groups with a tutor. It is recognised that this may often not be appropriate for DEL.

16 In the revised approach for funding DEL, institutions are now required to estimate the costs of delivering the learning aims, which should be approved by local LSCs before learners are enrolled. The local LSC will include checks on the plausibility of estimated costs in the approval process.

17 The new approach for funding loadbanded DEL will require institutions to use a data collection/costs proforma to advise the local LSC of the costs of delivering each programme. Institutions are required to submit a proforma to their local LSC prior to enrolling learners on to the provision. A data collection/cost proforma is currently in the process of development and will be available on the LSC's website in due course.

18 The LSC is looking to simplify funding arrangements for institutions. Therefore as an alternative to completing the costs proforma, institutions will be able to claim funding based on the average number of guided learning hours in which the learning aim is delivered across the sector. Guided learning hours data will be made available on the LSC's website.

19 For newly accredited qualifications, information on glh are provided by the QCA. Institutions will also be able to base their claim for funding on these figures instead of completing the costs proforma. Guided learning hours data for newly accredited qualifications will be available for Summer 2003 on the QCA 'openQuals' website.

20 Where an institution is delivering a programme for which data is not available or where the number of glh differs significantly from the suggested or expected number of glh for that particular programme, institutions

should use the proforma to record their estimates of the costs of delivering the provision in order to be set an appropriate funding rate.

21 The local LSC will apply credibility checks to the data which will include comparison with the funding rate of the same learning aim delivered traditionally. It is expected that the funding rates for delivery by DEL will be close to the funding rates for delivery by traditional modes.

Funding parts of learning aims

22 Funding for units of learning aims delivered by distance learning will be through the loadbands. Providers will be required to provide costing information in the same way as if the full learning aim was being delivered.

23 Where the institution delivers the whole learning aim by distance learning, it may claim funding for units of the learning aim on a proportional basis. For example, if the institution has agreed a funding rate of £540 for a learning aim of 5 units delivered by distance learning, it could claim £108 for a unit of the learning aim without compiling additional costing information.

Open learning

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

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

26 Institutions should give particular attention to retention and achievement in this type of provision. The LSC may decline to fund programmes which consistently have very poor achievement or retention rates.

27 Institutions should claim the national rates for listed or loadbanded learning aims, as shown in Annex A, for provision delivered using open learning methods.

Additional learning support

28 Additional learning support (ALS) should be made available to distance learners in the

same way as it should be for other methods of delivery. Annex C provides further details.

Supporting activities

29 Opportunities for learners to interact with each other and for peer support are encouraged in all modes of learning. This has been demonstrated to improve learner retention and achievement.

NVQs

30 The LSC will not fund NVQs gained entirely by distance learning methods because of the nature of the assessment process.

Domicile

31 The residence criteria set out in Section 4 concerning learner eligibility for LSC funding applies equally to distance learning provision.

Withdrawal

32 The guidance on learner participation and withdrawal in respect of traditional delivery applies to DEL or **learnirect** provision. The criteria for learner withdrawal are given in Table 13.

Table 13 Criteria for learner withdrawal in DEL

For programmes of any length:	If he or she is known to have done so
For programmes of one week planned duration or less:	If he or she fails to participate in the programme at least once after enrolment. (In this event, no funding is claimable for this learner.)
For programmes of greater than one and less than 12 weeks planned duration:	If he or she fails to complete at least 50% of the programme (for example, where the provider has no evidence of the learner’s continued participation after the 6th week of a 12-week programme)
For programmes of 12 weeks or more planned duration:	If he or she has failed to make a planned contact and 4 weeks or more have elapsed
For all programmes:	The withdrawal date is the last date of actual participation

33 Participation or contact, in the DEL or **learndirect** context, means:

- attendance at a centre or log-on to learning materials (for **learndirect** this may mean an interaction with the Ufi learning environment);
- receipt of work or projects by the tutor (electronic or hard copy); and
- any communication with the tutor which indicated that the learner was still active on his/her learning aim.

34 Institutions and hubs should endeavour to confirm the status of any learner whose continued participation is in doubt.

35 Institutions can claim full funding for learners who successfully complete their programmes in less time than the planned duration. It is expected that this will apply to only a small proportion of learners. Where this is not the case the funding rate should be adjusted accordingly to reflect the time learners spent in study.

Minimum course size

36 Whilst it is recognised that glh may not apply to DEL, it remains that there is a minimum size of programme below which the LSC will not provide funding.

37 The minimum size of these DEL programmes will be based on comparison with traditional programmes of equivalent size.

38 The LSC does not think it is appropriate to deliver 3 glh programmes by distance learning methods. Only programmes of 6 glh or more are eligible for funding if delivered by distance learning.

Learndirect and Ufi

39 Ufi Ltd was established in April 1999 to:

“boost individuals’ employability and organisations’ competitiveness and effectiveness by:

- *inspiring existing learners to develop their skills further;*

- *winning over new and excluded learners; and*
- *transforming the accessibility of learning everyday life and work”.*

40 Around 2,000 learning centres offer learning programmes under the brand name '**learndirect**' organised in clusters called hubs most of which operate within a defined geographical area. Some hubs serve a particular industrial or employment sector across England. Ufi also operates in Wales and Northern Ireland.

41 The majority of **learndirect** learning opportunities are short learning aims with no externally accredited outcome, although packages may be linked together to lead to externally accredited certification. Most, but not all, learning aims are accessed on-line. These short opportunities for learning are intended to reach a wider range of learners than are traditionally attracted to education and training and to offer access to a wide range of learning opportunities, including basic computer literacy and basic skills.

Types of learndirect learner

42 **Learndirect** provision is intended primarily for adult learners. Any 16-18-year-old learners already enrolled on programmes will only be funded for **learndirect** in exceptional circumstances where prior agreement has been obtained from the relevant Ufi regional office. An example of exceptional circumstances is provision specifically for homeless learners.

Funding Rates for learndirect

43 All **learndirect** learning aims are listed. The rates are published in the LSC's learning aims database (LAD) (www.lscdata.gov.uk/data/learningaimdatabase.html) and in Ufi's course price list (www.learndirect.co.uk).

Appendix 3: Extract from DELG Report

Future Funding of Distributed and Electronic Learning

[Annex D of the report]

"Introduction

1 We wanted to see in place a funding method which allowed the learner and the provider to choose the mix of learning methods which most suited the learner's needs. We did not want that choice driven or constrained by the apparatus of the funding system. Most learners will follow programmes which combine a variety of delivery methods in the approach described in the report as 'blended learning'. It followed, we believed, that the funding system should neither favour nor discourage e-learning in the long term. In the short term, however, there was a need to apply capital and revenue funds to develop capacity as identified in local e-learning strategic plans.

The formula approach

2 The LSC was working through a process of harmonising the different funding approaches applied by its predecessors in the four main sectors²². The process was not complete but it was fairly clear that the heart of the funding method would be a formula-based methodology which:

- was calculated on the basis of individual learners (rather than cohorts or the whole institution);
- attempted to pay the average actual cost of providing the programme;
- expected a significant contribution from the learner or his/her employer

- with exemptions in specific cases;
- rewarded good performance through an element payable only for 'success';
- reflected the additional costs of reaching learners in socio-economically deprived areas; and
- allows for special costs associated with an individual's exceptional additional needs to be recovered.

How is the 'actual cost' determined?

3 The LSC's formula identifies two key variables driving the cost of a learner's programme – its length and the curriculum area. Longer programmes were considered to cost more than shorter ones, all else being equal, and some curriculum areas (e.g. construction) were judged to be more costly to provide than others (e.g. business studies). For conventionally delivered taught programmes, the length of time the programme is taught is broadly the same as the length of time the learner spends learning. The 'taught' time is taken to be the key indicator of its length which is measured as 'guided learning hours' (glh). Here, potentially, is one of the differences of DEL – there is no necessary correlation between the learner's study time and the tutor's 'teaching' time.

4 Even in traditional delivery, the glh varies between providers and sometimes between individuals. For college courses, the LSC and its predecessor aimed to calculate a normal length of a programme so that a standard funding value could be attached to it. For courses leading to a nationally recognised qualification, a standard value was derived from a statistical analysis of the evidence of actual glh used by providers. This value was

then used to calculate the funding applied to a programme regardless of how many hours it was actually taught in individual cases.

Are the costs of DEL different?

5 We received a number of submissions which criticised the existing funding methodology as being unsuitable for DEL, but received none which proposed a substantive alternative. It has been advanced by the exponents of DEL – e-learning providers in particular – that its cost structure is very different from that of 'traditional' delivery. It is typically asserted that DEL costs are capital intensive, involving a large investment in materials development, equipment acquisition etc., with the subsequent running costs being relatively lower. This is frequently contrasted with what is seen as the conventional FE model in which the largest, and relatively continuous, cost is taken to be the salaries of lecturers.

6 FEFC and, later, the LSC found it difficult to support or refute with evidence any of the assertions made about DEL. A study commissioned by FEFC from BKL Weeks in 1999 failed to produce any authoritative evidence, largely because the consultants could find few genuine examples of distributed and/or electronic learning delivery. A more recent study by PricewaterhouseCoopers was more useful though it concentrated on the cost implications of **learnirect**-style provision and attempted to contrast that with traditional delivery approaches. That study pointed up some potential and large discrepancies between the costs of delivering Skills for Life programmes and the funds currently applied to them. It did not challenge the basic logic of the funding formula or propose any alternative.

7 DEL providers have argued that the guided learning hour as defined by LSC is not relevant for DEL delivery. Time invested in the development of materials, establishing infrastructure and setting up and running admin systems is, they say, ignored by the LSC's system as it is not reflected in the

reduced amount of lecturer input. Nor is it appropriate to judge the costs of DEL as rising linearly with increasing GLH. In this model of funding learning, learners provided with lots of quality materials but no 'guided learning' would receive no funding at all.

8 The definition of 'guided learning' can have an impact on the funding of DEL in big ways. It is often interpreted by college managers as referring to learner time supervised by lecturers. In fact, the definition does encompass any time when a staff member is present to give specific guidance and includes supervised study in open learning centres or learning workshops. It does not include time supervised by administrative personnel.

Key elements of the approach recommended by the Group

9 We accepted that the LSC's funding formula should be 'mode free', that is, it should not establish a different funding formula for distributed or e-learning.

10 We noted that the LSC had long established arrangements for standard values for programmes leading to nationally recognised qualifications. It had also extended this approach to courses offered by **learnirect**, none of which mapped directly to any qualification. It believed that this provided the basis for a consistent funding system applied to all providers offering DEL in which:

- programmes wholly or partly delivered using DEL methods would be funded at the standard level if that programme was listed in the LSC's qualification aim database;
- programmes delivering single or multiple units of a listed qualification aim should receive the relevant proportion of the full value of the listed qualification;
- programmes which had no full or partial analogue in the qualification aims database should be valued by

the provider and a figure proposed by her/him, with the costing calculation, to the LSC; this would be agreed, subject to a basic plausibility check, but the provider should expect that the costing base would be subject to examination by the auditors;

- some of the funding of DEL should not be formula driven. There were specific initial costs of providing the necessary physical resources which were unusually high for e-learning. Some of these would be met through the current National Learning Network (NLN) funding stream but others would not. We believed that the LSC would need to make some capital funds available to overcome barriers to entering the e-learning market place; and
- capacity building was not just about providing hardware; establishing the organisational structure and staff, training and development, acquiring the learning materials were all examples of non-capital additional costs.

11 We wanted to see the development funds distributed via local LSCs and used by them to establish the pattern of providers and provision set out in the local LSC's e-learning strategic plan. The total resource required to support capacity building in this way was difficult to evaluate before the planning had been undertaken but an initial estimate suggests figures of the order of £50 – 80M per year”.

(Annex D of the Report of the LSC's Distributed and Electronic Learning Group).

Annex G: Employer-dedicated Provision Guidance for 2003/04

Table 14 Employer-dedicated provision guidance

Feature	Fully funded	Employer dedicated	Not funded
Course is advertised and is genuinely open to the general public	Yes-provided a genuinely open mix of learners is on the programme	No	No
Basic skills including ESOL	Always fully funded	-	-
Course is normal day release	Yes	No	No
Course is for a small business of up to 50 employees or with a turnover of less than £8M	Yes	No	No
Overall relevance to the employers' core activity	Low to medium	Medium to high	High
Benefit to learner	Long term career	Medium term training	Short term skill
Benefit to employer	No direct benefit	Longer term benefit	Short term benefit
When learning takes place?	In learner's own time	In employer's time	In employer's time
Is the skill transferable if the learner changes career?	Yes	Likely	Possibly
Optional or compulsory	Optional	Pressure to participate from employer is likely	May be compulsory
Who pays tuition fees?	Learner	Employer (contribution)	Employer (full cost)
Community or family involvement	Some	None	None
Who commissions the training?	Learner or 'trusted intermediary'	Employer	Employer
Level of the course	Likely to be level 2 or below	Any level	Any level
Accredited qualification	Likely to be first step to learning	Likely	Unlikely
Range of subjects offered to learner	Could be many	Few	Few
Length of course	Subject to LSC minimum glh	Subject to LSC minimum glh	No minimum
Other LSC FE guidance	Applies	Applies	Does not apply
Involvement of a LSC funded provider	Yes	Yes	Not necessarily

Annex H: Calculation of Franchise (or Employer-Dedicated) Discount as Applied to LSC FE Funding

This example is based on load banded provision.

Table 15 Calculaton of franchise discount

	Calculating franchise discount (or Employer-dedicated discount) at 1/3	Programme weighting		Calculation
		A	C	
1.1	National Base Rate for a load banded learning aim of 60 glh.	352.00	457.00	
1.2	Assumed fee element in national base rate.	-88.00	-88.00	Fee element always unweighted.
1.3	Base Rate less fee element.	264.00	369.00	
1.4	Discount of 1/3 to national base rate less assumed fee income for franchise (or employer dedicated provision). 1/3 of 1.3 figure. But use only programme weighting A funding value, i.e. national base rate.	-88.00	-88.00	The cash deduction for all programme weightings B to E is that calculated for programme weighting A.
1.5	LSC funding available after application of discount and assuming no entitlement to fee remission. In effect, the assumed fee element is increased from 25% to 50% of the national base rate.	176.00	281.00	1.3-1.4
Where provision attracts the franchise discount and also attracts the employer dedicated discount, the LSC funding available after the application of the single discount to the national base rate, is reduced by further 1/3. Programme weights do not alter this calculation, as shown in this table.				
1.6	Further discount where discounts are applied to both franchised and employer dedicated provision.	-58.67	-58.67	1/3 of 1.5 figure. But use only programme weighting A funding value.
1.7	LSC funding available after application of both discounts assuming no entitlement to fee remission.	117.33	222.33	1.5-1.6

1 These discounts were applied by the FEFC in recognition of the lower costs of franchise provision and the additional contribution that could reasonably be expected from large employers towards the costs of work related training for their employees. The discounts are

not affected by programme weightings. As shown in the example in Table 15 above, for any programme the reduction in funding is the same cash value for all weightings.

Funding of franchised provision

2 Paragraph 26 in the main document confirms that the franchise discount factor of 0.67 should be applied to all franchise provision other than for provision:

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

classified as franchise provision then the discount must be applied and any funding claim adjusted accordingly.

Employer-dedicated provision

3 Table 2 in the *ILR Audit Guidance for FE in 2002/03* provides some guidance for institutions to assist in determining provision that should attract the employer-dedicated discount. This table lists a number of questions that should be addressed if institutions are unsure whether provision can be fully or partially funded. In using Table 2, institutions should subject provision to the fundamental test as to whether the learning experience is mainly for the benefit of the learner or the employer. If the latter, the provision is likely to attract the dedicated employer discount. Table 2 provides a number of examples to assist in determining the answer to the fundamental test.

4 Institutions are encouraged to discuss their proposed provision with local LSCs prior to enrolling learners to ensure the correct rate of funding is claimed.

Direct provision with a partner or franchised provision

5 Guidance is given in *ILR Audit Guidance for Further Education 2002/03* on pages 10–12 as to the distinctions between direct provision with a partner and franchised provision. The franchised discount is only applied to provision classified as franchise provision. Where, however, institutions wrongly classify provision as direct with a partner and it subsequently transpires that this provision should be

Annex I: European Social Fund

Funding Calculation for ESF Traditional Projects in 2003/04

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

Aim

- 2 The LSC is seeking to ensure that:
- institutions are confident that retaining ESF monies, even when in a position of under-achievement against funding agreement, will not adversely affect future funding allocations; and
 - the activity in an ESF project which could be eligible for recurrent LSC funding is properly funded according to ESF requirements to reflect costs and match levels. The appropriate funding levels are essentially determined by the ESF project rather than the LSC's national funding rates.

Impact of ESF on FE allocations

3 *Guidance on Further Education Funding Eligibility and Rates 2001/02*, paragraph 181 states:

'The LSC does not wish to discourage institutions from securing income from

sources other than the LSC. Where an institution succeeds in securing other income, including ESF grant, the LSC does not take it into account in determining the distribution of LSC funds, neither will it seek to recover such income from an institution.'

4 The LSC will not, therefore, take into account underperformance against funding agreement in the allocation of future funds where the underperformance relates directly to the receipt of funds from other sources such as ESF. Institutions are encouraged to retain the relevant ESF monies and to discuss their position with the local LSC.

5 Both institutions and the local LSC will wish to ensure that future funding allocations reflect institutional plans for provision and overall funding income, but underachievement as a result of ESF-supported activity will not affect future funding allocations.

Approach to calculating LSC match funding

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

7 This approach will enable the cost of the 'training element' (see the Glossary) of traditional ESF projects to be met by LSC funding, provided the overall project level of match funding is not exceeded.

8 This approach is used to ensure that the funding generated through the LSC's normal funding mechanism is adjusted to meet the cost of the training element of the ESF project.

9 Learners on ESF-supported projects will not automatically attract the disadvantage uplift.

10 The mechanism for adjusting the level of funding available for learners on ESF-supported projects reflects the introduction of the new formula funding approach for FE in 2002/03. This mechanism utilises individual learner record (ILR) field A12 (implied rate of LSC funding), which can be adjusted to ensure that an appropriate level of LSC match funding is generated. Where appropriate an FE institution can adjust the level of funding by applying the methodology detailed here.

11 The total amount of funding available from the LSC as match to an institution remains limited to the funding allocation and any extra funding that has been made available by the LSC to reflect additional activity, that is not already funded by ESF.

Conditions

12 The following conditions must be met:

- the institution must be able to demonstrate that such expenditure had been or would be incurred and that the ESF had brought or would bring 'added value' (see Glossary) to the project;
- the LSC funding used as match must all relate to the training element and therefore relate to activity which is eligible for LSC funding;
- the total funding claimed to support the training element costs cannot exceed 100% of the full level of LSC funding available for the learning provision (that is, the relevant national rate for the learning aim); and
- the total funding claimed from the LSC must not exceed the match funding level of the project (typically 55%).

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

Audit arrangements

14 Institutions are reminded that ESF funding is dependent on the institution proving added value and auditors may wish to review relevant parts of the institution's funding claim.

Procedure to obtain the correct LSC match funding

Summary

15 Each ESF project will require a funding match that the institution is required to obtain from non-ESF sources. The match may come from LSC funding or from other sources. The procedures set out here should be used to determine the LSC element of the match. All LSC funding claimed must relate to relevant eligible training activity (see paragraph 12 in Annex I). The methods are intended to use the ILR and the Learner Information Suite (LIS) and should not require manual adjustments to the funding calculation.

16 The method uses field A12 in the ILR, which records the implied rate of LSC funding for traditional ESF projects. This is related to field A11 which records the calendar year in which the ESF funding applies and the objective of the ESF project.

17 Field A12 will be used in a slightly different way from the corresponding field in the ISR.

18 The calculation method is based on a simple division of the match funding required in the ESF project by the FE funding that the LSC would normally provide.

Detail of the method

19 The match funding for these learners is generated by amending ILR field A12 (implied rate of LSC funding) for every learner involved. The adjustment is likely to be different for every programme involved, and may be different for individual learners within each programme.

20 The relevant adjustment figure should be applied to ILR field A12 for each learner on the programme.

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

22 However, some institutions have stated that calculating the value for each individual learner is burdensome. The LSC will accept funding claims based on overall ESF project activity and patterns of total eligible expenditure relevant to training to give a generic adjustment to all ESF learners. Such calculations are likely to be monitored closely to ensure the correct level of funding is being claimed and should be discussed with the institution's funding auditors.

The Calculation

23 A stepwise approach for the calculation is shown below. The method is best demonstrated using a worked example. The example is based on an ESF project involving 500 glh of learning at programme weighting factor B. The overall ESF funding is £52,500 and there are 15 beneficiaries.

Stepwise calculation method

24 The key points in this example are:

- the example involves an ESF training project with 15 beneficiaries;
- the total project value is £52,500;
- the intervention rate for the funding match is 55%;
- the length of study is 500 glh, over the whole of one academic year;
- the programme weighting is B (1.12);
- the learner has a disadvantage uplift of 5% related to deprivation assessed by the learner's home address;
- the institution has an area uplift of 3%;
- the institution is not a specialist college; and
- the learners do not receive additional learner support.

Table 16 ESF step-wise calculation method

Step in the calculation	Algebraic	Example Calculation
ESF match required		
Total project value	A	£52,500
Number of beneficiaries	B	15
Intervention rate	C	55%
ESF funding per beneficiary	$D = A / B$	$£52,500 / 15 = £3,500$
Match-funding required per beneficiary	$E = D \times C$	$£3,500 \times 55\% = £1,925$
Normal FE funding		
National base rate using load banded method for a 500 glh learning aim	F	£2,280
Apply programme weighting (PW)	$G = F \times PW$	$£2,280 \times 1.12 = £2,554$
Apply disadvantage uplift (DU)	$H = G \times DU$	$£2,554 \times 1.05 = £2,682$
Apply area uplift (AU)	$J = H \times AU$	$£2,682 \times 1.03 = £2,763$
Full national rate for this learning aim	J	£2,763
<i>Find the implied rate of funding to be recorded in ILR field A12 (implied rate of LSC funding)</i>	$K = E / J$	$£1,925 / £2,763 = 70\%$
Value of record in ILR field A12	K	070

Table 17 ESF example calculations

25 No disadvantage or area uplifts apply to courses A, B, D and E; course C is the example in Table 1.

Course	GLH	Wt	ESF rate	Match needed	LSC rate	Implied A12	Actual A12
Course A	33	A	£231	£127	£204	62%	62%
Course B	150	D	£1,050	£578	£1,216	48%	55%*
Course C	500	B	£3,500	£1,925	£2,763	70%	70%
Course D	450	B	£3,150	£1,733	£2,553	68%	68%
Course E	30	A	£210	£116	£204	57%	57%

*adjusted as a minimum to the intervention rate - 55% in this example (see paragraph 29).

Comments

26 ILR field A12 is able to store two values that relate to the ESF projects defined in field A11. This enables different parts of the academic year to have different values and should enable the academic/calendar year issue that exists in some ESF projects to be addressed. For instance, a learner begins studying in September and plans to end the following July. If the ESF support is only for September to December, then this will be defined in A11 and A12 will be used to calculate the ESF match for the first calendar year involved.

27 For some learners, as in course B in the example calculations above, A12 is lower than the intervention rate. This means that the implied level of funding for the learning aim in the ESF project is lower than the usual level of LSC funding. Institutions may record the ESF intervention rate (such as 55%) in field A12 in these cases, so as not to receive reduced funding as a result of offering an ESF project.

28 For some learners, the value required for A12 could be above 100%. The value is limited to a maximum 100%.

29 ESF beneficiaries no longer receive automatic uplifts for disadvantage. Any anticipated higher costs for teaching ESF-supported learners should be included in the ESF project bid.

30 In the method, learners eligible for disadvantage uplifts and institutions with area uplifts will generate lower values for A12. This reflects the intention to generate the correct match determined by the ESF project. Higher costs for teaching such learners or delivering provision in the area should be included in the ESF project bid.

Annex J: Mechanisms of 2003/04 Funding Round

Acceptance of funding allocation

1 In accepting the funding offered, the accounting officer for the institution (normally the principal or head of the institution), is agreeing that:

- the provision the LSC funds through the institution falls within the relevant definitions in this publication;
- the provision is consistent with the institution's strategic plan, or the equivalent; and
- the institution considers that, with all reasonable endeavour, it will deliver the learner numbers associated with its allocation, and that it will notify the LSC in writing at the earliest possible opportunity, through the local LSC, of any likely significant shortfall. The LSC should also be made aware of instances where institutions are likely to significantly exceed allocations.

2 Whilst it is recognised that sometimes institutions will wish to modify their planned learner numbers in-year to meet shifts in demand any resulting virement of funds must conform to the guidance in paragraphs 317 to 323 in the main document. The LSC will need to be satisfied that local learning needs are met and particularly that 16-18-year olds' entitlement to a learning opportunity is respected.

Guidance on providing a commentary

Introduction

3 In previous years, the LSC (and before that the FEFC) has provided a template for institutions to complete a commentary in support of their requests for funding. A template is again being provided for 2003/04 but it is not essential to use it, provided the Guidance is complied with. The template can be downloaded from the LSCs website (www.lsc.gov.uk/documents_list.cfm?categoryid=10)

4 Institutions are reminded that the commentary is a vital part of their funding request. It provides a direct link between the strategic plan (shared with local LSCs in October 2002) and the funding requested for 2003/04. Whilst the LSC expects that, in many cases, there will be a funding dialogue between the institution and the local LSC during which the institution will discuss its plans in the context of the LSC's national and local priorities for funding, the commentary is a formal document setting out a justification for its request for funds. Institutions should ensure that the commentary links explicitly to its funding plans for 2003/04.

5 The purpose of this guidance is to set out the LSC's expectations about the kinds of information that should be provided. This information is also intended to be useful to new FE providers who may not have provided a commentary before. The indicative contents of the commentary are not intended to limit the content in any way. Institutions may consider that there is other relevant information that could or should be included.

Institution Details

6 If you choose not to use the template, please ensure that the first page of your commentary is on the **institution's headed notepaper** and has

- the institution's UPIN; and
- the original signature of the principal/head of institution.

Performance in 2002/03

7 Refer to the learner profile and funding in your final funding allocation for 2002/03. If you wish to provide your own estimate, you should set out in a table your estimated out-turn for 2002/03:

- full-time and part-time learner numbers;
- FTEs; and
- funding; by 16-18 year olds, 19+ learners (distinguishing basic skills) and additional learning support. It would be helpful if you could also estimate the institution's contribution to targets in the local LSC's strategic plan, for example, to level 2 or 3 targets. You should also provide a recent report from the learner information suite (LIS) and a reconciliation between your estimate and the LIS report.

8 If your estimate shows a shortfall in learner numbers and/or funding in one of the categories, you should provide a full explanation of the reasons.

9 Useful indicators to explain under-achievement or to support reconciliation between the LIS report and your own estimate might include:

- shifts in the profile of delivery (for example, if a number of short courses normally offered in the Autumn term run instead in the spring or summer terms);

- forecast learner numbers and the evidence to support them (such as applications received and the normal rate at which applications convert into enrolments, other evidence of demand);
- changes in retention and/or achievement rates over 2002/03;
- greater or lesser success in recruiting learners who attract a disadvantage uplift; and
- performance of franchise/other partners against their contracts with the institution.

Provision for 16-18 year-old learners

10 You should summarise the evidence to demonstrate that the institution can (a) sustain the learner numbers/funding implied in its 2002/03 funding allocation and, if appropriate (b) generate any growth being requested.

11 You should refer to:

- demographic rates for 16, 17 and 18 year-olds;
- numbers on roll in Year 11 in partner schools and the expected transfers based on previous years' rates;
- local post-16 participation rates and any specific initiatives to improve them;
- application levels compared to a similar point in previous years and forecast recruitment arising from these;
- retention and/or achievement rates in 2002/03 and any initiatives to increase these in 2003/04;
- the impact of any new capital developments; and

- the impact of any built-in growth from previous years (e.g. larger than usual year 12 cohort continuing into year 13) including assumptions about year-to-year retention rates.

12 It would be helpful if you could also estimate the institution's contribution to targets in the local LSC's strategic plan, for example, to level 2 or 3 targets.

Provision for learners aged 19 and over

13 You should summarise the evidence to demonstrate that the institution can (a) sustain the learner numbers/funding implied in its 2002/03 funding allocation and, if appropriate, (b) generate any growth being requested. Please exclude basic skills provision for learners aged 19 and over from this section, as this is covered in the relevant section below.

14 You should refer to:

- key points in the institution's needs analysis (part of the strategic plan);
- evidence of demand by employers;
- any initiatives to widen participation;
- links to local or national initiatives;
- changes in retention and/or achievement rates over 2002/03; and
- skill priorities identified in the local LSC's strategic plan.

15 It would be helpful if you could also estimate the institution's contribution to targets in the local LSC's strategic plan, for example to level 2 or 3 targets.

Basic skills provision for learners aged 19 and over

16 You should summarise the evidence to demonstrate that the institution can (a) sustain the learner numbers/funding implied in its 2002/03 funding allocation and, if appropriate (b) generate any growth being requested. On the response form basic skills is a subset of the total 19+ provision. Although

you should be able to distinguish basic skills learner numbers from other 19+ learner numbers, you may not be able to distinguish funding, particularly within the baseline.

17 If you are requesting growth funding, please note that *funding* for basic skills is limited to specific provision in literacy, numeracy and English for speakers of other languages (ESOL) as defined in paragraph 135 of the *Funding Guidance for Further Education in 2002/03*. Your request for growth funding in this section of the commentary should specifically focus on the funding definition of basic skills provision. You should refer to previous success in delivering basic skills provision, especially that leading directly to approved qualifications, and any particular initiatives planned for 2003/04 either alone or in conjunction with other named institutions/agencies.

18 It would be helpful if you could also describe separately the institution's overall contribution to the broader definition that is used in relation to achievements of basic skills targets, such as English and Maths GCSEs. We are interested in forecast achievements as well as participation to help us estimate our joint progress towards achieving the basic skills targets.

Extra additional learning support

19 You only need to complete this section if you are seeking extra ALS funds over that in your 2002/03 FE funding allocation.

20 The LSC will consider allocating extra ALS funds to support an increase in the number of learners requiring ALS where the institution is introducing new provision or expanding significantly existing provision for a new client group (for example, for learners with profound or multiple learning disabilities).

21 You should provide specific information, such as:

- number of learners by age group (16-18 or 19+);
- their learning programmes;

- their anticipated ALS needs; and
- estimated ALS costs.

22 The funding requested should relate only to the extra ALS funds and should not include consideration of the participation funds for the learners' programmes. The associated participation funds should have been included in Section 2 and/or Section 3 depending on the ages of the learners.

Partnerships

23 Please provide for **each partner** that you expect to work with in 2003/04:

- the partner's full name;
- the type of partnership (e.g., franchise and/or direct provision in partnership);
- full-time and part-time learner numbers;
- estimated LSC funding;
- amount of funding to be transferred to partner;
- summary of provision;
- location(s) of delivery; and
- added value provided by the college working in partnership rather than alone.

24 Please note that where you expect to work with new partners in 2003/04, these will need prior approval of the local LSC. Issuing a final funding allocation does not constitute approval in itself, you will need to have specific discussions with the LSC and their agreement in writing.

Significant Changes in Provision

25 Previously the FEFC and LSC issued forms for providers to indicate their plans to withdraw from significant areas of provision. These forms are not being used in 2003/04.

26 For new provision being introduced, please set out the rationale for introducing it and the institution's resources to support it. Please also describe the range and level of qualifications to be offered and the estimated number of learners.

27 For provision which will be withdrawn, the rationale for withdrawing it and the nearest alternative provider should be included. The range and level of qualifications being withdrawn and the number of learners in the last intake should be described. If arrangements have been made with another provider to transfer existing learners, please describe those arrangements.

28 If you plan a significant amount of new other provision for 2003/04 details including target learners, nature and location of the provision and the rationale for its development should be given.

Annex K: Jobseekers' Allowance and Tax Credits

Jobseekers' allowance

1 The Jobseekers' Allowance (JSA) Regulations 1996 contain rules on study by people who are unemployed and receiving benefit. Full-time learners (excluding those on programmes enabling them to study on a full-time basis, such as New Deal for people over 25 who have been unemployed for two years or more) will continue to be excluded from benefit as unemployed people. People undertaking part-time programmes will be able to receive the JSA provided they meet the conditions of entitlement, including being available for and actively seeking employment. In the case of provision wholly or partly funded by the LSC, the JSA Regulations will define programmes of no more than an average of 16 glh per week as part-time.

2 JSA Regulations will also provide that the learning agreement, signed on behalf of the institution, but not any other document, will provide evidence of a learner's average glh for the purposes of determining entitlement to benefit. Institutions should note that the learning agreement has a legal status in the context of JSA and should be prepared to make the original document available for inspection by Employment Service or central adjudication service staff if required.

Child Tax Credit and Working Tax Credit

3 From April 2003 two new tax credits, a Child Tax Credit and a Working Tax Credit, will be introduced to replace the existing credits: Working Families' Tax Credit, Disabled Person's Tax Credit and the Children's Tax Credit. Both of these new credits are part of the tax system and will be administered and claimed from the Inland Revenue.

4 Learners claiming fee remission based on Child Tax Credit or Working Tax Credit should be asked to produce the award notice. If the award notice is lost, they should be advised to ask their tax credit office for a duplicate.

5 Further guidance for learners wishing to claim fee remission based on Child Tax Credit or Working Tax Credit, will be made available on the LSC's website, www.lsc.gov.uk later in 2003.

6 If learners require guidance on applying for tax credits, they may call the Tax Credit Office Helpline on 0845 609 5000 who can also provide them with an application pack, if they are eligible.

Annex L: Learning Programmes and their Corresponding Start Periods

Learning programme

Starts between 1 Aug and 1 Oct 2003

Starts and finishes between 2 Oct and 31 Dec 2003

Starts between 2 Oct and 31 Dec 2003 and continues into the next tri-annual period

Starts between 1 Jan and 1 Feb 2004

Starts and finishes between 2 Feb and 30 Apr 2004

Starts between 2 Feb and 30 Apr 2004 and continues into the next tri-annual period

Starts between 1 May and 15 May 2004

Starts and finishes between 16 May and 31 Jul 2004

Starts between 16 May and 31 Jul 2004 and continues into the next teaching year

Start period

Autumn 2003 (1 Aug - 31 Dec)

Autumn 2003 (1 Aug - 31 Dec)

Spring 2004 (1 Jan - 31 Apr)

Spring 2004 (1 Jan - 30 Apr)

Spring 2004 (1 Jan - 30 Apr)

Summer 2004 (1 May - 31 Jul)

Summer 2004 (1 May - 31 Jul)

Summer 2004 (1 May - 31 Jul)

Autumn 2004 (1 Aug - 31 Dec)

Annex M: Local LSC Contact Details

Bedfordshire and Luton

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Tel: 0845 019 4159

Birmingham and Solihull

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80 Hurst Street,
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B5 4TG.

Tel: 0845 019 4143

Cheshire and Warrington

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Derbyshire

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Gloucestershire,
GL1 3AJ.

Tel: 0845 019 4189

Greater Manchester

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**Hampshire, Isle of Wight
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**Hereford and
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Nottinghamshire

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Tel: 0845 019 4145

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Wiltshire and Swindon

The Bora Building,
Westlea Campus,
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BD5 0QL.

Tel: 0845 019 4169

Glossary

2003/04

Denotes an academic year

2003-04

Denotes a financial year

ABSSU

Adult Basic Skills Strategy Unit

ACL

Adult and Community Learning provision for adults previously funded by LEAs

ALI

Adult Learning Inspectorate

ALF

Average level of funding

AVCE

Advanced Vocational Certificate of Education

baseline

The starting point for discussions to agree the 2003/04 funding allocation, based on the 2002/03 funding allocation, adjusted to reflect the inflationary increase of 2.5%

base rate

See national base rate

core funding

A proportion of the national base rate paid for a learning aim. Core funding represents 65% of the national base rate before programme weighting, disadvantage or area uplift have been applied

DEL

Distributed and electronic learning

DfES

Department for Education and Skills

EEA migrant worker

A national of a member state of the European Economic Area (EEA) who has taken up an activity as an employed person in the United Kingdom

Entry

All activities leading to the enrolment of a learner on a learning programme. This is no longer a separate element of the funding formula and is now fully incorporated into the national base rate

ESF

European Social Fund

ESOL

English for speakers of other languages

EU

European Union. The member states of the EU

are: Austria; Belgium; Denmark; Finland; France; Germany; Greece; Ireland; Italy; Netherlands; Portugal; Spain; Sweden; United Kingdom; Luxembourg.

EEA

European Economic Area. The member states of the EEA are states of the European Union (see above) plus Iceland, Liechtenstein, Switzerland and Norway

Exceptional Leave to Enter or Remain

It is likely that this status may be replaced in the near future with a status that more accurately refers to the humanitarian grounds upon which the status was granted. It is likely that this will be called 'humanitarian protection'. Any in-year changes to the guidance resulting from this change will be announced on the LSC website.

FE

Further Education

FEFC

The Further Education Funding Council, now replaced by the Learning and Skills Council

Final funding claim

An audited claim based on LSC funded provision for eligible learners recoded on the ILR. This is prepared after the end of the year to enable all activity including achievement data to be recorded

FSMQ

Free standing mathematics qualification

FTE

Full-time equivalent

GCE

General certificate of education

GCSE

General certificate of secondary education

glh

guided learning hour

HE

Higher Education

ICT

Information / Communication and Technology

ILR

Individualised Learner Record. The data collection system used by LSC funded colleges and providers from 2002/03 to record comprehensive data about learners and to make regular data returns. The ILR replaces the individualised student record (ISR)

LEA

Local Education Authority

LSC

The Learning and Skills Council

LSDA

The Learning and Skills Development Agency

Learndirect

The brand name for provision delivered by Ufi learning hubs and centres

Loadbands

Ranges of guided learning hours to which specific national base rates are allocated

NLN

The National Learning Network

NRAG

The National Rates Advisory Group. An independent group of college and provider representatives which advises the LSC on the national funding rates and programme weightings for all provision funded by the LSC

NTOs

National Training Organisations

National base rate

Reflects the length of the learning aim and the basic cost of delivery of that learning aim. Includes assumed fee income/remission and achievement

Ordinarily resident

For funding purposes the LSC regards as ordinarily resident in a given country or region, any person who habitually, normally and lawfully resides from choice and for a settled purpose in that country. Temporary absences from the relevant area should be ignored. If someone has not been ordinarily resident because they, their parent or their spouse were working temporarily abroad, they will be treated as though they have been ordinarily resident in the relevant area

Partnership provision

Learning provision which is delivered with the involvement of a third party

Training Element

Training element/training activity is that part of the ESf project for which recurrent LSC funding would normally be available that is, management, materials, accommodation and other costs.

QAA

Quality Assurance Agency for Higher Education

QCA

Qualifications and Curriculum Authority

Recently settled status

Persons with recently settled status are those who have been granted indefinite leave to enter or remain or British citizenship within the three years immediately preceding the start of the course or those whose Certificate confirming their Right of Abode was issued within the three years immediately preceding the start of the course.

Right of abode

The following have the right of abode in the UK; those who hold British Citizen passports; British Dependent Territory Citizens (now known as British Overseas Territory Citizens); those whose passport have been endorsed to show they have the Right of Abode in the UK; those who have a certificate of naturalisation or registration as a British Citizen.

Settled

Having either indefinite leave to enter or remain, or having the right of abode in the United Kingdom

Ufi

University for Industry (Ufi Ltd) - **Learndirect** is the brand name for provision delivered by Ufi learning centres.

UPIN

Unique Provider Identification Number

WBL

Work Based Learning for Young People

Notes

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