

Circular 00/20

Finance

Payment of Funds 2000-01

Summary

This circular provides information to institutions on the Council's arrangements for the payment of various categories of funds. It covers the period August 2000 to July 2001. This circular is of interest to college finance directors, finance officers, heads of external institutions, heads of higher education institutions and institutions receiving Council funds.

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Kirti Prajapat
Central Finance and Payments
Team

Tel 024 7686 3103

Fax 024 7686 3156

E-mail kirti.prajapat@fetc.ac.uk

or write to:

The Further Education
Funding Council
Cheylesmore House
Quinton Road
Coventry CV1 2WT.

Website www.fetc.ac.uk

Payment of Funds

2000-01

General

Monthly payments

1 Under the financial memorandum and the funding agreement between the Council and colleges, HE institutions and external institutions, the Council will normally make one monthly payment to each institution. The agreement will transfer to the LSC from 1 April 2001. These monthly payments will include all funds due in the month, and will be paid on the twentieth of each month or on the first normal working day thereafter. Where appropriate, the payments to colleges will include instalments of funding for external institutions being sponsored under section 6(5) of the *Further and Higher Education Act 1992*. A timetable of payment dates from August 2000 to July 2001 is given in table 1.

Monthly statements

2 Each college and HE institution will receive a monthly statement from the Council setting out the details of each payment. An example of a payment remittance is shown in annex A, and is explained in annex B. If the monthly payment is not received on the due date, please telephone the payments team on either 024 7686 3111, 024 7686 3108 or 024 7686 3323.

Exceptional payments

3 The Council is prepared to make exceptional payments at other times. Such payments will only be considered when the Council has received a written application from the college and where there is evidence that a college has to make, or has had to make, a significant payment before the next monthly payment is due. Colleges will normally be asked to provide their latest cashflow forecast to support such requests.

Method of payment

4 Payment will be made to a college's or HE institution's bank account by Banker's Automated Clearing System (BACS) Limited and will be cleared on the day of transfer. College and HE institutions should notify the Council of any changes to bank account details, and any change should be authorised by two of the institution's nominated signatories. **The Council should be notified whenever a nominated signatory leaves an institution.** A month's notice is needed to make changes to bank details before payments can be made to a new bank account.

Funding Allocation

Payment profile

5 The funding allocation will be paid to institutions in monthly instalments according to a profile for the whole financial year. The sector profile for the 12 months from August 2000 to July 2001, which has been agreed by the Department for Education and Employment, is given in table 1.

Payments to colleges and HE institutions

6 Table 1 gives the percentage of the allocation to be paid in each month. The profile has been calculated to meet the cash needs of colleges during the year and is based on cashflows. In order to meet college requests, the payment for December 2000 will be made on 17 December 2000.

Payments to external institutions

7 Funding for external institutions will be paid to sponsoring colleges in 12 equal monthly instalments. **Sponsoring colleges are required to pay external institutions promptly, and should forward a copy of their remittance advice to the external institution with their payment.**

Table 1. Percentage of the funding allocation to be paid each month

<i>Payment date</i>	<i>Percentage 2000-01</i>	<i>Cumulative percentage 2000-01</i>	<i>Equivalent percentage 1999-2000</i>	<i>Equivalent cumulative percentage 1999-2000</i>	<i>Expected posting date of monthly remittance advice</i>
21 Aug 2000	10.6	10.6	10.6	10.6	16 Aug 2000
20 Sep 2000	9.0	19.6	9.0	19.6	11 Sep 2000
22 Oct 2000	9.0	28.6	9.0	28.6	13 Oct 2000
20 Nov 2000	8.0	36.6	8.0	36.6	14 Nov 2000
17 Dec 2000	8.0	44.6	7.2	43.8	11 Dec 2000
22 Jan 2001	7.2	51.8	8.0	51.8	10 Jan 2001
20 Feb 2001	8.0	59.8	8.0	59.8	12 Feb 2001
20 Mar 2001	7.6	67.4	8.0	67.8	12 Mar 2001
20 Apr 2001	8.6	76.0	8.2	76.0	10 Apr 2001
21 May 2001	8.0	84.0	8.0	84.0	10 May 2001
20 Jun 2001	9.0	93.0	9.0	93.0	12 Jun 2001
21 Jul 2001	7.0	100.0	7.0	100.0	10 Jul 2001
	100.0	—	100.0	—	

Claims

8 All claims for payment of funds and queries on payment matters should be sent to:

Kirti Prajapat
Payments Manager – Grants to
Institutions
The Further Education Funding Council
Cheylesmore House
Quinton Road
Coventry
CV1 2WT.
Telephone 024 7686 3103
E-mail kirti.prajapat@fefc.ac.uk

Performance against funding agreement

9 In general, where institutions have not generated the number of units specified in their 1999-2000 and 1998-99 funding agreements, the Council will recover funds at the institution's average level of funding, taking account of London weighting where applicable. Please refer to Circular 00/16, *Monitoring Growth 1999-2000* which explains the need for

institutions to plan for any underachievement across the period 1997-98 to 2000-01, which has now been carried forward to 2000-01 through the 2% tolerance, to be fully recovered by the LSC.

10 It is expected that recoveries will be made in the **spring/summer term** of each year after the audited final funding unit claim for the preceding year has been received. If an institution does not provide the Council with an audited final funding unit claim by the due date, the Council may assess the institution's final funding unit performance and recover any sum it estimates is due.

11 Where a college has not generated the number of units specified in its 1997-98 funding agreement, the Council will recover funds at the lower of either the college's funded average level of funding or the average rate at which the additional units above core units were funded. For other institutions, any such recovery will be made at the average rate at which all additional

units above core units have been funded. Any recovery will be limited so that the institution's allocation for 1997-98 is not less than its core funding. For most colleges, recoveries have already been made.

12 Table 1 in annex C sets out the rates of clawback for the years 1994-95 to 1996-97. These rates will be applied where audited final claims for these years are adjusted in 2000-01.

Failure to provide data returns

13 Colleges, HE institutions, specialist designated institutions funded through the funding methodology and external institutions are required in 2000-01 to send in a final claim for the year, which will be audited. The Council will use institutions' ISR returns to generate estimates of performance against funded level of activity. Where the Council does not receive these returns on the due dates, or where the Council's estimate of an institution's performance indicates that the institution is unlikely to meet funded level of activity, the Council may base its payment to the institution on either 90% of its funded units, or the Council's own estimate of the institution's performance. Any such arrangement will be determined with the aim of avoiding an unintended penalty on institutions that provide timely statistical information. Failure to provide returns may lead to payments being suspended. The Council will also consider further action if returns remain outstanding. The final claim for funding units for 2000-01 will be the subject of a separate circular, and any adjustment will be made during or after the spring term 2002.

Specific allocations

14 From time to time, the Council may distribute specific funds to colleges, such as the standards funds or access funds. The Council notifies colleges of the procedures for the payment of such funds in its circulars. In general, such payments will be added to the normal monthly payment whether the distribution is by formula or in response to a claim.

Capital Funds Payments

15 To help the Council maintain accurate payments, colleges are asked to quote their five-character Council identification code on all claims sent to it. Colleges are also asked to ensure that all claims are sent promptly and are certified by their head of finance or equivalent postholder.

Formula funding

16 For colleges, the minimum sum of funding allocation to be applied for capital purposes is shown in box 'ai' of annex A to the funding agreement. These funds shall be used solely for direct expenditure on capital equipment and/or premises, and/or to support borrowing and/or finance leases for such purposes.

Capital project support

17 For payments in support of capital projects, please refer to Circular 99/26. Capital grant payment will be made in instalments, usually over a three-year round.

Inherited/major work and minor works programme

18 Claims for funding the remaining inherited/major works programmes and Hunter priority 1a) and 1b) allocations may be sent by 28 February 2001 for payment by 31 March 2001. Unless alternative arrangements have been previously agreed in writing, claims sent after 28 February 2001 may not be met.

Accessibility grants

19 The Council is inviting colleges to make further claims on a matched expenditure basis for up to £50,000 for qualifying expenditure projects in the year ending 31 March 2001. Half the grant will be paid once the grant application has been approved, with the remainder payable against evidence of eligible expenditure.



Example of Remittance Advice

Finance Officer
Casterbridge College
Casterbridge ENGLAND CAS1

Further Education Funding Council Payment 20 August 2000

Payment Ref No: CASTE

	This payment	Year to date	Made/ planned	Budget for year	
Funding Allocation	0.00	0.00	0.00	0.00	1
Capital Element of FA	0.00	0.00	0.00	0.00	2
Sub Total	0.00	0.00	0.00	0.00	3
Final DLE 1996-97 (&93-95)	0.00	0.00	0.00	0.00	4
Adjustments for 1999-2000	0.00	0.00	0.00	0.00	5
Adjustments for 1998-99	0.00	0.00	0.00	0.00	6
Adjustments for 1996-98 (& 93-96)	0.00	0.00	0.00	0.00	7
Supplementary allocation	0.00	0.00	0.00	0.00	8
Access fund grant	0.00	0.00	0.00	0.00	9
Provision for childcare	0.00	0.00	0.00	0.00	10
Creche provision	0.00	0.00	0.00	0.00	11
Residential students	0.00	0.00	0.00	0.00	12
Inclusive Learning Quality Initiative	0.00	0.00	0.00	0.00	13
University for Industry	0.00	0.00	0.00	0.00	14
Basic Skills	0.00	0.00	0.00	0.00	15
Strategic partnerships	0.00	0.00	0.00	0.00	16
Rationalisation funds	0.00	0.00	0.00	0.00	17
Former section 11	0.00	0.00	0.00	0.00	18
Non-Schedule 2 provision	0.00	0.00	0.00	0.00	19
Standards fund	0.00	0.00	0.00	0.00	20
Post-16 partnership funds	0.00	0.00	0.00	0.00	21
Capital works (including Hunter)	0.00	0.00	0.00	0.00	22
Capital project support grant	0.00	0.00	0.00	0.00	23
IT provision	0.00	0.00	0.00	0.00	24
Capital rationalisation	0.00	0.00	0.00	0.00	25
Capital other	0.00	0.00	0.00	0.00	26
Grand Total	0.00	0.00	0.00	0.00	27

Please find enclosed your college payment profile and any external institution remittance advices for 2000-01. Refer to Circular 00/20 for guidance on payment mechanism for 2000-01, and Circular 99/36 for 1999-2000 payments. For payment enquiries phone 024 7686 3111, 024 7686 3108, 024 7686 3323 or 024 7686 3103.

Explanation of Monthly Statement

College Remittance Advice

1 The monthly statement is made up of four columns and up to 27 rows of data, including a grand total row. The actual payment to the college will be shown in the grand total row in the 'This Payment' column.

2 The 'This Payment' column shows the breakdown of the current month's payment, possibly including both positive and negative figures. The grand total figure will always be either positive or 0.00, since the accounting system used by the Council will not process negative payments.

3 The 'Year To Date' column will show the cumulative payments made between 1 August 2000 and 31 July 2001. This will include any payments made to the college between the main payment runs.

4 The 'Made/Planned' column will show the approved payment allocations for the college. Allocation-based expenditure will normally show the annual allocation in column 3 and the agreed cumulative profile payment in column 2. Annual budgets are not allocated to colleges for claim-based expenditure which will usually show the same figure in columns 2 and 3.

5 The 'Budget For Year' column will only show allocations for which the Council has agreed specific budgetary provision for the college.

Funding allocation rows

6 Row 1 contains the funding allocation reduced by the value of the capital element shown in row 2. This is followed by row 3 which gives a subtotal of row 1 and row 2.

Prior year adjustment rows

7 Row 4 contains any DLE adjustments for years 1994–97 processed during the current teaching year. Any actual DLE adjustments made as a result of DLE claims are only shown in the first three columns.

8 Rows 5, 6 and 7 'Adjustments to 1999-2000', 'Adjustments for 1998-99' and 'Adjustments for 1997-98 (& 93-97)'. These will include any funding amendment changes, clawback and core protection adjustments for the relevant years.

Supplementary allocations

9 Row 8 shows any 'Supplementary allocation', which will include all allocations and claims not mentioned elsewhere. Some examples that may be included in this line are:

- advances/recoveries of future/previous year sums (but not funding amendments)
- specialist provision at FE colleges
- youth credit compensation/fee remission/restructuring
- other grants allocated by the DfEE during the year.

10 Row 9 'Access Fund Grant' will contain the agreed 2000-01 access fund grant together with any offset for access funds returned for previous years. Access funds **should not** be returned to the Council by cheque as they will not show on the main monthly statement (see Circular 00/14).

11 Row 10 shows payments for provision for childcare in accordance with claims sent by colleges (see Circular 00/14). Row 11 shows payments supporting 'Childcare places' at colleges (see Circular 00/21). Row 12, payments for 'Residential students' grant', row 13 shows payments relating to the 'Inclusive Learning Quality Initiative' (ILQI).

12 Row 14 shows the 'University for Industry' (Ufi) grant payments, row 15 the 'Basic Skills' payments, row 16 shows the 'Strategic partnerships' payments, row 17 shows the 'Rationalisation funds' payment (see Circular 99/15). Row 18 shows the 'Former section 11' payments, row 19 shows the 'Non-schedule 2 provision' payments, row 20 shows the 'Standards Fund'; please refer to Circular 00/15 and Circular 00/19. Row 21 shows 'Post-16 partnership funds'.

Capital payments

13 Row 22 should record payments made in accordance with capital works sent by colleges. Row 23 shows the capital project support payments made to colleges. Row 24 shows IT provision, row 25 capital rationalisation and row 26 capital other.

Grand total

14 This last row should produce the net figure for all the entries in each column. The 'This Payment' total should always equal the actual payment received by the institution. A separate bank payment is made to colleges for each external institution they sponsor and the value is shown on their individual monthly statements.

Other institutions

15 All other institutions funded by the Council will be sent a detailed remittance advice that only refer to their particular types of funding.

Clawback Rates

Table 1. Clawback rates 1994-95 to 1996-97

<i>Year</i>	<i>Type of institution</i>	<i>Standard rate</i>	<i>DLE rate</i>	<i>Main clawback rate</i>
1994-95	further education	£14.50	£6.50	£8.00
	higher education institution	£14.50	£6.50	£8.00
	external institution	£14.50	£6.50	£8.00
1995-96	further education	£15.70	£6.50	£9.20
	higher education institution	£15.70	£6.50	£9.20
	external institution	£15.70	£6.50	£9.20
1996-97	further education	£16.68	£6.50	£10.18
	higher education institution	£16.40	£6.50	£9.90
	external institution	£16.40	£6.50	£9.90

Note: where applicable the standard rate and the main clawback rate are increased by the appropriate London weighting factor

1 The 1997-98 adjustments will be made at the average rate at which activity above core has been funded. The 1998-99 to 2000-01 adjustments will be based on the institution's average level of funding (see Circular 00/16).

2 Previous payment circulars are listed in table 2 for ease of reference when checking previous year amendments.

Table 2. Previous payment circulars

<i>Circular no.</i>	<i>Year</i>
93/08	Aug 1993 to Jul 1994
94/20	Aug 1994 to Jul 1995
95/26	Aug 1995 to Jul 1996
96/21	Aug 1996 to Jul 1997
97/27	Aug 1997 to Jul 1998
98/28	Aug 1998 to Jul 1999
99/36	Aug 1999 to Jul 2000

3 Table 3 contains references in previous publications on the funding methodology. These may be useful for calculating the likely adjustment for over- and under-achievement of units from 1998-99 onwards.

Table 3. Previous publications on funding

<i>Publication type</i>	<i>Title</i>
97/38	Funding methodology: convergence of ALF; Review of tariff for 1998-99
97/38 supplement	Funding Methodology: Convergence of ALF; Review of tariff for 1998-99
Booklet	Funding Guidance 1998-99
Booklet	Funding Allocations 1998-99
99/07	Funding Guidance 1999-2000
Booklet	Funding Allocations 1999-2000
99/47	Monitoring Growth 1998-99
00/03	Funding Guidance 2000-01
00/16	Monitoring Growth 1999-2000

Accessibility Improvement Grant Support Claim Form

Please photocopy, complete and return to Craig Weaver in the property services team at the Council's Coventry office.

Reference Circular 00/20

College name *(please print)*

College code

Project title

FEFC project reference number

**THE
FURTHER
EDUCATION
FUNDING
COUNCIL**

Cheylesmore House
Quinton Road
Coventry CV1 2WT

Telephone 024 7686 3000
Fax 024 7686 3100

a) Project cost details			Approved (£)*	Actual (£)	For Council use only
Cost of works					
Professional fees					
VAT					
Total					
* as in application form					Ref no.
					Date
					Account code
b) Claim details					Staged payment amount
Please refer to offer letter for payment breakdown					
First payment of 50% of agreed support received <input type="checkbox"/> Date received ____ / ____ / ____					
Claim 1 <input type="checkbox"/> £ _____					
Claim 2 <input type="checkbox"/> £ _____					Checked by RSO
c) Payment details					
Total eligible cost*		£ _____			
50% of cost		£ _____			
Amount already paid in previous claim		£ _____			
Amount due this claim		£ _____			
* the lower of approved or actual					Authority 1
d) Supporting documentation sent with this claim					
(Please tick as appropriate)					
Previously provided <input type="checkbox"/>					
Certificate of practical completion <input type="checkbox"/>					
Architect's or equivalent certificate of expenditure incurred <input type="checkbox"/>					
Invoices/receipts <input type="checkbox"/>					Authority 2
Other (please specify) _____ <input type="checkbox"/>					
Please provide a summary of attached invoices/receipts with clear referencing					Date

e) Declaration

I certify that the amount claimed is to be applied for the purpose for which the funds have been made available. I also declare that the above expenditure has not formed part of any other claim.

Signature

Name (*please print*)

Position

Date ____ / ____ / ____

Telephone no.

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The Further Education
Funding Council
Cheylesmore House
Quinton Road
Coventry CV1 2WT.
Telephone 024 7686 3265
Fax 024 7686 3025
E-mail fehcpubs@fefc.ac.uk

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