
30 July 1999

CIRCULAR

**THE
FURTHER
EDUCATION
FUNDING
COUNCIL**

Payment of Funds 1999-2000

To

Principals of colleges
Principals of higher education
institutions
Heads of external institutions
Chief education officers

Circular type

Information

Summary

Arrangements for payments by the
Council of various categories of
funds to institutions and colleges
from August 1999 to July 2000.

Supersedes

Circular 98/28

Reference number: 99/36

Enquiries:

Kirti Prajapat

College's payment officer

01203 863103

Website <http://www.fefc.ac.uk>

Cheylesmore House
Quinton Road
Coventry CV1 2WT

99/36

Payment of Funds 1999-2000

Introduction

1 This circular sets out the arrangements for the payment of funds by the Council to colleges, higher education (HE) institutions and external institutions. It covers the period from August 1999 to July 2000 and supersedes Circular 98/28 *Payment of Funds*.

General

Monthly payments

2 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. 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 1999 to July 2000 is given in table 1.

Monthly statements

3 Each college and HE institution will receive a monthly statement from the Council setting out the details of each payment. A copy of the 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 (01203) 863103, 863108 or 863118.

Exceptional payments

4 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

5 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 will be required for changes to bank details before payments can be made to a new bank account.

Funding Allocation

Payment profile

6 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 1999 to July 2000, which has been agreed by the Department for Education and Employment, is given in table 1.

Payments to colleges and higher education institutions

7 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 December payment will be made on 17 December 1999.

Payments to external institutions

8 Funding for external institutions will be paid to sponsoring colleges in 12 equal monthly instalments.

9 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 1999-2000</i>	<i>Cumulative percentage 1999-2000</i>	<i>Equivalent percentage 1998-99</i>	<i>Equivalent cumulative percentage 1998-99</i>	<i>Anticipated posting date of monthly remittance advice</i>
20 Aug 99	10.6	10.6	10.6	10.6	13 Aug 99
20 Sep 99	9.0	19.6	9.0	19.6	10 Sep 99
20 Oct 99	9.0	28.6	9.0	28.6	11 Oct 99
22 Nov 99	8.0	36.6	8.0	36.6	10 Nov 99
17 Dec 99	8.0	44.6	7.2	43.8	10 Dec 99
20 Jan 2000	7.2	51.8	8.0	51.8	7 Jan 2000
21 Feb 2000	8.0	59.8	8.0	59.8	10 Feb 2000
22 Mar 2000	7.6	67.4	8.0	67.8	10 Mar 2000
20 Apr 2000	8.6	76.0	8.2	76.0	10 Apr 2000
20 May 2000	8.0	84.0	8.0	84.0	10 May 2000
21 Jun 2000	9.0	93.0	9.0	93.0	12 Jun 2000
20 Jul 2000	7.0	100.0	7.0	100.0	10 Jul 2000
	100.00	-	100.00	-	

Claims

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

Kirti Prajapat
College payment officer
Further Education Funding Council
Cheylesmore House
Quinton Road
Coventry CV1 2WT
Telephone 01203 863103.

Performance against funding agreement

11 In general, where institutions have not generated the number of units specified in their 1998-99 funding agreement the Council will recover funds at the institution's average level of funding taking account of London weighting where applicable.

12 It is expected that recoveries will be made in the **spring 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.

13 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.

14 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.

15 Where colleges have not generated the number of units specified in their 1998-99 funding agreement, the Council will recover funds at their funded rate.

16 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 1999-2000.

Failure to provide data returns

17 Colleges, HE institutions, specialist designated institutions funded through the funding methodology and external institutions are required in 1999-2000 to submit a final claim for the year, which will be audited. The Council will use institution's ISR returns to generate estimates of performance against funding target. Where these returns are not received by the Council on the due dates or where the Council's estimate of an institution's performance against funding target indicates the institution is unlikely to meet its target, 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 1999-2000 will be the subject of a separate circular, and any adjustment will be made during or after the spring term 2001.

Specific allocations

18 From time to time, the Council may distribute specific funds to colleges, such as 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

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

Formula funding

20 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.

Inherited Hunter and major works funds

21 Funding for inherited major and minor works supported by the Council will be paid in response to claims on the same basis as 1998-99 until the 31 March 1999. After this date only those claims outstanding with special arrangements agreed by the Council will be paid. Please contact the regional finance director or regional property advisers for further information.

Capital project support

22 For payments in support of capital projects, please refer to Circular 99/26. Payments of capital will be made in instalments over the given period to 31 March 2007.



Sample Payment Remittance

THE FURTHER EDUCATION FUNDING COUNCIL

Finance Officer
Casterbridge College
Casterbridge
ENGLAND
CAS1

Cheylesmore House
Quinton Road
Coventry CV1 2WT
Telephone 01203 863000
Fax 01203 863100

Further Education Funding Council Payment 20 August 1999

Payment Ref No: CASTE

	<i>This payment</i>	<i>Year to date</i>	<i>Made/ planned</i>	<i>Budget for year</i>	
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 (& 93-96)	0.00	0.00	0.00	0.00	4
Adjustments for 1998-99	0.00	0.00	0.00	0.00	5
Adjustments for 1997-98	0.00	0.00	0.00	0.00	6
Adjustments for 1996-97 (& 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
Crèche 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 1999-2000. Refer to Circular 99/36 for guidance on the payment mechanism for 1999-2000, and Circular 98/28 for 1998-99 payments. For payment enquiries phone (01203) 863111, 863108 or 863103.

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 1999 and 31 July 2000. 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 1998-99', 'Adjustments for 1997-98' and 'Adjustments for 1996-97 (& 93-96)'. 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 1999-2000 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 99/27).

11 Row 10 shows payments for provision for childcare in accordance with claims submitted by colleges (see Circular 99/13). Row 11 shows payment supporting 'Crèche provision' at colleges. Row 12 shows payments for 'Residential students' grant and row 13 shows payments relating to the 'Inclusive Learning Quality Initiative' (ILQ).

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 99/12 and Circular 99/24. Row 21 shows 'Post-16 partnership funds'.

Capital payments

13 Row 22 should record payments made in accordance with capital works submitted by colleges. Row 23 shows the capital project support payments made to colleges. Row 25 shows capital 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 refers 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 rates</i>
		£	£	£
1994-95	further education college	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 college	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 college	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 adjustments will be based on the institution's average level of funding.

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

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 For information regarding the funding methodology and likely adjustment for over- and under-achievement of units from 1998-99 onwards please refer to the publications listed in table 3.

Table 3. Publications relating to the funding methodology

<i>Circular no.</i>	<i>Publication</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	<i>Funding Guidance 1998-99</i>
Booklet	<i>Funding Allocations 1998-99</i>
99/07	<i>Funding Guidance 1999-2000</i>

