Funding Models and Guidance
The 2008/09 funding formula is applied to each learning aim taken by a learner:

\[
\text{Funding} = \text{SLN} \times \text{National Rate} \times \left( \begin{array}{c}
\text{Programme Weighting} \\
\text{Disadvantage Uplift} \\
\text{Area Cost Uplift} \\
\text{Short Programme Modifier} \\
\text{Success Factor}
\end{array} \right) + \text{ALS}
\]
There are 3 funding models/ streams under Demand Led Funding:

- 16-18 Learner Responsive
- Adult Learner Responsive
- Employer Responsive
Funding Models - Mode of Delivery

- **School/college/provider-based**
  - 16-18 offer, part of 14-19 entitlement
  - Provision funded through strategic commissioning without in/end-year reconciliation

- **Employer-based**
  - Apprenticeships (funded through employer-responsive model)
  - Train to Gain service: TtG funds, NVQs in workplace; Apprenticeships 19+ (funded through employer responsive model)

---

16-18 Budget

19+ Budget
16-18 Model

- Strategic commissioning
- Paid on profile
- No in-year/end-year reconciliation (for grant providers)
- 16-18 Apprenticeships planned and budgeted through this model but funding will be calculated and paid using employer responsive model
- Incentive is strong on participation and success
- Common 16-18 funding system for schools and colleges (but not common rates)
Adult Learner Responsive Model

- Strategic commissioning
- FE adults (not employer based)
- Paid on profile
- Mid-year and end-year reconciliation
- Tolerance for over/under delivery (5% - 3%)
- Growth is capped (8% - 10%)
- Prioritisation will have greater impact than funding model
Employer Responsive Model

- Competitively tendered
- Covers Train to Gain, Apprenticeships, adult employer-based NVQs
- Negotiated indicative contracts
- Calculated using DLF formula
- Payments on actual delivery in arrears
- 75% instalments (retention)
- 25% achievement (success)
- Regular reviews
LSC Funding Guidance 2008/09 is being published as the following separate documents, listed in order of expected publication:

- Funding Rates
- Funding Formula
- Funding Principles, Rules and Regulations
- Learner Eligibility Guidance
- Funding Compliance Advice and Audit Guidance for Providers
- Funding Claims and Audit Returns
- Addendum to Funding Guidance #

# this will only be published on LSC website during 2008/09 to update any of the above documents as necessary during the year and will not be printed by the LSC.
Addendum to LSC Funding Guidance 2008/09: this document like the previous Addendums to FE Funding Guidance will only be published on the LSC website as it will remain a “live document” through the year. It will include all and any additional or changed guidance for all the above documents. It is expected and hoped that this will be a small document.

LSC web link to LSC Funding page from which all the various documents and related forms can be accessed:

http://www.lsc.gov.uk/providers/funding-policy/demand-led-funding/Further_Education_Funding_Policy_Documents_2008-09.htm
Outlook for 2009/10

- Focus on
  - refining funding system, not major change
  - continued increase in learner numbers is a high priority for the government
  - success and achievement
  - target bearing provision
SLN’s

- SLN Values
- Start and Withdrawals
An SLN (Standard Learner Number) Value is a measure of the volume of activity associated with a qualification, learning aim, learner, contract, allocation, or any other set of training or education.

Whilst SLNs gives a robust measure of volume of learning, the relative cost of that learning must also be taken into account by the funding formula. The Provider Factor (and component Provider Factor Weightings) is the measure that reflects the relative cost of provision.
In the learner-responsive funding model, the LSC apply a cap to the funding value of individual learner SLN. This can be expressed as:

In the 16-18 and Adult Learner Responsive Models:

Total SLN = glh/450 (Maximum Total SLN of 1.75 per learner per year)
Annual SLN

- Annual SLN is the measure used directly in the funding calculations for the purposes of calculating actuals at learning aim level for the 16-18 and Adult Learner Responsive Models (LRM).

- Annual SLN is derived from the SLN Value by application of the SLN section of the funding calculations.

- Annual SLN can also be described as the process that distributes the SLN Value across funding years in order to derive the amount of activity in each year.
Example

A learner starts a 1 year AS level on the 11\textsuperscript{th} January 2008 and finishes on the 15\textsuperscript{th} December 2008. How much SLN is paid in each year?

1. On the LAD, find the SLN Value. For 2007/08, this can be found on the Shared tab and for 2008/09 the tab for the relevant model. For this course SLN Value = 150 GLH.

2. To calculate the SLN Value for a qualification:

\[
\text{Total SLN Value} = \frac{\text{GLH}}{1 \text{ SLN}}
\]

\[
\text{Total SLN Value} = \frac{150}{450} = 0.333 \text{ (3 dp)}
\]

Therefore, 1 AS level learning aim is worth 0.333 SLN
Example

For each qualification:

3. Does the programme cross a funding year?
Yes – then split the programme by funding year so:

Funding Year:
1st Aug – 31st July

For 2007/08: 11th Jan – 31st July
For 2008/09: 1st Aug – 18th Dec

4. Then count the days in each funding year:

For 2007/08: 11th Jan – 31st July (202 days + 1 (leap year) = 203 days (29 weeks)
For 2008/09: 1st Aug – 18th Dec = 140 days (20 weeks)
Total days = 203 + 140 = 343
5. Now calculate the SLN for each funding year:

For 2007/08: Annual SLN = \frac{2007/08 \text{ day count}}{\text{total day count}} \times \text{SLN Value}

So

\text{Annual SLN} = \frac{203}{343} \times 0.333 = 0.197 \text{ (3dp)}

For 2008/09: Annual SLN = \frac{2008/09 \text{ day count}}{\text{total day count}} \times \text{SLN Value}

So

\text{Annual SLN} = \frac{140}{343} \times 0.333 = 0.136 \text{ (3 dp)}
6. How much SLN is paid in each year?

In 2007 = 0.197  In 2008 = 0.136

If the learner had taken 3 AS levels in the 1 year instead of one, then:

• All AS Levels have the same SLN glh on the LAD – 150
• Therefore the SLN paid each year is multiplied by 3:

  - In 2007 (0.197*3) = 0.592
  - In 2008 (0.136*3) = 0.408

  = 1.000

* Assumes the dates of each AS level are the same.
Start

- Annual SLN will be counted when a learner is deemed to have started.
- A learner is deemed to have started a learning aim once they have remained on that learning aim for the period of time defined in the table below:

<table>
<thead>
<tr>
<th>Learning Aim Length in year</th>
<th>Start Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt;= 24 weeks (long course)</td>
<td>6 weeks</td>
</tr>
<tr>
<td>2 to 24 weeks</td>
<td>2 weeks</td>
</tr>
<tr>
<td>&lt;2 weeks</td>
<td>1 learning engagement</td>
</tr>
</tbody>
</table>

- For learning aims that span more than one academic year, starts are determined separately for each year, in line with the approach of calculating an Annual SLN value separately for each year.
Start and Withdrawal Learner Responsive Model

A learner is considered to have withdrawn from a programme of study if they:

- are known to have withdrawn or
- have not attended class for 4 continuous weeks.

The withdrawal date is the last date of actual attendance recorded in the ILR.

If a learner has withdrawn from a programme before the start qualification period they do not generate any Annual SLN in that year.

For more information, see Funding Formula 2008/09.
National Rate and Transitional Protection
National Rate

• The LSC will calculate the national funding rates each year taking into account their financial affordability.

• The SLN Values of individual learning programmes will either be:
  • Listed i.e. a fixed rate; or
  • Unlisted (previously called Loadbanded) i.e. a variable rate dependant on the number of glh delivered.

For further information see Funding Rates and Funding Formula.
Transitional Protection

16-18 Learner Responsive Model

- The LSC will moderate the differential impact on providers of the new funding arrangements by limiting the variation in funding per learner (measured through SLNs) to +/-2.1 per cent in real terms.

- The result of this is that no post-16 provider will have a cash value of funding per learner (SLN) lower than 2007/08; this will be achieved by limiting the maximum increase in funding per learner to 4.2 per cent in cash terms (2.1 per cent above the MFG of 2.1 per cent).

- The introduction of ALS for school sixth forms will be included within transitional protection, so that the principles of the minimum funding floor are maintained.
Fully Funded Learners

• Fully funded learner – Learners eligible for fee remission and LSC pays full funding value.

• Learners for whom providers can claim fee remission and are therefore fully funded by the LSC are:

  – All 16-18 are fully funded by the LSC
  – Adults on Skills for Life (excluding ESOL), first full level 2, 19-25 on first full level 3
  – Income-related benefits, others as in 2007/08.

For full list, see Section 4 of the Learner Eligibility Guidance for 2008/09.
Co- Funded Learners

• Co-funded learner – learner/employer contributes to cost of tuition.
  - Adults not in fully funded categories
  - Likely to be lower priority provision

• The expected fee contribution in the learner responsive model is:

<table>
<thead>
<tr>
<th>Academic Year</th>
<th>Expected Learner or Employer Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008/09</td>
<td>42.5%</td>
</tr>
<tr>
<td>2009/10</td>
<td>47.5%</td>
</tr>
<tr>
<td>2010/11</td>
<td>50%</td>
</tr>
</tbody>
</table>

• SLN is divided into Fully-funded SLN and Co-funded SLN and the rate applied is either the Fully-funded Rate per SLN or the Co-funded Rate per SLN respectively.
Provider Factor

04
Provider Factor

- Provider Factor Weightings are the elements of the provider factor applied at individual learning aim level.

- The Provider Factor is a single figure that can be expressed as composite parts.

- The Provider Factor is used in determining the actuals for the LRM.

- The Provider Factor is used to determine contract values in the ERM.
The Provider Factor includes the following drivers of relative cost:

- Programme Weighting Factor (PWF)
- Disadvantage Uplift
- Area Costs Uplift
- Short Programme Modifier
- Success Factor
• The programme weighting factor (PWF) reflects the fact that the cost of delivering learning aims of a similar length can vary.

• There are nine PWFs in 2008/09:

<table>
<thead>
<tr>
<th>Learner Responsive</th>
<th>Employer Responsive</th>
</tr>
</thead>
<tbody>
<tr>
<td>A (1.0)</td>
<td>A (1.0)</td>
</tr>
<tr>
<td>B (1.12)</td>
<td>J (1.25)</td>
</tr>
<tr>
<td>C (1.3)</td>
<td>K (1.5)</td>
</tr>
<tr>
<td>D (1.6)</td>
<td>Employer Responsive Model also includes the other PWFs for Technical Certificates.</td>
</tr>
<tr>
<td>E (1.72)</td>
<td></td>
</tr>
<tr>
<td>F (1.4) – Basic Skills</td>
<td></td>
</tr>
<tr>
<td>G (1.92) – Specialist Resource only</td>
<td></td>
</tr>
</tbody>
</table>
The disadvantage uplift:

- supports the policy and the costs of widening participation.
- is calculated using the learner’s home post code and other specified categories.
- increases funding for learners living in the most deprived super output areas.
- ranges from 8 to 32 per cent.
The area costs uplift:

• reflects that the costs of delivering provision in London and other areas is significantly higher
• Is determined by the location of the provider
• ranges from 20% for Inner London to 1% for West Sussex.
Success Factor

Success factor is \((\text{Success Rate} / 2) + 0.5\)

- 0% success rate = 0.5000 success factor
- 50% success rate = 0.7500 success factor
- 100% success rate = 1.0000 success factor

College of 2 learners, 2 SLN

All weightings = 1, Value of SLN funding = £3,000

<table>
<thead>
<tr>
<th></th>
<th>Scenario 1</th>
<th>Scenario 2</th>
<th>Scenario 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Learner 1</td>
<td>Withdraws</td>
<td>Achieves</td>
<td>Achieves</td>
</tr>
<tr>
<td>Learner 2</td>
<td>Withdraws</td>
<td>Withdraws</td>
<td>Achieves</td>
</tr>
<tr>
<td>Total SLN</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Success Rate</td>
<td>0%</td>
<td>50%</td>
<td>100%</td>
</tr>
<tr>
<td>Success Factor</td>
<td>0.500</td>
<td>0.750</td>
<td>1.000</td>
</tr>
<tr>
<td>Funding</td>
<td>£3,000</td>
<td>£4,500</td>
<td>£6,000</td>
</tr>
</tbody>
</table>

GLH weighted success rates

- Based on standard FE success rates
- Weighted using provider average glh/SLN for long, short & very short aims
- Means success rate reflects relative size
Short Programme Modifier

• $1 + 0.3 \times (225 - \text{total learner glh}) = \text{minimum value 1}$
  \[\frac{225}{225}\]

• For example:
  - 225 learner glh = 1 short programme modifier
  - 90 learner glh = 1.18 short programme modifier
  - 30 learner glh = 1.26 short programme modifier
  - 9 learner glh = 1.288 short programme modifier

• If the total glh of a learner’s entire programme is less than 225, and therefore the in year is also less than 225 glh, the short programme modifier is applied.
SLN: Learner Ratio
Is there a clear relationship between learners and SLNs?

![Graph showing Learner Numbers and SLNs over years](image)
SLN / Learner Ratio

• Ratio showing average amount of learning per learner

• No automatic increases

• Increases on a case by case basis so as not to consolidate breadth without due consideration
Profile Adjustments for Non-grant funded providers (16-18)

- Identification of non-grant funded providers
- Profiles quarterly in PAMs, Monthly in AMPs
- FE payment profile
- FE Data collections, need early FO1
- Exception report in AMPs
- Tolerance in year is +/- 5% of year end SLN allocation
- Calculated on SLN YTD + Remaining profile
- Downward adjustments mandatory, upward optional
- Quarter 1 based on original SLN profile
- Quarter 2,3 based on revised profile
Q4 Reconciliation

• Tolerance is – 3% of revised year end SLN allocation
• Last quarter only
• No upward reconciliation, needs to be done by variation before year end
• Based on FO5 to keep within financial year
• Any repayments withheld from March payment
• Repayment calculated
• SLNs paid in last quarter – SLNs delivered in last quarter
• SLNs to be re-paid x Rate x Provider Factor
### Example – 16-18

<table>
<thead>
<tr>
<th></th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Original Contract - SLNs</strong></td>
<td>30</td>
<td>30</td>
<td>30</td>
<td>30</td>
<td>120</td>
</tr>
<tr>
<td><strong>Cumulative</strong></td>
<td>30</td>
<td>60</td>
<td>90</td>
<td>120</td>
<td></td>
</tr>
<tr>
<td><strong>Q1 delivery</strong></td>
<td>28</td>
<td>30</td>
<td>30</td>
<td>30</td>
<td>118</td>
</tr>
<tr>
<td><strong>Q2 delivery</strong></td>
<td>36</td>
<td>30</td>
<td>30</td>
<td>30</td>
<td>96</td>
</tr>
<tr>
<td><strong>Revised Contract</strong></td>
<td>30</td>
<td>30</td>
<td>24</td>
<td>24</td>
<td>108</td>
</tr>
<tr>
<td><strong>Q3 delivery</strong></td>
<td>82</td>
<td>24</td>
<td></td>
<td></td>
<td>106</td>
</tr>
<tr>
<td><strong>Q4 delivery</strong></td>
<td>82</td>
<td>20</td>
<td></td>
<td></td>
<td>102</td>
</tr>
<tr>
<td><strong>Reconciliation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>20-24 = - 4</td>
</tr>
</tbody>
</table>
## Impact

<table>
<thead>
<tr>
<th></th>
<th>120 SLNs</th>
<th>£343,200</th>
</tr>
</thead>
<tbody>
<tr>
<td>Original MCV</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Actual earned</td>
<td>102 SLNs</td>
<td>£291,720</td>
</tr>
<tr>
<td>Paid at Yr end</td>
<td>108 SLNs</td>
<td>£308,880</td>
</tr>
<tr>
<td>Over payment</td>
<td>4 SLNs</td>
<td>£11,440</td>
</tr>
<tr>
<td>Actual paid</td>
<td>104 SLNs</td>
<td>£297,440</td>
</tr>
</tbody>
</table>
Adult Funding

- Including Reconciliation Arrangements
Grant Letter - Adult Participation Funding

- Adult learner
- Employer

Financial Years:
- 2007-08
- 2008-09
- 2009-10
- 2010-11

Participation Funding (£M):
- £900
- £1,200
- £1,500
- £1,800

£1,200 £1,500 £1,800

2007-08 2008-09 2009-10 2010-11

Adult Bud
Reconciliation-Adult Learner Model Proposals

Features of ALR Model Reconciliation:

• Tolerance for under and over performance
  – Will not be the same for over and under performance

• Two reconciliation points
  – Mid year and year end/final

• Adjustments at full rates, but growth capped

• Allocations split by fully funded and co-funded learners and by LSC priorities

• Return of funding audit for assurance over adjustments
  – but intended to be more light touch than previous funding audit
Involves 3 returns (but 1 adjustment at final for non plan-led providers delivering below tolerance)
Similar to returns in previous years:

<table>
<thead>
<tr>
<th>Return</th>
<th>Date</th>
<th>New Funding Return (expressed in SLN’s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mid-Year</td>
<td>8 February</td>
<td>With 2007/08 return</td>
</tr>
<tr>
<td>End Year</td>
<td>29 August</td>
<td>With 2007/08 return</td>
</tr>
<tr>
<td>Final</td>
<td>28 November</td>
<td>With 2007/08 return</td>
</tr>
</tbody>
</table>
Likely to involve 3 returns but 2 adjustments (supported by ILR data?)

Similar to current returns:

<table>
<thead>
<tr>
<th>Return</th>
<th>Date</th>
<th>Funding Adjustments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mid-Year</td>
<td>16 February</td>
<td>June-July ?</td>
</tr>
<tr>
<td>End Year</td>
<td>31 August</td>
<td>Budgeting purposes only</td>
</tr>
<tr>
<td>Final</td>
<td>30 November</td>
<td>December – July ?</td>
</tr>
</tbody>
</table>
The date for 2007/08 (and future years) final returns from FE funded providers is changed to 6 February 2009 (from 30 March 09).

Providers will be unable to make any further returns after this date and all published information will be based on what was submitted by the revised close date.
The LSC, DIUS, and the Data Service will produce and publish a reporting timetable based on this change.

Investigations and consultation will occur during the development of the 2009/10 ILR specification to ascertain if it is possible to bring further forward the closure date for years from 2008/09 onwards.
• The LSC has now agreed that mid-year reconciliation in the Adult Learner Model will be based on whole year estimates (similar in nature to 2007/08 FE in-year estimates) which will be sent to the LSC in early February 2009 together with the associated Learner Responsive ILR F02 return.

• The next slide suggests how the mid-year actual part of the estimate could be validated but it is only the whole year figures that will be used in the reconciliation process.
Profile split for mid-year and final stages

Calculate from provider data returns:

- In September 2008 SLN profile In-Year/End Year
- In December 2008 SLN profile In-Year/Final

- In December 2008 from final F05 (2007/08), SLN profile using ILR data to determine learners started or on programme by 31 January 2007

• These profiles will be an important part of process by which partnership LSC teams agree the validity of the mid-year actual part of the 2008/09 mid-year claim.
Profile split for mid-year and final stages

- Use PAMS 2008/09 returns for initial profiling
- Use 2007/08 new funding returns to establish in 2007/08:
  - Actual SLN numbers at End of Jan 2008 (8 Feb return)
  - Actual SLN numbers at Year End Return (29 Aug return)
  - Actual SLN numbers at Year End Return (28 November return)

**Calculate from provider data returns:**

- In September 2008 SLN profile In-Year/End Year
- In December 2008 SLN profile In-Year/Final
- In December 2008 from final F05 (2007/08), SLN profile using ILR data to determine learners started or on programme by 31 January 2007

• Profiles will be agreed between LSC and Providers and this will inform decisions to improve accuracy – vital for reconciliation
Reconciliation-”The Rules”

Rules and Aims:

• Funding calculated by SLN * National Funding Rate * Provider Factor

• But for reconciliation following points:
  – As allocation has at least 2 groups of learners, fully funded and co-funded then SLN and cash variances will differ
  – The National Funding Rate will be used for all reconciliation purposes
  – Tolerance may vary according to period and according to outcome
  – Aim to avoid the “Golden £” effect
Reconciliation—"The Rules"

Rules:

• ALL RECONCILIATION ADJUSTMENTS ARE IN CASH (£)
• Tolerance at mid year is 5%
• Tolerance at end year is 3% (but remains at 5% for over performance to meet affordability requirements).

• Growth is subject to delivery of provision that meets LSC priorities as agreed by LSC partnership team

• Growth adjustments capped at mid year (between 5-8%).
• Growth adjustments capped at end-year (between 5-10%).
Reconciliation-"The Rules"

Rules: (cont):

- Funding outside tolerance is recovered at the full funding rate for under performance but over performance is limited by application of a maximum growth cap.

- Mid year adjustments are held separately from end year calculations so that no perverse incentive to either overstate or understate mid year review return.

- All Mid year adjustments are calculated with reference to whole year allocation and claim figures.
Reconciliation for Underperformance-”The Rules”

- **Clawback (assumes underperformance)** = 
  
  Claim/Estimate (£) 
  - Allocation (£) 
  = 
  Variance (£) 

If performance outside tolerance range do calculation below:

+ (Tolerance in reverse sign to variance) (£) 

= 

Revised Variance (at Full Rate) (£) 

= 

£ Cash recovery adjustment
Final Claim Reconciliation 2008/09

UNDERPERFORMANCE

Claim 90
Allocation 100
Variance -10
Deduct Tolerance (Reverse sign to variance) +3
Clawback -7
Final Claim Reconciliation 2008/09

OVERPERFORMANCE

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Claim</td>
<td>110</td>
</tr>
<tr>
<td>Allocation</td>
<td>100</td>
</tr>
<tr>
<td>Variance</td>
<td>+10</td>
</tr>
<tr>
<td>Deduct Tolerance (Reverse sign to variance)</td>
<td>-5</td>
</tr>
<tr>
<td>Growth</td>
<td>5</td>
</tr>
</tbody>
</table>

Growth will also be subject to a cap limit of around 3-5% above tolerance and agreement by LSC that growth meets LSC priorities.
Information needed for ALM reconciliation

Mid Year and Final Reconciliation Values

System rules parameters

Maximum Possible Growth Funding  SLN  Cash (£)
Funding Cap for Growth *  SLN  Cash (£)
Minimum Performance for Growth  SLN  Cash (£)
Tolerance for Underperformance  SLN  Cash (£)

* Growth is subject to a cap limit of around 3-5% above
tolerance and agreement by LSC that growth meets
LSC priorities
Reconciliation Data

Define Adult Priority Provision: Full Level 2, Full Level 3 and Skills for Life

Fully Funded Learners

Co-funded Learners Allocation, Mid-Year profile and Claims
## Information needed for ALM reconciliation

### Reconciliation Calculations

<table>
<thead>
<tr>
<th>Description</th>
<th>SLN</th>
<th>Cash (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall Variance (Out-turn - Allocation)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Growth Only Variance (Out-turn - Allocation)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Growth Only Variance (Out-turn - Allocation)</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Percentage of Allocation Delivered</td>
<td>%</td>
<td>%</td>
</tr>
</tbody>
</table>

### Payment Values

<table>
<thead>
<tr>
<th>Description</th>
<th>SLN</th>
<th>Cash (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>In Year Growth Adjustment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>In Year Clawback Adjustment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Paid In Year Allocation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Final Growth Adjustment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Final Clawback Adjustment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Funding paid for 2008/09 Year</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Reconciliation-”Impacts”

• Growth payments will be restricted to LSC main priorities and extra funding limited to between 5 and 10 per cent of allocation with first 5% additional activity unfunded.

• Growth payments will require confirmation first from LSC partnership team that growth meets LSC priorities.

• Clawback calculations will only be calculated from the overall figures (total ALR funding figures). The only protection against under performance is the tolerance first 3% and all underperformance below 97% is recovered (deliver 80% will mean 17% recovery).
Employer Responsive Funding
Employer Responsive Model

- Covers Train to Gain including adult FE employer-based NVQs, Apprenticeships
- Negotiated indicative maximum contract value
- Calculated using DLF formula
- Payments on actual delivery in arrears
- Achievement element
  - Train to Gain – 25% for each aim paid as each aim achieved
  - Apprenticeships – 25% NVQ and Apprenticeship element paid on achievement of whole apprenticeship framework
- Regular reviews
The Funding Formula (ERM)

Standard Learner Number (SLN) ×
National Funding Rate ×
Provider Factor
(prior year data for contracting or actual activity for payments) +
Additional Learning Support (ALS)

= FUNDING CONTRACT OR PAYMENTS IN £
ERM - Actual Payment Formula

– Train to Gain

Learner SLN

\[ \text{X} \times \text{The Learner/Learning Aim’s Programme Weight x Area cost Uplift} \]

\[ \text{X} \times \text{National Funding Rate} \]

= FUNDING PAYMENTS IN £
ERM - Actual Payment Formula

- Apprenticeships

Learner SLN
\[ \times \]
The Learner/Learning Aim’s Programme weight \( \times \) Area cost uplift \( \times \) Disadvantage uplift (postcode of learner)
\[ \times \]
National Funding Rate
\[ + \]
Learner ALS
\[ = \]
FUNDING PAYMENTS IN £
Standard Learner Numbers
Employer Responsive

• SLN Values are based on activity costing work, driven by costs of delivery in the workplace

• TtG has standard rates for NVQs for 2008/09
  • High/low rates (15 hour rule)
  • Sector weightings

• Each of the aims within an Apprenticeship is given an SLN value:
  • NVQ
  • Apprenticeship Element
  • Key Skills
  • Technical Certificate

combined
Start and Withdrawal (1)

Employer Responsive Model

- A learner is considered to have started a programme if they meet the minimum qualifying period – 6 weeks for courses of 24 weeks or more.

- In order to claim funding, the learner must still be ‘in learning’ on the last day of the calendar month. Funding is claimed monthly in arrears in the ILR.
Start and Withdrawal (2)

Employer Responsive Model

- A learner is considered to have withdrawn from a programme of study if they:
  - are known to have withdrawn or
  - no evidence of participation for 12 weeks.

- If a learner has withdrawn from a programme before the start qualification period they do not generate any SLN instalments in that year. The withdrawal date is the last date in the ILR of actual attendance.
Monthly Payments

Profile Payments (based on ILR start and end dates)
A learner starts on a 9 month programme.

In terms of programme payment (75%), the rule is:

\[(n+1)\] where \(n\) is the planned months on programme

So for this example \((n+1) = (9+1) = 10\) instalments over 9 months. The first payment includes 2 instalments and subsequent payments are equal –so 2/10 followed by 1/10 for 9 months, (that is 100% of the 75%).

<table>
<thead>
<tr>
<th>Months</th>
<th>Month 1</th>
<th>Month 2</th>
<th>Month 3</th>
<th>Month 4</th>
<th>Month 5</th>
<th>Month 6</th>
<th>Month 7</th>
<th>Month 8</th>
<th>Month 9</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payments</td>
<td>2/10</td>
<td>1/10</td>
<td>1/10</td>
<td>1/10</td>
<td>1/10</td>
<td>1/10</td>
<td>1/10</td>
<td>1/10</td>
<td>1/10</td>
</tr>
</tbody>
</table>

25% of total funding is then paid on achievement
Provider Factor (ERM)

- **Programme Weighting**
  - Average for contracting
  - Actual for payments

- **Disadvantage**
  - Average for contracting
  - Actual for payments
  - Applies to Apprenticeships only
  - Learners home postcode
  - Uses IMD2004

- **Area Costs**
  - Average for contracting
  - Actual for payments
  - Based on postcode of delivery location

- **Retention and Achievement Factor**
  - Only used for contracting
  - Actual retention and achievement of individual learners for payments
Transitional Protection

• To reduce the effects of funding changes that result directly from the formula and policy changes:

• Does not protect learner numbers or SLNs

• Employer responsive:
  – FE funded employer-based NVQs - Yes
  – Apprenticeships – providers can claim against 2007/08 methodology and funding rates for completed apprenticeship
  – Train to Gain – transitional arrangements for TtG Level 3 trials
Transitional Arrangements

Principle – Train to Gain

- Move to employer responsive methodology
- Based on proportion of funding already paid
- Systems based
- Uses existing data where possible

FE NVQ and TtG Learners continuing into Employer Responsive funding 08/09 from 07/08

*Payments in 2008/09 will be made in equal monthly instalments based on the number of census dates between August 2008 and the Learning Planned End Date.
Transitional Arrangements

Principle - Apprenticeships

- The value of the Apprenticeship remains constant
- Increase in funding rates are reflected
- Paid on achievement only
- Increase in employer contribution for 19+ is also reflected

Apprenticeship Learners continuing into Employer Responsive funding 08/09 from 07/08

Learner achieves their apprenticeship in 2008/09, their start date was prior to 01/08/08 and were still in learning on 31/08/08

Calculate total funding received for learner excluding Additional Learning and Additional Learner support
Total Sum A

Calculate total funding for learner excluding Additional Learning and Additional Learner support based on rates for 2008/09.
Total Sum B

If Total Sum B is greater than Total Sum A
Claim different on Training Provider Statement

Enter amount of Training Provider statement
Eligibility

• TtG 08/09 – increasing flexibilities:
  – Plan for Growth, autumn 2007
  – ‘repeat’ Level 2s in some circumstances
  – Increased scope for Level 3s
  – Not all fully-funded

• Sector compacts – agreed with each Sector Skills Council (e.g. Semta).

• FE NVQs – protect historical provision in 2008/09 – but integrated in Train to Gain budgets.
Main Changes: Train to Gain

• Move from 50% on starts to monthly payments with 25% on achievement.

• Increase in lower rate – now 2/3 of higher rate, small reduction in higher rate.

• Threshold for higher rate now set at 15 hours

• Reduced audit burden, particularly on starts – alignment with other programmes.
Main Changes: FE NVQs

• Payment on actuals, monthly with 25% on achievement

• Alignment with Train to Gain rates and sector weightings - recognise different cost structures of workplace and provider-based delivery

• Increased focus on firstness

• Transitional protection in 08/09
Eligibility: Former FE NVQs

• Guidance for former FE NVQ’s only is set out in paragraph 477

• Detailed eligibility rules only in paragraph 482

• Paragraphs 483 and 484 do not apply to this provision

• This is to protect historical provision in 2008/09 only.
Introduction
This session will introduce the Funding Compliance Advice & Audit Guidance for Providers 2008/09 now published on LSC website, and covers:

- **Context and theme**
  - Relationships with providers
  - Provider funding risks – eligibility & existence
  - Current assurance arrangements
  - LSC intervenes in “inverse proportion” to “success”
Key Themes – LSC Funding Guidance

2008/09

– Fundamental principles as set out in PR&R paragraphs 21-22

– Funding should reflect incurred costs of efficiently delivered provision – with appropriate contribution to overheads

– Fair distribution of funding between colleges and partner organisations (see Para 331 of PR&R 2008/09)

– Local LSC intervenes in “inverse proportion” to “success” (may include a “risk” assessment here) (FCA&AG Paragraph 12)

– LSC to recognise learner success as a key factor in reducing funding audit risk assessment of providers
Eligibility and existence
• Partnership arrangements (franchise, sub-contract, partnership)
  – Priority is good provision that contributes to targets

• Requirement to provide annual self-declaration of partners including (see Annex I of ILR Funding Claims and Audit Returns:
  – Who
  – Type of provision and priority fit
  – Volume and level of funding for out-of-area provision
  – Levels of funding retained (top slicing)
Funding Compliance Advice

- Overview

Six sections in document:

1. Format and Background
2. Evidence of Learner Existence & Eligibility
3. Partner Provider Provision
4. Additional Learner Support
5. Withdrawals
6. Additional advice on Individual Qualifications and Delivery

Guidance very similar since 2004, but includes new summary guidance in Annex B in respect of the Employer Responsive Funding Model.
Section 2: Learner Existence & Eligibility

Compliance evidence of learner existence and eligibility – for all providers

• Records of learner existence and eligibility
  – Learning agreements
  – Enrolment forms
  – Registers
  – Withdrawal/transfer forms
  – Achievement

• Documentation – originals held by colleges not partner providers

• This section is repeated in LSC Learner Eligibility Guidance
Section 3: Partner Provider Provision

Background of concept of “Partner Provider Provision”

• Ref to PR&R paragraphs 325 to 335 and to Annex I (to be updated for 2008/09)
  – Location of activity
  – Adequate funding levels to sub-contractors
  – Provision to meet local needs

• Reminder that all providers face risk of clawback for ineligible activity
Section 3: Partner Provider Provision (2)

Emphasis on directly funded LSC providers having proper controls on all partner provision
Bring together all previous delivery arrangements that might be known as any of following:

- Franchised provision
- Direct delivery with a partner
- Sub-contracted
- Any other terminology used to describe provision arrangements where another organisation used to deliver LSC provision by the LSC funded provider
Classification of Partner Provider Delivery Arrangements since 2004/05

- Primary LSC concern is now “proper controls” over provision and funding arrangements should not be an incentive to avoid “proper controls”

- Franchise discount ceases from 1 August 2008

- Minor change to Table 1 to recognise Employer Responsive Funding Model and provision delivered on employer premises
Section 3: Partner Provider Provision (4)

Table 1 defines provision for the likely risks of provision for DLF Funding Audits

• 7 sections in table, BUT:

• Deals with problem of providers trying to reclassify provision to avoid unwanted classification, the overriding principle is now:

• Local LSC will be final arbiter of where provision is classified and use common sense in applying table as well as the formal table guidance
Section 3: Partner Provider Provision-Controls advice

- Essentially previous FEFC/LSC controls guidance on franchised provision (but no references to older circular/guidance)

- Must be applied to all partner provider provision classified below black line in Table 1

- Application of controls is not now related to question of applying franchise discount

- Clawback remains for ineligible provision
  - costs basis for plan led funding providers
  - activity basis for non plan-led funding providers
Section 5: Withdrawals in DLF

Learner Responsive Model – as previously, and:

- Providers expected to accurately record withdrawals

- Withdrawals must be very accurately recorded where learners withdrawing before or very near SLN qualifying start periods

- No termly census points so no funding implications over absolute accuracy of withdrawal dates after start period completed – reasonable accuracy will be sufficient for Funding Auditors
Section 5: Withdrawals in DLF

Employer Responsive Model – similar to previous WbL guidance, and:

• Providers expected to accurately record withdrawals

• Withdrawals must be very accurately recorded where learners withdrawing before or very near SLN qualifying start periods

• For monthly programme payments learners must be in learning on the last day of the month
Funding Letters

Local, Regional or National:
• Letters issued in 2007/08 (and earlier) have no validity to 2008/09 funding arrangements
• New letters will be needed where providers have consulted either local LSC partnership teams or regional offices
Annex B: Summary of Evidence Requirements
for Employer Responsive Funding Model

Annex based on following 2007/08 Annexes:

- WbL Funding Requirements Annex I
- Train to Gain Funding Guidance Annex H

Annex B written for 2008/09 for providers only delivering employer responsive funding model provision to give a simple summary of main evidential requirements in main body of document.
Annex B: Summary of Evidence Requirements for Employer Responsive Funding Model

Annex includes: (with paragraphs references first)

- 1 - 8 PFA and overall summary
- 9 - 13 LSC funding audit risk assessment
- 14 – 28 Summary of evidence requirements for:
  – learner eligibility, existence, achievement and withdrawal
- 29 – 30 TPS – refer to web guidance on TPS
- 31 EMA
- 32 Retention of Documents
- 33 – 34 Q&A on TtG – Funding questions answered
- 35- 43 Train to Gain – Brokers & Employers
Budgeting, Data and Audit

Budgeting – Year End Return
- Needed so both providers and LSC can predict, budget and account for final funding adjustments.

Audit – Ongoing Through Year
- New SLN and Provider Factor methodology lends itself to in year audit and more timely reconciliation than in past.
- Current LEE Audit and old Funding Controls Audit may be sufficient work at most providers – including cyclical basis for work (> 1 year ?) Some pilot work is taking place on this in 2007/08.
- High risk Providers continue to face a full DLF funding audit.
Audit – Part of LSC Provider DLF Risk Assessment


- Late, poor or inconsistent returns (ILR and funding claims).

- Multiple returns
  - The above will include review of accuracy of in-year and end year estimates in 2006/07 and 2007/08.

- Poor Inspection grades in Leadership and Management – regarding data and MIS.

- Employer Responsive Funding Model – see Annex B paragraphs 9 – 13 in FCA&AGfP.
Audit through the Year (1)

Adult learner Responsive - 3 Returns in 2008/09
• Provides 3 opportunities for an audit opinion on ILR and funding claims.

Employer Responsive – 12 Returns in 2008/09
• Provides 12 opportunities for an audit opinion on ILR and funding claims.

2 ILR Types for 2008/09
• Developed from 2007/08 FE and WBL returns.
Audit Programmes/Approach in 2008/09

- The existing WBL and FE DSATs will provide the basis for similar programmes for Learner Responsive and Employer Responsive Returns.

- Emphasis of audit on adult delivery but will include review of 16-18 when auditing colleges/providers.

- For ALR audit risk profile (and therefore substantive audits) linked to funding reconciliation adjustments.
• New DLF audits could be as follows:

**Controls Audit**
- Light touch and part of risk assessment process to identify where more detailed audit work needed.
- followed where necessary by a

**SLN audit**
- reviewing ILR data with particular reference to SLN funding values – existence and eligibility.
- followed where necessary by a

**Provider factor audit**
- a full DLF Funding Audit of current and previous year ILR.
LSC Funding Guidance 2008
Autumn 2008 – v2 14 October 2008

By Funding Policy Implementation Team