17 November 2003

To Principals of specialist colleges for learners with learning difficulties and/or disabilities

Learning+Skills Council

Financial Assurance Arrangements

I wrote to you on 23 April 2003 inviting volunteers to take part in a pilot of financial assurance arrangements. Those pilot visits were successfully completed over the summer months. The assurance arrangements that were piloted during the visits will now be rolled out to all specialist colleges for the current academic year. The purpose of my letter is to explain what this change will mean for your college.

Changes to the Contract

The Learning and Skills Council (LSC) has to obtain assurance that LSC funds are being used for the purposes for which they have been given, and comply with the conditions of funding. For many years, colleges provided this assurance by submitting a use of funds statement audited by the college’s financial statements auditor. Following an evaluation of the effectiveness of these arrangements, the LSC in consultation with the Association of National Specialist Colleges (NATSPEC) is changing the arrangements for the 2003/04 academic year onwards. From 2003/04, the LSC will obtain assurance directly by visiting colleges to carry out a set programme of assurance work. The requirement to obtain an audited use of funds statement is therefore removed for all college financial year-ends ending after 1 August 2003.

The attachment to this letter provides guidance on the new assurance arrangements. These have been developed with the assistance and support of NATSPEC. The assurance arrangements will focus, through review of documentation and discussions with key managers, on the application of funds to the support provided to learners against that detailed in learners’ schedule and purchase orders. The 2003/04 contract between the LSC and your college will reflect the new assurance arrangements. A member of the LSC’s provider financial assurance (PFA) team will contact you in the new year to make the arrangements for the visit to your college.

Feedback from colleges taking part in the pilot visits has been extremely positive. I am confident that the new assurance arrangements will help colleges improve systems for monitoring the delivery of provision and will benefit both colleges and learners.
Further Information

If you require further information about what the new assurance arrangements entail please contact Ian Mason, assurance manager on 02476 823993 or Mark Weddell, principal assurance officer on 0207 904 0685.

Chris Minett
Director
Structural and Learning Support Funds
Assurance Approach to LSC Funded Learners at Specialist Colleges for Learners with Learning Difficulties and/or Disabilities

Guidance Notes

1. This guidance relates to the funding of placements by the LSC for learners with learning difficulties and/or disabilities (learners), who are aged 16 or over, at specialist colleges (colleges) only. The term 'specialist college' is used here to describe the independent college (or institution or school) that provides for such learners. Learners taught at mainstream school sixth forms or at FE colleges incorporated under the Further and Higher Education Act 1992, are outside the scope of this guidance.

2. This guidance covers:
   - reasons for the change in assurance arrangements
   - 2003/04 visit arrangements
   - the new assurance approach
   - record keeping
   - contacts for further assistance.

Reasons for the Change in Assurance Arrangements

3. The LSC contracts with each college annually via a standard contract. For many years, it was a contractual requirement that an annual use of funds statement was prepared by each college and audited by the college’s financial statements auditors, prior to being submitted to the LSC. The use of funds statement reported on the spending of LSC funds by the college.

4. The LSC is responsible for monitoring and reviewing the adequacy of provision it funds for learners. In common with most other LSC funding streams paid under a contract, the LSC is seeking to gain assurance over the adequacy of provision to learners, not how colleges spend LSC funds. Under a contract arrangement, once colleges have earned LSC funds through delivery of contracted volumes at the required quality, the LSC is not concerned as to how colleges spend the funds.

5. The LSC reviewed the effectiveness of its assurance arrangements over LSC funding of colleges up to 2002/03. This review identified a number of shortcomings with the current arrangements. To improve accountability at colleges the LSC has changed its requirements for financial assurance for the 2003/04 academic year. The requirement to
obtain an audited use of funds statement is removed for all college financial years ending after 1 August 2003. Colleges do need to submit to the LSC an audited use of funds statement for financial years ended on or before 31 July 2003. The LSC reserves the right to ask colleges for an audited use of funds statement covering the period, in the 2002/03 academic year, from the college’s financial year end to 31 July 2003.

6. The 2003/04 contract between the LSC and each college has been amended to allow for the new assurance arrangements. The LSC regards the new assurance approach as more effective than the previous requirements and to be of benefit to both college and learners.

7. Colleges are reminded that they are still required to submit audited financial statements to the LSC within six months of the college’s financial year end. The LSC uses the financial statements to monitor the financial health of each college.

2003/04 Visit Arrangements

7. The LSC’s national Provider Financial Assurance (National PFA) division, will organise the 2003/04 annual assurance visit to colleges. The team works through, Peter Newson, Director of Provider Financial Assurance, who is based at the national office in Coventry. Other specialists will support the National PFA division in their work, as necessary. The National PFA division has expertise in reviewing the use of LSC funds within the existing funding regimes and has led on the pilot visits in the summer of 2003. It is intended that staff from the local LSC, within whose geographical area the college is located, will support the assurance review.

8. A member of the National PFA division will contact each college during the first half of 2004 to finalise arrangements for the annual assurance visit to the college. The visit will seek assurance over the funding provided to the college in the 2003/04 academic year (which began on 1 August 2003). The visits will not therefore commence until later in the academic year. For some colleges the visit may take place after the end of the 2003/04 academic year. It is expected that visits will last a maximum of two days, depending on the number of LSC funded learners placed at the college.

9. Once a visit is arranged, a full briefing, including a list of the learners for whom documentation is required, will be provided to the college. Further information on the assurance approach, the work to be undertaken and the college staff with whom we would like to meet with will be provided as part of the briefing.

10. The LSC does not intend to carry out an annual review at colleges where the LSC funding is below £125,000 per annum – usually colleges with five or fewer learners funded by LSC. These colleges will be
visited over a longer cycle. For those colleges that participated in the pilots during the summer of 2003, the assurance visit will be by way of a follow up to the report issued at the conclusion of the visit.

11. The annual assurance approach will be ongoing and apply to academic years after 2003/04 but the LSC intends to keep the operation of the assurance work programme under review. From 2004/05 the local LSC, in which the college is based, will carry out, on behalf of the National Placements Team, a provider review. It is expected that the results of the PFA assurance review will contribute to the on-going provider review, as will the results of any follow up exercise.

The New Assurance Approach

12. The approach was developed using as a basis the approach used by the Association of National Specialist Colleges (NATSPEC) in its ‘Accountability Survey’, report dated January 2002. The LSC has worked closely with NATSPEC and with a number of colleges to develop an understanding of this complex area of provision.

13. Chris Minett wrote to all colleges on 23 April 2003 to invite ten colleges to volunteer to take part in a pilot of these new arrangements. Fifteen colleges volunteered and visits were made to eleven of these during the summer of 2003. The assurance arrangements were successfully piloted during the visits and the LSC thanks colleges for their comments in helping to refine the assurance approach.


15. The aims of the new assurance approach are twofold:

   • to provide assurance to the LSC that the application of LSC funds is for the purposes intended – that is as per a schedule and purchase order (SPO), for the benefit of the learners; and

   • to add value to colleges and learners through recommending improvements to colleges’ systems.

16. The assurance approach is based on:

   • reviewing whether the college has in place a control process for checking on the level (and cost) of support that it delivers to the learner, as per the SPO (a controls review)

   • testing the delivery of the support identified in the SPO for a specific week, for a sample of learners chosen by judgment (testing of the SPO for a sample of learners)
• testing a number of other areas that could result in funding errors (other work).

Controls Review

17. The purpose of the controls review is to ensure that the college has appropriate controls in place to meet a number of control objectives. These control objectives are set out on the assurance work programme and are that the college:

• provides learning only to those learners that it can properly cater for

• ensures that it receives all income that it is entitled to

• provides services within the fees allocated

• evidences delivery of the provision in compliance with the SPO

• reviews each learner’s support needs and determines whether the allocated matrix cell is appropriate for the learner – and makes adjustments where necessary

• canvasses and acts upon interested parties’ views on delivery against the SPO when necessary

• submits accurate and timely returns to the LSC.

18. Colleges should have sufficient controls in place to demonstrate that these control objectives are being met. Examples of controls are given in the assurance work programme. The controls listed in the work programme are examples of some of the controls typically found in colleges but the college may have put in place its own different controls to meet the control objectives. Each college will decide the nature and types of controls necessary to meet these control objectives taking into account their own circumstances.

Testing of the SPO for a Sample of Learners

19. The sample size at each college will be approximately 10 per cent of total learners or five learners, whichever is greater. The sample will be chosen by judgement, from LSC records. The sample will therefore be random but not statistically valid. The sample size may be altered to take into account any information received in advance of the visit, including publicly available education inspectorate reports. Once the sample has been chosen a letter will be sent informing the college and requesting certain information to be made available for these learners.

20. For each of the learners selected in the sample delivery under the five elements of the funding matrix will be tested, for a specified week during
2003/04. There will not be observations of teaching and learning or enquiries of learners. The work programme sets out to establish:

- whether learners are getting at least the minimum provision that LSC has contracted for them through the SPO; and
- if the learner is getting a different level of provision, whether the college is aware of this and has acted accordingly, for example by contacting LSC.

Other work

21. The work programme also seeks to confirm certain other aspects re provision, in particular:

- for all withdrawals, the appropriateness of withdrawal date
- if the sampled learner is residential, confirmation that the learner is on a residential list for the specified week, and has been residential at the college for the year
- the level of support provided for any learners funded by LSC over and above the largest matrix fee.

22. College compliance with every clause in the contract is outside the scope of the new assurance approach. Further, the effectiveness of the frameworks for financial management is also outside the scope of this work. This latter aspect is considered during the on-going PFA parallel visits with the education inspectorates, for colleges that receive over £1 million in total of LSC funds for placements.

Reporting Arrangements

23. The PFA team will provide feedback, supported by written notes at the end of the visit to the college. An opinion will be given on the assurance that the LSC can take at each college.

24. After the visit, the PFA team will issue a report to the college and ask for confirmation as to its factual accuracy. Once confirmation has been obtained a final report will be issued. The report will make recommendations, where necessary, to address matters identified during the review, requesting that they are addressed via an action plan. The final report will be copied to the Structural and Learner Support Funds Division of the LSC and to the ‘home' placement officer for each learner in the sample of learners tested. Normally within twelve months a follow up will be undertaken to see whether recommendations have been acted on.

Errors
25. As the sample of learners is not statistically valid the LSC will not extrapolate any potential funding errors identified in the course of the work. It is anticipated that most of the errors found will be classified as performance errors, that is concerning the delivery of support to the learner, and it is unlikely that LSC will seek to recover funds. Nonetheless, the LSC may seek a recovery of funds where it is confirmed that the SPO is not being delivered for all the learners sampled, or if there is specific evidence that a learner is over funded. Where under funding is identified, the LSC will consider formal requests by the college for extra funding.

Record Keeping

26. Colleges are reminded that as a condition of funding, records to evidence delivery of the contract shall be kept for a minimum of two years following the end of each academic year. This means, for example, that records for the 2003/04 academic year should be retained until at least 31 July 2006. Certain other college records that do not evidence delivery of the contract, for example financial accounting records, must for statutory reasons be kept longer than two years.

27. Some of the records that evidence delivery of the SPO are:

- **Tuition**: specialist teaching hours and curriculum ratio (of staff to learner) via timetables, attendance registers (staff and learner), session plans and records, tutor reports etc.

- **Independence Training**: structured programme via timetables and event records, staff allocations.

- **Personal Care Support**: care plans and records, care staff rotas and hours, access to nursing/medical care via attendance records. We anticipate that, without breaching medical/care confidentiality, the college will be able to show what structure is in place and be able to gauge its use.

- **Therapy, Counselling and Intervention**: therapist timetables and reports where not confidential, e.g. speech therapist reviews; attendance records (if available), timetables/dates of counselling, associated attendance records of learners (if available), behavioural intervention programme and records, appropriate qualifications. The support emphasis is on regular support/immediate access/immediate intervention. We anticipate that without breaching confidentiality the college should be able to show what counselling/intervention structure is in place and be able to gauge its use.

- **Equipment**: equipment needs identified, records of purchase or adaptations made, as per SPO.
Further Assistance

28. If you require further information about this guidance and what the new assurance arrangements entail please contact:

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Or for queries of a general nature, please contact:

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29. A copy of the assurance work programme can be downloaded from the LSC website at www.lsc.gov.uk/documents/subject listing/funding learning/provider finance/provider financial assurance.