Addendum to LSC Funding Guidance 2008/09

27 March 2009

Executive Summary
Date: 27 March 2009
Version: 1.3
Purpose
This document is an update to the LSC Funding Guidance 2008/09, published by the LSC during 2008, and should be read in conjunction with the Guidance.

The purpose of this document is to:
- correct any typographical errors in the Guidance
- clarify some points of Guidance where necessary

This document simply updates the main guidance to reflect any additional changes in funding policy in 2008/09 since the main books were published. For this purpose read the Guidance and the associated documents identified in the executive summary thereof. The document is not being distributed in hard copy to providers as it will be updated on a rolling basis to identify and clarify further issues as they arise and will be version controlled. The document will also identify which of the LSC Funding Guidance 2008/09 documents is being updated:

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

Version 1.2 has small additions to paragraphs 9, 15 and 17.
Version 1.3 has small additions to paragraphs 17, 18 and 21 and new paragraphs 22-24.

Intended Recipients
Principals, chief executives, chief education officers, chief executives of training providers, heads of providers, Work-based learning and Apprenticeship managers, Train to Gain managers, staff delivering and programme administrators for Apprenticeships and Train to Gain, finance directors and/or management information officers of providers delivering post-16 education and any other readers of the LSC Funding Guidance 2008/09.
Addendum to LSC Funding Guidance 2008/09

Corrections to typographical errors and additional guidance

Learner Eligibility Guidance

(paragraphs 27 and 47)

1 Paragraph 27 (Learners not resident in England - employer-responsive funding) - the LSC is generally content to fund non-English resident learners (usually those learners resident in Wales, Scotland or Northern Ireland) whose usual work premises are in England and where other learners resident in England are in receipt of employer-responsive funding at similar times and for similar programmes. All learners whilst living in the Channel Islands and Isle of Man remain ineligible for LSC funding as the funding responsibility for their programmes remain with their own independent governments.

2 Paragraph 47 (Staff employed by a provider as learners) in general only applies to the learner-responsive funding model. Where the provider wishes their staff to engage in employer-responsive activity then they should ensure that any funded learning undertaken must be ‘occupationally relevant’ to the role of the employee. This learning would take place during an employee’s normal working hours as required by the Train to Gain and Apprenticeship guidance. This includes Skills for Life qualifications delivered as part of Train to Gain and Key Skills as part of an Apprenticeship.

Principles, Rules and Regulations

(paragraph 52)

3 As providers will be aware the LSC has issued advice in this paragraph on the various different definitions used for monitoring and funding. For learner-responsive funding, the LSC continues to fund all learners who start their programmes as 16-18 year olds at the 16-18 rate of funding for the full duration of such individual programmes. However, if such learners are aged 19 or over at the start of the second (or any subsequent) year then the provider is funded for such learners in the adult learner-responsive funding model (but the amount of funding paid for such learners is calculated in the 16-18 learner-responsive model, that is using the 16-18 national rate and the 16-18 provider factor). All providers having such learners within their ILR returns to the LSC will have to compile separate funding formula calculations to link their SLN values to their total funding. The funding claim report (see section on Estimates/Claims in this document) will report the SLN numbers and cash values to reflect these separate calculations and providers will see the value and number of such learners reported in the rows labelled D (an “of which” of the total adult delivery) in the adult learner-responsive funding report.
(paragraph 267)

4 The guidance in this paragraph is where necessary superseded by specific Train to Gain flexibility guidance and/or any approved specific unit funding pilot guidance.

(Paragraphs 446, 449, 474 and 476)

5 The above mentioned paragraphs make reference to providers completing development plans that are no longer applicable in 2008/09.

(Section 12 and 13: Additional Learning Support)

6 Providers are reminded that additional learning support (ALS) can only be claimed as a cost in the ILR where that cost supports a learner on an associated LSC-funded learning aim. This principle has applied to all previous LSC funding guidance in respect of ALS.

ILR Funding Claims and Audit Returns

(Annex B: Funding Claim returns)

7 All providers in receipt of any learner-responsive funding must complete the funding estimate/claims set out in the above mentioned booklet in Table 1. This includes 16-18 providers in receipt of E2E funding. The LSC use the mid-year estimates for budgetary and allocation planning purposes and as part of our review process with relevant Government departments. The accuracy of mid-year estimates in relation to final claims is also a part of the LSC funding audit risk assessment.

8 The LSC has now provided a workbook on the LSC web-site that can be used to return provider learner responsive funding estimates and final claims.

9 All mid-year and year-end estimates should be provided to the LSC in electronic format and should be sent to the relevant LSC office/contact from a duly authorised official within the provider. It will not be necessary for providers to submit paper copies of either of these returns.

(bullet below is additional for publication dated 4 February 2009)

- The LSC will shortly create the following email accounts for receipt of 2008/09 funding claims for any provider who has not received specific advice from their LSC partnership/contract team for the return of mid-year estimate workbooks accompanied by a copy of their LIS F02 Funding Claim Report:

  ilrfundingclaimreturns.westmidlands@lsc.gov.uk
  ilrfundingclaimreturns.eastmidlands@lsc.gov.uk
  ilrfundingclaimreturns.southwest@lsc.gov.uk
  ilrfundingclaimreturns.northwest@lsc.gov.uk
  ilrfundingclaimreturns.northeast@lsc.gov.uk
  ilrfundingclaimreturns.eastern@lsc.gov.uk
  ilrfundingclaimreturns.london@lsc.gov.uk
  ilrfundingclaimreturns.yorkshirehumberside@lsc.gov.uk
  ilrfundingclaimreturns.southeast@lsc.gov.uk
All final claims must be returned as paper returns (although the workbook can be printed for this purpose) completed and signed by the provider’s head of post-16 funding (for colleges this will be the principal or Chief Executive).

The funding claim workbook must be returned to the LSC with an electronic version of the LIS funding claim report (usually a PDF copy). For 2008/09 the return dates of these estimates/claim match the provider ILR return timetable for F02, F04 and F05. For 2008/09 it is very important that all providers return the workbook with the funding estimate and their ILR data on a matching basis. Regional and area LSC partnership teams will be aware of the ILR totals when processing the relevant funding return and the LSC will therefore take account of provider compliance in this area as part of our overall new funding audit risk assessment for 2008/09 and 2009/10.

For 2008/09 the funding claim report has now been written to generate actual data using ILR reference dates. This means that for the mid-year estimate based on the ILR F02 return, only learners enrolled with start dates on or before 31 January 2009 will generate funding values on the funding claim report. All values generated for these learners will include the whole of their 2008/09 generated SLN values. All programmes with start dates on or after 1 February 2009 will need to be included in the manual adjustment/rest of year estimate column.

For the year-end estimate and final claims the funding claim report, if run against F04 or F05 returns, will simply report all funding figures for the full 2008/09 year.

The funding claim data on the LIS funding claim report should be used for all ILR entries on all funding returns. Providers should note that the LIS funding claim report returns SLN, learner numbers and funding cash generated. The relationship between the SLN and the cash is subject to the following alterations:

(a) **Adult Learner-responsive Funding**

Those learners whose funding is calculated through the 16-18 learner-responsive model when they start their programme but aged 19 or over at the start of the second (or subsequent) year of their programme are funded from the adult learner –responsive funding model. Cash for these learners will be generated using both the 16-18 national rate and by using the 16-18 provider factor. The number and value of such learners are shown in rows D on the funding claim report.

(b) **16-18 Learner-responsive Funding**

Any learners coded to the adult learner-responsive funding stream (ILR code A10=22) and whose ILR entered date of birth (L11) means they were aged under 19 at the start of the teaching year will be reported on the funding claim report as 16-18 learners but their funding will be calculated using the adult funding rate and the adult provider factor.
To assist providers in identifying any such learners and resolve the underlying ILR data conflict between date of birth entries and funding stream entries a new DSAT (90-03-222) is being provided that identifies all learners aged 16-18 in the teaching year with the funding stream code set to adult learner-responsive funding stream (ILR code A10=22). Providers are requested to resolve the data issues for all such learners before making any future ILR returns to the LSC.

Validation of mid-year estimates by LSC partnership teams

15 In February the national LSC will provide to regional and area LSC teams a data sheet that can be used to assist in validating provider mid-year returns for 2008/09. This data sheet will be in the format of a single page word document per provider and may be requested by providers from their partnership team. This will include the following information.

- The past accuracy rate of provider in-year estimates in relation to final funding claims. This solely reviews the in-year funding total in light of final funding total as an indicator of a provider’s ability to accurately forecast their funding out-turns (this indicator is now part of overall LSC funding assurance risk assessment).

- The profile of provider SLN delivery at the mid-year point in the previous 3 years – this data analysis uses F05 returns (where available) for the years 2005/06, 2006/07 and 2007/08. These numbers can then be used to compare the relationship of the whole year estimate to the ILR figure on the mid-year estimate for 2008/09.

(bullet below is additional for publication dated 4 February 2009)

- The LIS funding claim report for 2008/09 is not producing figures for the columns headed “Adult priority learning” and therefore providers are not required to complete these rows on their mid-year funding claim returns.

16 This data sheet is purely to assist the LSC and providers in making sure that mid-year estimates are as soundly based as possible so no unnecessary mid-year funding adjustments are made in 2008/09. The LSC recognise that some providers delivery profiles will have changed in 2008/09 which is why these data profiles do NOT directly result in any funding reconciliation cash adjustments.

Transitional protection and associated recovery adjustments for underperformance in the learner-responsive funding models (mainly the adult model).

17 The ILR allocations and the LIS funding claim report for all learner-responsive funding are all based on national funding rates. In addition to provider learner-responsive allocations, some providers have also received some transitional protection adjustments to their funding. The LSC recognize that the proposed funding reconciliation process mean a small number of providers face a clawback for under performance in addition to negative transitional protection payments. For any provider in this situation, the LSC will moderate any clawback solely to take account of any negative transitional protection payments. Any clawback abatement will solely be applied so the
recovery rate per SLN is adjusted to take account of the transitional protection rate, as calculated for each ILR funded SLN. No other adjustments to reconciliation will be made as in all other cases no provider loses from the LSC decision to pay transitional protection as an overall payment outside the LIS calculations.

(bullets below is additional for publication dated 4 February 2009)

- The LIS funding claim report only uses national funding rates to calculate funding totals for 2008/09. Transitional protection adjustments (both positive and negative) have been paid outside the main funding allocation, claims and reconciliation system for 2008/09. **No manual adjustments** are necessary for any learner responsive provider in respect of transitional protection.

- The advice in paragraph 17 above explains that the LSC will ensure no provider is financially disadvantaged by this approach in any 2008/09 funding reconciliation calculations.

(bullets below is additional for publication dated 27 March 2009)

- Clawback is assessed at national rates for all providers. Those providers who have also had negative transitional protection have in effect been funded at lower than national rates and this will be reflected in any clawback by the LSC.

- The negative transitional protection is used by the LSC to reduce the funding rate for all the provision in individual provider allocations rather than reducing their funding allocation and delivery target.

- For providers not meeting the delivery target set out in their allocation any clawback is calculated solely at national rates but the LSC will reduce the clawback in the exact proportion as the reduction in the allocation for the negative transitional protection allocation. This is further explained by use of an example in the table below.

- Where this relief against clawback is necessary providers should receive a sub-annex in the format below to accompany their Annex E: Reconciliation Statement for 2008/09: All Providers as set out in booklet LSC Funding Guidance 2008/09: ILR Funding Claims and Audit Returns.
### Example of clawback relief for a provider with negative transitional protection whose performance is below the under performance tolerance threshold

<table>
<thead>
<tr>
<th>Row 1</th>
<th>LSC AMPS Allocation (whole year figure)</th>
<th>This is Provider allocation for 2008/09 at the national rate. This figure will appear on the provider Reconciliation Statement in Box 1.2 in Table 1.</th>
<th>1,000,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Row 2</td>
<td>Transitional Protection (TP) (whole year figure)</td>
<td>This is Provider negative transitional protection that reduces the allocation above as part of each months profile payment</td>
<td>-90,000</td>
</tr>
<tr>
<td>Row 3</td>
<td>Percentage TP of LSC AMPS Allocation</td>
<td>Divide the negative Transitional Protection by the LSC AMPS Allocation (as a formula the minus in front of Row 2 figure makes that a positive number): Formula is: – Row 2/Row 1 (express as %)</td>
<td>9%</td>
</tr>
<tr>
<td>Row 4</td>
<td>Assessed Clawback</td>
<td>Assessed Clawback for underperformance with no adjustment for transitional protection</td>
<td>-100,000</td>
</tr>
<tr>
<td>Row 5</td>
<td>Reduction in Clawback for negative TP relief</td>
<td>Calculate Clawback reduction for negative TP relief. Formula is - Row 4 * Row 3</td>
<td>+9,000</td>
</tr>
<tr>
<td>Row 6</td>
<td>Revised Cash Clawback</td>
<td>Revised clawback figure that should appear in their Reconciliation Statement in Table 2.2</td>
<td>-91,000</td>
</tr>
</tbody>
</table>
Funding Formula

Section 3: Additional Learning Support
16-18 and Adult Learner-Responsive Models

Additional guidance being published since 4 February version

In the printed Funding Formula document (page 12 paragraph 93) there is a squared missing it the first set of brackets. The correct formula is shown below. The formula was correct in all the earlier draft web versions of the guidance but the squared was regrettably missed in the final printed version.

ALS = ((0.11232 x GCSE points$^2$) – (23.2794 x GCSE points) + 1219.87) x SLN.

18 The funding claim report for 2008/09 will report additional learning support (ALS) expenditure in accordance with the planned funding methodology for 2009/10. The 2009/10 formula is more fully explained in LSC Funding Guidance 2009/10 but in summary as in 2008/09 ALS is split into three parts under demand-led funding but with the following refinement for 2009/10:

- 60% of the funding for claims of up to £5,500 is based on the low-cost ALS formulae, and 40% is the subject of negotiation between providers and the LSC.
- The first £19,000 of claims over £5,500 are funded from an allocation based on historical allocation and claim data and discussion with the LSC. This is the refinement - in 2008/09 the first £5,500 of these claims was included in the formula.
- Amounts above £19,000 are funded from a regional budget on an individual basis.

19 The 2009/10 ALS allocation budget has been increased for inflation in comparison with the 2008/09 ALS allocation budget. The methodology for 2009/10 removes the funding available for the first £5,500 of high cost learners and adds the budget to the overall high cost learner budget. This is shown graphically below (the boxes are not to scale):
As in 2008/09 ALS is not subject to any systematic reconciliation, the funding claim report for 2008/09 reports ALS expenditure in accordance with the 2009/10 funding allocation rules so providers can evidence their delivery during 2008/09 to support their 2009/10 and in due course their 2010/11 allocation dialogue. ALS is reported in full on page 3 of the new funding claim report for 2008/09. This page of the report includes the following figures (split between 16-18 and adult-learner responsive funding):

- ALS costs entered in field (L31) on the ILR are reported in the column headed - ALS in ILR (£); with the associated learner numbers in the next column; costs being are reported as follows:
  - low value claims includes all claims with values between the minimum threshold (£501 for full-time; £170 for part-time) and the higher claim threshold of £5,500;
  - high value claims includes all claims over £5,500 (including the first £5,500) in the year but capped at a maximum cost of £19,000.

- The third data column, headed - ALS from Formula; this refers to a simple calculation where the provider total ALS allocation is divided by the total provider SLN allocation to produce a formula ALS per SLN. This is then applied to the total provider out-turn SLN to generate a total ALS cash out-turn. This formula is calculated separately for the 16-18 and the adult learner-responsive models and then applied separately to each learner-responsive funding model out-turn SLN.
### ILR Funding Claims and Audit Returns (continued)


21 Additional manual adjustments for 2008/09 are now listed below (this paragraph has been amended in the 27 March 2009 publication.

<table>
<thead>
<tr>
<th>Additional since first publication in the main book</th>
</tr>
</thead>
<tbody>
<tr>
<td>Providers will be expected to include a breakdown of these agreed adjustments on the Funding Diff Form 2008/09 (see page 20 of the ILR Funding Claims and Audit Returns book.</td>
</tr>
</tbody>
</table>

| 2008/09-4 | Up until 2007/08 providers were able to claim E2E bonuses up to 9 months after the learner left through the Trainer provider Statement (TPS). The facility was withdrawn in 2008/09 as bonuses are claimed through the ILR which closed on the 6 February 2009. To claim a bonus after the initial F05 (2008/09) providers need to return these bonuses on the Manual Adjustment (Diff) form as part of their 2008/09 funding claim returns. Learners must have achieved their 2007/08 bonus on or before 6 February 2009 to be eligible for this adjustment. |
| This would lead to an understatement of the amount of cash and may warrant a manual adjustment. |

| 2008/09-5 | **Adult Learner Accounts**  
The LSC has paid providers adult learner account allocations outside the adult learner-responsive funding model. But the learner data for these learners is then returned through the ILR as part of adult learner-responsive funding model. To prevent double counting for these learners by both the LSC and by providers a manual adjustment is needed to deduct the funding generated for these learners from the adult learner-responsive funding claims. |
| This would lead to an overstatement of the amount of cash and may warrant a manual adjustment. |

| 2008/09-6 | **16-18 Learner-responsive part-year entitlement learners**  
As stated in book *Principles, Rules and Regulations* in paragraphs 105 and 382 providers may claim entitlement for 16-18 funded learners who have been in full time attendance in any 12 month period but whose funded learning period is split across two separate funding years. The manual adjustment should split the additional 114 glh between the two relevant funding years and any claimed adjustment should also be reduced where the learner’s funding exceeds in either year the maximum cap on funding at a learner level. |
| This would lead to an understatement of the amount of cash and may warrant a manual adjustment. |
**ILR Funding Compliance Advice and Audit Guidance for Providers**

Additional compliance and audit guidance for 2008/09 for providers whose previous FE NVQ in the workplace learning budget in 2007/08 was transferred into the Train to Gain budget for 2008/09

22 The guidance below only applies to provision eligible under *Principles, Rules and Regulations* paragraph 477. This paragraph applies both to learners recruited before 1 August 2008 and to learners recruited on to new programmes that started during 2008/09 as part of the transferred budget for the year 2008/09. All other learners are subject to normal Train to Gain compliance rules for 2008/09.

23 This paragraph is written in recognition of the change to the single funding rate in Train to Gain funding arrangements in 2009/10 and in response to concerns raised by colleges that they have continued to use their historic methods of determining the funding rate for such learners in 2008/09. For such learners, colleges may choose to evidence the funding rate determination for such learners solely on the basis of their previous FE NVQ funding rate determination methodology. In such cases the LSC would expect the funding rate determination in 2008/09 to be consistent with historical practices. The LSC does not expect these learners to see any change in their claimed funding rate through the normal audit process. Auditors in 2008/09 will need to see all the usual required evidence of continued attendance to justify all claimed monthly on-programme payments.

**All Train to Gain providers**

24 Funding Guidance 2009/10 will explain to all Train to Gain providers how learners crossing from 2008/09 into 2009/10 are funded under the new single rate methodology. The intention of the new single rate in 2009/10 is to offer all Train to Gain providers from 1 August 2009 the opportunity to re-assess and simplify the paperwork involved in claiming Train to Gain funding but the importance of evidencing continued contact with learners and the need for timely and accurate recoding of all learner withdrawals will remain a key feature of funding audits moving from 2008/09 into 2009/10.

Any further substantial updates to this document will include the date of their addition to this document and appear below.