

2008/09 London Planning and Allocations: Frequently asked Questions

1. How was my 16-18 Allocation calculated?

A volume of total 16-18 learners was agreed as part of the planning dialogue with your partnership team. The volume of Standard Learner Numbers associated with this volume of Learner numbers was calculated using the ratio of SLNs/LNs that your institution generated in the last full academic year (2006/07). These SLNs when multiplied by your provider factor and your rate will calculate your 16-18 allocation. In some cases the 06/07 SLN/LN ratio was adjusted upwards to take account of exceptional changes in circumstances.

2. How was my E2E Allocation calculated?

A volume of total E2E learners was agreed as part of the planning dialogue with your partnership team. The volume of Standard Learner Numbers associated with this level of Learner numbers was calculated using the ratio of SLNs/LNs that your institution generated in the last full academic year (2006/07). In some cases, the historical data available may understate the value of actual activity delivered. In these cases, LPTs used their judgement to adjust allocations upwards in line with relative change in planned places.

3. How will E2E be paid and reconciled?

E2E payments will be made in monthly instalments to a national profile. This is set out below (where 100% is the whole year value),

Aug	Sept	Oct	Nov	Dec	Jan	Feb	March	April	May	June	July
12.56%	9.44%	9.56%	7.44%	5.60%	5.60%	5.20%	5.16%	12.56%	11.60%	9.60%	5.68%

Where this profile is significantly different from an individual providers' expected delivery pattern, there is the potential to agree a provider profile. Please speak to your partnership team for more details.

As has always been the case for E2E, performance will be monitored on the agreed volume of planned places. Payment for planned places is derived by converting to SLNs. The calculation is the same for E2E as it is for all DLF models: SLNs (each planned place is worth 0.039 SLNs) x National Rate (£2,860) x Provider Factor. Bonuses achieved by learners will be converted into SLNs for payment

Activity	SLN Value
Weekly Value	0.039
Enhanced Bonus	0.063
Basic Bonus	0.031

Data returns for all E2E will be made through the F0 returns rather than monthly WBL returns. For colleges, performance will be monitored annually. For other training providers, performance will be reviewed quarterly with overall planned SLN volumes adjusted to reflect actual performance to date.

An example - Learner studies for 22 weeks = 0.85 SLN (22 planned weeks x 0.039) + bonuses.

4. How was my 16-18 WBL Maximum Contract Value calculated?

A volume of total WBL learners was agreed as part of the planning dialogue with your partnership team. The volume of Standard Learner Numbers associated with this level of Learner numbers was calculated using the ratio of SLNs/LNs that your institution generated in the last full academic year (2006/07). In some cases, the historical data available may understate the value of actual activity delivered. In these cases, LPTs used their judgement to adjust allocations upwards in line with relative change in Learner numbers and starts.

It should be remembered that all Employer Responsive provision is earned and paid on actuals. Your MCV is an indication of what you might expect to earn, rather than a guarantee of funding.

5. How will 16-18 Apprenticeships be paid?

Apprenticeship payments will be made in monthly instalments of X based on actual delivery. Each learner's programme will be paid at 75% of the national rates for the programme spread across the length of stay. 25% will be paid on completion. This is subject to the maximum contract value.

The funding calculation will be national rate for learning aims x programme weighting x area costs x disadvantage factor. The Performance Framework will be used to vary maximum contract values according to delivery.

6. How was my Adult Learner Responsive Allocation calculated?

As part of the planning dialogue, every institution in scope to receive an Adult Learner Responsive (ALR) allocation agreed learner numbers for the key government priority areas of Full Level 2, Full Level 3, Skills for Life target bearing (or above) and Foundation Learning Tier. These are the key areas that government would like to prioritise over the period of the current CSR settlement. Your ALR allocation was calculated on the scale of your contribution to each of these areas, as well as including an amount for Skills for Life progression (learning at levels lower than target level, E1-E3 Literacy and E1/E2 Numeracy) and an amount for Developmental Learning. The following sections a-d explain the methodology in more detail.

a. FL2/FL3/SfL target and FLT learning¹

Learner numbers for each of these areas were agreed with your LPT as part of the planning dialogue. Using the last full year's data (2006/07) we calculated a historical SLN ratio for each priority area for each institution. This was done by looking at actual delivery (using DLF counting methodology) in 06/07 and the SLNs directly associated with each priority line. From this an 06/07 ratio was generated which when multiplied by learner numbers for each priority area generates a total volume of priority 'SLNs'. This multiplied by your

¹ The FLT definition for the 08/09 planning round has been NQF learning below Level 2, this will need to change in line with the development of FLT pathways from 09/10 onwards

provider factor and rate will produce the priority part of the allocation. A proportion of these will be at the co-funded rate (see question 5 for more detail).

b. Skills for Life progression

As a starting point, a volume of SFL progression learners was calculated, based on the overall total of learners in your 08/09 plan. A progression SLN ratio was calculated using 06/07 data and when multiplied by the learner numbers, this generated a total SLN value. A cash value was then generated using the same principles as in a. This was then reviewed against 06/07 actual cash generated and 07/08 plans and upwards adjustments were then made, where this methodology appeared to understate the cash value of progression SFL.

c. Developmental Learning

Partnership teams undertook an extensive analysis with each institution of what developmental learning is currently being delivered in 2007/08. In particular LLDD learning and TU Studies were identified in cash terms and then ringfenced in your allocation for 08/09. The remainder of the ALR budget was then distributed in line with your developmental learning delivery in 06/07. i.e. if you delivered 5% of the regional total of developmental learning (after LLDD and TU Studies had been removed), you would have received 5% of the remaining budget. In some cases, Providers indicated a *maximum* amount of developmental learning that they wished to receive and this request was taken into account. Developmental Learning allocations were moderated in the light of the overall budget outcome for each provider.

d. Total allocation

Adding a to c together produces a total cash value, total SLNs are calculated by dividing this allocation through by your rate multiplied by the provider factor.

7. In the Adult Learner Responsive Model, How have you calculated the number of co-funded SLNs for 2008/09?

The LSC Statement of Priorities for 2008-09 confirmed that the increase in national fee assumptions would be 5% per year. For 2008/09, this assumption is 42.5% and a proportion of your SLNs will be paid at the co-funded rate. For every area (apart from Sfl Target and Developmental learning) a proportion of learners was assumed to be attracting co-funding and was funded at the co-funding rate. The proportion was based on the last full year's data, 2006/07. For Sfl target there was insufficient data to make a credible assumption around co-funding volumes. Developmental learning methodology has been covered in part 4c.

8. How was the Maximum contract value for TTG calculated?

There will be three types of TTG learner:

1. Carryover learners from 2007/08- 50% already paid on start, 25% to be spread over remaining learning period and 25% on completion, so a part payment is needed in 2008/09.
2. Learners who start and finish in 2008/09- full payment needed (subject to achievement).
3. Learners who start in 2008/09 but carryover to 2009/10 (part payment needed in 2008/09).

In theory TTG is a growing programme so for most providers 3 should be greater than or a least equal to 1. The funding calculation for the MCV at each provider is:

$$\text{starts} \times \text{average SLN value} \times \text{PF} \times \text{rate}$$

Therefore, to keep things simple to work out the MCV use:

1. Carry overs – use zero
2. Starts/completers – use number of starts in 2008/09
3. Carry forwards - use number of starts in 2008/09

It should be remembered that all Employer Responsive provision is earned and paid on actuals. Your MCV is an indication of what you might expect to earn, rather than a guarantee of funding.

Train to Gain will be paid in monthly instalments based on expected length of stay. Payments will be based on 75% of National Rates for each programme delivered with 25% paid on completion. The link to the Train to Gain rate is here: http://readingroom.lsc.gov.uk/lsc/National/Funding_Rates_for_2008-09_Version_2.pdf

9. How was the Maximum Contract Value for the NVQ transfer calculated?

Using the 2006/07 ILR, a 'proxy value' of activity that happened in the workplace was calculated (Field A18 =12 or 13). Providers were also asked to estimate 07/08 actual delivery. The value of the transfer was set at either the 06/07 actual or the 07/08 estimate, whichever was the higher. This had previously been communicated as part of your provisional allocation. 2008/09 planning numbers were then used to calculate a Contract value (using the equation in 8) and where this was lower than the value of the transfer, planning numbers were increased to ensure that you can earn at least the value of the transfer. Many providers have a MCV for this element that is significantly higher than the minimum value committed to in the transfer. NVQs delivered in the Workplace will be paid as per the Train to Gain method.

10. Does this settlement represent a new future trajectory of funding?

In aligning our planning with the emerging London Skills and Employment Board Strategy we have been able to secure a better deal for

London's FE institutions for 2008/09. The direction of travel remains clear in prioritising FL2, FL3, SFL target and FLT learning.

11. What is the Train to Gain Level 3 offer and when will it be allocated?

The TTG Level 3 offer is set out in the ITT will be negotiated with existing Train to Gain providers in June. The specification for the Level 3 offer negotiated will be the same as that set out in the Train to Gain Invitation to Tender <http://www.lsc.gov.uk/providers/provider-procurement/>. This will be allocated using a similar method to question 5, at the end of June.

12. There are learner numbers, provider factors and rates missing from my short format SSOA?

These will be confirmed at the end of June, when we will re-issue complete short format SSOAs.

13. Will there be reconciliation against the overall Adult learner number target- or is reconciliation linked to the priority sub-targets (e.g. FL2, FL3, FLT and SFL) and the overall funding allocation only?

Reconciliation upwards will only be on priority provision only (although you will also have to achieve on the overall total in their funding agreement); reconciliation downwards on all provision. It will all be done in terms of the cash values of the provision. Therefore you need to ensure you can generate the SLNs in your funding agreement as they will drive the funding. Reconciliation will be made against cash performance. Providers need to demonstrate actual funding earned against PSA targets and the overall target. Learner number performance against PSA targets in 2008/09 will be a key determinant of allocations in 2009/10. For 2008/09, F02 returns will be required from providers.

14. The unit cost per FL2/FL3 in the NVQ transfer element is much lower than 07/08, why?

The unit cost of FL2 and FL3 provision is expected to change as it transfers into the Employer Responsive Model – on average the funding rates in 2008/09 are lower than in 2007/08. For 08/09, transitional funding will apply to providers who delivered this provision in 07/08. Further details will be announced in the near future.

15. Within Train to Gain, how will Level 2 carryovers be paid?

Currently, we pay 50% on start and 50% on achievement. Under the new methodology the carryover learner goes over they will take with them the outstanding 50% achievement payment. Half of this 50% (or 25% of the full payment) will be paid on a monthly basis, determined by the number of months the learner is expected to remain in learning. The remaining half (or 25% of the full payment) will be paid on achievement. If a learner has already passed their expected completion date (i.e. they are 'overstaying'), the full 50% will be paid on achievement.

16. Is there any transitional protection for the FE NVQ transfer element?

In line with the transitional protection that has been arranged for the 16-18 and Adult Learner Responsive model, there is transitional position for. This guarantees a minimum funding value for this provision, based on 2006/07 levels, where applicable. This amount varies from provider to provider.

17. Can you clarify what does the LSC mean by Skills for Life target bearing provision?

We're in this transitional period between the "former" SfL PSA target which included E3 (which we are close to meeting), and the new more challenging Leitch targets (L1 for literacy inc ESOL, E3 for numeracy). For 2008/09 focus/priority has switched to new Leitch targets, although we still also have to meet the original PSA target.

18. Why has the value of the FE-NVQ transfer element changed between the provisional and final allocation?

In the provisional allocation, the value of the transfer was based on the actual value in 2006/07 or a revised provider estimate of 2007/08 delivery. At this point, no learner numbers or targets were associated with this MCV. As part of the provider dialogue, Partnership teams have agreed L2 and L3 learner numbers for this element. Using your provider factor, the National rate and a standard SLN value for this provision a MCV was calculated. In many cases this generated a MCV that was higher or lower than the MCV in the provisional allocation. Where the value was higher, this then became the final MCV for this element. Where it was lower, partnership teams agreed with each provider either to increase the learner numbers to a point where the MCV set out in the provisional allocation was reached, or to stick with the learner numbers already agreed, knowing that this would result in a lower MCV for the final allocation.

19. Why are there now planned volumes for the Foundation Learning Tier and level 4 within the employer responsive model?

As part of the process of the NVQ transfer from FE funding into employer responsive funding, the LSC became aware that there was provision above and below L2/L3 that was being delivered in the workplace. To enable this to continue, we have included plan numbers (and associated MCV) for FLT and L4 learning delivered in the workplace. These volumes are based on 2006/07 actual levels. Only providers who delivered this provision in 2006/07 will have this adjustment and will be able to deliver this provision. The financial values can not be exceeded for these areas. To remain within the original MCV, we have adjusted FL2/FL3 volumes down slightly. This is an additional flexibility within the Employer Responsive Model, if you do not wish to continue delivering FLT/L4 in the workplace, then you can still reach your MCV by delivering FL2/FL3 provision.

20. I was told at a recent event that IT systems to run the new ER process will not be in place by 1st August, and that as a consequence providers will be paid 'on profile' for the first few months?

The AMPs release for Employer Responsive payments is due for implementation at the end of August but is heavily dependent on data

collections and the funding calculation projects, which are due for implementation during mid-august. To ensure that sufficient time is made to test the payment and calculation components of all these systems, a contingency has been provided which will make payments based on the provider's delivery profile. This will be agreed on the provider's Summary Statement of Activity (SSoA).

The contingency has been invoked in order to protect providers and ensure that payments can be made to the agreed timetables in September. In the meantime we are working to implement payment on actuals at the earliest opportunity. However, we don't envisage this contingency being in operation for longer than the first quarter.

21. If so, how will payments be made 'on profile' under a model which was intended to be paid on actuals and hence has not been profiled in the way it would have been in the past?

During the first quarter profile it has been agreed to split the payments over the first three months (starting September) 50%/25%/25%, rather than 1/3 1/3 1/3. Each month is recalculated for current and all past periods.

22. How will reconciliation work in the ALR model?

Delivery below target will be recovered with a tolerance of 3% (a wider tolerance of 5% applies at the mid-year point). This applies to all provision, irrespective of priority. Mid- year performance will be based on the total SLN generated to date and an estimate of funding generated for the second six months of the year. This will be compared to the agreed allocation.

Delivery above target will be funded with a tolerance of 5% and a cap of 10% (a cap of 8% would apply at the mid-year point). Payment for over-delivery will only apply to priority provision. The detailed approach to the funding claims which will underpin reconciliation will be set out in the *Funding Claims and Audit Guidance* which is due later this month. However, the process can be summarised as follows:

- A report will be produced (probably in the LIS) to show the number of priority SLN on a finally agreed definition
- Where a provider appears to be eligible for upwards reconciliation, this is then dependent on local agreement, subject to regional/national moderation, based on an assessment of whether they have delivered an increase in priority provision

Useful Links

LSC Annual Statement of Priorities

<http://www.lsc.gov.uk/publications/recommended/Better-skills-Better-jobs-Better-lives---Our-Statement-of-Priorities.htm>

The London Learning and Skills Plan 2008/09

<http://www.lsc.gov.uk/regions/London/Publications/Latestdocuments/Detail.htm?id=c3dbe869-eb73-4d62-9d51-3cb7006a4102#>