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## Introduction

This document gives information on the Further Education (FE) funding calculations in version 15.01 of the Learner Information Suite (LIS) software.

This document is intended to aid FE providers interpreting funding calculation results from this software. It does not provide guidance on how to use the software, which is available in other guidance documents.

The FE calculation algorithms have changed since 2006/07. Extra steps have been added to determine if an aim is eligible for the OLASS Offenders in the Community Basic Skills uplift, and for these aims to uplift unweighted national base rates. There is also a change to the calculation for NVQs delivered by distance learning. There are also some changes to parameter values used in the calculation. The most significant of these is the change to the fee assumption (the proportion of the base rate which is assumed to be the fee element). This has changed from 32.5% in 2006/07 to 37.5% in 2007/08.

The LIS funding calculations will also be used in the 2007/08 data collection systems for FE when they become available in autumn 2007. These calculations will be used to generate a funding report which will be available for download as part of the data collection process.

The calculations are based on the documents *Funding Guidance for Further Education in 2007/08* ('the Guidance') and the *Addendum to Funding Guidance for Further Education in 2007/08*. Both documents are available from the FE Funding Policy pages of the LSC website at:

[www.lsc.gov.uk/providers/funding-policy/furthereducation](http://www.lsc.gov.uk/providers/funding-policy/furthereducation)

As with the LIS for previous years, there are some areas where the LIS cannot exactly calculate the correct answer described in this guidance.

## Calculation of Achievement

### Background

To support plan-led funding, the calculation of achievement funding changed in 2004/05.

The approach is to use a historical factor to calculate achievement funding. This means that a provider will know the 2007/08 out-turn funding shortly after the teaching year ends in July 2008. In years before 2004/05, a provider had to wait until all achievements were recorded before out-turn funding was known, which could be several months after the end of the teaching year.

Analysis showed that a provider's achievement funding (as a percentage of the total) does not vary much from year to year, so using a historical factor should not change the results significantly compared to the method used prior to 2004/05.

For 2007/08 the achievement calculation within LIS is unchanged from 2004/05, 2005/06 and 2006/07. However the calculation (outside LIS) of the achievement factor for each provider in 2005/06, 2006/07 and 2007/08 was significantly more complex than for 2004/05.

### How achievement factors were calculated

#### *Principles behind achievement factor calculation*

For each provider, an achievement factor has been calculated which represents the ratio of programme funding to achievement funding. The total achievement funding divided by the total programme funding, from a previous year, should be the achievement factor.

However, because the fee assumption is changing every year, the ratio of programme funding to achievement funding for each learner is also changing, so an adjustment to the calculation of programme funding in a past year is required to give the correct achievement factor for this year.

For 2007/08 a revised estimate of total programme funding was required to take account of the change to the fee assumption and consequent change to programme funding. See the 'Changes to Achievement Factors to reflect revised fee assumption section' on page 4 for more details.

The factor is calculated as an overall total for all learners at that provider, and the programme funding total may include, for example, learners who did not achieve, or learners who are in the first year of a two-year course. The calculation in the LIS itself works in a corresponding way.

This is directly calculated from the ILR data and does not include effects of manual adjustments which would in general only lead to small changes in the result.

The achievement factor used to calculate achievement is shown on funding reports.

A typical value of this factor might be 0.08512. This information is held in the "Providers" table in the LIS database.

To enable indicative funding to be calculated from the start of the 2007/08 teaching year, provisional 2007/08 factors in LIS 15.01 have been derived using

the 2005/06 ILR F05 data. The provisional factors will be updated with final factors from 2006/07 ILR F05 data received by 8 February 2008.

### ***Changes to Achievement Factors to reflect revised fee assumption***

Due to the change in fee assumption since 2006/07 from 32.5 per cent to 37.5 per cent, and the consequential change to programme funding, it has been necessary to use a more complex methodology to calculate achievement factors, because the achievement factor is calculated from the programme funding.

The fee assumption change means that a learner will generate less programme funding in 2007/08 than the equivalent learner in 2006/07 (the difference being 5% of the unweighted base rate).

The change in fee assumption in 2007/08 requires an estimate of what the levels of programme funding would have been in a previous year if the fee assumption had been 37.5 per cent.

This estimate of programme funding was calculated from 2005/06 ILR data, and this was used with the total achievement funding (which is unchanged) to calculate achievement factors.

There are further details of this calculation in the document *Calculation of final achievement factors for 2006/07 and provisional factors for 2007/08* which can be downloaded from the LIS 15 pages of the LSC website at:

[www.lsc.gov.uk/providers/data/software/lis/lis15-01.htm](http://www.lsc.gov.uk/providers/data/software/lis/lis15-01.htm)

### **How the achievement calculation in LIS works**

For each aim and each period, the LIS calculation multiplies the programme funding by this achievement factor. The result is stored as the achievement funding for that aim and that period.

Whenever programme funding is calculated, an associated achievement value is calculated. This happens for all learners and all periods, including learners who do not achieve, and periods before the end of the learning aim. An achievement value is also calculated against enrichment funding which is added for full-time 16-18 year-olds, even though this enrichment does not strictly generate achievement funding.

The reason for this is to give a simple calculation which adds up to the correct total across all provision for the provider. The original factor was calculated using total programme funding for all learners, so all learners need to be included in the results.

An alternative way would have been to calculate the achievement funding after the totals for the whole provider had been calculated (and this would have given the same overall answer). However this method would have not allowed a provider's total funding to be disaggregated into smaller elements for reporting purposes.

### **Effect on funding profiles through the year**

Using a historical factor changes the way funding totals vary throughout the year.

As soon as a learner generates programme funding, achievement funding is also calculated for that learner. This means providers will see achievement in their totals from the very start of the year.

Compared to years before 2004/05, the funding totals at the start of the year will be higher because of this achievement funding.

However in years before 2004/05 there was also an increase in funding at the end of the year, when achievement results were entered. This no longer happens as the achievement funding was already included at the start of the year.

Therefore, overall funding will be higher at the start of the year, but will not show a “jump” at the end of the year when achievement results are entered.

Providers need to be aware of this when predicting their final funding position for 2007/08.

### **Future achievement factors**

The achievement factors for 2004/05 were calculated from 2002/03 achievement funding based on individual achievement recorded in ILR F05 data. This calculation was revised during 2004/05 to use the 2003/04 ILR F05 data when it became available.

The calculation became more complex for 2005/06 onwards, but it still relies on a calculation of achievement from learners' actual results in ILR F05 data.

If achievement for future years works in the same way as at present, to calculate final achievement factors for future years there will still need to be an achievement funding calculation based on learners' actual achievements in the previous year's ILR F05 data.

Therefore the “old” achievement calculation continues to be built into LIS, although the results are not shown for individual learners. A report shows the total achievement for the whole provider based on the ILR Achievement calculation. This calculation does not affect providers' out-turn funding for 2007/08.

## **Data Sources used by the funding calculation**

There are four sources of data used by the funding calculation:

- individualised learner record (ILR) data
- data from the learning aim database (LAD)
- provider-specific data
- static lookup data

These are each described in more detail below.

### **ILR data**

The ILR data used by the funding calculation is imported into the LIS. The ILR data is then validated, and only learners with ILR data passing certain validation rules (known as the “FE Funding validation rules”) have their ILR data passed to the funding calculation.

The ILR validation rules are categorised to identify areas of ILR data where data errors could potentially crash the FE funding calculation. For example if a start date is after the end date, the calculations will not work correctly, so validation rule A27\_A28\_1 is classified as an FE funding rule, and learners with aim records failing this rule are not passed to the funding calculations.

The converse is that some other validation rules do not affect the calculations, and learner records which violate such rules do get passed to the funding calculations, and have funding results calculated. This is to assist providers wishing to see funding results from ILR files which have not been fully cleansed of errors.

For example if a provider uses an invalid postcode format for a particular learner, and there are no other validation errors in the learner’s data, then the funding calculations will still be run for that learner, and results will be generated. However if the data error is serious (for example entering text in a numeric field) then the LIS would reject the whole ILR record containing that error, and the funding calculations would not run for that learner, even if the error was in a field which does not affect funding. The report "Funding Included and Excluded by ILR Export" shows the funding calculated by the exported ILR file.

For funding calculation purposes, the LIS selects fields that are relevant to the funding calculation and only passes these fields to the funding calculation module.

You should note that the “ILR Export” function in the LIS will create an ILR file containing only fully valid learners. Files created in this way may exclude learners who have had funding calculated for them (as they have validation errors that do not affect the funding calculation). Therefore a file created by the ILR Export function may generate less funding than the source ILR file originally imported into the LIS.

### **Learning Aim Database (LAD)**

The funding calculation obtains values from certain fields from the Learning Aim Database (LAD), for each aim for the learner. These fields are taken from the LEARNING\_AIM, ALL\_ANNUAL\_VALUES and FE\_ANNUAL\_VALUES tables (selecting the record for the current year).

### **Provider-specific data**

The funding calculations depend on some factors that are specific to the provider (rather than being a property of the learner or learning aim).

For example the area cost factor is assigned to the provider depending on its location.

From 2004/05 an achievement factor (described in the Calculation of Achievement section on page 3) and a “performance-related funding” factor (which denotes providers receiving premium funding) are other provider-level factors used to calculate funding.

The LIS has a table (called Providers) which holds these factors. The data in this table change from time to time, and the LIS has a function to update this table from downloaded update files.

If the LIS attempts to run the funding calculation for a provider with these factors missing, then the calculation may return values which are clearly incorrect (such as negative or zero values). If this happens, check if an updated version of the LIS providers table is available for download on the LSC’s website. If this does not resolve the problem, then contact your local Learning and Skills Council for further advice.

### **Static Lookup Data**

The LIS holds a set of lookups which are not designed to be changed. These include constants and thresholds used in the calculation, and also details like the census dates to be used for funding calculations.

## Broad description of calculation rules

This section gives a broad description of the calculations of FE funding for a learner.

### Determine initial derived data

The program starts processing for a learner by determining a series of derived variables at learning aim and learner level. Typical derived variables are:

- whether a learning aim is flagged as LSC FE-funded based on ILR field A10;
- whether the learner either withdraws from a learning aim before crossing a census date, or, in the case of learning aims with a planned length in days of 84 or less, whether the learner withdrew from the learning aim before it was studied for half its expected length. More details of this calculation are shown below in the 'Calculation of when a learner is present for short courses' section on page 10;
- whether a learning aim is still LSC FE-funded after considering effects of withdrawal before a census date;
- start and end periods for each learning aim;
- calculating whether the learner has completed the aim and data exists to calculate funding based on actual guided learning hours (GLH);
- whether a learning aim is a QCA key skills unit, in one of the three core Key Skills (as opposed to the wider Key Skills), using the KEY\_SKILL\_CODE field from the ALL\_ANNUAL\_VALUES table in the LAD;
- scaling factors for 'traditional' ESF, from ILR fields A12a and A12b;
- calculating whether a discount factor for franchised provision applies based on the code in ILR field A21, including checking whether the learner has a disadvantage uplift factor greater than one in field L33 (which stops the franchise discount from applying);
- eligibility for fee remission, based on the ILR fields A13 and A14, showing the reason for non-payment of tuition fees, and whether any fees were received;
- whether a learning aim was achieved and is eligible for achievement funding (ILR fields A39 and A34). If the learning aim was partially achieved then the achievement funding depends on the ratio between units required to achieve the whole aim, and units actually achieved (ILR fields A37 and A38). Note that the output of this step does not affect the achievement funding used to calculate the out-turn at the end of the year, but is still used to allow future achievement to be calculated;
- whether a learning aim is distance learning (including e-learning), or is an NVQ delivered either wholly or partly in the workplace, based on the value in ILR field A18;
- whether a learning aim is a resit (field A20);
- whether a learning aim is a basic skill aim for funding purposes (based on whether the programme weighting factor is 'F'). Note that the LAD also has a field called 'SKILLS\_FOR\_LIFE'. This field relates to whether an aim would

count towards the Skills for Life Target, and is not used in the funding calculation;

- whether a learning aim is recorded in the LAD as independent living skills;
- whether a learner is eligible for 16-18FT enrichment (based on ILR field L28);

### ***Calculation of whether a learner is 16-18 for funding rate purposes***

The national base rates shown in the FE\_Annual\_Values table in the LAD and in the rate tables in the Guidance apply to adult learners. For learners aged 16-18, these rates are uplifted by a factor of 1.02059, as described in paragraph 104 (b) of the Guidance.

For 2007/08, the funding calculation contains a step to determine whether a learner will be considered “16-18” and therefore to apply the uplift. The calculation depends on the results of three tests. If any one of these tests indicates that the learner is 16-18, then the uplift will apply.

A learner will be 16-18 based on the following three tests:

- they are eligible for enrichment (based on ILR field L28 having a value of 12 or 13),
- the reason for non-payment of tuition fees is due to them being 16-18 (ILR field A14 having a value of 01) or
- their age at the start of learning guarantees they are under 19 on 31 August in that calendar year, based on date of birth and learning start date (ILR fields L11 and A27).

This final test is not expected to identify many learners as most will be picked up by the first two tests. As such it is a simple test and is not intended to reflect the full complexity of the age calculations. The test uses an age at the start of each aim which guarantees that any learner under that age at start is under 19 according to the funding definition of age (18 or under on 31 August in the calendar year when a learner begins a programme of study). Because it is a simplified test, there will be a small numbers of learners who are under 19 according to the funding definition who will not be picked up by this test.

The age threshold used is 6,696 days, which represents 18 years plus the four months of September, October, November and December. This is based on a learner with an 18th birthday on 1 September starting a course on 1 January in the following calendar year.

### ***Calculation of whether an aim is OLASS Offenders in the Community Basic Skills for funding rate purposes***

An aim is potentially eligible for the OLASS uplift if all of the following apply:

- ILR field A46a or A46b indicates participation in OLASS initiative (currently value 86)
- The aim is a basic skills aim (PWF in LAD holds value F)
- The notional NVQ level in the LAD is eligible (currently level 1, 2 or E)
- The aim type in the LAD is not ineligible (currently aim type 1327 is ineligible)

- The awarding body in the LAD is not ineligible (currently Ufl aims are ineligible)

Further details of funding policy for OLASS Offenders in the Community is available in the Guidance (para 300-307, page 47) and its Addendum (para 14-15, page 3).

**Calculation of when a learner is present for short courses**

If a learner withdraws (including transfers) before reaching halfway on a 'short aim', then no funding is generated. If a learner on a 'short aim' reaches the halfway point, or if they complete at any time, then they generate funding.

There is an exception described in the *Guidance* for aims of 1 week's duration or less, which receive funding for all learners who 'participate in the programme at least once' regardless of whether this is halfway or not.

If the end date is after the start date for such courses, then the LIS assumes (as described below) that the learner has participated once and generates funding. If the withdrawal date is the same as the start date, and the planned end date is greater than the start date, the LIS cannot distinguish from ILR start and end date data whether or not a learner has participated and so generates no funding. This will require a manual adjustment if the learner has indeed participated and is therefore eligible for funding. If the withdrawal date, start date and planned end date are all the same date, the LIS does generate funding.

Note that this means that a short aim which, for example, begins on 31 January and is planned to last until 1 March, does not count as being funded if the learner withdraws on 5 February, even though the learner has crossed the 1 Feb census date.

A summary of the approach is shown in this table:

**Table showing whether learner generates funding**

Completion status and actual end date	Planned Length days (1+start-end)					
	1	2	3	4 to 7	8 to 84	85+
Continuing	Yes	Yes	Yes	Yes	Yes	Yes
Completed	Yes	Yes	Yes	Yes	Yes	Yes
Withdraws on or after or transfers A28	Yes	Yes	Yes	Yes	Yes	Depends on census dates
Withdraws before A28 or transfers on or after midpoint date (& therefore after start date)	-	-	Yes	Yes	Yes	Depends on census dates
Withdraws before A28 or transfers before midpoint date, after start date	-	-	-	Yes	No	Depends on census dates

Withdraws before A28 on start date or transfers	-	No	No	No	No	Depends on census dates
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**NB** Midpoint date is calculated by adding half the planned length of the aim (in days) to the start date, rounding down any half days. For example, for both a two-day aim & a three-day aim, the midpoint date is the second day.

Examples of midpoint date calculation:

Learning start date	Learning planned end date	Length in days	Midpoint date which learner must reach to generate funding
Mon 10-Mar-08	Mon 7-Apr-08	29	Mon 24-Mar-08
Mon 10-Mar-08	Mon 10-Mar-08	1	Mon 10-Mar-08
Mon 10-Mar-08	Tue 11-Mar-08	2	Tue 11-Mar-08
Mon 10-Mar-08	Wed 12-Mar-08	3	Tue 11-Mar-08
Mon 10-Mar-08	Thu 13-Mar-08	4	Wed 12-Mar-08
Mon 10-Mar-08	Fri 14-Mar-08	5	Wed 12-Mar-08
Mon 10-Mar-08	Thu 24-Apr-08	46	Wed 2-Apr-08
Tue 11-Mar-08	Mon 02-Jun-08	84	Tue 22-Apr-08

### Calculate unweighted national base rate

The unweighted national base rate for each aim is either derived as a 'lookup' from the Learning Aim Database for an individually-listed aim, or is derived from guided learning hours (GLH).

#### ***Adjustments to use actual rather than expected data***

For all types of learning aim where the calculation of national base rate depends on guided learning hours, or on a threshold of GLH per period, then if the learner completed an aim, then the actual end date (ILR field A31) and GLH (ILR field A32) are used to determine the initial base rate, and the length in periods. This is based on the assumption that field A32 is amended to show actual GLH when a learner completes an aim if this is significantly different from the original value of A32.

For other types of aim (such as most individually-listed aims), or any aims which the learner has not completed, the planned end date (ILR field A28) and planned guided learning hours (as recorded in ILR field A32) are used.

#### ***Calculations for specific types of aim***

In some cases, even though an aim is individually-listed in the LAD, the funding is derived using loadbands. Examples where this happens are:

- resit aims;

- access to HE aims delivered in less than 150 GLH per tri-annual period, or less than 450 GLH in total;
- individually-listed NVQs where ILR field A18 does not show one of the modes relating to individually-listed NVQs (in other words if A18 is not in the range 11-16);

Conversely, if an aim in independent living skills is followed at a rate of 150 or more GLH per period, for a total number of GLH which is 450 or more but less than 720, then it is treated as an individually-listed aim, even though it is shown as unlisted in the LAD. If the aim is followed for less than 450 total GLH, or for 720 or more GLH, or is delivered at a rate of less than 150 GLH per period, then the aim is treated as loadbanded.

For GCE and GCSE qualifications, including Applied and Vocational GCEs and GCSEs, two rates can be applied depending on whether the qualification is being studied in the evening. The two possible rates are held in fields National Rate 1 and National Rate 2 in the LAD. The choice of whether to use the evening-only rate depends on the value in the delivery mode field (A17).

### ***Aims delivered by Distance Learning***

For aims delivered by distance learning, excluding NVQs, if the ILR field A52 (distance learning funding) is non-zero, then this is used as the national base rate for that aim. If A52 is zero, then the LIS uses the highest rate from the three National Rate fields in the LAD (FE\_Annual\_Values table).

This means that if a distance learning aim is not individually-listed in the LAD, and if A52 is zero, then the LIS will not calculate funding for that learner.

### ***NVQs***

For NVQs that are delivered wholly or partly in the workplace, (values 12, 13, 15 and 16 in field A18), in some cases (as described on page 41, paragraph 249 of the *Guidance*) providers should use the approach for distance learning to claim funding. If A18 is 12, 13, 15 or 16, and if a value is present in field A52 then this value is used to set the base rate.

If a value was not used from A52, then for individually-listed NVQs, the LIS selects from three rates of funding per year, depending on the value in ILR field A18. The highest rate is available only to qualifications studied at a rate of over 150 GLH per tri-annual period, for a total of 450 or more GLH and is recorded as NVQ delivered outside the workplace (11 or 14) in field A18 of the ILR.

For NVQs that are flagged as distance learning in field A18 of the ILR (values 03 or 05), if a value is present in field A52 then this value is used to set the base rate. If a value was not used from A52 then the lowest of the three listed rates is used.

Some NVQs are individually-listed as either a one-year or two-year qualification. For these qualifications, identified using the LAD, the software looks at the expected length of the qualification in tri-annual periods. If the qualification lasts five periods or more, then the two-year rate is used; otherwise the one-year rate is used.

### ***Individually-listed aims***

For individually-listed aims not listed above, the calculation uses a lookup to the LAD to determine the national base rate for the aim. For such aims (and for GCE and GCSE qualifications) where the result is not affected by the guided learning hours, the software uses the expected end date to determine the periods to which the base rate funding is initially assigned (before the effects of withdrawal are considered).

### ***Loadbands***

The loadbands are calculated separately for each aim. Each aim has one loadband based on the GLH for the whole aim, rather than a separate band for each year based on GLH per year.

For aims delivered at a rate of at least 150 GLH/period, and for at least 4 periods, a scaling calculation is used to scale the whole GLH for the aim to a 'yearly' GLH rate. This is done by dividing the total GLH by (the length in periods/3). This yearly GLH rate is then used to 'lookup' the appropriate loadband rate using the table in the *Guidance*. This loadband rate is then multiplied by (the length in periods/3) to give the rate for the full aim.

When the calculation uses the loadband table from the *Guidance*, whether or not the scaling calculation above applies, there are two possible base rates to use:

- for basic skills aims (determined from whether the Programme Weighting Factor of the aim is 'F') the unweighted base rate is the weighted base rate figure shown in the 'Basic Skills' column of this table, divided by 1.4 to give the unweighted base rate
- for other aims, the unweighted base rate corresponds to the figure in the column for programme weighting factor 'A (1.0)'.

In exceptional cases where an aim has more GLH than the highest value in this table, but where the aim is not studied for at least 150 GLH/period for 4 or more periods, the loadband calculation extends the highest values in the table in a 'straight line' pattern, to derive the appropriate rate.

### ***Adjustments for early completion***

As described in the 'Adjustments to use actual rather than expected data' section on page 11, calculation of base rates for some types of aim are based on actual end period rather than expected end period. This happens when the rate calculation depends on GLH. For other types of aim, where the aim is completed early, that is an earlier period to the period of the planned end date, any unweighted base rate funding that was expected to be generated after the actual end date is moved into the actual end period of the aim. This applies only where an aim is completed early and not where a learner withdraws.

### ***Application of maximum funding per learner and scaling of base rates***

For each period, if the sum of a learner's unweighted national base rate is above a certain limit (currently £1,196 per period), then the value above that point is reduced by applying a reduction factor (currently 0.666667). Above this point there

is a maximum value of funding that can be generated in any one period (£1,525 per period).

For 16-18 year old full-time learners, the funding for enrichment, core Key Skills and tutorial activities is not included within the maximum funding per learner.

### ***Scale base rates for ESF***

Once the maximum funding per learner calculation is complete, the program scales the national base rate for any ESF partial funding which is not LSC ESF co-financed ('traditional ESF'), based on the information provided in ILR fields A12a and A12b.

### ***Scale base rates for learners aged 16-18***

If a learner is eligible for the 16-18 funding rate, then the unweighted base rate (after application of the maximum funding per learner and after scaling in the previous step if applicable) should be multiplied by the 16-18 uplift factor for every period for each aim. The 16-18 uplift factor is currently 1.02059 (based on the ratio  $(1.034*1.037)/(1.025*1.025)$ ).

### ***Scale base rates for aims which are OLASS Offenders in the Community Basic Skills***

If an aim is eligible for the OLASS Offenders in the Community Basic Skills rate, then the unweighted base rate (after application of the maximum funding per learner and after scaling in the previous step if applicable) should be multiplied by the OLASS uplift factor for every period for the aim. The OLASS uplift factor is currently 1.3333.

### **Calculate funding from base rates**

This section describes how the learner's funding is derived from the national base rates.

### ***Calculate assumed fee income and fee remission***

The assumed fee income is calculated by multiplying by 37.5% the national base rate (as calculated after adjustment for maximum funding per learner and scaling for ESF and 16-18 uplift, but before any weighting factors have been applied) for the aim and for each period. If the aim is eligible for fee remission then this is equal to the assumed fee income for that period; otherwise funding for fee remission is zero.

### ***Calculate amount to subtract for franchising***

A further amount is calculated for later subtraction from the funding where applicable for franchising. The calculation is done in a similar way to the fee element, but unlike the fee element, this element, once subtracted, cannot be added back in for learners eligible for fee remission.

The calculation first takes the base rate, before weighting factors are applied, but after the effects of applying maximum funding per learner and scaling for ESF and 16-18 uplift have been calculated. The fee income calculated above is then subtracted, and the result is multiplied by 33% to show how much to subtract from the base rate.

### ***Calculate weighted base rate***

For each aim, weighted base rates are calculated by multiplying the unweighted base rate (as calculated after adjustment for maximum funding per learner and scaling for ESF and 16-18 uplift) by:

- programme weighting factor for that individual learning aim
- disadvantage uplift for that learner (if applicable) from ILR field for 'disadvantage uplift factor' (L33)
- area costs uplift for that provider (if applicable)
- specialist college factor for that provider (if applicable)
- performance-related funding factor.

Note that if the aim is a Key Skills qualification or an equivalent and if the learner is eligible for enrichment funding in that period, then the programme weighting factor is set to one for that period.

### ***Calculate achievement element and detailed achievement funding***

The calculation of detailed achievement funding is still present in the LIS even though the results which determine funding out-turn are based on a simpler calculation using a historic achievement factor (see the 'Calculation of Achievement' section on page 3). The detailed calculation shown in this section is likely to be used to determine the achievement factor in future years. The historical achievement calculation occurs later in the process. See the 'Calculate achievement factor from historical funding' section on page 18 for more details.

In both calculations of achievement, the achievement element is still subtracted from the base rate to calculate programme funding.

The achievement element is proportional to the weighted national base rate, calculated after the effects of maximum funding per learner, scaling, withdrawal, etc. have been included. The achievement element is calculated for each period, and the programme funding in each period is reduced by the achievement element in that period.

Any achievement funding using the detail (rather than historic) calculation is assigned in the last period of the aim.

Where a learner withdraws, there is a need to recalculate an assumed weighted base rate for periods where the learner was not present, so that the total achievement element that the aim would have generated can be used when calculating partial achievement.

Note that if the aim is a Key Skills qualification and if the learner is eligible for enrichment funding in that period, then the programme weighting factor is set to one for that period for the purpose of calculating programme funding. However, the actual weighting factor is applied to the achievement calculation.

For partial achievement, a fraction of the full achievement funding is calculated based on the ratio of the ILR fields showing 'Number of units completed' and 'Number of units to achieve full learning aim' (ILR fields A37 and A38).

The achievement calculation is repeated without the disadvantage factor and the results saved separately.

### **Programme funding**

The programme funding for each aim and each period is calculated by:

- a. starting with the weighted base rate for each aim and period
- b. subtracting the assumed fee income (which is the same whether or not the learner is eligible for fee remission).
- c. subtracting any further amounts which may apply for franchising
- d. subtracting the achievement element by aim and period.

The programme funding calculation is repeated without the disadvantage factor and the results saved separately.

### **Additional Learning Support**

Under plan-led funding, there were changes in the way additional support funding was claimed in 2004/05 for some providers.

However there was no change to the way additional support is recorded in the ILR, and there is also no change in the way additional support is calculated in the LIS from ILR data. There is an additional report in the LIS which shows the distribution of additional support between different bands.

The ILR shows the additional learning support cost in the year, in the 'additional support cost' field (L31). From the value entered in this field the LIS determines the additional support band and the appropriate additional support funding value is calculated. Further details on the calculation of additional learning support are included in Section 8 of the *Guidance*. The additional support bands are shown in Annex K of the *Guidance*.

Where a learning programme has an actual length of less than 3 periods in a teaching year, the additional support cost from the ILR field is pro-rated to equate to the cost per year. This pro-rated cost is used to determine which additional support band applies, and the resulting additional support rate is pro-rated down to reflect the actual number of periods of the learning programme in the year.

In the example of a learning programme lasting from 19 April 2007 to 19 April 2008, with an additional support cost of £600 in the 2007/08 ILR, the programme would last for 2 periods within the year 2007/08. Therefore the cost of £600 would be pro-rated to a yearly-equivalent figure of  $£600 \times 3/2 = £900$ . The value of £900 is in the additional support band £501-£1000, with a rate of £751. The rate of £751 is pro-rated down to a 2007/08 value of  $£751 \times 2/3 = £500.67$  to reflect the actual number of periods. This learner would therefore generate £500.67 in 2007/08, which would be divided equally between the 2 periods in this year.

Additional support band 0 is available only to part-time learners. The calculation of 'part-time' in this context is based on the rate of GLH per period, and for learners flagged in ILR field L28 as eligible for enrichment, the calculation of 'full-time' includes an extra 60 GLH per period (as per the assumption on page 22, paragraph 65 of the *Guidance*).

The part-time calculation checks whether the learner has a total of less than 450 GLH for any 3 consecutive periods (or over the whole programme if this is 3 or fewer periods). If the additional support cost is in the lowest band, then this lowest rate is only assigned if the above calculation shows that the learner is 'part-time' at some point in the programme (in other words, less than 450GLH over 3 periods).

For each teaching year, the total additional support funding is distributed evenly amongst any periods in the year when the learner is actively studying an aim. Once the distribution by period is calculated, the funding for each period is divided evenly amongst all aims active in that period.

### **Add extra funding for Enrichment for 16-18 FT learners**

Further information on how the term 'enrichment' applies to this software is given in the 'Enrichment and entitlement' section of the glossary on page 19.

For enrichment funding to be added for a given learner in a given period the following criteria have to be fulfilled:

- the learner must be indicated in ILR field L28 (eligibility for enhanced funding) as being eligible for the full-time 16-18 entitlement;
- the learner must be full-time in that period (based on GLH per period for non-Key Skills aims), including the 60 GLH allocated to these learners by the LIS (see below);
- the total programme and fee remission funding for Key Skills aims in that period (excluding wider Key Skills) must not already exceed the standard entitlement rate.

In the calculation of the full-time status from GLH per period, if the learner is indicated in field L28 as eligible for the entitlement, then 60 extra GLH are added per period (as per the assumption on page 22, paragraph 65 of the *Guidance*).

Note that a learner's eligibility for enrichment could change through a learning programme, as the learner may be full-time and part-time in different periods.

If the learner is eligible for enrichment, then the calculation totals the programme funding and fee remission for Key Skills (including 'look-alike') aims in each period.

The calculation also works out the amount the learner is entitled to in each period. This is the standard value of £280.33 per period, multiplied by all of the following:

- the disadvantage uplift for that learner (if applicable) from ILR field for disadvantage uplift factor (ILR field L33);
- the area cost factor for that provider (if applicable);
- the specialist college factor for that provider (if applicable);
- the performance-related funding factor for that provider.

This value is multiplied by 37.5% to give the required fee remission total.

If the total of the programme funding plus fee remission for Key Skills is less than the required total, then the software first calculates how much extra fee remission is required to add to bring the fee remission up to the required fee remission value

(unless this would give too much combined programme and fee remission funding).

It then calculates a programme funding value to add to bring the total up to the required funding amount per period (i.e. £280.33 x weighting factors).

These additional fee remission and programme funding values are not associated with any one aim in the ILR data, so the results are stored in the result data against aim sequence number 99, rather than against a real aim sequence number.

### **Calculate achievement funding from historical factor**

From 2004/05 there was a new approach to calculating achievement funding, based on a historical factor for each provider. The factor is calculated as the ratio of achievement funding to core funding (now renamed programme funding), from a previous year.

To implement this, the achievement results which appear in LIS screens and reports are calculated as programme funding x provider achievement factor.

This calculation applies to every period, and every aim where there is non-zero programme funding. The calculation also applies to enrichment result records added with sequence number 99. This also means that achievement is calculated for every period with non-zero programme funding, not just the last period for that aim.

The calculation is repeated, based on the programme funding calculated without the effect of the disadvantage factor, to show the achievement funding without the effect of disadvantage.

## **Glossary of terms used in the software**

### **National base rate**

The national base rate reflects the length of a learning aim and the basic cost of delivery. Some learning aim types have listed rates, whereas other aims have a loadbanded rate which varies according to the number of guided learning hours (GLH) for the aim. The national base rate is used to calculate the programme funding, achievement and fee remission funding for an individual aim.

### **Enrichment and entitlement**

Explicit recognition is given to enrichment activities within the learning programmes of 16-18 year old learners studying full-time. Where a provider is providing a programme of Key Skills, enrichment and tutorials to such learners, then a fixed 'entitlement' of funding per period for Key Skills, enrichment and tutorials may be claimed in some circumstances. Further details of when a learner is eligible for this funding can be found in the *Guidance*.

This entitlement is worth £280.33 per tri-annual period, or £841 per year. This amount includes only programme and fee remission funding and is weighted by provider funding factors and any disadvantage factor, if the learner is eligible.

For learners eligible for the entitlement, where the funding for Key Skills and equivalent learning aims is less than this amount for any period, the calculation assigns extra programme funding and fee remission to bring the total up to the required rate per period.

### **Key Skills**

There are different types of Key Skills aims, which are distinguished in the software and the LAD:

- the 'core' Key Skills within the QCA Key Skills qualification;
- the 'wider' Key Skills within the QCA Key Skills qualification.

However any achievement for Key Skills is calculated separately and not included within the entitlement.

Further information on Key Skills qualifications can be found in the *Guidance*, page 58, paragraph 375 onwards.

### **Maximum funding per learner**

Where a learner's learning programme generates a high total unweighted national base rate per period, a mechanism called the maximum funding per learner (formerly the taper and cap) is used to reduce the funding generated. A programme with an unweighted base rate of £1,196 per period is the maximum base rate per period that is not affected. In addition, where an entitlement element is added for Key Skills, tutorial, and enrichment (for 16-18 year-old full-time learners), this entitlement is treated separately from the maximum funding per learner.

If a programme generates a base rate of over £1,196 per period, then base rate funding above this point is added at two thirds of the normal rate. Therefore a

programme that would otherwise generate £1,376 (excluding enrichment) will be reduced to generate a base rate of £1,316. The maximum funding per learner also has an absolute maximum base rate per period. A programme can never generate more than £1,525 per period, not including funding for Key Skills, tutorial, and enrichment, after the maximum funding per learner has been applied.

The maximum funding per learner is applied as an equal percentage to all learning aims in the period, except for core Key Skills qualifications within the Key Skills, tutorial and enrichment element of the programme for a 16-18 year old full-time learner.

## Likely questions and answers

### Calculation of funding

**Question:** I think the LIS is giving the wrong answer. What do I do?

**Answer:** There are a number of areas to check which may resolve the issue. Check that the ILR file is valid, and that you are using a recent version of the Learning Aim Database (LAD).

You should also check the LSC website to see if further information is available. For example there may be a documented known issue which describes a calculation problem, or a later version of LIS available that resolves such issues.

The LIS web pages can be found at :

[www.lsc.gov.uk/providers/data/software/LIS](http://www.lsc.gov.uk/providers/data/software/LIS)

If this does not resolve the problem, then contact your local LSC for further advice.

**Question:** Can I find out how funding was calculated for this learner?

**Answer:** The LIS shows details of calculations for every learner.

The calculation module in the LIS outputs a series of codes which record intermediate calculation steps and derived values (such as whether a learner is under 19). In addition, the software records intermediate values such as the national base rates for an aim. Although the national base rate is not part of a learner's funding, this rate is used to calculate categories of funding.

The 'Funding Viewer' form allows users to view these intermediate details. There are also with reports showing the detailed funding for a learner (Detailed Learner and Aim Funding), and the funding calculation steps (Calculation Steps).

### Assignment of funding to learning aims

**Question:** How does the program apportion additional support funding to learning aims?

**Answer:** Programme funding, fee remission, and achievement funding are all calculated at learning aim level.

Additional support funding is calculated at learner level, by period, and then apportioned equally amongst all learning aims present in that period.

**Question:** I have a learner studying three learning aims, with three learning aim records in the ILR, but the program is generating FE funding results for four learning aims. Is this an error in the program?

**Answer:** No, this is by design. There is one instance where an extra aim reference can appear in the results.

Extra records are added where, for full-time 16-18 year-old learners, extra funding can be added for Key Skills, tutorial, and enrichment activities. These extra records are added with sequence number 99.

In this case the funding does not correspond to a real learning aim in the learner's ILR data, so the program adds an extra aim reference to hold this funding.

## **Funding rules not implemented in software**

Some funding rules included within the funding guidance have not been included in the funding calculations in the LIS. Some of these calculations cannot be feasibly implemented in software without greatly increasing the complexity of the software, and would in any case give unintended effects in a number of cases because the ILR does not collect enough information to support the calculation.

Such calculations are not addressed in the software and may require manual adjustments to funding out-turn in 2007/08.

## **Funding for learning programmes consisting of multiple basic skills aims**

Where a learner completes multiple basic skills learning aims where the total GLH is 450 or more, the LIS calculates funding separately for each learning aim. A manual adjustment may be required.

## **Funding for learning programmes consisting of multiple learning aims in independent living skills**

Where a learner completes multiple learning aims in independent living skills where the total GLH is 450 or more, the LIS calculates funding separately for each learning aim. A manual adjustment may be required.

## **Operation of the maximum funding per learner**

Some cases have been identified where providers may, by prior agreement with their local Learning and Skills Council, arrange an exemption from the maximum funding per learner (formerly the funding taper and cap) for certain specific learning programmes. These cases will require manual adjustments.

Further guidance on this issue is published in the *Guidance* (paragraphs 183-191, page 34).

## **Maximum base rate for NVQs for learners in full-time employment**

The *Guidance* states (in paragraph 251, page 41) that where a learner is in full-time employment a maximum national base rate may be claimed for NVQs. It is not always possible to identify such learners from the ILR, so a manual adjustment may be required.