

Funding Focus – Education Funding Agency letter, January 2016

26 January 2016

Funding Focus provides quick summaries of recent funding developments, or particular aspects of the funding system.

On 14 January Peter Mucklow, National Director of Young People at the Education Funding Agency (EFA) wrote his annual [letter](#) to the sector explaining funding for 2016/17 for 16-19 students and 19-25 students aged with an education, health and care plan. This 3-page Funding Focus summarises the 8-page letter which covers:

- Funding for academic year 2016 to 2017: introduction
- National funding rates
- Formula protection funding
- Large programmes
- Maths and English
- Discretionary bursaries and free meals double funding
- High needs students
- Traineeships
- Allocations process and timeline.

Funding for academic year 2016 to 2017: introduction

- It was confirmed in the Spending Review that core education funding for 16-19 year-olds would be protected, and that base rate of £4,000 for full time 16-17 year olds will be maintained over the Spending Review period.
- There will be reductions to non-core funding and these are expected to reach around £160m in a full year by the end of the Spending Review period (2019/20). This will mainly come from the phasing out of Formula Protection Funding (FPF) over six years (see more below for the 2016/17 reductions). The department will set out as soon as possible details of the reductions which will apply in the remainder of the Spending Review period.
- The letter does not cover 16-18 apprenticeships but highlights that the 16-18 apprenticeship budget will increase annually over the period of the Parliament to fund a sustainable increase.
- The EFA expect institutions to revisit their financial and business plans and make 'hard-headed' assessments of what they need to do to ensure they remain financially sustainable.
- General FE and sixth form colleges are advised to engage in the area review process and the EFA will make restructuring funds available on a one-off basis to support some of the changes arising from their implementation where there is a compelling business case. Sixth form colleges proposing to become academies will need a strong case and the support of their area review steering group.

National funding rates

- The national base rates will be maintained for 2016/17 at £4,000 per full time student aged 16-17 and £3,300 for 18 year olds.



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- The specialist programme cost weight for land based provision delivered by institutions with recognised specialist resources will increase from 1.6 to 1.75 (announced in July 2014).

Formula protection funding

- Formula protection funding (FPF) was introduced from 2013/14 for institutions subject to significant decreases in funding as a result of the introduction of funding per student in that year. It will be phased out over the next 6 years and the final year any FPF will be payable will be 2020/21.
- FPF will be re-calculated in 2016/17 for institutions in receipt of FPF in 2015/16 to take into account funding changes and FPF will be treated in one of three ways: it will either be removed in full (where FPF less than 2% of total programme funding plus FPF), reduced by 2% (where FPF between 2% and 12% of total programme funding plus FPF), or reduced by 16.67% (where FPF more than 12% of total programme funding plus FPF).
- Further information on detailed calculations will be available for providers this month.

Large programmes

- The [large programme uplift](#) is being introduced from 2016/17 to reflect the fact that some study programmes are larger than 600 hours.
- It is available for certain study programmes and examples include programmes of 4 or more full A levels, the full level 3 International Baccalaureate (IB), and some large level 3 Technical Baccalaureate (TechBacc) programmes that also include a level 3 maths qualification and the Extended project and will only be paid if a certain grade is achieved.

Maths and English

- Any student not studying maths and English in 2014/15 who should have been doing so, was originally due to be removed from the lagged student numbers used to calculate 2016/17 allocations.
- In light of in-year data showing that 97% of 16-19 year olds without GCSE A*-C English and/or maths attending an FE institution continued their study of these subjects in 2014/15, ministers [decided not to apply](#) the English and maths funding condition in full in 2016/17. For 2016/17 allocations only, a 5% tolerance will be applied.
- This means funding reductions will only apply to institutions where more than 5% of students without A*-C GCSE in English and/or maths did not enrol on an approved qualification in these subjects.
- In addition, funding for these institutions will be removed for each student above the tolerance level at *half* the national funding rate, rather than 100% as originally planned.
- As previously announced the condition of funding is being [revised from 2016/17](#) and all full-time students starting their study programme who have a grade D GCSE or equivalent in maths and/or English must be enrolled on a GCSE or approved IGCSE qualification in maths and/or English. (I.e. stepping stone qualifications will no longer meet the condition of funding for these students.)

Discretionary bursaries and free meals double funding

- In 2014/15 the EFA introduced additional funding for free meals for post-16 students attending colleges and other FE providers to provide parity with young people attending school sixth forms.
- In 2016/17 the ring fence between the free meals allocation and the discretionary bursaries allocation will be removed to maximise flexibility for institutions receiving both allocations.
- The requirement to provide free meals for all eligible students who request them remains.
- Prior to 2014/15 colleges and FE providers had been supporting the cost of meals for students who needed them on a discretionary basis from the discretionary bursary. The external evaluation estimated that this represented over £15m of discretionary bursary spend annually.
- Provision of FE free meals is now in its second year of implementation and in 2016/17 the EFA will remove £15m from the budget in respect of this 'double funding'. For 2016/17 discretionary bursary allocations will be adjusted to take account of this.



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- Free meals funding will be allocated to FE institutions in 2016/17 based on their R04 data returns based on the numbers of students assessed as eligible for and in receipt of free meals in 2015/16. The rate remains at £2.41.

High needs students

- The EFA will use the place numbers allocated to institutions in 2015/16 as the basis for allocating place numbers in 2016/17. The process for local authorities to make changes to these numbers, following discussions with institutions, closed in November 2015. The outcomes of the exercise will be published in January 2016.
- The EFA also consulted non-maintained special schools and special post-16 institutions on what the basis should be for their place funding allocation for 2016/17. Again the EFA will confirm the outcome of this by the end of January 2016.
- The allocations of Dedicated Schools Grant High Needs Block funding for 2016/17 were announced to local authorities in December 2015 to help provide certainty to institutions and local authorities and enable early decisions on placing students and support the delivery of the SEN reforms within the Children and Families Act 2014.
- In future years a new national funding formula for distributing high needs funding to local authorities will be introduced and the DfE will consult on this and other changes early in 2016 and introduce changes from 2017/18.

Traineeships

- The EFA confirm that the restriction that only providers graded 'good' or 'outstanding' by Ofsted can deliver traineeships is being removed from August 2016. This has now been [brought forward](#) to February 2016. Providers will be able to deliver traineeships ahead of 2016/17 if they have an existing funding allocation, and the appropriate contractual arrangements. From 2016/17 all EFA funded providers will be eligible to deliver traineeships from their 2016/17 funding allocations.
- The EFA will continue to ensure funding supports institutions growing traineeship numbers and in March 2016 will review the position as part of their 'exceptional' growth process, based on R06 data received in February. If providers have exceptional growth in traineeships in 2015/16 they are asked to raise this with the EFA in February.

Allocations process and timeline

- The allocations timeline for 2016/17 and the data sources the EFA will use are attached at annexes A and B of the letter. Most institutions will be informed of their allocation by end-February 2016, and all will be informed by end-March 2016.
- The EFA fund post-16 education and training for over 3,000 institutions each year and rely on the data provided by institutions in the school census and the ILR being accurate. By exception they will consider evidenced and credible business cases from institutions where there has been a major error in the data returned. Standard minimum thresholds are applied to decide whether a case will be considered (for cases affecting lagged student numbers, 5% of students or a minimum of 50 students, whichever is lower; for cases affecting the full time/part time split and other funding factors including programme cost weightings, retention and disadvantage funding, an overall impact of 5% on total funding or £250,000, whichever is lower; all other cases are reviewed individually).

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Information is correct at the time of writing and is offered in good faith. No liability is accepted for decisions made on the basis of information given.