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Funding Focus – Funding rules, rates and formula, and the adult education budget

3 February 2016

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

On 28 and 29 January the SFA published a number of key funding documents:

- [Funding rules 2016/17](#) and the [Funding rates and formula 2016/17](#) (for the adult education budget (AEB), and apprenticeship frameworks and standards).
- [AEB changing context and arrangements for 2016 to 2017](#).

This funding focus signposts the funding rules and funding rates and formula 2016/17, and summarises the ‘AEB changing context and arrangements’ document.

The SFA has published ‘AEB changing context and arrangements’ as a ten-page executive summary of the changes they plan to make to the AEB as part of the transition to full skills devolution starting from 2018/19. They will update on progress as discussions with stakeholders progress and devolution arrangements become clearer.

Funding rules 2016/17

The funding rules cover the AEB, apprenticeship frameworks, and apprenticeship standards. They are organised in such a way that users can either build their own set of rules to account for the various programmes they deliver, or if only delivering a single programme, such as the AEB, can use the combined rules for AEB. (The documents contain the same information, but are organised so they can be accessed in these two different ways.)

To build a set of rules to account for various programmes delivered:	Combined rules for a single programmes:
<ul style="list-style-type: none"> • Common funding rules • AEB funding rules • Apprenticeships: common funding rules • Apprenticeship framework funding rules • Apprenticeship standards funding rules • SFA funding rules 2016 to 2017: summary of changes 	<ul style="list-style-type: none"> • Combined rules for AEB • Combined rules for apprenticeship frameworks • Combined rules for apprenticeship standards

Funding rates and formula 2016/17

There are no significant changes to the funding calculation in 2016/17 but the way rates are set for newly approved qualifications will change.

- Currently there are two funding matrices in place: for qualifications (rates) and for non-regulated provision (banded hours). These will be merged into a Single Activity Matrix (SAM).
- This will be used to set rates for newly approved qualifications based on the regulated guided learning hours. Existing rates for the qualifications funded in 2015/16 will be retained.
- It will also enable colleges and other providers to claim funding for non qualification learning activity.



- ‘Activity hours’ bandings have also been introduced for very small provision to allow college and other providers receiving the AEB to respond to the needs of their learners and communities in the context of the wider purpose of the AEB. All colleges and other providers may offer community based engagement/taster or learning activity in 2016/17 using the AEB ‘formula funded’ approach and funding will be calculated using the same principles and methodology as used in 2015/16.

The Single Activity Matrix for the funding year 2016/17

Funding band Hours	Activity type	Programme weighting (PW)				
		A Base (unweighted)	B Low	C Medium	D High	E or G (specialist)
Up to 2	Very small provision (1)	£14	£16	£18	£22	£24
3 to 4	Very small provision (2)	£21	£24	£27	£34	£36
5 to 6	Very small provision (3)	£35	£39	£46	£56	£60
7 to 12	Small provision (1)	£50	£56	£65	£80	£86
13 to 20	Small provision (2)	£100	£112	£130	£160	£172
21 to 44	Small provision (3)	£150	£168	£195	£240	£258
45 to 68	Medium provision (1)	£300	£336	£390	£480	£516
69 to 92	Medium provision (2)	£450	£504	£585	£720	£774
93 to 100	Medium provision (3)	£600	£672	£780	£960	£1,032
101 to 196	Large provision (1)	£724	£811	£941	£1,159	£1,246
197 to 292	Large provision (2)	£1,265	£1,417	£1,645	£2,025	£2,176
293 to 388	Large provision (3)	£1,987	£2,225	£2,583	£3,179	£3,417
389 to 580	Very large provision (1)	£2,573	£2,882	£3,345	£4,117	£4,425
581 to 1060	Very large provision (2)	£4,170	£4,670	£5,421	£6,671	£7,172
1061 or more	Very large provision (3)	£6,602	£7,395	£8,583	£10,564	£11,356

Changing context and arrangements for the AEB

Changing context

Government will transfer control of the AEB to local government areas through devolution agreements. Currently there are five devolution deals that include adult skills and these are expected to increase and will allow local areas, colleges and other providers to shape their provision.

- The SFA are working with local government authorities that have devolution deals to develop and implement arrangements that support the transition to skills commissioning and full devolution, starting, subject to readiness conditions, from 2018/19.
- For other locations ‘local area’ refers to local stakeholders, including Local Enterprise Partnerships (LEPs) and local authorities. Colleges and other providers are advised to work closely with local stakeholders to determine their contribution to local skills outcomes.
- In advance of funding devolution the SFA changing the AEB from 1 August 2016 to support the establishment of flexible commissioning before responsibilities are transferred to local areas.

What the AEB will fund

The AEB combines all SFA participation and support funding. It doesn’t include ESF, loan funding, and apprenticeships. Its purpose is to engage adults and provide the skills and learning needed to equip them for work, an apprenticeship or further learning. It also supports tailored programmes of learning which do not include a qualification to help those furthest from learning or the workplace.



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- The current Adult Skills Budget (ASB) primarily funds qualifications. The value of qualifications as indicators of knowledge and skills will continue but the SFA want to enable providers to offer a more flexible offer and respond swiftly to local needs. Community learning is also now included in the AEB budget which means the SFA will fund broader types of learning activities to help disadvantaged and hard-to-reach learners re-engage in learning, build confidence, and enhance their wellbeing, and that lead to progression into further learning or employment (rather than achievement of a qualification).
- Colleges and other providers will be given the flexibility to respond to the needs of their local area and will be funded to offer programmes that include locally designed learning activity alongside qualifications (or instead of). Outside of legal entitlements (where government specifies that qualifications must be delivered to learners exercising those entitlements) local areas will decide the outcomes they want and, over time, commission colleges and other providers to deliver these.

Local flexibility

Local areas can influence the pattern and nature of provision for learners that need support to engage and progress in learning to reach a full level 2 or 3. Colleges and other providers will be able to respond to local needs and contribute to local outcomes by delivering a range of local provision that may include:

- Bespoke, locally designed or tailored training provision (for example, employability skills and confidence-building), and/or
- Eligible qualifications and/or components from the Regulated Qualification Framework (RQF).

To ensure locally designed training provision is high quality the SFA will, where applicable, use Recognising and Recording Progress and Achievement (RARPA).

A range of qualifications will still be on offer and these will be added to the [Funding Hub](#). The SFA say the eligibility rules for these qualifications (i.e. the rules awarding organisations need to follow to ensure qualifications are eligible for funding) will be minimal. The rules are due out later in February.

Legal entitlements

Qualifications eligible for funding where learners are exercising their first full level 2 or level 3 entitlement and/or their English and maths entitlement will be aligned with those available to learners aged 16 to 18. There will therefore be a core 16 to 23 vocational and general qualification offer and a single English and maths qualification offer. The SFA will also make available a limited number of additional qualifications outside of the core offer to support the transition. This may include qualifications employers highly value, or that serve the needs of a distinct group of learners.

In summary, for the 2016 to 2017 funding year the entitlement offer will be:

Qualifications required for the legal entitlements from 1 August 2016	
Vocational and general qualifications	English and maths
16 to 23 core offer* – Tech Levels, Applied General, A-levels, AS-levels, Access to HE, Technical Certificates, GCSEs.	English and maths core offer – GCSE English and maths, functional skills in English and maths.
In addition, a limited number of other technical or professional qualifications from the Regulated Qualifications Framework (RQF).	In addition, a limited number of other ‘stepping stone’ English and maths qualifications from the RQF. (Where ‘stepping stone’ qualifications refer to RQF English and maths qualifications.)

- The SFA will publish more information in early February on the defined offer alongside the qualification eligibility rules (i.e. the rules the awarding organisations need to follow to ensure qualifications are eligible for funding) before finalising the offer in March 2016.



- They will be talking to colleges, other providers and awarding organisations about the move towards a single offer and will continue to work with the DfE and the EFA to arrive at a single process and a single set of rules for qualification approval.
- As the [reform of technical and professional education](#) takes place the offer will need to align with the agreed routes and the SFA anticipate saying more about this in the spring.

Who the AEB will fund

As many funding ‘exceptions’ as possible have been removed from or better incorporated in the eligibility rules. Learner eligibility for funding has been simplified and clarified by:

- Categorising three groups of learners (19 to 23, 24+ unemployed, and 24+ other),
- Removing vocational and workplace co-funding and focusing funding on apprenticeships,
- Removing categories now superseded by loan funding.

Provision	19- to 23-year-olds	24+ Unemployed	24+ Other
English and maths up to and including level 2	Fully funded*	Fully funded*	Fully funded*
Level 2	Fully-funded* (first and full)	Fully funded	Co-funded
Provision to progress to level 2	Fully funded	Fully funded	Co-funded
Level 3	Fully funded* (first and full)	Loan-funded	Loan-funded
Traineeship**	Fully funded (including 24-year-olds)	N/A	N/A
ESOL learning up to and including level 2	Co-funded	Fully funded	Co-funded
	Fully funded – unemployed		
Learning aims up to and including level 2, where the learner has already achieved at level 2 or above	Co-funded	Fully funded	Co-funded
	Fully funded – unemployed		

* *Must be delivered as one of the qualifications required for the legal entitlement.*

** *Excludes flexible element where funding depends on age and level.*

- A learner may exercise their entitlement while at the same time undertaking an individual programme of learning which may include a qualification or a mixture of flexible locally designed learning activity and a qualification.
- The SFA will continue to keep colleges’ and other providers’ discretion to waive fees. This is for individuals who are unemployed and on a state benefit not directly related to their employment status but want to secure employment by gaining new skills or other employability activity.
- To align government policy so that the cost of learning is shared with the employer, the individual or government, the SFA will not co-fund workplace provision from August 2016. Employers should fund vocational qualifications delivered in the workplace, with apprenticeships the first choice.

The funding formula

SFA participation and support funding have been combined into the AEB so a range of ‘formula-funded’ and ‘non-formula-funded’ budgets are being brought into a single budget line.

- In most cases AEB participation and learning support will continue to be funded using a formula based on information provided in the ILR to calculate colleges’ and other providers’ earnings.
- Some activity previously funded as community learning and learner support funding will continue to be ‘non-formula-funded’. Colleges and other providers offering community learning may use part of their AEB to continue to deliver this activity. The SFA has written to those offering community learning to confirm 2016/17 arrangements and will work with them to agree how best to integrate within the AEB.



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Support funding

Colleges, providers, and local commissioners will be expected to include support arrangements as part of local planning discussions as 'learner and learning support funding will give commissioners, colleges and other providers the flexibility to meet learners' support needs and cover the cost of reasonable adjustments as part of the Equality Act 2010'. The current earnings method for both learner and learning support will be kept. From 1 August 2016 the AEB cannot be used to support learners receiving loans.

How the AEB will fund providers

The AEB will continue to fund colleges and local authorities through a grant, and independent training providers (ITPs) through a contract.

Grant-funded providers

- A block grant will be provided to these providers (colleges and local authorities). This will not be ring-fenced and providers can decide with their local areas how best to deploy this to meet local needs.
- However, the need to agree appropriate plans with those authorities that have secured a skills devolution deal for 2018/19 will be particularly important. More information on the transition to commissioning arrangements will follow as devolution arrangements become clearer.
- The AEB can continue to be used to subcontract provision but as the move towards more locally defined provision directly influenced by local commissioners continues, providers will want to consider with commissioners if using subcontractors remains strategically important for them.

Independent training providers

- The SFA recognises that many ITPs funded through a contract have effective local relationships but implementing local commissioning arrangements for these providers is likely to be more complex because they often deliver training across a dispersed geographical area.
- The SFA will continue to allocate the AEB to those ITPs with a contract. Contracts will continue to set out individual funding values for participation and learning support funding (combined) and separately learner support and, where applicable, community learning. There will be no 'virement' between lines.
- In advance of 2017/18 changes to EU procurement regulations will require the SFA to procure the adult budget provided to ITPs. This means the AEB will be subject to competition as part of a procurement process. The SFA will provide further information later in the year.

Next Steps

Later in February the SFA will publish an initial list of qualifications which are part of the national entitlement, the qualification eligibility rules for awarding organisations, and the ILR specification which will set out the technical detail and requirements that support the changes set out above.

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