



Education  
Funding  
Agency

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Dear colleague

### **Funding for academic year 2014 to 2015 for students aged 16 to 19 and high needs students aged 16 to 25**

I am writing to provide information on the funding of education and training for young people by the Education Funding Agency in the academic year 2014 to 2015 (2014/15). I would be grateful if you would share this with members of your management team and governing body as appropriate.

This letter covers:

- National funding formula
- Funding rates
- Formula protection funding
- Mathematics and English
- Traineeships
- Work experience
- 14- to 16-year-olds in Further Education colleges
- 16 to 19 discretionary bursaries
- Free meals for disadvantaged students
- High needs students
- Allocations timeline 2014/15.

#### **National funding formula**

Following the far-reaching changes for 2013/14, the basic design of the national funding formula will be unchanged in 2014/15. The Department has carried out a review of the new programme cost weightings introduced for 2013/14. The research indicates that institutions are generally content with the changes we have introduced to the funding formula in 2013/14 and the principles underpinning it. Although the research recommended some potential changes to funding weights (all upwards), implementing these would not be affordable within a fixed budget without significant reductions to the basic national rate per student, which we believe is undesirable. We will reconsider the findings when there has been greater operational experience

with the new funding system and a wider evidence base has been developed. The report is available on the government's website pages at [gov.uk](http://gov.uk).

## **Funding rates**

The outcome of the Spending Review for financial year 2015 to 2016 (2015-16) was that some savings are required from the 16 to 19 participation budget in that year to contribute to reducing the overall public sector budget deficit. Ministers have decided that their policy priorities for this budget are to support the increased participation age for 16- and 17-year-olds, maintain additional funding for disadvantaged students, and as far as possible, maintain the national funding rate per student. Because we are operating within a fixed budget, we will confirm the national funding rate per student for 2014/15, and the flat rates for disadvantaged students without GCSE Grade C or above in English or mathematics, in March when we know the total student numbers we need to fund in 2014/15.

In order to realise the required savings for 2015-16, it is necessary to make a start in 2014/15. Ministers have decided to make the savings required in 2014/15 by reducing the participation requirements for full-time 18-year-olds, as defined by their age at the start of the academic year. Most 18-year-olds will already have benefited from 2 years of post-16 education and will not therefore need as much non-qualification provision within their study programmes as 16- and 17-year-olds. Fewer than one in five of 16- to 18-year-olds funded by the EFA are aged 18 at the start of the academic year, although clearly this will vary by institution. From 2014/15, we will return to the previous definition of full-time for these students as was applied in 2012/13 and fund them in funding band 4 (see annex 1) as a maximum. This means the funding rate for full-time 18-year-old students in 2014/15 will be 17.5% below the rate for full-time 16- and 17-year-olds. This will apply to all elements of the formula except the flat rates for disadvantaged students without GCSE grade C or above in English or mathematics, recognising the importance of English and mathematics for disadvantaged 18-year-olds. Students with a learning difficulty assessment or a statement of special educational needs will not be affected by this change.

## **Formula protection funding**

Formula protection funding (FPF) is allocated to those institutions where the changes to the funding formula in 2013/14 would have resulted in a reduction in their funding per student compared with 2012/13. It is available for the 3 years up to and including 2015/16. In the second year of FPF - 2014/15 - we will apply it in the following way to institutions that were paid FPF in 2013/14.

Where an institution's average funding per student earned through the formula increases for 2014/15 compared with 2013/14, FPF will reduce to maintain the overall funding per student at the 2012/13 level (excluding any remaining transitional protection from the earlier SR2010 changes).

Where an institution's average funding per student earned through the

formula reduces for 2014/15 compared with 2013/14, FPF will be paid at the same level per student as in 2013/14.

### **Mathematics and English**

You will have received reports detailing those students in 2011/12 who would not have met the new mathematics and English condition of funding because they were not working towards level 2 in those subjects in which they have not yet achieved a GCSE grade C. Further similar reports will follow in respect of your 2012/13 and 2013/14 students. The requirement will be implemented from 2014/15 so that any student recruited from 1 August 2014 without at least a GCSE grade C in either or both of these subjects and not registered to work towards level 2 in either or both of these subjects will not be counted for your funding allocation for 2016/17.

### **Traineeships**

Traineeships funded through the EFA are funded using the EFA's standard funding per student methodology. Therefore, if you expand the number of Traineeships you offer this year, this will be reflected in future allocations. Other than the changes notified in this letter, there will be no further changes to the way we fund Traineeships for 2014/15. The delivery of Traineeships will remain limited to those providers who have achieved an Ofsted inspection grade of Outstanding or Good and are not under Notice from either the EFA or Skills Funding Agency. Further information on the delivery of Traineeships is available in the [Traineeships framework for delivery](#), published July 2013, and the detail of the funding methodology is included in our [Funding Guidance 2013/14](#).

### **Work experience**

Work experience is a key area within many students' study programmes and provides the greatest benefit for students where it is substantial and with external employers. Only work experience with external employers should be counted towards and recorded as a work experience learning aim from 2014/15. Simulated work environments should be separately recorded as non-qualification activity.

### **14- to 16-year-olds in Further Education colleges**

The new arrangements introduced in 2013/14 for direct recruitment and funding for 14- to 16-year-olds in colleges will remain unchanged for 2014/15. If you wish to receive funding direct for 2014/15 please follow the [AoC's readiness checklist](#) and register with your Territorial Director at the email below as soon as is practical and in all cases by the end of June 2014. As in 2013/14, home educated students who are accepted by colleges on an infill basis and taught alongside students aged over 16 do not fall within these arrangements and may be accepted by any college.

### **16 to 19 discretionary bursaries**

The current methodology for allocating funding to institutions for discretionary bursaries was inherited from the former Educational Maintenance Allowances programme. In May we launched a consultation on a new funding methodology for discretionary bursaries. The government's response to the consultation will be published shortly.

### **Free meals for disadvantaged students**

An entitlement to a free meal at lunchtime is currently available to eligible disadvantaged students aged up to 18 in schools and academies. Free meal provision will be extended from 2014/15 to disadvantaged students in Further Education colleges and sixth form colleges. The funding allocation for this will be made by the Education Funding Agency. Further information will be available early in the New Year.

### **High needs students**

In 2014/15 the basic design of the funding system for high needs students (those students assessed by the relevant local authority (LA) as needing additional support costing more than £6,000) in post-school provision will be largely unchanged following the wide-ranging changes introduced in 2013/14.

We will however be simplifying the funding for maintained and non-maintained special schools and special academies with 16- to 19-year-old high needs students. From 2014/15 all places in these institutions including those for older students will be funded at a flat rate of £10,000.

We are now focused on improving the implementation of the new system in 2014/15.

LAs will return by 23 December their high need student place numbers for 2014/15 broken down by institution. We have asked local authorities to use the actual high needs students attending in the 2013/14 academic year to be the default place numbers for 2014/15, adjusted only where there are significant changes that local authorities know will happen. We expect local authorities and institutions to have discussed the place numbers for the 2014/15 academic year and for local authorities to have informed institutions of the final place numbers prior to informing the EFA by 23 December.

We will share the place numbers with institutions, who will have the opportunity to challenge the numbers in exceptional circumstances in January. We will publish information for institutions on how to make exceptional submissions [on our website](#) by 16 December. We will determine the final allocated place numbers for each institution for 2014/15 by March and then allocate place funding of £10,000 - £11,000 (depending on the individual institution's funding levels) per place to each institution as part of the March allocation. The additional top-up funding required for each individual high needs student will be agreed between the commissioning LA and the institution, and will be paid by the LA.

We are asking LAs to set and monitor their own targets for agreeing students'

placements and signing contracts with institutions much earlier in 2014 than was the case in 2013. We recommend completion dates of May and June respectively for these two milestones. We have asked LAs to adopt shared contracts and forms to mitigate the increased administrative burden on institutions. National model contracts and forms have been published, agreed between the Local Government Association and institutions' national representative bodies.

We intend to simplify the system in 2015/16 by moving to allocate most of the place funding on the basis of lagged data for each institution for the number of students they educated in 2014/15. Place numbers will then be based on the previous year's data, with the opportunity for LAs and institutions to discuss any expected substantial changes to the pattern of provision. For 2015/16, young people and their parents will also have new rights to express a preference for a preferred institution and to appeal against decisions made about them, subject to the passage through Parliament of the Children and Families Bill.

We have published additional information that brings together the answers to questions on high needs funding that we are often asked by LAs and institutions. It includes information on contracting, wider special educational needs reforms and looking ahead to 2014/15. This and other information on the high needs is available on [our website](#).

We will continue to offer a level of transitional protection for specialist provision in independent specialist providers and in eligible FE institutions in 2014/15. For these institutions we will fund any reduction in the number of LA-commissioned specialist places in 2014/15 when compared to the number of places in the 2012/13 academic year, at 80% of the institution's average 2012/13 academic year EFA funding rate per high needs student.

### **Allocations timeline 2014/15**

For further detail on allocations and the timetable, please see annex 2. Accurate and timely data is essential to your revenue allocation and we therefore include a detailed explanation of which data collections we will use and for what purpose in annex 3.

We are aware of the issues that FE institutions have had with the return of ILR data to the Data Service. We had planned to use R04 data from December to calculate lagged student numbers for colleges for 2014/15 allocations. However, given the issues with the data collection systems this year, our approach this year will be slightly different.

In mid-January we will confirm to colleges<sup>1</sup> the student number figure that we have calculated from the December R04 return. This will allow colleges time to check their data and ensure that all issues with this figure are fully resolved before the R06 return in early February. We will then calculate an R04

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<sup>1</sup> and any other institutions where the lagged number is normally based on R04

equivalent figure (using the 1 November reference date) based on the R06 data.

We will use this figure for R04 based on the R06 return alongside the original R04 figure as the basis for lagged student numbers for colleges. We will base the allocations in March on the lagged numbers calculated on this basis, as set out in annex 3. This revised timeline will not allow the normal window in February for business cases relating to exceptional issues affecting FE student numbers. In April we will consider only genuinely exceptional cases on FE student numbers and notify any revised allocations in May.

### **Contact us**

We will be happy to attend network meetings to discuss the contents of this letter. We will keep you informed about progress over the coming year including through the e-bulletin. You can contact us via the territorial email addresses listed in annex 4 with any questions you have about funding allocations for 2014/15.

Yours faithfully

A handwritten signature in black ink, appearing to read 'P. C. Mucklow', with a horizontal line underneath it.

**Peter Mucklow**  
**National Director for Young People**  
**Education Funding Agency**

## Annex 1 - Funding of 18-year-olds

All students aged 18 or over at 31 August preceding the start of the academic year except those with a learning difficulty assessment or statement of special educational need:

**Table 1: Study programme bands**

<b>Band</b>	<b>Study programme hours and ages</b>
5	Full-time 16- and 17-year-olds 540 hours plus
4	Full time for 18-year-olds and 16- and 17-year-olds doing between 450 and 539 hours
3	Between 360 and 449 hours
2	Between 280 and 359 hours
1	Up to 279 hours

## Annex 2 - Allocations

### Allocations timeline 2014/15

For 2014/15 allocations, we will send some information out as it becomes available rather than waiting until we have all the relevant information for all institutions. The current timeline is:

**Table 2: Allocations timeline 2014/15**

<b>Month</b>	<b>Activity</b>
December	<ul style="list-style-type: none"> <li>• ILR R04 deadline (5<sup>th</sup>)</li> <li>• EFA informs FE institutions of funding factors for 2014/15 based on ILR data for 2012/13</li> <li>• EFA notifies LAs of their indicative high needs block for pupils and students aged 5 to 25</li> <li>• LAs inform EFA of planned high needs places (by institution)</li> <li>• LAs and institutions inform EFA of any infrastructure changes for 2014/15</li> </ul>
January 2014	<ul style="list-style-type: none"> <li>• EFA informs FE colleges of the student number count from their autumn R04 ILR return</li> <li>• EFA informs FE, CCP, ISP and non-maintained special schools (NMSS) of the high needs place numbers returned by authorities</li> <li>• Deadline for business cases on FE funding factors</li> <li>• EFA informs schools and academies of their funding factors and lagged student numbers for 2014/15 based on the autumn census</li> <li>• Eligible institutions submit exceptional high needs place submissions to EFA for review</li> </ul>
February	<ul style="list-style-type: none"> <li>• ILR R06 deadline (6<sup>th</sup>)</li> <li>• Deadline for schools and academies to make business cases on funding factors and lagged numbers</li> <li>• EFA informs FE, CCPs, ISPs and NMSS of the outcomes of their exceptional high needs submissions</li> <li>• EFA informs LAs of the outcome of their high needs submissions</li> </ul>
March	<ul style="list-style-type: none"> <li>• EFA informs FE colleges and CCPs of lagged student numbers for 2014/15 based on R06</li> <li>• EFA confirms final national budget, student numbers and funding rates</li> <li>• EFA sends out allocations including high needs, to all institutions as final data is available</li> <li>• EFA notifies LAs of their final high needs block for pupils and students aged 5 to 25</li> </ul>

Month	Activity
April	<ul style="list-style-type: none"> <li>• Deadline for business cases relating to exceptional issues affecting lagged student numbers for FE institutions</li> </ul>
May to July	<ul style="list-style-type: none"> <li>• Finalise allocations for any institutions with business cases returned during April</li> <li>• EFA issues funding agreements/contracts to institutions</li> <li>• Agreements/contracts are signed and returned to EFA by funded organisation</li> <li>• LAs agree top-up funding and contracts with institutions for high needs students</li> </ul>
August-September	<ul style="list-style-type: none"> <li>• Academic year begins</li> <li>• EFA commences payment to LAs (in respect of schools with sixth forms) and directly to academies, colleges and other institutions</li> </ul>

### Allocations Toolkit

We are producing allocation statements in December and January to show **funding factors** for 2014/15 based on historic data (distribution of students by age and between the funding bands, retention factor, institutional average programme cost weight, area cost, block 1 economic deprivation factor and block 2 instances per student attracting disadvantage). This year the statements will also include a comparison with the equivalent figures for 2013/14 to allow institutions to see whether there are any significant changes year-on-year. We will also be producing the allocations toolkit again for 2014/15 to assist institutions in exploring issues and/or making business cases. We will not distribute the toolkit routinely, but will provide it on request from the contact details in annex 4.

### Transitional protection

2014/15 is the last year of the transitional protection (TP) from Spending Review 2010. For most institutions this continues on the same trajectory as was in place previously; the TP per student in 2014/15 will be the 2013/14 figure reduced by the higher of 3% of the total £/student or half of the 2013/14 TP per student. For those institutions with additional TP for short courses in 2013/14, in 2014/15 this additional amount will be half the amount it was in 2013/14. There will be no TP in 2015/16.

### Short courses

The changes made to exclude funding for short courses in 2013/14 will apply again in 2014/15. The effects of this are already built into the 2013/14 allocations, with associated transitional protection, so we do not expect it to have further major impact. However, we will review the impact of this issue on allocations for 2014/15 to ensure there are no unintended outcomes.

## **Sub-contracting**

We will not fund institutions for distance sub-contracting of the whole of a student's programme other than in exceptional circumstances. Any institutions wishing to be funded on an exceptional basis for distance sub-contracting of a whole programme in 2014/15 will need to put a case forward at the same time as any business cases on student numbers. There is no formal definition of distance as it is dependent on local geography. We expect only a small number of cases to be received. We are currently considering data collection arrangements for sub-contracted provision.

## Annex 3 - Proposed data sources – 2014/15 allocations

The data sources we propose to use in calculating 2014/15 funding allocations are detailed in the tables below:

**Table 3: Data sources for student numbers**

Institution Type	Method of determining number of students attracting funding
Schools Academies Free Schools Studio Schools University technical colleges	Lagged numbers based on 2013/14 student numbers in autumn 2013 census  Some academies are funded on estimated numbers where their funding agreement states this
FE colleges	The starting point is the count of valid students with a census date of 1 November 2013 based on R04 or R06 for 2013/14. This is multiplied by the ratio of 1 November to all-year student numbers based on the equivalent in-year return for 2012/13 and the final R14 return for that year  We will also compare this figure (based on 1 November uplifted to the whole year) with the total student count up to the end of January from R06 (not uplifted). Where the R06 figure for student numbers up to the end of January is higher we <b>may</b> increase the lagged number accordingly, subject to affordability
CCPs Some LAs	Twelve month rolling figure for February 2013 to January 2014 based on: <ul style="list-style-type: none"> <li>• R14 (2012/13) and R06 (2013/14) - carry-in as at 1 February 2013 and starts from 1 February 2013 to 31 January 2014</li> </ul>
Higher education institutions (HEIs) Most LAs Some other FE	Where use of in-year data is not appropriate, the full year figure will be used based on: <ul style="list-style-type: none"> <li>• R14 (2012/13) or HESA data for 2012/13</li> </ul>
MSS NMSS Special academies Special Free Schools	Total number of high needs places returned by local authorities in the high needs template (HNT) due to EFA on 23 December 2013
ISPs	Higher of either: <ul style="list-style-type: none"> <li>• Total number of high needs places returned by local authorities in the HNT due to the EFA on 23 December 2013; or</li> <li>• Numbers recorded on 2013/14 R04 return</li> </ul>

Institution Type	Method of determining number of students attracting funding
New institutions	<ul style="list-style-type: none"> <li>Year 1 – starting point 1/3 of capacity; any variation from this would require a business case by February 2014</li> <li>Year 2 – double the actual recruitment in year 1 (2013/14 Autumn Census/R04)</li> <li>Year 3 – institution is funded on lagged numbers</li> </ul>

**Table 4: Data sources for formula elements**

Institution type	Size of programme	Retention factor	Programme cost weighting	Disadvantage funding	
				Block 1 factor	Block 2 instances
Institutions making ILR return	R14 2012/13				2011/12 Young People's matched admin data set (YPMAD)
Institutions making census return	Autumn census 2013 (whole-year 2012/13 data)				
Institutions making HESA return	HESA 2012/13				Average for HEIs making ILR returns
NMSS MSS Special academies Special Free Schools	Not applicable – funded at £10,000 per place for Element 1 and 2				
ISP	All students will be assumed to be full-time	2012/13 ISP placement database	The national average for high needs students in FE		2 instances – 1 for English and 1 for mathematics
Institutions with no historical data	National average for institution type			LA average for institution type	National average for institution type

## **Annex 4 - Contact details**

LAs, schools, colleges and other (non-academy) providers should use the following email addresses to contact the EFA:

- Northern territory (North West, North East and Yorkshire and Humberside)  
[YPNorthern.efa@education.gsi.gov.uk](mailto:YPNorthern.efa@education.gsi.gov.uk)
- Southern territory (South East, East of England and London)  
[YPSouthern.EFA@education.gsi.gov.uk](mailto:YPSouthern.EFA@education.gsi.gov.uk)
- Central & south west territory (South West, West Midlands and East Midlands)  
[YPCentralSW.EFA@education.gsi.gov.uk](mailto:YPCentralSW.EFA@education.gsi.gov.uk)

Academies should use the following email address to contact the EFA:

- [Academy.QUESTIONS@education.gsi.gov.uk](mailto:Academy.QUESTIONS@education.gsi.gov.uk)