



Department
for Education

Funding reduction for EFA-funded institutions and providers educating full-time 18 year olds

Impact assessment

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Introduction

1. The Department for Education was obliged as a result of the 2013 Spending Review settlement and the December 2013 Autumn Statement to make reductions in the budget for 16 to 18 year olds. This is a result of the need to reduce the nation's budget deficit. The reduction to funding for full-time 18 year olds was selected as the option with the least negative consequences for 16-18 learners as a whole compared with other options.

2. This note sets out an assessment of the impact of the planned reduction in academic year 2014 to 2015 (2014/15) of the funding rate for full-time 18 year old students to 17.5 per cent below the rate for full-time 16 and 17 year olds¹. This was announced by the Education Funding Agency (EFA) in its letter of 10 December 2013 to institutions and providers².

3. The planned reduction applies to all elements of the funding formula for full-time 18 year old students except the additional flat rate supplements paid for disadvantaged students without GCSE grade C or above in English or mathematics which will be unchanged in order to protect those with greatest educational need. The reduction applies to all full-time students excluding those with learning difficulties or special educational needs and whose additional support costs are more than £6000 a year, in order to protect funding for this group of students with high needs.

4. 18 year olds have had the opportunity of 2 years of full-time fully-funded education since their GCSEs. This does not mean that none need a third year of education. A rate cut for 18 year olds does not prevent 18 year olds from undertaking a third year of full-time education, but reduces the funding available for that year to reflect the smaller programmes, on average, that many need by this stage. Just under one in five of all 16 to 18 year old students funded by the EFA – both full-time and part-time – are already 18 years old at the start of the academic year for which they are being funded.

5. The move to the new system of funding per student from 2013/14 has meant many 18 year olds being funded for larger programmes than full-time 18 year olds used to receive before the funding change was made. Not all 18 year olds will need programmes of this new larger size.

6. This note sets out further information on the impact of the reduction in funding for institutions and students. It is estimated that in the most recent academic year, 2012/13, there were approximately 78,000 students funded by the EFA in all types of institutions and other providers on full-time programmes of 540 hours or more, who were 18 years of

¹ References to age in this document are age on 31 August immediately before the teaching year when the student commences a study programme.

² [EFA funding letter for 2014/15](#)

age on 31 August 2012 and who then undertook a full-time course of study in 2012/13. This represents 6.1 per cent³ of all 16 to 18 year old students funded by the EFA. The following assessment of impact draws on detailed analysis of Individual Learner Record (ILR) data which covers the vast majority (68,000) of these students.

Rationale

7. Other policy options were considered to make the necessary saving in 16-19 funding. They were considered worse than the option we chose (the reduction in funding for full-time 18 year olds) for the reasons given below.

i) Alternative one – base rate cut

8. One option would have been to reduce the funding rate for all 16 to 18 year old students to around £3,900. This would be less consistent with strategic policy direction at this time than the option we chose. Legislation now requires young people to participate in education or training, in a manner consistent with the regulations⁴, up until the end of the academic year in which they turn 17; and from 2015 they will be required to participate up until their 18th birthday. Spreading a saving equally across the age range of the cohort would affect those obliged to participate at the same rate as those above the statutory participation age.

9. Furthermore, we have in 2013/14 introduced programmes of study for 16 and 17 year olds that require them to undertake a substantial qualification plus non-qualification activities – such as work experience – to enable them to develop their full potential. A general rate cut at this time would affect this policy aim.

10. In addition, it is important to consider those most at risk of dropping out of education. Young people who fall out of education most commonly do so at the ages of 16 or 17. It is important to protect this age range wherever possible to minimise drop-out, as evidence suggests that re-engagement with education is more difficult than maintaining engagement.

ii) Alternative two – disadvantage funding

11. It would have been possible to make the saving through reducing disadvantage funding, either block 1 (economic disadvantage) or block 2 (prior attainment). This would

³ Excluding apprenticeships, which are not covered by this proposal.

⁴ <https://www.gov.uk/government/publications/participation-of-young-people-education-employment-and-training>

require a cut of around 51% or around 28% of these blocks respectively. Reducing the additional funding specifically allocated to meet the additional costs of educating disadvantaged students would be less consistent with Government policy aims than the reduction for full-time 18 year olds; specifically, the aims of reducing numbers of young people Not in Education, Employment or Training, and of closing the attainment gaps between those from disadvantaged socio-economic groups and the rest.

iii) Alternative three – apprenticeships funding

12. It would have been possible to target apprenticeships funding in order to make this saving. However, data show that 16 to 18 apprenticeships face an increasingly challenging labour market, and volumes in many sectors have decreased as we have introduced quality reforms which have squeezed out shorter and lower quality apprenticeships. A rate cut at this time could affect progress towards a reformed, employer owned apprenticeships programme, and should be avoided while there are other options available.

Summary of Impact

13. In summary:

- The impact of reduced funding is greatest for higher education institutions, general further education and tertiary colleges, and land-based colleges;
- London has the highest proportion of full-time 18 year old students nationally compared with its total 16 to 18 year old student population. In other regions the number of full-time 18 year old students is distributed broadly in line with the number of all 16 to 18 year old students;
- The majority of full-time 18 year old students are studying at Level 3 and in vocational programmes. The numbers studying at Level 1 and below are very low;
- There are equal numbers of men and women amongst full-time 18 year old students;
- There is a higher proportion of black and minority ethnic students amongst full-time 18 year old students than the total 16 to 18 year old student population. Black and minority ethnic students who are full-time 18 year olds are not more likely to be from disadvantaged areas than black and minority 16 to 18 year old students as a whole;
- Students with a disability are not disproportionately represented amongst full-time 18 year old students compared with all 16 to 18 year old students; and

- Students who attract additional funding because they live in disadvantaged areas are not disproportionately represented amongst full-time 18 year old students compared with all 16 to 18 year old students.

Institutions

14. The planned reduction in funding for full-time 18 year olds will reduce funding allocations to institutions and other providers in academic year 2014/15 by an estimated 2 per cent of the total 16-19 budget compared to the allocations they would have received had this change not been made. Funding for institutions is not ring-fenced to be spent on individual students and it is therefore for each institution to determine how to realise the savings required across its total expenditure and all its students. Because full-time 18 year olds are not distributed evenly across types of institutions the proposal will affect different types of institution differently.

15. The figure below sets out the average funding reduction as a proportion of total EFA funding by type of institution. This shows that higher education institutions, which are funded by EFA mainly for 18 year old students undertaking further education courses, are the institution type most affected, although the impact for these institutions will be on a small proportion of their overall income, which is mostly from sources other than EFA. General FE and tertiary colleges are the next most affected institution type. Academically oriented institutions such as schools, academies and sixth form colleges have so far seen a significantly larger reduction in funding per student since 2011/112, as part of equalising funding rates across institution types, than vocationally oriented FE colleges who tend to be more affected by this reduction in funding for 18 year olds. So, in broad terms those institutions most affected by previous changes are least affected by this change.

Figure 1: Estimated average funding reduction as a result of this proposal as a proportion of total EFA funding by type of institution

Institution type	Estimated Impact
Higher education institutions	5.0%
General FE and tertiary colleges	3.0%
Land-based colleges	2.5%
Commercial and charitable providers	1.5%
Sixth form colleges	1.2%
School and academy sixth forms	0.4%

Source: EFA administrative data

Regions

16. The number and proportion of 18 year old students by region are set out in the figure below, compared with all 16 to 18 year old students. The number of 18 year old full-time students is distributed across the country broadly in line with the number of all 16 to 18 year old students, except in London where there is a higher proportion of full-time 18 year old students.

Figure 2: Number and proportion of students by region

	2012/13	
	Full-time 18 year olds ⁵	All 16 to 18 year olds
East Midlands	5k (7.9%)	57k (7.1%)
East of England	7k (10%)	86k (10.7%)
London	11k (15.7%)	96k (11.9%)
North East	3k (4.8%)	50k (6.3%)
North West	11k (15.5%)	131k (16.2%)
South East	10k (14.8%)	128k (16%)
South West	7k (9.9%)	74k (9.2%)
West Midlands	7k (10.8%)	96k (12%)
Yorkshire and the Humber	7k (10.6%)	86k (10.7%)
Total	68k	805k

Source: ILR

Levels and programmes of study

17. The levels of study and the split between academic and vocational programmes of full-time 18 year old students are set out in the figure below, compared with all 16 to 18 year old students. The majority of students whose funding is affected are studying at Level 3 and in vocational programmes. Fewer than 10% of full-time 18 year olds are studying at Level 1 or below.

⁵ In figs 2-8 the full-time 18 year olds column excludes high needs students i.e. those with learning difficulties or special educational needs and whose additional support costs are more than £6000 per year, who are not covered by the proposal to reduce funding.

Figure 3: Number and proportion of students by level and type of programme

	2012/13	
	Full-time 18 year olds	All 16 to 18 year olds
Entry Level	2k (2.9%)	40k (5.0%)
Level 1	4k (6.5%)	135k (16.8%)
Level 2	10k (14.3%)	164k (20.4%)
Level 3	50k (73.3%)	454k (56.4%)
Level 4	2k (2.7%)	2k (0.3%)
Other Level	0k (0.3%)	9k (1.1%)
Total	68k	805k
Academic	5k (7.8%)	181k (22.5%)
Vocational	63k (92.2%)	624k (77.5%)
Total	68k	805k

Source: ILR

Gender

18. The gender split of full-time 18 year old students is set out in the figure below, compared with all 16 to 18 year old students. Full-time 18 year old students are split equally between men and women.

Figure 4: Number and proportion of students by gender

	2012/13	
	Full-time 18 year olds	All 16-18 year olds
Female	34k (50.0%)	389k (48.3%)
Male	34k (50.0%)	416k (51.7%)
Total	68k	805k

Source: ILR

Ethnicity

19. Information on the ethnic origin of full-time 18 year old students is set out in the figure below, compared with all 16 to 18 year old students. There are higher proportions of “Other ethnic group”, “Asian/Asian British” and “Black/African/Caribbean/Black British” students amongst full-time 18 year olds than amongst all 16 to 18 year old students.

Figure 5: Number and proportion of students by ethnicity

	2012/13	
	Full-time 18 year olds	All 16 to 18 year olds
Asian / Asian British	7k (10.7%)	68k (8.4%)
Black / African / Caribbean / Black British	5k (7.4%)	45k (5.5%)
Mixed / Multiple ethnic group	3k (3.7%)	29k (3.6%)
Other ethnic group	3k (5.1%)	22k (2.8%)
White	50k (73.1%)	641k (79.6%)
Total	68k	805k

Source: ILR

20. The proportion of black and minority ethnic full-time 18 year olds who attract a funding uplift for disadvantage based on the level of deprivation of their home postcode is set out in the figure below, compared with the proportion of all black and minority ethnic 16 to 18 year old students⁶. It suggests that black and minority ethnic students who are full-time 18 year olds are not more likely to be from disadvantaged areas than black and minority 16 to 18 year old students as a whole.

⁶ The 27 per cent most deprived lower super output areas according to the Index of Multiple Deprivation attract a disadvantage uplift. In addition, a small number of students in care attract an uplift.

Figure 6: Number and proportion of students by combined characteristics of disadvantage uplift and ethnicity

Category	Full time 18-year-olds	All 16- to 18-year-olds
BME and not eligible for disadvantaged uplift	8913 (48.8%)	76348 (46.5%)
BME and eligible for disadvantaged uplift	9375 (51.2%)	87759 (53.5%)

Source: ILR

Disability

21. Information on the proportion of full-time 18 year olds who consider themselves to have a disability is set out in the figure below, compared with all 16 to 18 year old students. The proportions are similar between the two groups.

Figure 7: Number and proportion of students by disability

	2012/13	
	Full-time 18 year olds	All 16 to 18 year olds
Student considers themself to have learning difficulty, disability or health problem	14k (22.2%)	165k (21.5%)
Student does not consider themself to have learning difficulty, disability or health problem	50k (77.8%)	602k (78.5%)
Total⁷	68k	805k

Source: ILR

Disadvantage

22. The proportion of full-time 18 year olds who attract a funding uplift for disadvantage based on the level of deprivation of their home postcode is set out in the figure below, compared with the proportion of all 16 to 18 year old students⁸. The proportions are similar between the two groups.

⁷ Totals include a small number of students who do not provide information.

⁸ The 27 per cent most deprived lower super output areas according to the Index of Multiple Deprivation attract a disadvantage uplift. In addition, a small number of students in care attract an uplift.

Figure 8: Number and proportion of students by disadvantage uplift

	2012/13	
	Full-time 18 year olds	All 16 to 18 year olds
Eligible for disadvantage uplift	24k (34.8%)	275k (34.1%)
Not eligible for disadvantage uplift	44k (65.2%)	530k (65.9%)
Total	68k	805k

Source: ILR

Public Sector Equality Duty

23. In deciding to make the planned change covered in this impact assessment, the Department has had regard to its duties under the Equality Act 2010. The figures in the tables show no disproportionate impact on either sex or on young people with disabilities: in addition, the changes exclude disabled students with high needs. The changes clearly have a greater impact on 18 year olds than on 16 and 17 year olds: this is justified for reasons set out in paragraphs 4 and 5 of the assessment. There is also a relatively greater impact on black and ethnic minority students. The Department judges that this effect does not outweigh the reasons for selecting the reduction in funding for full-time 18 year olds over other options that are set out in paragraphs 8-12. There is no disproportionate impact on students from disadvantaged areas. The Department has no statistical information concerning other protected characteristics, but does not believe that young people with such characteristics would be disproportionately affected, or that if they were, that would outweigh the reasons for choosing the option discussed in this impact assessment.



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