



Education  
Funding  
Agency

# **Further education funding factors – Academic Year 2014 to 2015**

**Explanatory note for further education  
institutions**

**December 2013**

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# Explanatory note

## Introduction

This explanatory note sets out the background details behind the figures in your Funding Factors statement for the 2014 to 2015 academic year (2014/15). This is the first step towards calculating your 2014/15 funding allocation, which we will communicate to you by the end of March.

## Purpose

We are providing this information now so that you have an opportunity to check and comment on it, or raise any queries you may have. Any queries should be raised with us as soon as possible and at the latest by the end of January 2014. The information in the statement will also give you an initial basis on which to plan.

## Policy implementation

Peter Mucklow's letter of 10 December 2013 sets out the main policy changes for 2014/15. The main change reflected in this statement is the funding for 18-year olds, and more detail is given on this below. The letter can be found [on our website](#).

## Funding formula changes

As in previous years, your funding allocation for 2014/15 will be based on lagged student numbers. We will confirm your lagged student numbers to you in spring 2014. This statement includes the other factors which affect your funding for 2014/15. A box-by-box explanation of the numbers in the statement is given in annex A.

## 18-year olds

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. 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 (450-539 hours) 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. Students with a learning difficulty assessment or a statement of special educational needs will not be affected by this change.

The data on programme size on the funding factor statements shows the split between 16 and 17 year olds (including students aged 18 or over with high cost ALS – as a proxy for those with an LDA) and students aged 18 or over (without high cost ALS). For the

allocation for 2014/15 students aged 18+ without an LDA will be funded at a maximum of band 4 (450-539 hours) – that is any students in band 5 in the data for 2012/13 will be treated as in band 4 for the purposes of the allocation. Conversely, students aged 16 or 17 (or 18+ with an LDA) in band 4 will be treated as the equivalent of band 5 for the purposes of the 2014/15 allocation, as was done in 2013/14. Explanatory diagrams showing how the bandings for 450-539 hours and 540+ hours will work are included in Annex B.

## Programme cost weightings

Following the review earlier this year, we have now confirmed that the programme cost weightings for 2014/15 are unchanged from those used in allocations for 2013/14. A [list of programme cost weightings](#) is given in the funding guidance for 2013/14 on our website.

## Allocations calculation toolkit (ACT)

This year the funding factor statements also include a comparison with the equivalent figures for 2013/14, to allow you to see whether there are any significant changes year-on-year. As for 2013/14, we have produced an allocations calculation toolkit (ACT). This explains how we have used your data to arrive at some of the key figures in the statement. It does not include data on area cost, care leavers or disadvantage block 2. We are not distributing the toolkit routinely, as it is unlikely to be of interest to every institution particularly where factors are very similar year-on-year, but we will provide it on request through the contact details listed below.

## Next steps

If you have any queries or wish to raise any issues with the figures in your funding factor statement, please raise them with us as soon as possible and at the latest by the end of January 2014. This will allow us to take into account any issues you raise as we finalise your 16-19 allocation. Issues raised after this date may not be taken into account for your 2014/15 allocation.

Institutions should send queries to the relevant EFA 16-19 territory mailbox:

- 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)

The next steps in the allocation process and the procedures for handling business cases will follow the timeline set out in Peter Mucklow's letter of 10 December. In particular, in mid-January we will confirm to colleges, and any other institutions normally funded on the basis of R04 data, the numbers that we have calculated from the R04 return. This will allow those institutions 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 equivalent figure (using the 1 November reference date) based on the R06 data and confirm that to institutions in March. We will also confirm in March the lagged numbers for those institutions (mainly commercial and charitable providers) funded on a rolling twelve-month figure based on R06.

We will confirm your funding allocation to you by the end of March 2014.

## Annex A: Funding factor statement detailed notes

**Table 1: Distribution of Students by funding band**

Title	Comments
Proportions in 2013/14 allocation	The percentage of students in each band in the 2013/14 allocation. This is usually based on 2011/12 data, but will include the effect of any agreed business cases, where applicable
Starting point for 2014/15 allocation (student number percentages in 2012/13)	<p>The proportion of students in each band in 2012/13 based on ILR return R14. The first figure is the total percentage in the band, for comparison to the 2013/14 allocation.</p> <p>This is then split into students aged 16 and 17 and those aged 18+. Students aged 18+ with high needs (flagged as having additional support costs &gt;£5,500) are included with 16 and 17 year olds.</p> <p>All of the percentages relate to the total number of students across both age bands. For example, consider a college that had 100 students in total of whom 45 were in band 5. Of the students in band 5, 35 were aged 16 or 17 and the remaining 10 were aged 18. The percentages shown would then be 45% in the total column, 35% for 16 and 17, and 10% for 18.</p>
Student numbers in 2012/13	<p>These columns show, by age as above, the student numbers from the 2012/13 data corresponding to the percentages in the previous columns.</p> <p>In addition, for students in band 1 (up to 279 hours), row 1.6 shows the total FTEs for the student numbers shown on row 1.5</p>

**Table 2: Funding factors**

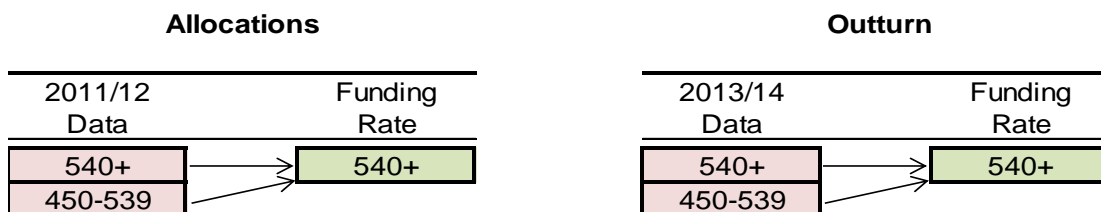
In each case, the table shows the value used in the 2013/14 allocation (including any business cases, where applicable) and the value calculated from historical data that will be used for the 2014/15 allocation

Title	Comments
Retention factor	<p>Retention rate = retained students ÷ all students</p> <p>Retention factor = (retention rate ÷ 2) + 0.5</p> <p>Calculated from R14 data for 2012/13.</p>

Title	Comments
Programme cost weighting	<p>The programme cost weighting used is the average for your institution, and has been weighted by the hours for each student.</p> <p>Programme cost weighting is based on the sector subject area (SSA) classification for each student's core aim.</p> <p>Calculated from R14 data for 2012/13.</p>
Area cost	<p>Some areas of the country are more expensive to teach in than others, and the area cost weights the allocation to reflect this.</p> <p>The area cost is normally based on your institution's address, except for a small number of institutions which deliver provision in different locations where it is based on the delivery postcodes for that provision.</p>
Disadvantage block 1: Economic deprivation factor	<p>The student's home postcode and the Index of Multiple Deprivation (IMD) 2010 are used.</p> <p>The factor is an average across the whole institution, weighted by the hours for each student.</p> <p>Calculated from R14 data for 2012/13.</p>
Disadvantage block 1: Care leavers	<p>The number of eligible students based on the 2012/13 end of year 16-19 Bursary Fund data return in autumn 2013.</p>
Disadvantage block 2: Instances attracting funding per student	<p>The ratio of students that did not have GCSE maths and/or English based on the Young People's Matched Administrative Database (YPMAD) for 2011/12.</p> <p>The factor is based on the number of instances when a student does not have at least a C grade in GCSE maths or English at the end of year 11. A student without a C in maths and English counts as 2 instances, a student without a C in either maths or English counts as 1 instance and a student with Cs in both counts as 0 instances.</p>

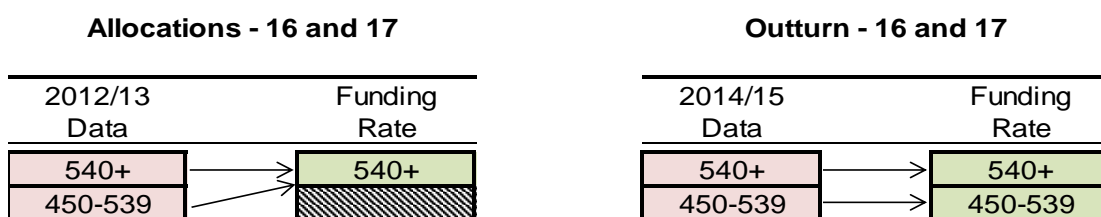
# Annex B: Explanatory diagrams on programme size

## 2013/14 Funding

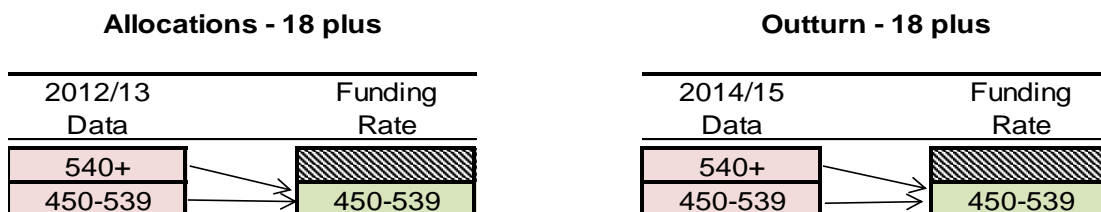


The 450-539 band is treated as 540+ in both allocations and outturn - transitional year

## 2014/15 Funding

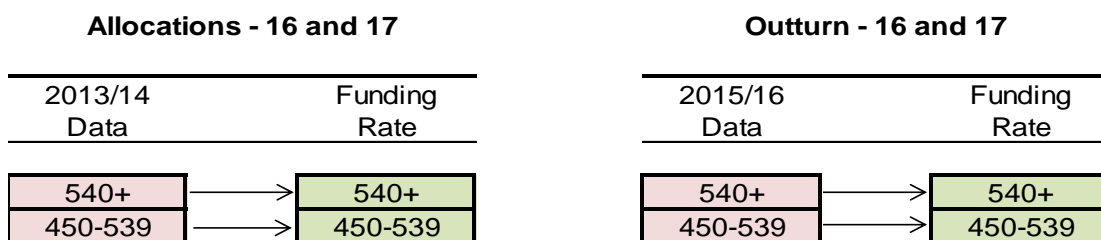


Students with 450-539 hours in 2012/13 are treated as 540+ in **allocations** as these are based on historical data, but will need to increase programme size to 540+ in 2014/15 to generate funding at that level in-year

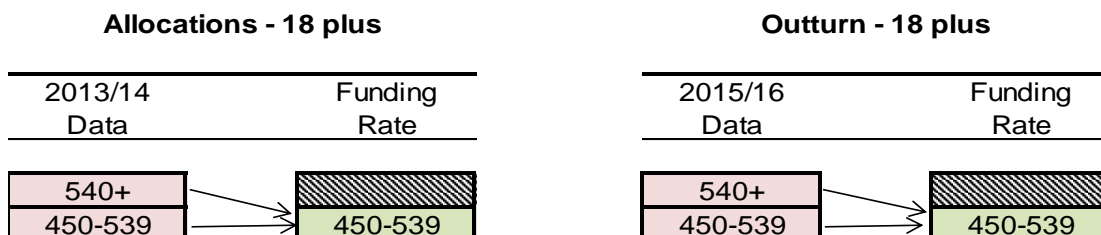


Single rate for all students with 450+ hours in both allocations and outturn

## 2015/16 Funding



New system fully in place. Now using 2013/14 data in allocations, so no longer make an assumption about increased programme size for 450-539 band







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