

## **Annex A: Supplementary Information on 16-19 Allocations to Commercial and Charitable Providers**

Information in this annex is to supplement that provided in the [Explanatory Note](#) accompanying final allocations in March 2013.

### **Calculation of Formula Protection Funding**

For commercial and charitable providers (CCPs) funded under contract, formula protection funding has been calculated using historic data on actual delivery from 2011/12. This data was used in preference to the allocation for 2012/13 because CCP allocations for 2012/13, unlike those for any other provider type, included additional funds for planned growth in programme size. CCPs are subject to reconciliation and hence these funds would be reclaimed where providers did not deliver the growth allocated. Currently we forecast that under-delivery will be circa £30m in 2012/13. All other provider types had Formula Protection Funding calculated on a lagged allocation for 2012/13 ie using historic data on actual delivery from 2010/11.

We have calculated Formula Protection Funding for CCPs by:

- Calculating the actual SLN/learner ratio from the 2011/12 final R15 data.
- Calculated an adjusted 2012/13 allocation using this actual SLN/learner ratio rather than the planned ratio used in the allocation (including both increases and decreases).
- Calculated the funding per student figure based on this adjusted allocation – so giving the funding per student based on actual delivery using the most recent all year data we have.
- Used this funding per student as the baseline for comparison with 2013/14 in the calculation of Formula Protection Funding.

This ensures that the Formula Protection Funding is related to the changes in formula, and not to differences between actual and planned delivery.

Overall, 60 CCPs will receive Formula Protection Funding in 2013/14.

### **Adjustments to Programme Size**

We have previously increased programme size for CCPs to reflect the push towards delivering an increased programme size in readiness for RPA. This approach will continue for those CCPs who increased their SLN ratio during the last full academic year and will be reflected within the 2013/14 allocation, and will be subject to the normal rules of reconciliation. All other CCPs not meeting this criterion will see no increase at the allocation stage.



The approach we have taken is as follows:

- We have applied an uplift to CCPs where between the last full 2 years the CCP had an increase in their programme size (actual SLN ratio) ie between 2010/11 and 2011/12.
- This resulted in 78 CCPs being eligible for an uplift using this criteria which has been included in the allocation issued in March.
- For these providers we have increased their allocations by moving 50% of their students in each part-time band up to the next band - This altered the FT/PT proportions used to calculate the 2013/14 lagged numbers and resulted in the allocation of an additional £10m.
- In a small number of cases, the interaction with formula protection funding meant that this approach resulted in a significantly lower increase than might have been expected. In these cases we have adjusted the formula protection funding calculation accordingly, allowing a proportion of the extra programme funding to work through to the allocation.

### **Reconciliation**

Allocations to CCPs for 2012/13 are subject to reconciliation for under-delivery and, subject to affordability, for over-delivery. Current forecasts indicate a net under-delivery of circa £30m for 2012/13.

The approach to allocations applied to CCPs under the new national funding formula does result in allocations for 2013/14 being lower than for 2012/13 and consequently we forecast that under-delivery will be reduced in 2013/14, potentially significantly. We have therefore made budgetary provision for 2013/14 to support over-delivery beyond the level made possible as a result of recycling funds returned from under-delivery.

For 2013/14 the approach we will apply to reconciliation is as follows:

### **Recognising significant growth between 2011/12 and 2012/13**

- In October we will review the R14 for 2012/13.
- For providers who had **not** achieved SLN growth between 2010/11 and 2011/12 but who have achieved material SLN growth in 2012/13 above 2010/11 levels we will apply a similar approach to that used for 2013/14 allocations and re-issue the 2013/14 allocation to recognise this growth.
- Adjustments to funding will commence from November 2013.



**Recognising significant growth in 2013/14:**

- Where RO6 2013/14 indicates that a provider has delivered more than its 2013/14 allocation we will make an interim growth payment from April 2014.
- Where R10 2013/14 indicates that a provider has delivered more than its 2013/14 allocation we will make an interim growth payment from July 2014,
- Final reconciliation, both positive and negative, based on R14 will be carried out as usual with adjustments made by end December 2014.