



Education
Funding
Agency

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Dear colleague

Funding for academic year 2017 to 2018 for students aged 16 to 19 and students aged 19 to 25 with an education, health and care plan

I am writing to provide information on the funding of education and training for young people by the Education Funding Agency in academic year 2017 to 2018. I would be grateful if you would share this with members of your management team and governing body as appropriate.

This letter covers:

- Funding for academic year 2017 to 2018
- National funding rates
- Formula protection funding
- Maths and English
- Student support (including free meals)
- High needs students
- Traineeships
- Lagged student numbers
- 19+ continuing students
- Disadvantage block 2
- Allocations process and timeline

Funding for academic year 2017 to 2018

The 16 to 19 participation budget funds institutions to deliver high quality study programmes offering substantial qualifications, English and maths, and other value added activities, including work experience where appropriate, enabling students to progress to higher levels of study or skilled work.

The national base rates of £4,000 per full time student aged 16 to 17 and £3,300 for 18 year olds are maintained for academic year 2017 to 2018 as are the part time funding rates. This is in line with the commitment made in the 2015 Spending Review.

Following the Spending Review, we also announced that £160 million savings would need to be made and that a significant proportion of this would be realised by phasing out Formula Protection Funding (FPF) over a six-year period. We will be taking the next steps in continuing to remove FPF as planned. We also announced previously that discretionary bursary funding would be reduced by £15 million to remove the double funding which occurred once funding for free meals in further education (FE) was introduced. We expect to be able to keep within the Spending Review agreement without any further reductions in funding. We are, therefore, not planning any additional savings for the 2017 to 2018 academic year beyond the continued removal of FPF.

Formula protection funding

FPF was introduced from academic year 2013 to 2014 for institutions subject to significant decreases in funding as a result of the introduction of funding per student in that year. As set out in [my letter in January 2016](#), FPF is being phased out over 6 academic years so the final year in which any FPF will be payable will be academic year 2020 to 2021.

For those institutions still in receipt of FPF, in 2017 to 2018 we will continue to reduce FPF per student based on the same trajectory as we applied in 2016 to 2017. [Details of the calculation](#) are given on GOV.UK.

Maths and English

For academic year 2016 to 2017 allocations, a 5% tolerance was applied for students who were not compliant with the maths and English condition of funding. For the academic year 2017 to 2018 we will apply the same tolerance. Funding reductions will therefore apply only to institutions above a tolerance of 5% of total students (calculated by value) for students without A*-C GCSE in English and/or maths who did not enrol on an approved qualification in these subjects. As last year, funding for these institutions will be removed for each student above the tolerance level at half the national funding rate, rather than 100% as originally planned. Further details can be found on our [maths and English webpage](#) on GOV.UK.

Student support

We will continue to calculate the 16 to 19 discretionary bursary and free meals in FE allocations separately but, as in academic year 2016 to 2017, there is no ring fence between the two funds. This is to give maximum flexibility for those institutions that receive both allocations.

We plan to calculate free meals allocations for academic year 2017 to 2018 based on the proportion of students assessed as eligible for, and in receipt of, free meals in academic year 2015 to 2016, as reported in the 2015 to 2016 R14 data return. No change is planned to the £2.41 rate. Only students (or their parent/guardian) who are in receipt of one of the qualifying benefits set out in the scheme guide are eligible for free meals in FE funding support.

For 2017 to 2018 academic year we will also use the 2015 to 2016 R14 data return to calculate the allocation to institutions of the reduction of £15 million in discretionary bursary funding introduced in 2016 to 2017 academic year.

High needs students

The window for local authorities to notify EFA of high needs place numbers for academic year 2017 to 2018 closed on 25 November 2016. The outcomes of this exercise will be published in late January 2017 in time to ensure that high needs place funding is communicated to all institutions by the end of March 2017. Full details of the high needs academic year 2017 to 2018 allocation process and principles can be found in our published [guidance](#).

In July 2016 we set out the minimum high needs [funding](#) local authorities will receive in financial year 2017 to 2018 as part of their dedicated schools grant (DSG) allocations, inclusive of the transfer of £125 million from the department's post-16 budget to the high needs funding block. On 20 December 2016 we announced final DSG high needs funding allocations to local authorities for financial year 2017 to 2018, including additional high needs funding for all authorities amounting to £130 million. This will help provide certainty to local authorities, enable early decisions on placing students and support the delivery of the SEN reforms in the Children and Families Act 2014.

Earlier this year, the department sought views on proposals to improve the distribution of [high needs funding](#). We are proposing to introduce a new national formula for distributing high needs funding to local authorities. The department launched a [second consultation on the high needs national funding formula](#) on 14 December. Please feel free to respond to this new consultation, which runs until 22 March 2017.

Traineeships

We will continue to ensure that funding supports institutions growing traineeship numbers. If you have exceptional growth in traineeships in academic year 2016 to 2017, please submit a business case using our [online enquiry form](#) after the R06 data window closes. We will then review cases in March 2017 and inform you of the result in April 2017. We will confirm the deadline and criteria for business cases in late January 2017 via our e-bulletin.

Lagged student numbers

For most institutions, the allocation is based on lagged student numbers as set out in annex B, but there are some exceptions. The lagged approach does not apply where there is a material change in the volume of provision offered by an institution. For 2017 to 2018 we will be clarifying the guidance on where the lagged approach does not apply to reflect the main examples of this. These include new 16 to 19 provision, closing or wind-down of 16 to 19 provision and transfers of provision between institutions, including where this relates to significant changes resulting from changes to sub-contracting arrangements. In these cases, the institution will be removed from the lagged approach and the funded student numbers will be calculated separately taking into account the change in circumstances.

We will provide more detail on the calculation of student numbers and guidance on situations where the lag doesn't apply in the explanatory notes sent out with your allocation statement.

19+ continuing students

Currently, students aged 19 or over on 31 August who are continuing an EFA-funded programme they began aged 16 to 18 (19+ continuing students) in FE colleges and commercial charitable providers (CCPs) are funded by the Skills Funding Agency (SFA) while similar students in sixth form colleges, schools and academies are funded by EFA.

From 2017 to 2018, all such 19+ continuing students will be funded by EFA. For institutions where funding for these students currently sits with SFA, we will transfer the funding from SFA to EFA when we calculate academic year 2017 to 2018 allocations. The amount transferred will be shown on allocation statements from both agencies. In future years this funding will then be embedded in EFA allocations. We will give more detail on the calculations and funding of this provision when we provide allocations, including how student support is allocated for this specific group.

Disadvantage block 2

Disadvantage block 2 provides funds to support students with additional support needs. Up to academic year 2016 to 2017, disadvantage block 2 funding has been calculated using matched administrative data with a 3 year lag. From 2014 onwards, we collected additional information in the individualised learner record (ILR) and school census to allow us to calculate block 2 funding using those data sources which would be more transparent and reduce the length of the lag. We have reviewed the data and for the vast majority of cases this appears to be robust. We will, therefore, be using data from the ILR and school census for academic year 2015 to 2016 to calculate block 2 funding for academic year 2017 to 2018 allocations. This brings the lag on disadvantage block 2 in line with the other factors used to calculate allocations with a 2 year lag.

Currently disadvantage block 2 funding is calculated on the basis of the number of students that fail to attain at least a grade C in English and maths by the end of year 11. Reformed English language, English literature and maths GCSE exams will be taken for the first time in 2017. These will be graded 9 to 1 instead of A* to G. For academic year 2017 to 2018 we are planning to maintain the same level of student achievement for which we currently allocate block 2 funding. Therefore, we will allocate block 2 funding for those students who have not yet achieved a grade 4 in the new GCSEs. This threshold will apply for the next two academic years as it will for the maths and English condition of funding. The new criteria will apply to students in the 2017 to 2018 academic year and will, therefore, impact on 2019 to 2020 allocations.

Annex C contains further information about disadvantage block 2.

Allocations process and timeline

The allocations timeline for academic year 2017 to 2018 and the data sources we will use are attached at annexes A and B respectively. We have streamlined the process slightly this year in consultation with key provider associations and will be reducing the number of separate documents we will send to institutions during January and February 2017.

Most institutions will be informed of their allocation by the end of February 2017 and all will be informed by the end of March 2017. We will issue statements through EFA document exchange.

We fund post-16 education and training for over 3,000 institutions each year. To do so on time and efficiently, we rely on the data provided by institutions in the school census and the ILR being accurate. By exception we will consider evidenced and credible business cases from institutions where there has been a major error in the data returned by the institution via the school census or the ILR. In order to apply this facility consistently, we will apply standard minimum thresholds to decide whether we will consider a case, as shown below:

- for cases affecting lagged student numbers, 5% of students or a minimum of 50 students, whichever is lower;
- for cases affecting the full time/part time split and other funding factors including programme cost weightings, retention, area cost, disadvantage block 1 funding and for the condition of funding (threshold introduced for 2017 to 2018), an overall impact of 5% on total funding or £250,000, whichever is lower; and
- for other cases not covered above including business cases relating to disadvantage block 2, we will review the cases individually with the exception of high needs place funding, where arrangements are published on GOV.UK

If you have any queries about the content of this letter, please contact us using the [online enquiry form](#).

Yours faithfully



Peter Mucklow

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

Annex A: allocations timeline

Allocations timeline Month	Activity
January 2017	Allocation Calculation Toolkit for 2017 to 2018 containing funding factors sent to FE institutions
January 2017	Final high needs place numbers confirmed for 2017 to 2018
Early February 2017	Allocation Calculation Toolkit for 2017 to 2018 containing funding factors and student numbers sent to schools and academies
February 2017	ILR R06 deadline (6 February)
February 2017	Allocations, including high needs place numbers, notified to most institutions
March 2017	Allocations notified to all special post-16 institutions, non-maintained special schools and charitable and commercial providers and other institutions where lagged numbers are based on R06
April 2017	Deadline for institutions to return any business cases in relation to exceptional circumstances affecting their allocation (excluding high needs)
April/May 2017	All business cases reviewed
June to August 2017	<p>Funding agreements/contracts issued to institutions either directly or through the lead contact. Agreements/contracts signed and returned by funded organisation</p> <p>Institutions informed of outcomes of business cases in June</p>
August/September 2017	First payment made to LAs (in respect of schools with sixth forms) and directly to academies, colleges and other institutions

Annex B: data sources

Table 1

The data sources we propose to use in calculating allocations are set out below by institution type	Method of determining number of students attracting funding
Schools, academies, free schools, studio schools, university technical colleges	Lagged numbers based on 2016 to 2017 student numbers in autumn 2016 census. Some academies are funded on estimated numbers where their funding agreement states this
FE colleges, some other FE or higher education institutions	The starting point is the number of valid students with a census date of 1 November 2016 based on R04 for 2016 to 2017. This is multiplied by the ratio of 1 November to all-year student numbers based on the R04 return for 2015 to 2016 and the final R14 return for that year. We will also compare this figure with the student numbers calculated from R06, both the year-to-date (as at 1 February) figure and the number recruited by 1 November. Where there is a significant increase or decrease in student numbers we may revise the allocation accordingly. This could result in a delay to issuing allocations for institutions involved
Commercial and charitable providers	We expect the approach to be similar to that for 2016 to 2017 allocations, that is, depending on the profile of recruitment for the individual provider we will either use: a twelve month rolling figure for February 2016 to January 2017 based on R14 (2015 to 2016) and R06 (2016 to 2017) data; or the same approach as set out above for FE colleges. The use of R06 data means that there may be a delay in issuing allocations for institutions involved
Higher education institutions, local authorities, some other FE institutions	Where use of in-year data is not appropriate, a full year figure will be used based on, R14 (2015 to 2016) or HESA data for 2015 to 2016
Maintained special schools	The high needs place funding allocation will be made directly to local authorities at local authority level, rather than at individual school level. Local authorities then determine the post 16 place funding to individual maintained special schools
Special academies	Published 2016 to 2017 academic year high needs place numbers revised by place changes notified to local authorities in the autumn of 2016
Special post-16 institutions	Continue to be funded on the basis of elements 1 and 2 in 2017 to 2018. The place funding will be allocated based on ILR data. We will confirm in January 2017 which data set will be used for 2017 to 2018 allocation purposes
Non-maintained special schools	Continue to be funded based on school census data. We will confirm in January 2017 which data set will be used for 2017 to 2018 allocation purposes

Table 2

The information in table 2 is not applicable for maintained special schools, non-maintained special schools, special academies, special free schools. These institutions are funded at £10,000 per place.

Data sources for formula elements Institution type	Size of programme/ Retention/ Programme cost weighting	Disadvantage - Block 1 factor	Disadvantage - Block 2 instances	Large programmes	Condition of Funding
Institutions making ILR return	R14 2015 to 2016	R14 2015 to 2016	R14 2015 to 2016 ¹	2014 to 2015 Young People's matched admin data set (YPMAD)	R14 2015 to 2016
Institutions making census return	Autumn census 2016 (end-year 2015 to 2016 data)	Autumn census 2016 (end-year 2015 to 2016 data)	Autumn census 2016 (end-year 2015 to 2016 data) ¹	2014 to 2015 Young People's matched admin data set (YPMAD)	Autumn census 2016 (end-year 2015 to 2016 data)
Institutions making HESA return	HESA 2015 to 2016	HESA 2015 to 2016	HESA 2015 to 2016	Based on exceptional business cases where appropriate	HESA 2015 to 2016
Institutions with no historical data	National average for institution type	LA average for institution type	National average for institution type	No impact	No impact

¹ YPMAD 2014 to 2015 data will be used in the mitigation calculation as explained in Annex C.

Annex C – Disadvantage block 2

Disadvantage block 2 provides funds to support students with additional support needs. It is allocated based on low prior attainment in maths and English.

Up to academic year 2016 to 2017, disadvantage block 2 funding has been calculated using matched administrative data with a 3 year lag. From 2014 onwards, we collected additional information in the individualised learner record (ILR) and school census to allow us to calculate block 2 funding using those data sources which would be more transparent and reduce the length of the lag.

We wrote to institutions in September 2016 stating that we were considering changing the approach to use this new data from academic year 2017 to 2018 subject to a review of the data provided by institutions in the autumn. We have now reviewed the data provided by institutions and for the vast majority of cases this appears to be robust. We will, therefore, be using data from the ILR and school census for academic year 2015 to 2016 to calculate block 2 funding for academic year 2017 to 2018 allocations. This brings the lag on disadvantage block 2 in line with the other factors used to calculate allocations with a 2 year lag.

The data we will be using to calculate the block 2 factor for 2017 to 2018 will be included in allocation calculation toolkits along with the other data on funding factors. For some institutions where block 2 disadvantage funding is decreasing because of improved prior attainment, the change from a 3 year to a 2 year lag will result in a reduction in block 2 funding earlier than institutions may have expected. To reflect this, for those institutions where the factor based on the ILR/census is lower than the matched data for 2014 to 2015 (which we would have used if the methodology was unchanged), we will use the average of those 2 factors in this first year. From academic year 2018 to 2019 we will base the block 2 factor solely on the ILR/census data.

We will provide more detail on the calculations in allocation calculation toolkits and allocation statements. In a small number of cases where there appears to be significant data quality issues we will contact the institutions concerned in advance of producing allocations.

Currently disadvantage block 2 funding is calculated on the basis of the number of students that fail to attain at least a grade C in English and maths by the end of year 11. Reformed English language, English literature and maths GCSE exams will be taken for the first time in 2017, these will be graded 9 to 1 instead of A* to G.

For academic year 2017 to 2018 we are planning to maintain the same level of student achievement for which we currently allocate block 2 funding. Therefore, we will allocate block 2 funding for those students who have not yet achieved a grade 4 in the new GCSEs. This threshold will apply for the next two academic years as it will for the maths and English condition of funding. The new criteria will apply to students in the 2017 to 2018 academic year and will, therefore, impact on 2019 to 2020 allocations.