



Thursday 14 January 2016

Dear colleague

Funding for academic year 2016 to 2017 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 the academic year 2016 to 2017. 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 2016 to 2017: introduction
- National funding rates
- Formula protection funding
- Large programmes
- Maths and English
- Discretionary bursaries and free meals double funding
- High needs students
- Traineeships
- Allocations process and timeline

Funding for academic year 2016 to 2017: introduction

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.

As you know, the Spending Review settlement saw core education funding for 16 to 19-year-olds protected, and the base rate of £4,000 for full time 16 to 17 year olds maintained over the Spending Review period. The settlement provides a stable medium term framework for institutions to plan how they will deliver a sustainable high quality offer for students.

There will however be reductions to non-core funding expected to reach around £160m in a full year by the end of the Spending Review period (Financial Year 2019 to 2020). A significant proportion will be realised by phasing out Formula Protection Funding (FPF), although as this letter

explains the FPF will be phased out over six years, giving institutions time and stability to make the spending decisions they need to.

This letter sets out the detail of the reductions that will apply in academic year 2016 to 2017 only. The department will set out as soon as possible details of the reductions which will apply in the remainder of the Spending Review period. This letter does not cover 16 to 18 apprenticeships in detail. However the 16 to 18 apprenticeship budget will increase annually over this Parliament to fund a sustainable increase in high quality apprenticeships.

We recognise that some 16 to 19 institutions face challenges delivering 16 to 19 education and training especially those facing demographic decline over the Spending Review period. Institutions should now revisit their financial and business plans and make a hard-headed assessment of what they need to do to ensure they remain financially sustainable and that local students can continue to benefit from high quality education and training. Institutions delivering 16 to 18 apprenticeships and traineeships will wish to respond to the opportunity to expand numbers whilst also improving quality.

General FE and sixth form colleges should engage fully and openly in the Area Review process as this provides a unique opportunity for agreed, transparent and evidence-driven structural change across institutions in an area. Restructuring funds will be available on a one-off basis to support some of the changes arising from implementation of Area Reviews where there is a compelling business case with realistic costs and benefits. Sixth form colleges proposing to become academies will need the support of their Area Review Steering Group's recommendations. They will also need to present a strong case to the department on how their proposal will improve educational standards, for example through improved collaboration with local schools, and realise financial savings.

National funding rates

The national base rates of £4,000 per full time student age 16 to 17 and £3,300 for 18 year olds are maintained for academic year 2016 to 2017 as are the part time funding rates. The specialist programme cost weight for land based provision delivered by institutions with recognised specialist resources will increase from 1.6 to 1.75 as announced in July 2014.

Formula protection funding

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. It will be phased out over the next 6 academic years so the final year in which any FPF will be payable will be academic year 2020 to 2021. For institutions in receipt of FPF in academic year 2015 to 2016 we will recalculate FPF for academic year 2016 to 2017 to take account of funding changes previously announced for that year, specifically the large programme uplift and the increase in the specialist programme cost weight.

We will then treat institutions in one of three ways in academic year 2016 to 2017 depending on the level of recalculated FPF.

- for institutions whose recalculated FPF would be less than 2% of their total programme funding plus FPF, recalculated FPF will be removed in full in academic year 2016 to 2017
- for institutions whose recalculated FPF would be between 2% and 12% of their total programme funding plus FPF, their recalculated FPF will be reduced by 2% of their total programme funding plus FPF
- for institutions whose recalculated FPF would be more than 12% of their total programme funding plus FPF, their recalculated FPF will be reduced by one-sixth (16.67%)

We will give more detail in January on our website about the FPF calculations for academic year 2016 to 2017.

Large programmes

We are introducing the large programme uplift from academic year 2016 to 2017. The large programme uplift reflects the fact that some study programmes are necessarily much larger than 600 hours. It is only available for high quality study programmes providing students with substantial stretch and challenge. Examples include programmes of 4 or more full A levels, the full level 3 International Baccalaureate (IB), and some large level 3 Technical Baccalaureate ([TechBacc](#)) programmes that also include a level 3 maths qualification and the Extended project. The uplift is paid where a set quality threshold is met. [Full details](#) can be found on GOV.UK.

Maths and English

Any student not studying maths and English in academic year 2014 to 2015 who should be doing so is due to be removed from the lagged student numbers used to calculate allocations for academic year 2016 to 2017. In light of in-year data showing that 97% of 16 to 19 year olds without GCSE A*-C English and/or maths attending an FE institution continued their study of these subjects in 2014 to 2015, ministers have decided not to apply the English and maths funding condition in full in academic year 2016 to 2017.

For academic year 2016 to 2017 allocations only, a 5% tolerance will be applied. Funding reductions will therefore only apply to institutions where more than 5% of students (by value) without A*-C GCSE in English and/or maths did not enrol on an approved qualification in these subjects. 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. [Details](#) can be found on GOV.UK.

As previously announced the condition of funding is revised from the current academic year 2015 to 2016. To meet the condition all full-time students starting their study programme who have a grade D GCSE or equivalent in maths and/or English must be enrolled on a GCSE or approved IGCSE qualification in maths and/or English. Stepping stone qualifications will not meet the condition of funding for these students.

Discretionary bursaries and free meals double funding

In academic year 2014 to 2015 we introduced additional funding for free meals for post-16 students attending colleges and other FE providers to provide parity with those young people attending school sixth forms. We will remove the ring fence between the free meals allocation and the discretionary bursaries allocation in academic year 2016 to 2017 to maximise flexibility for institutions receiving both allocations. The requirement to provide free meals for all eligible students who request them remains.

Prior to academic year 2014 to 2015 colleges and FE providers had been supporting the cost of meals for students who needed them on a discretionary basis from the discretionary bursary. The external evaluation of the discretionary bursary¹ estimated that this represented over £15m of discretionary bursary spend annually. Provision of FE Free Meals is now established and in its second year of implementation. In academic year 2016 to 2017 we will remove £15m from the budget in respect of this double funding. For academic year 2016 to 2017 discretionary bursary allocations will be adjusted to take account of this for those providers in receipt of an allocation for post-16 free meals.

We plan to allocate free meals funding to FE institutions for academic year 2016 to 2017 based on their R04 data returns based on the numbers of students they have assessed as eligible for and in receipt of free meals in academic year 2015 to 2016. No change is planned in the £2.41 rate.

High Needs Students

We will use the place numbers allocated to institutions in academic year 2015 to 2016 as the basis for allocating place numbers in academic year 2016 to 2017. The process for local authorities to make changes to these numbers, following discussions with institutions, closed in November 2015. We will be publishing the outcomes of this exercise in January 2016. We also consulted non-maintained special schools and special post-16 institutions on what the basis should be for their place funding allocation for academic year 2016 to 2017 and this consultation closed in October 2015. Again we will confirm the outcome of this by the end of January 2016.

We announced allocations of [Dedicated Schools Grant High Needs Block funding for financial year 2016 to 2017](#) to local authorities on 17 December 2015. This will help provide certainty to institutions and local authorities and enable early decisions on placing students and support the delivery of the SEN reforms within the Children and Families Act 2014.

In future years we will introduce a new national funding formula for distributing high needs funding to local authorities. The department will consult on this and other changes early in 2016 so that we can introduce changes from academic year 2017 to 2018.

Traineeships

The government is removing from August 2016 the restriction that only

¹ [The 16 to 19 bursary fund: year 3 process evaluation research report June 2015, produced for the Department for Education by NatCen Social Research.](#)

providers graded “good” or “outstanding” by Ofsted can deliver traineeships. This fulfils a commitment to review the criteria once traineeships were fully established. In terms of Ofsted grades, traineeships will be treated the same way as other study programmes.

We will continue to ensure that funding supports institutions growing traineeship numbers and will in March 2016 review the position as part of our ‘exceptional’ growth process, based on R06 data received in February. If you do have exceptional growth in traineeships in academic year 2015 to 2016, please raise this with us during February.

Allocations process and timeline

The allocations timeline for academic year 2016 to 2017 and the data sources we will use are attached at annexes A and B respectively. Most institutions will be informed of their allocation by end-February 2016, and all will be informed by end-March 2016.

We fund post-16 education and training for over 3,000 institutions each year and 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 split² and other funding factors including programme cost weightings, retention and disadvantage funding, an overall impact of 5% on total funding or £250,000, whichever is lower; and
- for other cases not covered above, we will review the cases individually

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

Yours faithfully



Peter Mucklow

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

² For cases on full-time/part-time split based on the autumn 2014 school census, where the same census return was used for planned hours for two separate funding years, we will exceptionally this year apply no minimum threshold to business cases

Annex A: allocations timeline

Month	Activity
January 2016	Funding factors, lagged student numbers and Allocation Calculation Toolkit for 2016/17 sent to schools, academies and most FE institutions (where R04 is used for calculating lagged numbers)
January 2016	Final high needs place numbers confirmed for 2016/17
February 2016	ILR R06 deadline (4 February)
February 2016	Allocations, including for high needs place numbers, notified to most institutions
March 2016	Allocations notified to all Charitable and Commercial and other institutions where lagged numbers are based on R06
April 2016	Deadline for institutions to return any business cases in relation to exceptional circumstances affecting their allocation (excluding high needs)
April/May 2016	All business cases reviewed and institutions informed of outcomes
June to August 2016	Funding agreements/contracts issued to institutions either directly or through the lead contact. Agreements/contracts signed and returned by funded organisation
August/September 2016	First payment made to LAs (in respect of schools with sixth forms) and directly to academies, colleges and other institutions

Annex B: table 1 data sources

The data sources we propose to use in calculating allocations are set out below

Institution type	Method of determining number of students attracting funding
Schools, Academies, Free Schools, Studio Schools, University technical colleges	Lagged numbers based on 2015 to 2016 student numbers in autumn 2015 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 2015 based on R04 for 2015 to 2016. This is multiplied by the ratio of 1 November to all-year student numbers based on the R04 return for 2014 to 2015 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 2015 to 2016 allocations, that is, depending on the profile of recruitment for the individual provider we will either use, a twelve month rolling figure for February 2015 to January 2016 based on R14 (2014 to 2015) and R06 (2015 to 2016) 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 (2014 to 2015) or HESA data for 2014 to 2015
Maintained Special Schools, Special Academies	Published 2015 to 2016 academic year high needs place numbers
Special Post-16 Institutions, Non Maintained Special Schools	To be communicated in January 2016 having taken into account, responses to consultation on the options for allocating place funding in 2016 to 2017; analysis of relevant data; the impact of any changes to element 1 and the removal of any transitional protection; and the outcome of the spending review.

Table 2: 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 2014 to 2015	R14 2014 to 2015	2013 to 2014 Young People's matched admin data set (YPMAD)	2013 to 2014 Young People's matched admin data set (YPMAD)	R14 2014 to 2015
Institutions making census return	Autumn census 2015 (end-year 2014 to 2015 data)	Autumn census 2015 (end-year 2014 to 2015 data)	2013 to 2014 Young People's matched admin data set (YPMAD)	2013 to 2014 Young People's matched admin data set (YPMAD)	Autumn census 2015 (end-year 2014 to 2015 data)
Institutions making HESA return	HESA 2014 to 2015	HESA 2014 to 2015	Average for HEIs making ILR returns	Based on exceptional business cases where appropriate	HESA 2014 to 2015
Institutions with no historical data	National average for institution type	LA average for institution type	National average for institution type	No impact	No impact

In September, the Department for Communities and Local Government published an updated version of the [indices of deprivation](#), including the index of multiple deprivation (IMD). We use IMD to calculate the factors used for disadvantage block 1 funding and accordingly we will update those factors for the 2016 to 2017 allocations to use IMD 2015. Block 1 factors based on the new index will be included in funding factor statements sent to institutions in the next two months.

The information in this table 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 for Element 1 and 2.

The arrangements for special post-16 institutions will be communicated in January 2016.