



Education & Skills
Funding Agency

Education and Skills Funding
Agency
53-55 Butts Road
Earlsdon Park
Coventry
CV1 3BH

Tel: 0370 000 2288
www.education.gov.uk

Tuesday 9 January 2018

Dear colleague

Funding for academic year 2018 to 2019 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 and Skills Funding Agency in academic year 2018 to 2019. 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 2018 to 2019
- Formula protection funding
- Supporting growth in maths
- Maths and English condition of funding
- Application of retention
- Work Placement Capacity and Delivery Fund
- Student support
- High needs students
- Lagged student numbers
- 19+ continuing students
- Allocations process and timeline

Funding for academic year 2018 to 2019

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 2018 to 2019 as are the part time funding rates. This is in line with the commitment made in the 2015 Spending Review.

Although base funding rates have not been increased, government will continue in 2018 to 2019 to make new investment in post-16 education to improve choices for students, quality and skills training. This includes:

- funding of up to £20 million over the next 2 years to train and prepare post-16 teachers for T levels; and
- up to £50 million in 2018 to 2019 financial year to build capacity to deliver work placements for 16 to 19 students; and
- £40 million for centres of excellence in English and maths over the next 5 years and £16 million for a Maths Support Programme to raise the quality and take-up of level 3 maths.

We are also continuing to invest in the institutions of the sector to ensure more higher-end technical skills training delivery and overall stability including:

- funding of £170 million to support new Institutes of Technology from 2019 to deliver higher-level technical skills; and
- the Strategic College Improvement Fund of £15 million over the next two years to help weaker colleges improve; and
- ongoing access to the one-off funding from the Restructuring Facility (to end-March 2019) to enable colleges to make the structural changes required to put them on a sustainable financial footing.

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. 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 2018 to 2019 we will continue to reduce FPF per student based on the same trajectory as we applied in 2017 to 2018. [Details of the calculation](#) are given on GOV.UK.

Supporting growth in maths

[Sir Adrian Smith's review of post 16 maths](#) identified a strong case for raising participation in post-16 mathematics and improving skills at all levels. In line with the recommendations of this review, we will be making some changes to the 16 to 19 national funding formula.

We will be introducing a change to the large programme uplift. This will apply to students starting their study programme in academic year 2018 to 2019, feeding into funding allocations from academic year 2022 to 2023. Students studying A level further maths will now attract the large programmes uplift funding when they achieve a grade C in this subject and the remainder of their

results are at grade B or higher, rather than having to achieve a grade B as is currently the case. We will update information about the [large programme uplift on GOV.UK](#) in due course.

We will also be implementing an additional payment to institutions for any additional students taking a level 3 maths qualification when compared with a baseline year. This will support the sector to grow the proportion of students studying maths to level 3. The payment will only apply to students who already have prior attainment equivalent to GCSE grade 9 to 4 or A* to C in maths, using the same definition as used for the condition of funding. It will initially apply to students starting their study programme in academic year 2018 to 2019 with payment in academic year 2019 to 2020. This payment will continue until academic year 2021 to 2022 initially and will then be reviewed. We are currently defining exactly which qualifications the payment will relate to and the specific values. We will be talking to provider associations about implementation and further details will be published on GOV.UK as soon as they are available.

The Department will also be testing innovative approaches to improve outcomes in basic maths post-16 by launching an £8.5m pilot. The pilot will start in areas where pass rates are currently lowest. A wider £40m programme to establish FE Centres of Excellence, build teaching capacity and spread best practice will support this pilot. Further details will be published on GOV.UK as soon as they are finalised.

Maths and English condition of funding

For academic year 2017 to 2018 allocations, we applied a 5% tolerance for students who were not compliant with the maths and English condition of funding. We will apply the same tolerance to allocations for academic year 2018 to 2019, and in future years until further notice.

Funding reductions will apply only to institutions where non-compliant students (those without 9 to 4 or A*-C GCSE in English and/or maths who did not enrol on an approved qualification in these subjects) form more than 5% of their total students. We will remove funding for these institutions for each student above the tolerance level, at half the national funding rate. Our [maths and English webpage](#) has more detail.

Application of retention

We have looked carefully at the impact of two-year linear A levels on retention rates, and have decided to amend the retention calculation so that we do not penalise institutions as the new qualifications are introduced. All students recorded on a two-year academic or vocational programme will be treated as retained in their first year if they have completed that year. This will apply to academic year 2018 to 2019 funding allocations and will continue until further notice. We do not, however, expect this to be a permanent arrangement.

To establish whether the student on the first year of a two-year programme has completed the year, we will review whether the student was still in learning on 30 June. Students recorded on a two-year programme who withdraw before that date will continue to be treated as not retained and the

50% funding reduction will apply.

We will provide information to institutions on what the retention penalty would have been if we had not made this adjustment. This will show where institutions have a significant number of students that drop out after the first year of a two-year programme.

Work Placement Capacity and Delivery Fund

For the 2018 to 2019 academic year allocations we will distribute the Capacity and Delivery Fund (CDF) to eligible institutions for the 16 month period from April 2018 to July 2019. CDF is available to facilitate the build-up of capacity and capability to deliver substantive work placements and their subsequent delivery. The placements are for students on vocational and technical study programmes at level 2 and level 3.

The CDF funding is additional to the mainstream allocation, which includes planned hours for qualifications and employability, enrichment and pastoral (EEP) hours. Work placements funded by CDF must be delivered on top of the usual planned hours, which must be recorded in the usual way.

We wrote to all eligible institutions on 20 October outlining the requirement that to 'opt in' an implementation plan must be submitted to the ESFA by 24 November. In December 2017, we notified all institutions who submitted a plan by the deadline whether it was assessed as complete or if additional information was required.

For institutions whose plans are assessed as completed, they will receive notification of their capacity and delivery allocation on the funding statements sent from February 2018 with all institutions notified by the end of March 2018. For resubmitted plans that are then assessed as completed, institutions will receive a revised funding statement by the end of April 2018.

We will start profiled payments for the capacity and delivery fund for the period from April 2018 to July 2019 from August 2018 for all institutions except academies, who will be paid from September 2018.

[Full details of CDF and a webinar](#) are available 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 previously, there is no ring fence between the two funds. This is to give maximum flexibility for those institutions that receive both allocations.

Before we introduced additional funding for free meals, institutions had supported the cost of meals for students who needed them from discretionary bursaries. In 2018 to 2019 academic year for those institutions also in receipt of an allocation for free meals, we will continue to make an adjustment to FE discretionary bursary allocations to take account of this double funding.

High needs students

In September 2017, the Secretary of State confirmed the introduction of a [national funding formula](#) (NFF) for schools and high needs funding. This included confirmation that an additional £1.3 billion will be made available during the financial years 2018 to 2019 and 2019 to 2020 for schools and high needs. A [policy document and other publications](#) explained how this additional funding will be distributed to local authorities. It also confirmed the provisional high needs funding they will receive in financial year 2018 to 2019 as part of their dedicated schools grant (DSG) allocations. This will help provide certainty, enable early decisions on placing students and support the delivery of the SEN and disability reforms in the Children and Families Act 2014. In December 2017, the [allocations for the high needs block](#) were updated with the latest pupil numbers.

There is an import/export adjustment within the high needs NFF. This is calculated using the census and ILR data returned by institutions. The adjustment is needed because local authority allocations bear the cost of places agreed between the authority and the institutions in their area. If these institutions “import” students from other local authorities, the costs to the home local authority are higher. If a local authority “exports” students who attend institutions in another local authority, the costs are lower. In the financial year 2018 to 2019 these adjustments will be calculated using data returned in the January 2018 census and the 2017 to 2018 R06 ILR. It is important local authorities receive an accurate adjustment to their allocation so they can meet the needs of the students and institutions with which they work. It is therefore imperative institutions record accurate high needs data returns. This is in line with the guidance which states that a high needs student is one for whom an institution is in receipt of top-up funding from a local authority. We publish information to support the return of accurate data, including a [school census interactive tool](#) and [reports](#) to check ILR data.

We will continue to allocate place funding to institutions as we have previously. The deadline for local authorities to notify us of changes to place numbers for academic year 2018 to 2019 closed on 17 November 2017. We will publish the outcomes of this exercise by the end of January 2018. Following a short enquiry window, we will communicate place funding to all institutions by the end of March 2018. We have published [full details of the high needs funding arrangements and allocation process](#) for academic year 2018 to 2019.

We encourage institutions and local authorities to collaborate and invest in their relationships in the best interests of students and their families, and to share best practice approaches to funding and commissioning through local networks. Institutions and local authorities should work together, particularly when students are moving from school to college or making other transitions. This allows timely decisions on high needs placements and funding, well before the start of the academic year. This is in the best interests of students with SEN and those who are disabled. It also enables institutions to plan and manage their provision effectively and reduce risks to delivery. Our [high needs operational guide for 2018 to 2019](#) sets out more information about how local authorities and institutions should work together and the [SEND](#)

[Code of Practice](#) includes guidance on the transition between school and post-16 institutions.

Lagged student numbers

For most institutions, we base the funding allocation on lagged student numbers, as set out in annex B of this letter, but there are some exceptions and these are set out in more detail in our [funding rates and formula guidance](#). In summary, the lagged approach does not apply where there is a material change in the volume of provision offered by an institution. This includes cases of 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 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.

19+ continuing students

As [set out in my letter of December 2016](#), in academic year 2017 to 2018, students aged 19 or over on 31 August will be funded through the 16 to 19 allocation if they were continuing a programme they began aged 16 to 18 in FE colleges and Independent Learning Providers. EFA and SFA both showed the transfer amount on their respective allocation statements for academic year 2017 to 2018. As a result, from 2017 to 2018 onwards, institutions should record all 19+ continuing students in the ILR as 16 to 19 funded using the following codes:

- Funding Model=25 [16-19 (excluding Apprenticeships)]
- Source of Funding=107 [Education and Skills Funding Agency (ESFA) - 16-19]

From 2018 to 2019, we will embed 19+ continuing students in the ESFA 16 to 19 allocation, and as such, we will no longer show them as a separate entry on the allocation statements. This means these students will now be included in all aspects of the funding formula, in particular:

- funding bands (proportions)
- funding factors
- lagged student numbers

Some elements of the funding formula are based on data from 2016 to 2017, when 19+ continuing students in FE colleges and ILPs were still funded by the former SFA. We will therefore include those 19+ continuing students funded by SFA in 2016 to 2017 in the calculations of those factors. Note that the condition of funding in maths and English does not apply to 19+ continuing students in FE colleges and ILPs in 2016 to 2017 or 2017 to 2018.

Students aged 19 or over are eligible to receive help from student financial support schemes (such as the 16 to 19 discretionary bursary or residential

support) if they are continuing on a study programme they began aged 16 to 18 or have an education, health and care plan (EHCP).

Allocations process and timeline

We have shown the allocations timeline for academic year 2018 to 2019 and the data sources we will use in annexes A and B respectively.

We will start to inform institutions of their allocation from February 2018 and will inform all by the end of March 2018. We plan to issue allocation statements through ESFA information exchange.

We fund 16 to 19 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 large programmes or 19+ continuing students, a minimum of 5 students
- for cases affecting the full time/part time split, other funding factors and for the condition of funding an overall impact of 5% on total funding or £250,000, whichever is lower; and
- for other cases not covered 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 and Skills Funding Agency**

Annex A: allocations timeline

Allocations timeline Month	Activity
December 2017	The ILR R04 deadline was 6 December.
January 2018	<p>We will issue the Allocation Calculation Toolkit containing funding factors to FE colleges.</p> <p>Final high needs place numbers confirmed for 2018 to 2019.</p>
February 2018	<p>The ILR R06 deadline is 6 February.</p> <p>We will issue the Allocation Calculation Toolkit containing funding factors and student numbers to schools and academies.</p> <p>We will start to issue allocations, including high needs place numbers, to most school sixth forms, academies and further education colleges.</p>
March 2018	<p>We aim to issue allocations to all special post-16 institutions, non-maintained special schools and independent learning providers, higher education institutions that supply HESA data and other institutions where lagged numbers are based on R06.</p> <p>We will also issue any remaining allocations to school sixth forms, academies and further education colleges.</p>
April 2018	<p>We have set a later business case deadline of 27 April this year after consulting with customers. This year there will be one deadline for institutions to return any business cases in relation to significant data error or exceptional circumstances affecting their allocation (excluding high needs). We expect all business cases to be submitted by the deadline.</p> <p>We will prioritise processing any business cases that we received with full information, by the deadline.</p> <p>For institutions that submit a late or incomplete business case, this will not be processed during the main business case process and so any changes will not be reflected in your initial payments for the year. If your case is successful the change to your allocation will be treated as an in year adjustment and will take place from September 2018.</p>
May 2018	We will review and process all business cases received by the deadline, containing full information.

Allocations timeline Month	Activity
June 2018	We will communicate the outcomes for business cases submitted with full information received before the deadline.
July/August 2018	Funding agreements/contracts issued to institutions either directly or through the lead contact. Agreements/contracts signed and returned by funded organisation.
August/September 2018	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 – student numbers

There are some exceptions to the arrangements in this table to reflect specific individual circumstances. We will explain this in our communications that support your 16 to 19 allocation statement.

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 2017 to 2018 student numbers in autumn 2017 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 2017 based on R04 for 2017 to 2018. This is multiplied by the ratio of 1 November to all-year student numbers based on the R04 return for 2016 to 2017 and the final R14 return for that year. We will also compare this figure with the student numbers calculated from R06 for 2017 to 2018, 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.
Independent learning providers	We expect the approach to be similar to that for 2017 to 2018 allocations. That is, depending on the profile of recruitment for the individual provider, we will either use: <ul style="list-style-type: none"> • a twelve month rolling figure for February 2017 to January 2018 based on R14 (2016 to 2017) and R06 (2017 to 2018) 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 returning HESA data, 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 (2016 to 2017) or HESA data for 2016 to 2017.
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 2017 to 2018 academic year high needs place numbers revised by place changes notified to local authorities in the autumn of 2017.

Special post-16 institutions (SPI)	<p>Continue to be funded on the basis of elements 1 and 2 in 2018 to 2019. The starting point for place funding will be high needs students recorded on the 2017 to 2018 R04 data return. This is multiplied by the ratio of 1 November to all-year high needs student numbers based on the R06 return for 2016 to 2017 and the final R14 return for that year.</p> <p>We will also compare this figure with the student numbers calculated from R06 for 2017 to 2018, 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.</p>
Non-maintained special schools (NMSS)	The starting point is the October 2017 census pupil headcount. An uplift is then added calculated as the increase in total pupil numbers between October 2016 and January 2017 census returns. This uplift is applied for increases only, no NMSS will be funded for less than their October 2017 census numbers.

Table 2 Funding formula elements

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.

We will also fund SPIs on the basis of averages again in academic year 2018 to 2019.

Data sources for formula elements Institution type	Size of programme/ Retention/ Programme cost weighting	Disadvantage - Block 1 factor	Disadvantage - Block 2 ¹ instances	Large programmes	Condition of Funding	Work Placements
Institutions making ILR return	R14 2016 to 2017	R14 2016 to 2017	R14 2016 to 2017	2015 to 2016 Young People's matched admin data set (YPMAD)	R14 2016 to 2017	R14 2015 to 2016
Institutions making census return	Autumn census 2017 (end-year 2016 to 2017 data)	Autumn census 2017 (end-year 2016 to 2017 data)	Autumn census 2017 (end-year 2016 to 2017 data)	2015 to 2016 Young People's matched admin data set (YPMAD)	Autumn census 2017 (end-year 2016 to 2017 data)	Autumn census 2016 (end-year 2015 to 2016 data)

					2017 data)	
Institutions making HESA return	HESA 2016 to 2017	HESA 2016 to 2017	HESA 2016 to 2017	Based on exceptional business cases where appropriate	HESA 2016 to 2017	end-year 2015 to 2016 data
Institutions with no historical data	National average for institution type	LA average for institution type	National average for institution type	No impact	No impact	No impact

¹ Disadvantage block 2 funding is calculated based on the number of students that fail to attain at least a grade C GCSE or grade 4 under the new reformed GCSEs in English and maths by the end of year 11.