



Skills Funding  
Agency

# A New Streamlined Funding System for Adult Skills

This document confirms the details of the new streamlined funding system coming into force in August 2013

March 2013

Of interest to colleges and training organisations

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# Foreword

The Skills Funding Statement 2012-2015, which the Department for Business, Innovation and Skills (BIS) published in December 2012, confirmed that we would put in place a single demand-led funding system for adult skills for the 2013/2014 funding year. The new funding system will provide a clearer and more transparent way of funding adult learning, including Apprenticeships, with a minimal level of bureaucracy.

This document describes the system we have been developing with the sector and gives full details of how it will be introduced. Over the last two years, we have worked closely with representatives from colleges, training organisations and other organisations that work in further education (FE) to review and simplify all aspects of the current funding system – rates, formula and earnings method. Providers have been able to use the shadow funding software to run the new system alongside the existing systems for 2011/2012 and 2012/2013.

The changes put in place a streamlined funding system to help providers make the right choices for the communities they serve. A provider's allocation for the 2013/2014 funding year will continue to be based on a combination of their track record of delivery and their ability to use the single Adult Skills Budget for the benefit of learners and employers.

We have simplified the whole funding system. This approach has balanced the need for a simple method with the need for fairness, but at the same time it recognises the diverse needs of learners. This makes our FE system strong and responsive. We must also continue to protect public funding. Investment and returns from learning must be of value for everyone who uses or benefits from the FE system. The result is a significantly simplified 2013/2014 funding system for providers and employers, which will allow resources to be redirected from bureaucratic administrative costs to delivering learning.

We have issued the funding rules for 2013/2014 early. The rules build on the new format introduced last year, where we stripped out unnecessary guidance and replaced this with a clear set of rules for providers to follow.

We have also issued the funding rates for all qualifications approved for public funding in 2013/2014, and that will be used within the new funding system. This includes information on how the funding rates have been set, making sure that we bring new levels of openness to all aspects of the funding system.

Between now and the end of July, we want you to take full advantage of all the information available to make you familiar with the new funding system. Sharing information and plans with our relationship managers will help you make sure you take full advantage of adult skills funding for the maximum benefit of learners and employers.

We are grateful to members of the Funding External Technical Advisory Group (FETAG) for their commitment and continued work to support us in simplifying the funding system. We are also grateful to the sector for them taking part in tests and trials of the new system as we have developed it. We have used a model that tested the new system and all its features in a way

that allowed the sector to run the new system alongside the existing ones. The feedback we received has been very valuable, and has led us, in some cases, to reconsider proposals and develop alternative ones that we will be implementing.

We want to make sure that as much information as possible is written in plain English. This will remove all unnecessary jargon and allow those involved in the FE system to clearly understand the system that enables funding to be distributed.

For the first time, we can use the Crystal Mark, Plain English Campaign's seal of approval for the clarity of a document, on this document and our funding rules for 2013/2014. This represents a significant milestone towards achieving a clearly presented, simplified funding system.

## Introduction

- 1 The original consultation on 'A Simplified Further Education and Skills Funding System and Methodology' took place from July 2010 to October 2010. The consultation gathered views on simplifying funding for adults and focused on the following objectives.
  - Reducing the number of separate budgets
  - Simplifying the funding methodology to make it clearer
  - Reducing the number of different funding rates
  - Reducing the number of direct contracts between us, the Skills Funding Agency, and colleges and training organisations
  - Reducing the amount of information colleges and training organisations have to collect and the number and types of audit
  - Streamlining the approach to supporting learners faced with barriers to taking part in, and being successful in, learning.
- 2 Since the consultation we have been working to meet the objectives of the consultation and have made significant progress on all of them. In particular we have thoroughly investigated the bureaucratic burdens our relationship with colleges and training organisations places upon them. This investigation was based on detailed reviews at colleges and training organisations. It focused on the following three areas.
  - Financial assurance and audit
  - How information is collected, funding systems, qualifications, eligibility and fees
  - Communications
- 3 The work on collecting information, funding systems, qualifications, eligibility and fees in particular shaped the design of this new funding system. We responded to the need for us to understand the challenges of delivery faced by the sector. We have worked with the sector to design a funding system that responds directly to those challenges, maximises the resources available to the learner, and minimises the cost of bureaucracy.
- 4 Simplifying the funding system is important in meeting all these objectives. We recognised that if we were going to get the right funding

system, we needed a new approach to how we worked with the sector. That is why we established a new governance model which not only enabled groups of experts from across the sector to get involved in and support our work, but also allowed them to formally govern the effect of the work to make sure learners and employers benefit from the simplification.

- 5 One of these groups of experts is the Funding External Technical Advisory Group (FETAG). They continue to work with us to make sure we have a funding system that is right for learners and employers. FETAG have an independent chair, and have challenged, advised and put forward recommendations on how to create a simplified funding system. Importantly, they set out the sector's requirements to manage this change.

## The new funding system for 2013/2014

### How the new system has been developed

- 6 The guiding principles of the new simplified funding system are:
  - fairness;
  - transparency;
  - recognising the diverse needs of adults; and
  - protecting public funds.
- 6.1 **Fairness** – our funding system must work for and be fair to all parts of the sector. It must offer learning opportunities to the most disadvantaged, and improve the career prospects of those entering a new job or an Apprenticeship, and those looking to progress in their careers. The contribution the Government makes to support the choices of learners and employers will reflect the relative costs of delivering provision to make sure we maximise the availability of adult learning on offer.
- 6.2 **Transparency** – we made a commitment to the sector to remove all the complex hidden rules and requirements in the existing funding systems. The new funding system will be simpler and easier to understand. We will abolish the current separate funding systems for classroom learning and workplace learning. These will be replaced with a single system that works for the benefit of all learners and employers. It is important that we have a system that learners and employers can understand more easily. This is critical in making sure the contribution the Government makes to support learners' programmes is understood, as this contribution will underpin the operation of the new 24+ Advanced Learning Loans (Loans).

The funding a provider earns will be based on the principle that 'funding follows the learner' and so the choices they and their employers make. This will be underpinned by a new single set of

rates that will be published in pounds (£) rather than in Standard Learner Numbers. We will end the complex structure of thousands of different rates, each applying differently to different programmes. We will abolish abstract concepts such as Standard Learner Numbers. Now the funding rate for a qualification will be the amount we will pay. The funding rates for qualifications will cover all aspects of a learner's journey from initially entering the skills system to productive employment, and will provide incentives for achieving learning goals and getting into work.

Providers will give us the information needed to calculate funding through a streamlined Individualised Learner Record (ILR) collection system and process. We have worked with the Information Authority and the Education Funding Agency (EFA) to make sure we help to reduce the amount of information providers need to collect.

- 6.3 **Recognising the diverse needs of adults** – the FE system must support qualifications and programmes that provide skills for employability and progression to more advanced skills. The new single approach to learning support will make sure all learners can be supported to achieve their learning goals. This is particularly the case for learners with learning difficulties or disabilities, or both.
  - 6.4 **Protecting public funds** – we aim to get the balance right between giving providers the freedom and flexibility they need to meet the needs of their learners and employers, and making sure that public funds are protected. We have set minimum requirements for the evidence providers must have. Providers must make sure they respond to the demands of learners and employers and work through local partnerships so that provision meets the needs of all local communities.
- 7 We will keep our policy of payment being related to results. For each qualification we will hold back 20% of the funding, which we will only pay when the learner achieves their qualification. The funding system will continue to pay job outcome payments for eligible learners and enable providers to earn half of their achievement payment when a learner leaves early without achieving their qualification, and enters work.

## How the new system will work

- 8 The new funding system for adult skills can be described in terms of the following four basic elements.
- How the funding rates for qualifications are set
  - How the funding for a learner's programme is calculated (that is, the funding formula)
  - How the funding follows the learner (that is, how a provider earns the funding for learning activity)
  - How we fund learning and learner support

- 9 A single funding system will underpin the funding for provision paid for from the Adult Skills Budget, as well as the funding for 16-18 Apprenticeships. The new funding system will also be used to fund Offender Learning and Skills Service (OLASS) provision.
- 10 The Government will consider any longer-term changes resulting from the Richard Review of Apprenticeships, an independent review into the future of Apprenticeships.

### **Funding rate determined at the start of the learning aim**

From August 2013, each learning aim will now be funded at the rate that applies when the learner starts that learning aim. This will remove the uncertainties of previous funding systems where rates have changed after learners have enrolled. Learning aims that continue into 2013/2014 will be funded to completion at their 2012/2013 rates.

Note: By learning aims we mean approved qualifications, units and other non-regulated provision which we have agreed to fund.

### **16-19 study programmes**

The Education Funding Agency (EFA) has published its funding arrangements for 16-19 study programmes.

We will continue with our commitment to fund any 16- to 18-year-old who turns 19 in their second or subsequent year of a single programme of study. We will continue to fund these learners at 16-19 rates using the EFA's 16-19 funding model, but the funding will be paid from the Adult Skills Budget.

### **How the funding rates for qualifications are set**

- 11 There will be a single set of rates for all adult skills provision, regardless of how it is delivered. This will significantly reduce the number of rates.
- 12 We will give all qualifications that we fund a 'listed' rate (that is, a specific value). This will be published in pounds (£) and including any programme weighting, rather than being expressed in Standard Learner Number with separate programme weightings and a variety of national funding rates. Publishing the rates for all qualifications in this way clarifies both the funding system, and the contribution the Government is making in the delivery of learning and skills to a fully-funded learner.
- 13 With the new funding rates, there will be no technical elements that confuse learners and employers, and we will abolish national rates for each Standard Learner Number. These rates will apply equally to new Apprenticeship frameworks starting from 2013/2014. However, we will maintain the 2012/2013 rates for existing Apprenticeship frameworks in 2013/2014, for both 16- to 18-year-olds and those aged 19 or over (see

note 1 below). All other changes set out in this document will be applied to Apprenticeship funding for apprentices of all ages.

### Certificate- and Diploma-size qualifications

- 14 The main simplification to the setting of rates is using a 'matrix' (table) of rates. In the matrix, the rows represent the funding band and the columns represent the programme weighting.
- 15 We will use this matrix for funding Qualifications and Credit Framework (QCF) Certificate and Diploma qualifications. The matrix will be categorised by funding bands of credit to reflect the different sizes of qualifications, and by programme weightings to reflect the relative costs of delivering in different sectors and subjects.
- 16 The rates matrix for funding Certificates and Diplomas is set out below. Full details of how it will work are given in the annex.

Funding band	Programme weighting (PW)				
	Base (unweighted rate)	Low	Medium	High	Specialist (see the note below)
Certificate (13 to 24 credits)	£724	£811	£941	£1,159	£1,246
Certificate (25 to 36 credits)	£1,265	£1,417	£1,645	£2,025	£2,176
Diploma (37 to 48 credits)	£1,987	£2,225	£2,583	£3,179	£3,417
Diploma (49 to 72 credits)	£2,573	£2,882	£3,345	£4,117	£4,425
Diploma (73 to 132 credits)	£4,170	£4,670	£5,421	£6,671	£7,172
Diploma (133 credits or more)	£6,602	£7,395	£8,583	£10,564	£11,356

Note: Some specialist provision delivered by certain providers using specialist facilities attracts a higher programme weighting.

- 17 Access to Higher Education qualifications will be funded at £3,022, £3,384, £3,928, £4,835 or £5,197, depending on the programme weighting.

### Award-size qualifications

- 18 We have reviewed the approach to setting rates for small qualifications, and decided to separately fund these using a rate of £50 per credit before programme weightings are applied. From January 2014, we will fund qualifications only at 3, 6, 9 and 12 credits, on the basis that

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Note 1: As set out in the Skills Funding Statement 2012-2015 (published in December 2012), we are not applying this simplified approach to setting Apprenticeship rates for existing frameworks in 2013/2014. However, we will continue to review funding rates for existing frameworks where necessary to make sure that public money is used appropriately.



qualifications with these credit values currently reflect the majority of provision that delivers meaningful skills.

- 19 However, to allow sufficient time for the sector to make changes to the provision they offer, until the end of December 2013, we will fund qualifications with credit values of:
- 4 or 5 at the same rate as a qualification with a credit value of 3;
  - 7 or 8 at the same rate as a qualification with a credit value of 6; and
  - 10 or 11 at the same rate as a qualification with a credit value of 9.
- 20 We recognise that very small qualifications can make a big difference for some learners. We will therefore continue to fund some very small qualifications with a credit value of 1 or 2 at the rate of £50 per credit before programme weightings are applied. This includes funding for the recently approved QCF English and maths qualifications.
- 21 We will also continue to fund some other small qualifications designed to support the progression of learners with learning difficulties or disabilities, or both, and for those who are unemployed.
- 22 More details on the simplified rates are set out in the annex.

### **How the funding for a learner's programme is calculated**

- 23 For most learners, there will be no need for a funding formula. The funding will simply be the rate in pounds (£) for the qualification. This is a huge simplification of the previous system, removing complex rules, concepts and terminology, such as Standard Learner Numbers.
- 24 The relative costs of delivery in different sectors and subjects will be recognised through programme weightings, which will be included within the published rates. We will make sure the new funding system reflects the extra costs associated with disadvantaged learners and delivering provision in some parts of the country. Full details can be seen in the annex.

### **How the funding follows the learner**

- 25 The Government's contribution to each qualification or programme (including all Apprenticeships) will be distributed over the learner's journey from starting the programme to achieving the expected outcome. No funding will be earned if a learner does not enrol, so each provider's total funding will be determined by the choices of learners and employers. Details in the annex set out how funding will directly link to retention and achievement and how job outcome payments can be earned.
- 26 Payment methods for each provider will continue to depend on the type of provider they are.
- 27 We will pay grant-funded providers their Adult Skills Budget allocation by a set amount each month. The payments received by these providers will be reviewed at the end of the year (that is, we will compare the payments against their earnings) and make any necessary adjustments. This arrangement will be in place for the 2013/2014 funding year.

- 28 Providers under a contract for services will be paid monthly in arrears for their direct earnings, based on information reported in their Individualised Learner Record (ILR) returns.

## How we fund learning and learner support

- 29 In the February 2012 update, we explained that we were working to simplify the current arrangements for additional learning support.
- 30 Within the new system, we will significantly simplify arrangements for learning support and reduce the complexities for all learners, including those with learning difficulties or disabilities, or both, by doing the following.
- Bringing together four separate Additional Learning Support (ALS) funding arrangements, each with their own definitions, rules and processes, into a single Learning Support Fund designed to give maximum flexibility to providers in order to meet the needs of learners. The Learning Support Fund will be part of a provider's Adult Skills Budget allocation and can only be used to support those learners with an assessed need.
  - Removing the current 'proxy' funding arrangement we have had in place for 19- to 24-year-olds since 2010 (see note 2 below). We will now fund all learners aged 19 or over who declare they have a learning difficulty or disability, or both, while the Education Funding Agency (EFA) will fund all 19- to 24-year-old learners with a Learning Difficulty Assessment (LDA) (see note 3 below).
  - Removing three separate Learner Support funds which we have previously managed (the Adult Learning Grant, Residential Support Scheme and Adult Education Bursary) and replacing them with a single Discretionary Learner Support fund. This single fund brings together childcare, residential and hardship funding and it will be for providers to determine how to use it for the benefit of learners. Discretionary Learner Support funding will remain outside and separate from the single Adult Skills Budget.

## Preparing for the new system

### Planning delivery

- 31 We have already published a range of information to help providers predict the effect these changes to the funding system in 2013/2014 will have on their current provision.
- 32 Any providers who have not already started analysing their current patterns of delivery in the light of the changes for the 2013/2014 funding year should urgently do so.

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Note 2: The proxy arrangement uses the number of learners aged 19 to 24 who attract high-cost ALS (above £5,500) **with or without** a LDA, as the basis of the annual transfer from BIS to the Department for Education (DfE).

Note 3: The EFA will fund continuing learners aged under 25 with high costs ALS in 2012/2013.

- 33 Early discussions with our relationship managers will help providers to develop appropriate plans for the change of funding system so that they can maximise the effect of their adult skills funding for the benefit of their learners, employers and local communities.

### **Transitional arrangements**

- 34 We have carried out impact assessments to make sure that the new approach does not have unintended consequences. These assessments cover learner characteristics (equality), provision (curriculum) and the provider base (financial).
- 35 Overall, the changes are cash-neutral (that is, does not cost more money or save any money) at the level of the overall Adult Skills Budget. However, there are gains and losses, which we will manage through transitional arrangements with our providers.
- 36 The principles of the transitional arrangements are as follows.
- Learners who started before 2013/2014 will be funded to completion at 2012/2013 rates, making sure that the full rate is earned when they achieve their learning aim.
  - The effect the new funding system will have on learners who start in 2013/2014 will be limited to gains and losses of 3% in 2013/2014 and 6% in 2014/2015, based on like-for-like provision and the provider's earnings from 2011/2012. A 'transition factor' will be applied to affected earnings to keep gains and losses within these limits.
- 37 The transitional arrangements will initially apply for two years. They will then be reviewed. If there are still some providers with significant issues, we will consider extending the transitional arrangements on a case-by-case basis.
- 38 Details of the transitional arrangements and how the transition factor is calculated are given in the annex.

# Annex

## Technical information

### Funding rates

- 39 The rates we will fund in 2013/2014 for each qualification are available in a document on our website. They are identified as Regulated, Quality Assurance Agency (QAA) Access to Higher Education and existing Apprenticeships. 'Apprenticeship element' rates and rates for new qualifications will be added as and when they are approved for funding. The document on our website will be replaced by a 2013/2014 Data Service application (currently known as LARA) when it becomes available.

### Certificate- and Diploma-size qualifications

- 40 These qualifications will be funded using the rates matrix set out below.

Funding band	Programme weighting (PW)				
	Base (unweighted rate)	Low	Medium	High	Specialist (see the note below)
Certificate (13 to 24 credits)	£724	£811	£941	£1,159	£1,246
Certificate (25 to 36 credits)	£1,265	£1,417	£1,645	£2,025	£2,176
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Diploma (133 credits or more)	£6,602	£7,395	£8,583	£10,564	£11,356

Note: Some specialist provision delivered by certain providers using specialist facilities attracts a higher programme weighting.

- 41 Access to Higher Education qualifications will be funded at £3,022, £3,384, £3,928, £4,835 or £5,197, depending on the programme weighting.
- 42 All Qualifications and Credit Framework (QCF) qualifications will have their funding band determined by their credit value. This credit-based approach will also apply to units in the QCF, if the units are eligible for funding.
- 43 National Qualifications Framework (NQF) qualifications have their funding band determined using recommended 'guided learning hours', as available from the Register of regulated qualifications (operated by Ofqual).

- 44 The sector subject area (SSA) will determine the programme weighting. Programme weightings will continue to make sure we recognise the relative costs of delivering in different sectors and subjects.
- 45 Non-regulated provision that we continue to make funding available for in 2013/2014 will be recorded using new class codes and will be funded with rates drawn from the rates matrix. Providers will choose the appropriate class code depending on the funding band (using 'contact hours' and the same bands as applied to NQF qualifications) and the programme weighting that applies to the learning aim. To avoid the need to recode large numbers of learners at the start of 2013/2014, we will make the new class codes available for providers to use for provision that starts in the remaining months of 2012/2013.
- 46 The rates listed in the rates matrix represent the fully-funded rates for learners aged 19 or over, and will apply to all provision, except for apprentices on existing Apprenticeship frameworks.
- 47 For new Apprenticeship frameworks, funding for the component qualifications in the Apprenticeship will use the new credit-based funding approach. Because of the extra costs of meeting the requirements of the Apprenticeship framework, which are over and above the requirements of the component qualifications, an Apprenticeship element will be added to the framework's pathway.
- 48 The fully-funded rate for the Apprenticeship element relating to each programme weighting is set out below.

Apprenticeship component	Programme weighting (PW)				
	Base (unweighted rate)	Low	Medium	High	Specialist
Apprenticeship element	£1,350	£1,512	£1,755	£2,160	£2,322

- 49 A worked example of how a fully-funded rate will be calculated on a new Apprenticeship framework is set out below. Note this is purely for illustrative purposes.

Apprenticeship component	Construction Building - Advanced Level Apprenticeship – Trowel Occupations	Rate
Competency learning aim	NVQ Diploma in Trowel Occupations (Construction) (QCF)	£8,583
Knowledge learning aim	Diploma in Bricklaying (QCF)	£5,421
Common component	Functional Skills English	£724
Common component	Functional Skills maths	£724
Apprenticeship element		£1,755
<b>Total</b>		<b>£ 17,207</b>

## Award-size qualifications

- 50 The funding for Awards with 1 to 12 credits will be based on their credit value as set out in the table below.

Funding band	Programme weighting (PW)				
	Base (unweighted rate)	Low	Medium	High	Specialist (see the note below)
Awards (3 credits)	£150	£168	£195	£240	£258
Awards (6 credits)	£300	£336	£390	£480	£516
Awards (9 credits)	£450	£504	£585	£720	£774
Awards (12 credits)	£600	£672	£780	£960	£1,032

Note: Some specialist provision delivered by certain providers using specialist facilities attracts a higher programme weighting.

- 51 We will fund some 1- and 2-credit qualifications as well as some small qualifications designed to support the progression of learners with learning difficulties or disabilities, or both, and to help the unemployed back into work. The very small qualifications we approve for funding will be funded at a rate of £50 per credit before programme weightings are applied.
- 52 During the period between 1 August 2013 and 31 December 2013 we will fund small qualifications with credit values of 4 or 5 at the 3-credit rate; credit values of 7 or 8 at the 6-credit rate; and credit values of 10 or 11 at the 9-credit rate. From 1 January 2014, qualifications with credit values of 1, 2, 4, 5, 7, 8, 10 and 11 will no longer be funded for new starts, unless they are identified as being exceptions to this rule.
- 53 Small National Qualifications Framework (NQF) qualifications will have their funding band determined using recommended guided learning hours available from the Register of regulated qualifications (operated by Ofqual).

## Co-funding

- 54 All 19+ Apprenticeships and Access to Apprenticeship learners will be co-funded by the Government at 50% of the fully-funded weighted rate, reflecting the employer's contribution to and ownership of the Apprenticeship. This will apply to all aims, including Functional Skills or GCSEs where they are delivered.
- 55 For all non-Apprenticeship provision, where a learner or employer is expected to contribute towards the costs of learning, the total funding available will be reduced by 50% of the fully-funded unweighted rate.

## Funding formula

56 For most learners, the funding will simply be the rate for the qualification in pounds (£). However, we will continue to ‘uplift’ (increase) the rate based on certain learners’ postcodes or delivery locations.

57 Funding is equal to the rate for the qualification. Where appropriate, this rate will be multiplied by the disadvantage uplift (see paragraphs 58 and 59 below) or the area cost uplift (see paragraph 60 below), or both.

**Funding = rate x disadvantage uplift x area cost uplift**

58 The disadvantage uplift provides extra funding to support the most disadvantaged learners. In the future it will be consistently applied across all adult skills provision, including 16-18 and 19+ Apprenticeships, based on a learner’s home postcode. To calculate this uplift we will continue to use the Index of Multiple Deprivation (IMD) 2010. This provides extra funding for learners living in the 27% most deprived areas of the country (known as lower-layer super output areas – SOAs). The uplift will be between 1.08 and 1.32. If the uplift does not apply, for the formula above it will be considered to be 1.

59 The disadvantage uplift based on certain learner characteristics has been removed. We have taken the disadvantage uplift funding associated with basic-skills learners into account when setting rates for 2013/2014. Providers will be able to claim Learning Support funds for other categories of learners (for example, ex-offenders), where they have an assessed need.

60 The area cost uplift reflects the higher cost of delivering provision in some parts of the country, such as London and the South East. In the future it will be consistently applied across all adult skills provision, including 16-18 and 19+ Apprenticeships, based on delivery location. The uplift will be between 1.01 and 1.20. If the uplift does not apply, for the formula above it will be considered to be 1.

61 Other factors are also applied to areas of the funding system as required. These factors include:

- factors applied to existing 16-18 and 24+ Apprenticeships to reflect government funding policy;
- recognition of prior learning;
- the level of government contribution; and
- large-employer reduction.

## Earnings method

62 For the first time, we will use a single earnings method across all delivery funded by the Adult Skills Budget, including 16-18 Apprenticeships.

63 There will still be a qualifying number of days for funding starts. If a learner is in learning for at least the qualifying number of days, they are counted as a ‘funding start’ and funding will start to be earned by that learner.

Planned number of days in learning	Qualifying number of days
Fewer than 14 days	1
Between 14 and 167 days	14
168 days and greater	42

- 64 Earnings will be based on monthly instalments (so that funding follows the learner for as long as they remain in learning) and an achievement element. This will apply to all learning aims, including all component learning aims delivered within an Apprenticeship framework. This means that all learning aims delivered within an Apprenticeship framework will have an achievement element to recognise the importance of driving up standards through achievement.
- 65 The achievement element will be 20% of the funding rate, which will be earned when the learning aim is achieved or, for competence and knowledge components of Apprenticeships, when the framework is achieved. In the future, all achievement elements will be earned on the actual end date.
- 66 In Apprenticeships, other than for the competence and knowledge component learning aims, the achievement element will be earned when the component itself is achieved (including any Apprenticeship Element earned when the framework is completed). This will make sure that payment for achieving English and maths qualifications is made when these qualifications are achieved.
- 67 The monthly instalments are calculated once the achievement element has been removed. These are apportioned across the number of planned months for the learning aim, with a double payment in the first month. The instalment calculation uses the formula  $n+1$ , where 'n' is the number of planned months. The formula recognises the upfront costs associated with enrolling a learner on a learning aim.
- 68 If the learner leaves early, the monthly instalments will stop. However, for eligible learners, providers will be paid a job outcome payment (equal to half of the achievement element) if the learner leaves early without achieving their qualification to enter work of 16 hours or more a week for at least four weeks in a row. If the learner subsequently goes on to achieve the learning aim, the provider will earn the outstanding monthly instalments and the remainder of the achievement element.
- 69 For learners who achieve their learning aim early, the provider will earn the remaining monthly payments as well as the achievement element. Rules on minimum durations will continue to apply to all Apprenticeships.
- 70 A funding cap will apply to each learner with the provider for each year. It will apply across all Adult Skills Budget provision, except Apprenticeships.
- 71 The funding cap will be £4,400 per learner per year, before any weightings or government contribution calculations are applied. Providers whose planned provision would be above this cap will have their earnings reduced accordingly.



## Support funding

### Learning support

- 72 We have merged Additional Learning Support (ALS), Additional Learning Needs (ALN) and Additional Social Needs (ASN) funds and approaches into a single fund that will be governed by simpler and clearer funding rules. The changes are intended to:
- bring together and simplify the different approaches between ALS funding systems for classroom and workplace delivery, including Apprenticeship delivery;
  - reduce bureaucracy;
  - simplify learner eligibility;
  - provide clear and simple rules; and
  - provide consistent assurance of funds.
- 73 Providers will be able to work flexibly and provide support to meet the learning needs of their individual learners. This will allow learners with an assessed need to achieve their learning goal and maximise their potential. The Learning Support Fund will provide funding for colleges, training organisations and third-sector providers to meet the costs of reasonable adjustments as set out in the Equality Act 2010.
- 74 To provide maximum flexibility and help providers make the right choice to support the needs of learners, Learning Support will form part of a provider's Adult Skills Budget allocation from 2013/2014. We do not expect providers to significantly increase their learning support funds at the expense of reducing the provision offered to learners and employers. We will review providers if there is a large increase in the use of Learning Support funding.
- 75 We have kept the current demand-led approach used for workplace delivery (which includes Apprenticeships) and are extending this to the whole of the Adult Skills Budget. Details of this have been set out already in the Funding Rules 2013/2014.
- 76 Providers will identify learners who need learning support and report this in the Individualised Learner Record (ILR) against a learning aim. In the future, learning support will be earned at a fixed monthly rate of £150 per learner, regardless of where or how the learning support is delivered.
- 77 Providers under a contract for services will need to claim the fixed monthly rate and will be paid monthly in arrears, based on information they provide through their ILR. Their support funds will be reviewed as part of the quarterly performance management-process. This will also apply for grant-funded providers for any learning support provided to apprentices aged 16 to 18.
- 78 To support adult learners, grant-funded providers will receive funding as part of the profile payments for their Adult Skills Budget allocation. They will report earnings through the Adult Skills Budget funding claims. We will review these funding claims and use them to make any adjustments to allocations during the year in question. At the end of the year we will review earnings against payments already made to the provider.

- 79 If support needs cost more than the fixed monthly rate, and there is evidence of this, the provider will be able to claim the excess through the funding system. Details of this will be confirmed later in the year as part of the development of the Data Collection Portal.
- 80 Exceptional Learning Support will provide funding for learners with learning difficulties or disabilities, or both, who have support costs of more than £19,000. Details of how this works are set out in the Funding Rules 2013/2014.

### **Transitional arrangements**

- 81 A number of aspects of a provider's provision will be allowed for as part of the transition to the new funding system. We will do the following.
- For learning aims that started before 2013/2014, fund the balance of their 2012/2013 rate, including programme weighting.
  - Fund all existing Apprenticeship frameworks, for both new and existing apprentices, with rates set using the method used in 2012/2013.
  - Apply a 'transition factor' to all new non-Apprenticeship starts in 2013/2014 to limit gains and losses resulting from the new system to no more than 3%, based on like-for-like provision.
  - Make sure that ESOL provision is protected separately until the new ESOL curriculum is developed in the QCF. For 2013/2014 this will operate using the funding-claims process, where we compare earnings against payments made to a provider. We will make sure that earnings relating to ESOL provision are at least the same as in 2012/2013, based on like-for-like provision.
- 82 Transitional arrangements will take one of the following two forms for each learning aim.
- a. If a learning aim started before 2013/2014, transitional calculations will apply. The rate applied will be the rate that applies on 31 July 2013, in line with the principle of 'funding rate determined at the start of the learning aim'. The funding calculation will determine the proportion of the rate that has already been earned before 2013/2014 and calculate the balance to be earned from 2013/2014 using the new earnings method. This makes sure that where a learner achieves the learning aim, the full rate is earned.
  - b. If a non-Apprenticeship learning aim starts in 2013/2014, the provider's transition factor will apply to its earnings.

### **Transition factor for 2013/2014**

- 83 For each provider we will calculate a transition factor for 2013/2014.
- 84 This will be done by comparing a provider's earnings using the 2012/2013 method against the earnings using the 2013/2014 method, on a like-for-like basis, and deriving a scaling factor so that any gain or loss is limited to a certain percentage.

- 85 It will be calculated using information from a provider's 2011/2012 ILR as this is the latest full-year information.
- 86 The details of the calculation are as follows.
- The transition factor calculation will be based on the information in the provider's 2011/2012 ILR.
  - Provision that will not be funded in 2013/2014 (for example, 24+ Advanced Learning Loans (Loans) provision) will be removed. This means that provision which the transition factor will not be applied to is not included in the calculation of the transition factor, so there will be a like-for-like comparison.
  - Earnings from the Adult Learner Responsive (ALR) funding model will be adjusted to use actual values for elements of the 'provider factor' (for example, programme weighting, disadvantage uplift, area cost uplift). This means that the transition factor will be based on the mix and balance of provision actually delivered in 2011/2012 and not that locked into the provider factor from two years earlier in 2009/2010.
  - Earnings will be adjusted for changes to funding rates between 2011/2012 and 2012/2013. This means that the transition factor is based on rate changes between 2012/2013 and 2013/2014 and does not reduce the effect of rate changes already implemented in 2012/2013, meaning there is a like-for-like comparison.
  - The equivalent earnings for the same information will then be calculated using the new 2013/2014 funding system (including the new rates in the matrix, the new funding formula and the new earnings method), and the results compared to calculate the transition factor.
- 87 If the new funding system will result in gains or losses of no more than 3%, the transition factor will be 1.
- 88 If the new funding system will result in gains or losses of more than 3%, but the actual amount of the gain or loss is less than £2,000, the transition factor will be 1.
- 89 If the new funding system will result in gains or losses of more than 3% and the actual amount of the gain or loss is £2,000 or more, the transition factor will be set to cap the provider's earnings as follows.
- A cap of 103% of their 2011/2012 earnings if they are gaining significantly as a result of the new funding system
  - A cap of 97% of their 2011/2012 earnings if they are losing significantly as a result of the new funding system
- 90 We will tell providers their transition factor as soon as reasonably possible after they have their final allocations confirmed at the end of March 2013. We will provide an explanation of the calculation so that providers can see how their transition factor has been worked out.



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