Education & Skills
Funding Agency

Funding guidance for young people 2017 to 2018

Funding rates and formula

April 2017

Version 1

Contents

Summary

This document is part of a series of booklets providing Education and Skills Funding Agency (ESFA) funding guidance for young people for the academic year 2017 to 2018 (hereafter academic years will be referred to in the format 2017/18).

- funding regulations
- funding rates and formula (this booklet)
- ILR funding returns
- sub-contracting controls

This summary applies to all these booklets and as they are published, they will be available on GOV.UK.[1]

These documents outline the main features of the ESFA funding arrangements for young people in 2017/18 and are an integral part of the ESFA's funding agreements for young people aged 16 to 19 and those aged 19 to 24 with an Education Health and Care (EHC) plan. All these documents should be read in this context, unless specifically stated otherwise. This is the definitive ESFA guidance for 2017/18 and supersedes any previous funding guidance for young people.

For further information, please contact the appropriate ESFA office, or for maintained schools the local authority. Contact details for each ESFA office can be found on GOV.UK. You can also use the online form to contact us.[2]

[1] 16 to 19 education: funding guidance: www.gov.uk/16-to-19-education-funding-guidance.

[2] Enquiry form: form.education.gov.uk/fillform.php?self=1&form_id=HR41uA2F8Dh&type=form&ShowMsg=1&form_name=Knowledge+centre+enquiry+form&noRegister=false&ret=%2Fmodule%2Fservices&noLoginPrompt=1

New and updated information

We have made the following additions and updates to this guidance document.

Student numbers: we have revised this section and added extra detail on how we calculate lagged student numbers.

Changes to planned hours: we have updated the policy for making changes to planned hours. If the planned hours for a student's study programme change within the first 6 weeks, the institution must update the planned hours.

Disadvantage funding block 2: we have revised this section. We have changed our methodology so that we now use, ILR, school census, and HESA data to calculate block 2 funding.

Area cost uplift: we have revised this section so that it is clear how we calculate area cost uplift factors, by using either the delivery location of the institution's provision or the institution's head office location.

Programme funding

Scope of the model

1. The 16 to 19 model covers all provision for any student aged 16 to 19 (other than apprenticeships) in colleges of further education, higher education institutions, independent specialist providers, commercial and charitable providers (CCPs), and maintained school and academy sixth-forms. It also covers the following groups of young people.

a. students with special educational needs and disabilities (SEND) aged 19 to 25 who have an Education, Health and Care (EHC) plan

b. students aged 19 or over who are continuing a programme they started aged 16, 17, or 18

c. 14 to 16 year olds who are directly recruited into eligible FE institutions. Allocations for this delivery use modified elements of the standard formula

d. electively home educated (EHE) students of compulsory school age who are enrolled at any further education institution

Funding methodology

2. The funding methodology is used to provide a nationally consistent method of calculating funding for all institutions delivering 16 to 19 provision based on:

a. the number of students

b. a national funding rate per student

c. retention factor

d. programme cost weighting

e. disadvantage

f. large programme funding

g. area cost allowance

The formula

(Student numbers × National funding rate per student × Retention factor × Programme cost weighting + Disadvantage funding + Large programme uplift) × Area cost uplift = Total programme funding

Student numbers

3. The funding formula measures the volume of delivery through student numbers and the size of their programme. Funding allocations use a lagged approach, and take student numbers from the number of young people participating in the previous year and programme size from year before that (that is, the last full year's data return).

Lagged student numbers

4. Our default approach is to base allocations on lagged numbers. This gives an appropriate allocation for each institution for the current year. It is therefore described as an allocation based on lagged numbers, rather than lagged funding or funding in arrears or a guarantee of a lagged allocation. The lagged approach applies when there is a reasonably consistent level of delivery over time – that is, in most but not all circumstances.

5. The lagged approach does not apply where there is a material change in the volume of provision offered by an institution. In these cases, we remove the institution from the lagged approach and calculate the funded student numbers as described below in the sections on new institutions, closing institutions, transferred provision, exceptional in-year growth, and in-year closures.

6. We calculate lagged student numbers in different ways for different types of institutions.[3]

a. school sixth-forms and most academies: we base the lagged student numbers on the number of funded students recruited in 2016/17, taken at the autumn 2016 census point

- for a small number of academies we base student numbers on estimates provided by the institution, if this is specified in their funding agreement. These

[3] Full details of the calculation of lagged student numbers, including the ILR data used, is given in the explanatory notes that were published alongside the allocations statements: www.gov.uk/guidance/16-to-19-education-funding-allocations#allocations-process-2017-to-2018-academic-year (see 'Resources' section).

academies are also subject to a pupil number adjustment in-year based on their actual delivery

b. FE colleges, some other FE institutions, and some commercial and charitable providers (CCPs): we base the lagged student numbers on the number of students funded in 2016/17 as of 1 November and recorded in the ILR R04 return (students must have at least one aim funded by the ESFA under the 16 to 19 young people's funding model that starts on or before this date to count). As the student numbers are taken partway through the year, we look at the previous full year's data (2015/16) to find out by what proportion student numbers increased from 1 November to the end of the year. This proportion is used to work out the projected student numbers by the end of 2016/17

- we will also compare the student numbers from your November (R04) data return with the student numbers calculated from your February return (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

c. charitable and commercial providers that have significant year-round enrolment: To count your students, we count students in learning at a rolling 12 month period between February 2016 and January 2017. Students who are in learning in both 2016/17 and 2017/18 are only counted once

- for some CCPs, neither approach is appropriate. In these cases, we use a hybrid of the methods described in b and c

d. special post-16 institutions (SPIs): we base the lagged student numbers on the number of students funded in 2016/17 as of 1 November. As the student numbers are taken part way through the year, we look at the previous full year's data (2015/16) to find out by what proportion student numbers increased from 1 November to the end of the year. This proportion is used to work out the projected student numbers by the end of 2016/17

e. non-maintained special schools: the number of pre- and post-16 pupils from the autumn 2016 school census, uplifted by the difference between the autumn 2015 and spring 2016 census pupil number data. If there are fewer pupils in the spring census, we will use the autumn number

f. for some other institutions (mainly smaller ones), the above approaches may not be appropriate. In these cases, we use the number of funded students from 2015/16 (the latest year for which a full year's data is available)

Student numbers for new institutions

7. We also derive student numbers for new institutions in different ways for different types of institutions.

   a. new school sixth-forms: at opening, student numbers will be one-third of the sixth-form's full capacity. In the second year, student numbers will be double the first year's actual recruitment, and in the third year we will use lagged student numbers

   b. new academy sixth-forms: as for school sixth-forms. In a small number of cases we will base the number on the estimated number of students to be recruited in the first year, as agreed between the ESFA and the institution

   c. new free schools, university technical colleges (UTCs), and studio schools with sixth-forms: the estimated number of students to be recruited in the first year, as agreed between the ESFA and the institution

   d. new institutions with the ESFA funding for high needs students only: the number of places commissioned by the local authority

   e. new SPIs: we will base student and high needs place numbers on the either 2016/17 allocated numbers or their 2016/17 R04 ILR data, whichever is higher

8. In all cases, we will review the standard approach when an institution makes a case based on exceptional circumstances.

Student numbers for closing institutions

9. When an institution closes, or stops ESFA-funded 16 to 19 provision, we will reduce the lagged numbers to reflect the planned decline in student numbers.

10. We will not allocate 16 to 19 funding to an institution that is completely stopping 16 to 19 provision. We will also reduce funding before that if the change in delivery is material – for example, a rundown of provision over 2 years.

11. For an institution such as a school or academy sixth-form, whose students are mainly on 2 year programmes, a typical trajectory for the reduction is half the lagged numbers in the year before closure and no funding in the year of closure.

In-year closures

12. When an institution notifies the ESFA after the start of the academic year that they have stopped offering ESFA-funded 16 to 19 provision, or when they do not recruit or enrol any students, we will withdraw the allocation. We will also action recovery of funds if we have already made any payments.

Transferred provision

13. When students are transferred between 2 institutions on an agreed basis, the funding for those students will also transfer.

14. We will also usually transfer the funding when a funded institution (the 'prime') ceases a sub-contracting arrangement and the sub-contractor transfers the provision to a different prime contractor: the funding follows the learner.[4]

Exceptional in-year growth

15. Each year we review the levels of delivery of grant-funded institutions (such as colleges, schools and academies) based on the autumn census or ILR data. When institutions deliver exceptional in-year growth compared to their allocation we may increase their allocations. These arrangements are separate from the reconciliation arrangements that apply to CCPs.

16. We identify exceptional growth through analysing the current allocated student numbers against actual evidenced recruitment and the projected end-year position. We also consider under-delivery at the institution in the previous year and the national picture of growth. Growth funding will be based on a standard threshold determined by affordability, and is likely to be at a marginal rate. We may require additional eligibility or audit checks before allocating growth funding.

National funding rate

17. We base national funding rates on the planned hours in a student's study programme. All full time students are funded at the same basic rate per student, per year. We derive the funding rates for part time students from the full time rate, proportioned according to the midpoint of the hours range.

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[4] More information on funding for transferred sub-contracting provision is available in the 2017/18 allocations explanatory note for further education institutions: www.gov.uk/government/publications/post-16-funding-allocations-supporting-documents-for-2017-to-2018.

Table 1: National funding rates for 2017/18

Band	Annual planned hours		National funding rate per student
5	540+ hours	16 and 17 year olds Students aged 18 and over with high needs[5]	£4,000
4a	450+ hours	Students aged 18 and over who are not high needs	£3,300
4b	450 to 539 hours	16 and 17 year olds Students aged 18 and over with high needs	
3	360 to 449 hours		£2,700
2	280 to 359 hours		£2,133
1	Up to 279 hours		£4,000 per full time equivalent (FTE)

18. We expect that full time study programmes for 16 and 17 year olds will be 600 planned hours per academic year, and we set the funding rate on this basis. For funding purposes the minimum threshold for a full time programme is set at 540 planned hours.

19. We fund band 1, the smallest part time band, on full time equivalents (FTEs). We calculate FTEs as the total planned hours for the student as a proportion of 600 hours (the average hours for a full time study programme).

20. The definitions of the full time and part time bands are based on the annual planned hours that are planned for a student. We define these hours differently to guided learning hours, and institutions should refer to the companion document 'Funding regulations'[6] for further information on what hours may be included.

21. The full time funding rate is generally intended to fund a student for a programme that lasts the whole of the academic year. Under the 16 to 19 young people's

[5] High needs students are those who get element 3 top-up funding. See the section 'High needs student (HNS) funding' for more information.

[6] 'Funding regulations' guidance: www.gov.uk/government/publications/advice-funding-regulations-for-post-16-provision.

methodology, the ESFA regards students who start at the beginning of the year and attend a full time programme as attending for a whole year.

22. Institutions can record a student on a full time programme even if it does not cover the whole delivery year – for example, for a student who starts a programme in November after withdrawing from a programme at another institution. Institutions must bear in mind that under the 16 to 19 young people's funding methodology, the ESFA does not expect to fund students to take more than one full time programme (or the equivalent in multiple part time programmes) in one institution in one funding year.

23. In some cases, institutions will plan compressed programmes to allow students to complete a significant number of hours in a short period of time where this best meets the assessed needs of the students and/or is strictly necessary to prepare them for their progression outcome. These programmes will be funded at the standard funding rates based on the planned hours. The ESFA expects this sort of compressed delivery to lead to excellent results, as demonstrated through qualification success rates and positive destinations. The ESFA is monitoring the delivery and value for money of compressed programmes, and will decide whether to apply a funding cap to such provision in future accordingly.

24. Some students will have programmes planned in 12 month blocks that do not match the funding year (August to July). We determine the funding band for these students by the number of planned hours assigned to them in the funding year. Therefore it is possible for a learner to be funded as full time in one year and part time in the next, or part time in both years, even though their attendance pattern and timetable is the same as students on full time programmes.

Changes to planned hours

25. If an institution makes an error in recording the planned hours, they can change the planned hours at any point. Otherwise, institutions must only change the planned hours recorded for a student in certain circumstances.

Changes within the first 6 weeks

26. Institutions must work out the planned hours for a student's study programme when they are first enrolled. If the programme content changes within the first 6 weeks of the programme, the institution must update the planned hours.

27. When a student transfers from one aim to another within the first 6 weeks, institutions must calculate the new planned hours value to include:

a. the timetabled hours for any new aims and for continuing or completed aims

b. the hours delivered for the aim that the student has transferred off

28. When a student withdraws from an aim within the first 6 weeks of a programme, institutions must remove all of the planned hours for the aim from the total planned hours unless excluding the hours already delivered within the first 6 weeks would make a material difference to the student's funding band. In those cases, institutions can include the hours already delivered in the planned hours.

Students who do more than one programme in a year

29. Institutions may change a student's planned hours when they do more than one programme in a year.

30. Students doing more than one programme in a year will have completed all the activities on their first learning agreement or plan. The student may then start a second study programme. The institution must:

a. record a new core aim

b. change the planned hours to reflect the additional delivery

31. Students are allowed to do more than one programme in a year, but institutions must remember that the ESFA does not fund students to take more than one young people's full time programme (or the equivalent in multiple part time programmes) in one institution in one funding year.

Large programme uplift

32. Large programmes funding supports students who take much larger study programmes in order to prepare for work and university. It gives institutions the ability to stretch their most able students by offering a broad range of qualifications.[7]

33. The uplift provides increased funding above the national rate for students that successfully study either 4 or 5 A levels, a Technical Baccalaureate (TechBacc)[8] or a full International Baccalaureate.

34. 16 to 17 year olds and 19 to 24 year olds with an EHC plan are eligible for the uplift when they successfully complete one of the study programmes shown in the table below. We will only pay the uplift for an individual student for 2 years.

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[7] More information on the large programme uplift is available in the factsheet: www.gov.uk/guidance/16-to-19-funding-large-programme-uplift.

[8] More information on the Technical Baccalaureate is available online: www.gov.uk/government/publications/technical-baccalaureate-measure-for-16-to-19-year-olds.

Table 2: Study programmes eligible for the large programme uplift

Study programme	Uplift
4 A2 or full linear A Levels achieved at grade B or above	10%
5 A2 or full linear A Levels achieved at grade B or above	20%
Full level 3 International Baccalaureate Diploma achieved at 28 points or above	20%
Large TechBacc programme equivalent to 4 A levels where all qualifications are passed	10%
Large TechBacc programme equivalent to full level 3 International Baccalaureate where all qualifications are passed	20%

35. We have used the last full year's attainment data (from the 2014/15 Young Peoples Matched Administrative Database, YPMAD) for the 2017/18 allocations.

36. We will calculate the value of the funding uplift as a separate amount and add it to the funding allocation before the area cost factor is applied.

Historic data

37. In line with the lagged approach used for student numbers, we use historic information from the latest full year's data to determine funding factors. For the 2017/18 academic year allocations, we used data from 2015/16 when calculating these elements of the funding formula for each institution:

a. retention factor

b. programme cost weighting

c. block 1 disadvantage funding

38. For most institutions, we used block 2 disadvantage funding from the 2015/16 ILR and school census. See the section on block 2 funding for more detail.

39. Where historic data is not available (often due to the institution being new and therefore not having submitted any data), we used national or local authority averages for the relevant institution type.

Programmes and core aims

40. The core aim is the principal or 'core' activity in a student's programme. It must be a learning aim so that it can be recorded in the ILR or school census, but it may be an

activity represented by a class code,[9] such as work experience.[10] Institutions returning the ILR identify the core aim for each programme. For the school census, institutions must only return the core aim for students studying vocational programmes, or mixed programmes with a vocational core.

41. The core aim is used:

a. to determine whether the programme is academic or vocational

b. to determine whether a student is retained on the programme or not

c. to calculate programme cost weighting

Determining the core aim

42. The core aim is the most important or central element of the programme, around which the rest of the programme is built. It will usually be the component with the largest amount of timetabled activity associated with it. More information on identifying the core aim is available on GOV.UK.[11]

43. In the ILR, the core aim determines whether a programme is academic or vocational. Any programme with an academic qualification (as set out in the table below) as the core aim is an academic programme. When institutions select any other type of qualification or work experience as the core aim, the programme is vocational.

44. In the school census, we count any programme with a core aim as vocational.

45. Traineeships must always have work experience as the core aim. Study programmes that are not traineeships may also have work experience as the core aim.

Academic programmes

46. The table below indicates the qualification types that are academic. If the student's core aim in the ILR is not one of the listed types, the student's programme is vocational. Institutions who return the school census must only flag a core aim when the programme

[9] For more information on class codes, see appendix H to the 2016/17 ILR specification, Skills Funding Agency: www.gov.uk/government/publications/ilr-specification-validation-rules-and-appendices-2017-to-2018.

[10] Further information on work experience is available in '16 to 19 funding study programmes: work experience', Department for Education: www.gov.uk/16-to-19-funding-study-programmes-work-experience.

[11] '16 to 19 funding: core aims in study programmes', www.gov.uk/guidance/16-to-19-funding-core-aims-in-study-programmes#how-to-identify-the-core-aim.

is vocational. All programmes with a core aim recorded in the school census will count as vocational, even if the core aim flag is attached to an academic qualification.[12]

Table 3: Core aims in academic programmes

Level	Qualification types
3	▪ GCEs: AS, A2, A with AS levels; double awards count as 2 academic qualifications (General Studies and Critical Thinking are excluded) ▪ IB Diploma ▪ IB Certificates ▪ Cambridge Pre-U Diploma ▪ Access to HE Diploma
2	▪ GCSEs – including vocational ▪ GCSE short courses ▪ Free standing maths qualifications (FSMQs)

47. A levels in Critical Thinking and General Studies must not be core aims. However, institutions should include the planned hours associated with them in the total for the planned programme hours.

Vocational programmes

48. Students who are not on an academic programme are, for funding purposes, on a vocational programme.

Definition of a start

49. For funding purposes, we count a student as having started a study programme once they have remained on that programme within the current funding year for a defined period of time, as set out in the table below.

50. For programmes that span more than one funding year, a student has to re-qualify as a start at the beginning of each funding year.

51. We do not fund any programmes that are shorter than 2 weeks.

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12 Information on the correct use of the core aim in the census, and the effects of errors, is available in the interactive post-16 school census tool: www.gov.uk/government/publications/interactive-post-16-school-census-tool.

Table 4: Criteria to count as a start

Study programme planned hours and planned length in-year		Qualifying period
450 hours or more		6 weeks (42 days)
Fewer than 450 hours	24 weeks or longer	6 weeks (42 days)
	2 to 24 weeks	2 weeks (14 days)

52. We use the earliest start date and latest planned end date of all aims within a study programme to determine its length. Similarly, the actual length we use to determine whether or not the student has met the qualifying period is calculated from the earliest start date and latest actual/planned end date of all aims within a study programme.

Retention

53. Retention criteria differ according to programme type.

a. academic programmes: a student must stay on or complete at least one of the academic aims in their programme in the funding year

b. vocational programmes: a student must stay on or complete their core aim in the funding year to count as retained

54. Traineeships have different retention criteria. A student must stay on or complete the programme aim (a record in the ILR used to identify certain programmes, such as traineeships)[13] to count as retained. Alternatively, within 6 months of leaving a traineeship, the student must have met one of the following criteria.

a. they must have had 8 consecutive weeks of employment, or 8 consecutive weeks of self-employment of 16 hours a week or more. If they are 16 or 17 years old, they must combine this with part-education or training that meets the requirements of the raised participation age[14]

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[13] More information on programme aims is available in the ILR provider support manual, section 9.8.1: www.gov.uk/government/publications/ilr-guides-and-templates-for-2016-to-2017.

[14] More information on the training required for 16 and 17 year olds who are employment is available in 'Participation of young people in education, employment or training: Statutory guidance for local authorities' (annex, 1 paragraph 13): www.gov.uk/government/publications/participation-of-young-people-education-employment-and-training.

b. they must have started on an apprenticeship by passing the qualifying period to count for funding

c. they must have started on another programme at level 2 or level 3 and have passed the qualifying period to count for funding. The programme should include a substantial qualification recognised in the performance tables[15]

55. The ESFA expects that young people's vocational programmes will usually have a substantial core aim. When students have a short core aim within a larger programme and withdraw from their programme after completing that aim, this can lead to the retention rate being distorted as the student is counted as retained for the whole programme even though they have only completed a small part of their programme.

56. The ESFA will monitor the use of short core aims in young people's programmes, and will consider adjusting the retention rate for individual institutions if there is evidence that cohorts of students are entered for programmes that distort the retention rate in this way. The ESFA will apply an adjustment to institutions whose data returns show material non-compliance with the spirit and intention of the funding methodology.

Retention factor

57. The funding formula recognises that there is a cost to institutions in delivering programmes of study to students who do not complete. This is done through the retention factor, and the effect on funding is shown in the table below.

Table 5: Funding for withdrawing students

Student's completion status	Percentage of annual funding earned
Student leaves before completing qualifying period	0%
Student leaves and is not recorded as completed	50%
Student retained and is recorded as completed	100%

58. To reflect the funding reduction for withdrawing students, the funding formula uses a retention factor that is based on the retention rate.

15 16 to 19 vocational qualifications: technical guidance, Department for Education: www.gov.uk/government/publications/16-to-19-vocational-qualifications-technical-guidance.

59. The retention rate is the number of students retained (the student's completion status is continuing, completed or on a planned break in learning) divided by the total number of fundable students.

60. The retention factor is halfway between the retention rate and 100 per cent. We calculate it with the following formula.

$$\text{Retention factor} = 50\% + \frac{\text{retention rate}}{2}$$

61. We use a retention factor of 1 to calculate the allocations for direct funded 14 to 16 students.

Transfers

62. A transfer is when a student stops studying one qualification and takes up another in its place, while staying at the same institution.

63. When a student transfers between qualifications or other programme components (such as work experience or personal development activity), retention is not affected as long as the student continues to meet the retention criteria.

64. When a student stops studying for and does not complete their core aim, institutions must only record a replacement core aim when it is a substantial and core component of the study programme. If an alternative aim that meets these criteria cannot be identified, the withdrawn aim must remain as the core aim.

Withdrawals

65. When a student withdraws from the whole of their programme at one institution and enrols at another within the same funding year, the first institution will receive funding (as long as the student has completed the programme qualification period), adjusted by the retention factor. The second institution should record the student on a full time or part time programme, according to the number of hours that their programme holds for the remainder of the year.

Programme cost weighting

66. We use programme weightings to recognise that some programmes are more costly to deliver than others. There are 4 programme weighting factors in the 16 to 19 model.

Table 6: Programme weighting factors

	Weighting value
Base	1.0
Medium	1.2
High	1.3
Specialist	1.75

67. All academic and some vocational programmes are weighted at the base rate.

68. For vocational programmes, we determine the weighting by the core aim's sector subject area (SSA) tier 2 classification. The weighting is applied to the student's whole programme.

69. For directly funded 14 to 16 students, we apply a weighting of 1.04 to the student funding rate.

70. We give the Prince's Trust Team Programme the medium weighting. In order to be recognised as the Team Programme, institutions must record one of the Prince's Trust Team Programme qualifications as the core aim as well as the Prince's Trust learning delivery monitoring (LDM) code in the ILR.[16]

71. Annex A shows the SSA classifications and weightings.

Specialist land-based programmes

72. Certain programmes in the land-based sector, when delivered in specialist settings, are particularly costly to deliver. The higher costs are reflected by the use of the specialist programme cost weighting 1.75.

73. Institutions eligible for the specialist weighting are identified by the ESFA, advised by an expert panel that includes Lantra, Landex, and representatives from specialist institutions. We publish the criteria to qualify as a specialist institution in annex C to this guidance.

74. When delivered by other institutions, these programmes attract a 1.3 weighting.

[16] A full list of LDM codes is available online alongside the ILR specification: www.gov.uk/government/publications/ilr-specification-validation-rules-and-appendices-2017-to-2018.

Disadvantage funding

75. Disadvantage funding is made up of 2 blocks: one to account for students' economic deprivation, and one to account for low prior attainment in English and maths. Disadvantage funding is not ring fenced and institutions are free to choose the best ways to use this additional funding to attract, retain and support disadvantaged students and those with learning difficulties and disabilities.

Block 1: economic deprivation funding

76. Block 1 funding recognises that there are additional costs incurred in engaging, recruiting, and retaining young people from economically disadvantaged backgrounds. We determine whether a learner is eligible for block 1 funding by their home postcode and the level of deprivation recorded for that area in the Index of Multiple Deprivation (IMD) 2015.

77. Block 1 also provides an additional amount of funding for students who are in care or who have recently left care (£480 per student). We pay the same amount regardless of whether the student is full or part time.

Index of Multiple Deprivation (IMD) 2015

78. We use the 2015 version of the IMD, in line with the updated indices of deprivation published by the Department of Communities and Local Government.

79. IMD 2015 gives a value of relative deprivation for every lower layer super output area (LSOA) in the country, and is widely used in government. It is based on income deprivation, employment deprivation, health deprivation and disability, education, skills and training deprivation, barriers to housing and services, crime and living environment deprivation.

80. The IMD 2015-based disadvantage uplift will mean the following.

a. increased funding for students living in the 27 percent most deprived super output areas of the country

b. the funding uplift for these students ranges from 8.4 to 33.6 per cent, depending on the level of deprivation recorded in IMD 2015

81. The uplift values for individual postcodes are available on GOV.UK.[17]

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17 Uplift factors and postcode files, Skills Funding Agency, www.gov.uk/government/publications/uplift-factors-and-postcode-files.

Block 2: GCSE maths and English

82. Block 2 funding accounts for the additional costs incurred for teaching and supporting students who have low prior attainment. Low prior attainment is defined, by not achieving English and/or maths GCSEs at grades A* to C or grades 4 to 9 by the end of year 11 (typically age 16).

83. The low prior attainment measure we use for block 2 funding uses similar criteria to the condition of funding for maths and English.[18] For the purposes of calculating block 2 funding, we will also count qualifications equivalent to GCSEs (such as IGCSEs) and level 3 qualifications in maths and English (such as AS/A levels in these subjects) as having completed GCSE-level study. Students with these qualifications will not attract block 2 funding. You should return data according to these principles in the disadvantage block 2 prior attainment fields in the ILR (learner funding and monitoring (LDM) type 'EDF') and census (maths/English GCSE prior attainment year group). Students who have achieved an English literature GCSE but not English language are eligible for block 2 funding. This is different to the condition of funding criteria, where both English language and literature count as positive prior attainment.

84. We use data from the ILR, school census, and Higher Education Statistics Agency (HESA) from 2015/16 to calculate block 2 funding for most institutions. This is a change from last year, when we used YPMAD data. It means that we have moved from using data that is 3 years old to using data that is only 2 years old.

85. For some institutions, using ILR or census data would decrease block 2 funding and the change in data sources would result in a reduction in block 2 funding earlier than expected. To mitigate this effect, for those institutions where the factor based on the ILR is lower than the factor calculated from YPMAD data for 2014/15 we will use the average of those 2 factors in this first year only.

86. Block 2 funding is not intended to fund delivery of maths and English qualifications that form part of study programmes, but is to fund support for those students who need it to achieve their learning goals. This includes support for low cost, high incidence learning difficulties and disabilities.

87. Each instance of a student not having achieved a maths or English GCSE at grade C or above is counted. This means that a student who does not have either GCSE will be counted twice for the block 2 uplift.

[18] More information on the condition of funding is available online, '16 to 19 funding: maths and English condition of funding', Department for Education: www.gov.uk/16-to-19-funding-maths-and-english-condition-of-funding.

Table 7: Funding rates for block 2

Band	Annual hours	Block 2 funding rate per subject
5	540+ hours	£480
4a and 4b	450 to 539 hours	£480
3	360 to 449 hours	£292
2	280 to 359 hours	£292
1	Up to 279 hours	£480/FTE

88. We cannot apply the principles of block 2 funding to 14 to 16 year-olds. Most students in this age group will only just be starting GCSE study, and therefore we cannot use non-achievement of GCSE maths and English as a proxy for low prior achievement. Therefore any 14 to 16 student who is eligible for block 1 funding will also receive funding in place of block 2 funding at the rate of £960 per student.

Disadvantage top-up

89. Every institution will receive at least £6,000 of disadvantage funding. If an institution's total calculated disadvantage funding (block 1 plus block 2) is less than £6,000, we will top up the amount to this value.

Area cost uplift

90. Research has shown that there is a clearly marked difference in the relative costs of delivery between London and the South East, and the rest of England.

91. We normally base the area cost uplift on the delivery location of the institution's provision (see the following section for more detail).

92. There is no change to the values for area costs in 2017/18 as shown in the table below. Annex B lists the detailed area cost uplift factors.

Table 8: Area costs uplift 2017/18

	Uplift 2017/18
London A (Inner London)	20%
London B (Outer London)	12%
Berkshire (fringe and non-fringe)	12%
Crawley	12%

	Uplift 2017/18
Surrey	12%
Buckinghamshire fringe	10%
Hertfordshire fringe	10%
Buckinghamshire non-fringe	7%
Oxfordshire	7%
Essex fringe	6%
Kent fringe	6%
Bedfordshire	3%
Hertfordshire non-fringe	3%
Cambridgeshire	2%
Hampshire and Isle of Wight	2%
West Sussex non-fringe	1%
Rest of England	0%

Area cost uplift factors for geographically dispersed delivery

93. Where institutions deliver provision across local authorities with different factors, we will calculate the area cost factor, using a weighted average of the area costs uplift for each delivery postcode.

94. We review the area cost factors for institutions that return ILR data every year. This review identifies institutions that have dispersed delivery and/or an area cost factor, based on delivery postcodes, that is significantly different from the factor in the previous year.

a. we review institutions that have 10% or more of their provision in a weighted area

b. for institutions where the agreed approach is to calculate the area costs based on delivery each year, we update the calculation accordingly

c. for institutions where the area cost has previously been based on a standard figure (the head office's postcode or another agreed figure), we will not make a change if the calculated area cost based on delivery postcode is within 1% of the figure used in the previous year's allocation

d. for local authorities we use the head office postcode unless the authority itself has different fringe/non-fringe values (for example, Hertfordshire). This is due to low student numbers and potential year-on-year fluctuations

e. for other institutions where there is a difference of more than 1% between the area cost factor based on the head office’s location and the area cost factor based on a weighted average of delivery locations, we will normally use the weighted average factor

Area cost uplift factors for merged institutions

95. When institutions merge, we will review their area cost uplift factors. In the first year we will calculate the area cost uplift factor for the merged institution as the weighted average of the factors for the predecessor institutions. After that, we will use the weighted average method for geographically dispersed delivery, as described in the section above. Later this year we will be collectively consulting those institutions that have already merged and do not yet have their area costs calculated in this way, about the process and timing for moving them onto this approach.

Funding outside the formula

High needs student (HNS) funding

96. High needs students (HNS) are those who receive support from their local authority high needs budget, in order to gain access to, progress towards, and successfully achieve their learning goals. High needs students include:

a. students aged 16 to 18 with high levels of SEN in schools and academies, FE institutions, SPIs, or other kinds of institution who receive top-up funding from the local authority high needs budget. Most, but not all, of these pupils will have either statements of SEN or EHC plans, or

b. those aged 19 to 25 in FE institutions and SPIs who have an EHC plan and require additional support costing over £6,000 from the local authority high needs budget[19]

97. Post-16 places in special schools, special academies and non-maintained special schools are funded at £10,000 per place. Post-16 high needs students in mainstream schools and academies, FE institutions, CCPs and SPIs are funded on the basis of elements 1 and 2.

a. element 1 – core education funding: programme funding, as described in this document. Institutions must not seek funds from local authorities for shortfalls in element 1 in 2017/18. We will rectify any shortfall in the allocation for 2018/19 based on the lagged student number approach

b. element 2 – additional education support funding: £6,000 per high needs student (student numbers determined by local authorities, apart from SPIs, who are funded directly by the ESFA on the basis of lagged ILR data)

c. element 3 – top-up funding: additional funding above the core education funding and the additional education support funding provided on a per-student basis by the relevant LA (based on the student's home location)

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[19] Only students who meet the above definition are high needs students. Schools must not use money from the schools budget to fund places, or incur other expenditure (such as top-up funding), for 19 to 25 year olds in schools. (In this context, 'schools' means maintained mainstream, maintained special, mainstream academy, special academy, non-maintained special and special academies.) The rules are set out in regulation 14 and paragraph 18 of schedule 2 to the School and Early Years Finance (England) Regulations 2015 (www.legislation.gov.uk/uksi/2015/2033/contents/made). The young people's model does not fund students aged 19 and over who do not meet the high needs definition; they are funded at adult rates.

98. We also consider young people to be high needs students when they are part time and their additional support funding would total more than £6,000 if provided over the full academic year.

99. In all instances, the local authority must commission a high needs student's placement and include the top-up funding (element 3) to be paid to an institution. An agreement must be in place between the 2 parties to that effect. If the local authority does not agree a placement and top-up funding, these students must not be counted as high needs for funding purposes, even when the institution has assessed a student as requiring additional support or has offered the student a place. We publish information on the 2017/18 high needs funding system on GOV.UK.[20]

Care standards: residential accommodation for young people aged under 18

100. The Care Standards Act 2000, and related regulations from 2002, placed further responsibilities on institutions that offer residential accommodation for students under the age of 18.

101. Higher costs are associated with complying with the Care Standards regulations. These extra costs apply to young people aged under 18 who are living away from home and where the institution is considered in loco parentis.

102. Care Standards funding is available to specialist colleges and other individual institutions where students are in residence primarily because similar provision is not available locally.

103. To be eligible for Care Standards funding an institution must:

a. be registered with Ofsted or the Care Quality Commission (CQC) for inspection under the Care Standards regulations

b. have a minimum of 12 students funded under the 16 to 19 young people's model aged under 18 in residential accommodation on campus, as recorded in the ILR

104. Care Standards funding will be calculated based on the amounts in the table below and applied to provision for the appropriate year.

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[20] 'High needs funding arrangements: 2017 to 2018' Education Funding Agency:, www.gov.uk/government/publications/high-needs-funding-arrangements-2017-to-2018.

Table 9: Funding for institutions with residential accommodation for 2017/18

Funding per full year student aged under 18	£817
Funding per institution	£12,252

Formula protection funding

105. We introduced formula protection funding in 2013/14. It shields institutions from significant decreases in funding per student resulting from the changes to the funding formula in 2013/14.

106. We are phasing out formula protection funding over the 6 year period from 2016/17. The final year when we will pay formula protection funding will be 2020/21.

107. In 2017/18, we will pay formula protection funding according to the following principles.

a. only institutions who received formula protection funding in 2016/17 are eligible for formula protection funding in 2017/18

b. the reduction in FPF per student in 2017/18 will be the same as the reduction per student applied in 2016/17

c. the number of students that attract FPF will not be greater than it was in 2015/16

108. More information on formula protection funding is available on GOV.UK.[21]

[21] 'Formula protection funding: detailed guidance', Education Funding Agency: www.gov.uk/guidance/formula-protection-funding.

Additional guidance on student programmes

14 to 16 in further education institutions

109. Further education (FE) and sixth-form colleges can enrol and be directly funded for 14 to 16 year olds who wish to study high-quality technical qualifications alongside general qualifications including English and maths within the Key Stage 4 curriculum. The ESFA will fund this provision where colleges express an interest in doing so, and can confirm that they meet the programme eligibility criteria.

110. We fund 14 to 16 year olds who are in a school or academy through the usual school funding methodologies.

111. Full guidance on full time 14 to 16 funding enrolment is available on GOV.UK.[22]

112. The funding formula for directly recruited 14 to 16 students is very similar to the formula for all other provision funded by the EFSA under the 16 to 19 young peoples funding model. The 'Funding arrangements' section of the 14 to 16 guidance published on GOV.UK[23] gives further information on the formula.

113. The ESFA also funds the following groups of 14 to 16 year olds through the standard 16 to 19 funding formula. Institutions do not need to meet the direct recruitment criteria to enrol and record funding for these students.

a. students under 16 who hold qualifications that are at least equivalent to a full level 2 (achieved at an earlier age than normal) who wish to enrol on a full level 3 course

b. electively home educated students (EHE). These students can only be enrolled and funded for part time courses – if an institution recruits them for full time courses, then they are no longer home educated and the institution will need to meet the criteria for direct recruitment

Pupil premium funding

114. Some 14 to 16 students will also be eligible for the pupil premium. When institutions have directly recruited 14 to 16 students, we will calculate pupil premium

[22] 'Enrolment of 14- to 16-year-olds in full-time further education': www.gov.uk/guidance/full-time-enrolment-of-14-to-16-year-olds-in-further-education-and-sixth-form-colleges-in-2016-to-2017-academic-year.

[23] The same link as above.

funding outside the formula and in addition to the total programme funding. The eligible groups are:

a. students who are entitled to free school meals

b. children of service personnel

c. children in care and those who have recently left care

Traineeships

115. For funding purposes a traineeship programme uses the same principles as any other 16 to 19 study programme, apart from some additional situations in which we count students as retained.

116. Traineeships last at least 6 weeks and up to 6 months. Usually we would not consider programmes of this length as full time. Please refer to paragraph 23 for guidance about compressed delivery.

117. When a student progresses from a traineeship to another 16 to 19 study programme, the second programme must have a new core aim of its own as set out in the section 'Students who do more than one programme in a year'. Institutions must also update the planned hours to include the additional activity planned for the year.

118. Institutions must record a programme aim in the ILR for all traineeships. We will use the programme aim to calculate retention for students on traineeships.

119. There is an indicator in the school census to identify learning aims that contribute towards a traineeship. Institutions must use this indicator for all traineeship aims.[24]

120. We have published more information on delivering traineeships on GOV.UK.[25]

Supported internships

121. Supported internships are study programmes planned by a post-16 institution that are delivered mainly on an employer's premises, for young people aged 16 to 24 who have learning difficulties and/or disabilities. They are funded in the same way as any other study programme.

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[24] Guidance on completing the census is available online: www.gov.uk/guidance/school-census#census-documents.

[25] 'Delivering traineeships through EFA funding', January 2016: www.gov.uk/guidance/delivering-traineeships-through-efa-funding.

Annex A: Programme cost weightings by sector subject area (SSA)

Table A1: Programme cost weighting by SSA

SSA tier 2 code	SSA tier 2 description	Programme cost weighting banding	Programme cost weighting factor
1	Health, public services and care	Base	1
1.1	Medicine and dentistry	Base	1
1.2	Nursing and subjects and vocations allied to medicine	Base	1
1.3	Health and social care	Base	1
1.4	Public services	Base	1
1.5	Child development and wellbeing	Base	1
2	Science and mathematics	Base	1
2.1	Science	Base	1
2.2	Mathematics and statistics	Base	1
3	Agriculture, horticulture, and animal care	High/specialist[26]	1.3/1.75
3.1	Agriculture	High/specialist	1.3/1.75
3.2	Horticulture and forestry	High/specialist	1.3/1.75
3.3	Animal care and veterinary science	High/specialist	1.3/1.75
3.4	Environmental conservation	High/specialist	1.3/1.75
4	Engineering and manufacturing technologies	Medium	1.2
4.1	Engineering	High	1.3
4.2	Manufacturing technologies	High	1.3

[26] The high weighting (30%) will include non-specialist agriculture and animal care. The specialist weighting (75%) will apply where there is a requirement to maintain specialist facilities such as a farm or equine stables.

SSA tier 2 code	SSA tier 2 description	Programme cost weighting banding	Programme cost weighting factor
4.3	Transportation operations and maintenance	Medium	1.2
5	Construction, planning and the built environment	Medium	1.2
5.1	Architecture	Medium	1.2
5.2	Building and construction	Medium	1.2
6	Information and communication technology	Base	1
6.1	ICT practitioners	Medium	1.2
6.2	ICT for users	Base	1
7	Retail and commercial enterprise	Medium	1.2
7.1	Retailing and wholesaling	Medium	1.2
7.2	Warehousing and distribution	Base	1
7.3	Service enterprises	Medium	1.2
7.4	Hospitality and catering	Medium	1.2
8	Leisure, travel and tourism	Base	1
8.1	Sport, leisure and recreation	Base	1
8.2	Travel and tourism	Base	1
9	Arts, media and publishing	Base	1
9.1	Performing arts	Medium	1.2
9.2	Crafts, creative arts and design	Medium	1.2
9.3	Media and communication	Base	1
9.4	Publishing and information services	Base	1
10	History, philosophy and theology	Base	1
10.1	History	Base	1
10.2	Archaeology and archaeological sciences	Base	1

SSA tier 2 code	SSA tier 2 description	Programme cost weighting banding	Programme cost weighting factor
10.3	Philosophy	Base	1
10.4	Theology and religious studies	Base	1
11	Social Sciences	Base	1
11.1	Geography	Base	1
11.2	Sociology and social policy	Base	1
11.3	Politics	Base	1
11.4	Economics	Base	1
11.5	Anthropology	Base	1
12	Languages, literature and culture	Base	1
12.1	Languages, literature and culture of the British Isles	Base	1
12.2	Other languages, literature and culture	Base	1
12.3	Linguistics	Base	1
13	Education and training	Medium	1.2
13.1	Teaching and lecturing	Medium	1.2
13.2	Direct learning support	Medium	1.2
14	Preparation for life and work	Base	1
14.1	Foundations for learning and life	Base	1
14.2	Preparation for work	Base	1
15	Business, administration and law	Base	1
15.1	Accounting and finance	Base	1
15.2	Administration	Base	1
15.3	Business management	Base	1
15.4	Marketing and sales	Base	1
15.5	Law and legal services	Base	1

Annex B: Area cost uplifts by region

1. To identify location, we use postcodes and boundaries set by the Office of National Statistics'. The table gives the area cost uplifts by local authority.

2. The full list of area cost uplifts by postcode is available on GOV.UK.[27]

Table B1: Area costs uplift by region

London A – 1.20	London B – 1.12
Camden	Barking and Dagenham
City of London	Barnet
Fulham	Bexley
Greenwich	Brent
Hackney	Bromley
Hammersmith	Croydon
Haringey	Ealing
Islington	Enfield
Kensington and Chelsea	Harrow
Lambeth	Havering
Lewisham	Hillingdon
Newham	Hounslow
Southwark	Kingston upon Thames
Tower Hamlets	Merton
Wandsworth	Redbridge
Westminster	Richmond upon Thames
	Sutton
	Waltham Forest

27 Uplift factors and postcode files: www.gov.uk/government/publications/uplift-factors-and-postcode-files.

Bedfordshire and Hertfordshire non-fringe – 1.03	
Bedford	North Hertfordshire
Central Bedfordshire	Stevenage
Luton	

Berkshire, Surrey, and West Sussex fringe – 1.12	
Bracknell Forest	Slough
Crawley	Spelthorne
Elmbridge	Surrey County Council
Epsom and Ewell	Surrey Heath
Guildford	Tandridge
Mole Valley	Waverley
Reigate and Banstead	Windsor and Maidenhead
Runnymede	Woking

Berkshire non-fringe – 1.12	
Reading	Wokingham
West Berkshire	

Buckinghamshire non-fringe – 1.07	
Aylesbury Vale	Wycombe
Milton Keynes	

Cambridgeshire – 1.02	
Cambridge	Huntingdonshire
East Cambridgeshire	Peterborough
Fenland	South Cambridgeshire

Hampshire and Isle of Wight – 1.02	
Basingstoke and Deane	Isle of Wight
East Hampshire	New Forest

Hampshire and Isle of Wight – 1.02	
Eastleigh	Portsmouth
Fareham	Rushmoor
Gosport	Southampton
Hampshire County Council	Test Valley
Hart	Winchester
Havant	

Hertfordshire and Buckinghamshire fringe – 1.10	
Broxbourne	South Buckinghamshire
Chiltern	St Albans
Dacorum	Three Rivers
East Hertfordshire	Watford
Hertsmere	Welwyn Hatfield

Kent and Essex fringe – 1.06	
Basildon	Harlow
Brentwood	Sevenoaks
Dartford	Thurrock
Epping Forest	

Oxfordshire – 1.07	
Cherwell	South Oxfordshire
Oxford	Vale of White Horse
Oxfordshire County Council	West Oxfordshire

West Sussex non-fringe – 1.01	
Adur	Horsham
Arun	Mid-Sussex
Chichester	Worthing

Annex C: Criteria to identify specialist land-based institutions

3. Eligible institutions offer provision that includes significant volumes of full time students that require the operation of credible land based enterprises, operated to industry standards through 365 days per year, needing cover for 24 hours per day. This specialist provision involves plant and/or animal production and management that will normally entail using a significant area of land, estates and gardens. An additional higher cost feature associated with this type of specialist provision is the need to recruit from and manage widely and thinly dispersed catchments.

Screening criteria

4. Institutions must meet these criteria.

a. an offer in at least 6 of the 12 land-based occupational areas, at least one of which will be agriculture or horticulture

b. a minimum of 200 full time, full year learners in land-based subjects (all modes). Figures include FE and taught HE. Full time programmes must last at least 30 weeks

c. funded provision with progression routes up to and including level 3 or above in at least 4 of the occupational areas

d. clear progression pathways to HE

e. evidence of substantial involvement of representatives (leaders) of local land based industries in the institution's activity

f. levels of investment in physical resources consistent with the vocational levels and range of provision

g. existence of commercial enterprises in either agriculture or horticulture that are controlled or managed by the provider and supports a realistic working environment for learners to experience in acquiring an appropriate range of industrially relevant skills

Occupational areas

5. These are the land-based occupational areas:

a. agriculture, crops and livestock

b. animal care

c. aquaculture

d. equine

e. food manufacture and processing

f. game and wildlife management

g. landscape

h. land-based engineering

i. production horticulture

j. professions allied to veterinary trade

k. trees and timber

l. viticulture

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Reference: ESFA-00119-2017

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