

# 16-19 funding formula review Consultation

October 2011

⌄ For consultation

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# 1: Introduction

## The case for change

1. The national funding formula used for the education and training of 16-19 year-olds in England has supported the significant improvement in attainment by young people over recent years. It operates across the many different routes a young person may choose and has brought maintained school and Academy sixth forms, colleges and other providers onto the same basis for funding.<sup>1</sup> It gives those providers additional funding depending on the characteristics of the young people who choose to learn at their institution.
2. Nevertheless, it is not appropriate for a system of compulsory participation, and it has two significant weaknesses that we need to address. First, the funding formula is not always transparent and straightforward, requiring providers and funding bodies to develop significant data and audit systems to operate it. The opacity and complexity of the formula means that young people do not have a standard funding allocation that follows them. The total amount a provider receives depends on the details of each learner's separate qualifications, characteristics, and achievements. At the same time, the various elements of the current approach, which provide the additional funding for disadvantaged learners, are resource-intensive to maintain and not easy to understand. We need to ensure that the funding formula is as transparent and simple as possible, while also ensuring that it continues to distribute public money in a fair and appropriate way.
3. Secondly, we know that too many young people currently do not progress into secure employment or further and higher education (HE) and training. We need to ensure that all learners study the best qualifications that ensure they can progress to further study or into a job. Furthermore, too many learners without a solid grounding in the basics are being allowed to drop the study of English and maths – the most vital foundations for employment – when these are precisely the subjects they most need to continue. In revising the funding formula we need to strip out the perverse incentives that are inherent in the current system of “payment-per-qualification,” and introduce funding at learner level that will support the delivery of a coherent programme of learning for the young person. The current funding system is unique compared to pre-16 education in England and international post-16 education. Professor Wolf found that it:
  - forces institutions to steer a high proportion of learners into courses they are likely to pass easily, if they are to remain solvent, and risks severe downward pressure on standards in teacher-assessed awards,

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<sup>1</sup> Unless we are referring to a specific type of provider, we use ‘providers’ to mean all types of provider.

- gives institutions strong incentives to choose qualifications that pay well – that is, qualifications that are well-funded but require less teaching time in practice than their value implies,
  - gives institutions no incentive to offer coherent study programmes, and
  - gives institutions no real powers or incentives to respond directly to the labour market.<sup>2</sup>
4. Moving to a system for 16-19 learners, whether vocational or academic, which funds on a per learner basis, with the amount varying to some extent by programme, would tackle the worst of these effects and bring significant benefits to the young person. At the moment, providers devote too much attention to “exploring the intricacies of ‘success rate data anomalies’ which will have a major impact on their annual budgets”<sup>3</sup>, and as Professor Wolf writes, England “is the only country, to the best of my knowledge, where institutions routinely spend money attending workshops which explain the latest wrinkles in the funding formula and how best to exploit these.”<sup>4</sup>
  5. A simpler funding system will support autonomous institutions to offer coherent and substantive study programmes, free from any perverse incentives. Providers will be able to ensure that each young person is on the correct programme to facilitate their progression to further learning or employment, a requirement outlined in the Wolf review.<sup>5</sup>

### A new challenge for 16-19 funding: getting the principles right

6. This is a critical time for 16-19 education and training as it changes to meet the demands of compulsory full participation, at a time when every element of public funding and every single budget is under the greatest scrutiny.
7. The proposals in this consultation document build on the actions the Government has already taken to simplify the funding system through the introduction of the lagged learner number approach to allocations, and to deliver fair funding so that all providers are funded at the same level by 2015. But there is a long way to go before we can say that funding follows the learner, and that we have removed perverse incentives to steer young people onto easier programmes with a large number of qualifications that do not improve their opportunities for progression.

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<sup>2</sup> Alison Wolf, *Review of Vocational Education – the Wolf Report*, Department for Education, March 2011, p.60. [tinyurl.com/wolfreport](http://tinyurl.com/wolfreport)

<sup>3</sup> *Review of Vocational Education*, op. cit., p.62.

<sup>4</sup> *Review of Vocational Education*, ibid.

<sup>5</sup> *Review of Vocational Education*, op. cit., recommendation 6, p.14.

8. We consider the principles of a new system should:

a. Support policy objectives

A revised funding formula must support the policy objectives of:

- raising the age for compulsory participation in education,
- eliminating the attainment gap between young people from poorer backgrounds and those from more affluent ones, and
- removing any perverse incentives that funding may exert over the curriculum.

b. Be fair

Funding should follow the learner, and be based on the lagged learner number approach to allocations to ensure stability.

Funding should be based on inputs (currently guided learning hours) that recognise the typical costs incurred by providers in delivering the programme.

c. Be clear and transparent

The funding formula should have clear funding calculations, the links to the relevant data should be easy to understand, and the basic elements and calculations should, where practical, be aligned with proposals for funding pre-16, and with proposals for funding high-need pupils.

d. Enable data simplification

The minimum data necessary to provide the required level of accuracy in allocations and assurance of public funds should be collected.

e. Be clear what additional funds are being targeted at young people from disadvantaged backgrounds

The funding formula should include a more transparent and consistent element to show the extra funding targeted at young people, including those on an Apprenticeship, from disadvantaged backgrounds. We should aim to align this with the principles of the pre-16 pupil premium, so ideally this should show how much extra funding will be received by each learner classified as disadvantaged.

f. Avoid financially destabilising good quality provision

To meet this challenge, we must provide clarity, simplicity and fairness to institutions as well as transparency to young people and parents, so that everyone can better understand how successful learning and provision is funded by government. This consultation will lead to a redesigned national formula capable of continuing to support the complete range of provision for all learners aged 16-19. The

change will need to be carefully managed. Options for achieving this are discussed in chapter 6.

### A new ambition for young learners

9. There is no doubt that the 16-19 further education system continues to deliver ever greater success. In England, over 1.6 million young people are in some form of learning, the highest ever number, with 91.6 per cent of 16-17 year-olds participating in education or work-based learning at the end of 2010. Participation of 16 year-olds alone stands at 96.1 per cent. In 2010, four out of five<sup>6</sup> young people aged 19 were qualified to at least level 2 and over half<sup>7</sup> of all young people were qualified to level 3.
10. The gap in attainment between disadvantaged young people and their more affluent peers continues to close. Between 2005 and 2010 the gap in attainment of level 2 at age 19 between those in receipt of free school meals (FSM) – a key proxy for deprivation – and their peers,<sup>8</sup> closed by 8 percentage points.
11. Despite this, the overall number of young people not in education, employment or training (NEET) is still too high. At the end of 2010, 141,800 16-18 year-olds were NEET: this is 7.3 per cent of all 16-18 year-olds.<sup>9</sup> This figure remains high, around one in ten, and has been for over twenty years. We also know that it is more often young people from disadvantaged backgrounds who are less likely to participate.
12. Similarly, whilst the gap in attainment for disadvantaged learners has narrowed in recent years, it is background and social class that remain the key determinant of young people's educational outcomes. The gap in attainment opens up by the age of 22 months, and a child receiving free school meals is around three times less likely than other children to achieve good school outcomes at age 16. The attainment gap is evident at every single point in the educational journey.
13. The pre-16 pupil premium has been introduced to provide schools with extra funding to spend on interventions that can support the attainment of disadvantaged pupils. The Government remains committed<sup>10</sup> to full participation in education and training for 16-17 year-olds, to raising the participation age to 17 in 2013 and to 18 in 2015. The question for post-16 funding is how it can be most effectively used to better support young people's prospects, which are too often determined by home background and circumstance.

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<sup>6</sup> 81.5% of young people aged 19 possessed a level 2 qualification in 2010.

<sup>7</sup> 54.2% of young people aged 19 possessed a level 3 qualification in 2010.

<sup>8</sup> *GCSE and Equivalent Attainment by Pupil Characteristics in England, 2009/10* (SFR 37), Department for Education, 16 December 2010, p.2 and p.6. [tinyurl.com/SFR37](http://tinyurl.com/SFR37)

<sup>9</sup> *16- to 18-year-olds not in education, employment or training (NEET)*, Department for Education, August 2011. [tinyurl.com/2010neets](http://tinyurl.com/2010neets)

<sup>10</sup> *The Importance of Teaching – the Schools White Paper 2010*, Department for Education, November 2010, p.50. [tinyurl.com/importanceofteachingwhitepaper](http://tinyurl.com/importanceofteachingwhitepaper)

14. The case for change is therefore powerful and compelling. As Professor Wolf found from over 400 submissions from individuals and groups with extensive knowledge of the current 16-19 and vocational system: “Many highlighted its strengths and achievements. But none wanted to leave things as they are: nor did they believe that minor changes were enough. This is surely correct.”<sup>11</sup>

### Scope of the consultation

15. This consultation is limited to 16-19 learner responsive provision in general and specialist further education (FE) colleges, sixth form colleges, maintained school and Academy sixth forms (SSFs), and commercial and charitable providers. It includes Apprenticeship providers and the areas of Apprenticeships that are in scope are included in this document.
16. The consultation does not consider changes for funding for young people with “high needs.” The high needs strand of the schools funding consultation<sup>12</sup> looks at children and young people aged 0-25 with special educational needs (SEN) and disability in a consistent manner in accordance with the green paper on SEN and disability.<sup>13</sup>
17. The proposals in this consultation cover the following areas.
- Reforming disadvantage funding and aligning it more closely with the principles of the pre-16 pupil premium. We are seeking views on the scope and distribution of the disadvantage funding.
  - Simplifying participation funding, and how we can move away from funding an aggregation of the qualifications a young person is studying, and fairly allocate funding to full and part time learners.
  - Streamlining the way we address the additional costs of delivery of certain provision, and how we can apply these to the programme of study rather than the individual qualification.
  - Revising area costs by potentially introducing consistency, and possibly aligning area cost uplift with those applied pre-16 through the dedicated schools grant (DSG).
  - The potential removal of the success factor from the formula, or treating achievement and retention separately.
  - Simplifying the residential care standards uplift by removing it from the funding formula and distributing it directly to providers, and removing the short programme modifier.
  - Using transitional protection and/or phased implementation to support a smooth transition to the simpler funding formula.

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<sup>11</sup> *Review of Vocational Education*, op. cit., p.8.

<sup>12</sup> *Consultation on school funding reform: Proposals for a fairer system*, Department for Education, July 2011, p.46. [tinyurl.com/schoolfundingconsultation](http://tinyurl.com/schoolfundingconsultation)

<sup>13</sup> *Support and aspiration: A new approach to special educational needs and disability*, Department for Education, March 2011. [tinyurl.com/sengreenpaper](http://tinyurl.com/sengreenpaper)

18. The Department for Business Innovation and Skills (BIS) and the Skills Funding Agency are also taking action to simplify the adult skills funding system. In line with the announcements set out in *Further Education – New Horizon, Investing in Skills for Sustainable Growth*<sup>14</sup>, proposals are being developed for a simplified rates structure, funding formula, and new earnings methodology.
19. 16-18 Apprenticeships are included in the Skills Funding Agency's simplification plans. However, there are some aspects of 16-18 Apprenticeship funding where we believe it is important to retain consistency across all 16-19 learners, and which therefore are within the scope of this consultation. These aspects are:
  - funding for disadvantage and additional learning support, and
  - programme weighting factors.
20. The content of this consultation has been informed by six expert seminars with the Association of School and College Leaders (ASCL), the Association of Colleges (AoC), the Association of Employment and Learning Providers (AELP), the Sixth Form College Forum (SFCF), and the Specialist Schools and Academies Trust (SSAT), as well as a research project led by the YPLA to gauge the sector's perception of simplification.

## Responding to the consultation

21. Responses to be considered must be received by 4 January 2012.
22. Responses to the consultation can either be made:
  - online: [education.gov.uk/consultations](http://education.gov.uk/consultations),
  - by email: [16-19Funding.CONULTATION@education.gsi.gov.uk](mailto:16-19Funding.CONULTATION@education.gsi.gov.uk),  
or
  - by post:  
Consultation Unit  
Area 1C  
Castle View House  
Runcorn  
Cheshire WA7 2GJ
23. The results of the consultation will be published in Spring 2012.

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<sup>14</sup> *Further Education – New Horizon: Investing in Skills for Sustainable Growth*, Department for Business, Innovation and Skills, November 2010. [tinyurl.com/FEnewhorizon](http://tinyurl.com/FEnewhorizon)

## 2: Funding disadvantage

24. The 16-19 funding system currently recognises that extra funding is required to support activity to recruit and retain those learners that have low prior attainment, have a learning difficulty or disability, or are disadvantaged by their economic background compared to other young people.
25. The current national funding formula gives a significant weighting to deprivation through the disadvantage uplift and the funding allocated through additional learning support (ALS). The disadvantage uplift is based on a combination of where the young person lives and their personal circumstances (for instance, if they are leaving care). ALS is based on prior attainment in English and maths, except in Apprenticeships, as a proxy for those most likely to need additional support, and on historical spend on learners with low level learning difficulties and disabilities (LDD). Restrictions on the use of ALS were removed for 2011/12, allowing head teachers and principals to determine how best to use the funding. For further details of how the current funding formula recognises disadvantage and prior attainment, see annex A.
26. Because disadvantage and ALS funding is embedded within the allocations and largely calculated on sliding scales and historical spend, we do not consider it to be as transparent or straightforward as it could be. Although it fulfils a function, it does not stand up as a way of ensuring that all deprived young people have the same level of funding for their continuing education and training.
27. This section considers how the costs associated with both economic and educational disadvantage can be more effectively targeted within the new funding system, as well as being simpler and more transparent. A key issue is whether we should continue to have different funding elements that recognise the different reasons why learners may need additional support. We would not want to prescribe how funding will be used, but we must consider that the number of learners with support needs arising from each cause (prior attainment, LDD, and economic disadvantage) will vary from provider to provider. We do not want providers to avoid taking on certain learners because of the way that disadvantage is funded.
28. The proposals in this section will also apply to 16-18 Apprenticeships in order to ensure consistency across all 16-19 learners.

### Introducing simpler and more transparent funding for disadvantage

#### Additional support for those with learning disadvantages

29. In considering the options for funding to recognise disadvantage, we need to review how we provide funds for learners with additional support needs that arise either from their low attainment or because they have a

low level learning difficulty or disability.<sup>15</sup> We need to consider whether we provide a discrete element within the budget for this, or whether it could be merged with other elements to achieve simplification. In particular we need to consider whether the current system of allocating ALS funding to providers to meet these extra support needs should be changed.

30. We are able to predict those needing extra support related to ability by using GCSE attainment in English and maths as a proxy to identify additional learning needs, but predicting low level LDD incidence is more difficult. We need to determine whether the current principle of determining funding for both on the same element of the formula is right.

#### Additional support for those from deprived economic backgrounds

31. We also need to review how we provide funds for the additional costs associated with meeting the needs of young people from disadvantaged backgrounds. Our aim is to make sure that all deprived young people attract the same level of disadvantage funding, which the provider will be able to use to provide the additional support they need to help them reach their full potential. The funding should be allocated in a similar manner to the pre-16 pupil premium, in that its intention is to focus on supporting social mobility.
32. The revised method will complete a comprehensive programme of support, which starts with the pre-16 pupil premium and continues through the 16-19 bursary and the National Scholarship Scheme for Higher Education.
33. The future method of allocating will be similar to the pre-16 pupil premium, and we expect the principles of operation would be as follows.
  - It would be an additional sum of funding allocated to a provider delivering to:
    - any economically disadvantaged young person aged 16 or 17 who participates in education and/or training, and meets the terms of raising the participation age legislation, and
    - any economically disadvantaged 18 year-olds in full time education.
    - The above categories cover all 16-19 provision, including Apprenticeship provision.
  - It would be paid at a standard flat funding rate for all young people who qualify, regardless of where they live or other circumstances.
  - It would be paid pro-rata for part time learners.
  - It would be calculated as an allocation to the provider.

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<sup>15</sup> This only includes funding for low level LDD as funding for high need pupils is included in the *Consultation on school funding reform*, op. cit., p.28.

- The provider would be free to decide how disadvantage funding should be invested to the benefit of disadvantaged young people, in line with the Government's objectives.
  - The funding would not be ring fenced and would not be accounted for at an individual level. However providers will be expected to demonstrate publicly to the communities they serve, to governors, and to the government the progress they have made in addressing issues of disadvantage through the use of this funding.
34. We have separated out different aspects of disadvantage funding for consultation: the scope, the eligibility, and the allocations methodology. Implementation needs to take account of any wider changes to the funding formula, as well as any unintended consequences on any particular groups of learners, such as those with LDD.

*Question for consultation*

Q1. Do you agree that these are the right principles for the operation of disadvantage funding?

### Options for the scope of funding for disadvantage

35. Your views are sought on the scope of the disadvantage funding. This could be paid out of all or part of the current disadvantage funding elements (that is, the disadvantage uplift and ALS). Because any new approach will need to be based on better use of the existing budgets, there is a particular need to make sure its operation is cost neutral, straightforward, simple and, above all, targeted at those young people who need it most. Our concern is to make sure that the way we introduce the fund allows continuing resources for low level LDD, as well as additional support for the cost of attracting and retaining disadvantaged learners.
36. Three options for defining the scope have been identified and are set out below. The impact of each option is set out in annex B, using 2009/10 data to model each option.

#### Option 1: A single fund to recognise all forms of disadvantage

37. This option would create a single budget that includes the funds currently allocated for disadvantage uplift and the proportion of ALS calculated on learners' prior attainment in English and maths. We would allocate this budget directly to providers based on a single measure of deprivation. Providers would be expected to use this single allocation to meet the needs of attracting and supporting disadvantaged learners in the way they best see fit.
38. The funds for meeting the support needs resulting from any learning difficulty or disability up to £5,500 (or any revised threshold identified

through the schools funding consultation<sup>16</sup>) would be met by retaining a separate funding pot to meet such low level needs.

Option 1 advantages	Option 1 disadvantages
A single large fund to administer, supporting fully the Government aim to devolve decisions to education providers	Funding for those with additional support needs related to educational disadvantage is not separately identified
Fully transparent, as it is based on one single criterion that reflects general economic disadvantage	Creates significant shifts in funding between different provider types, with big winners and losers
Funding to meet low level LDD needs is separately identified and therefore supports the principle of funding for high need pupils in the schools funding consultation's proposals	Means of allocating budget for LDD would have to be developed
Highest possible funding rate per disadvantaged learner	No additional support funding for learners with low attainment if the provider has no learners identified as disadvantaged
Maximum targeting on deprived households and therefore on general economic disadvantage	Two funds to administer (single budget for disadvantage and additional support, and separate budget for LDD)

**Option 2: A fund to address economic disadvantage only with a separate budget to address other support needs and low level LDD needs, very similar to current arrangements**

39. This option would create a fund allocated solely to address the needs of learners due to them being from low income households or other identified disadvantaged circumstances. It would be allocated directly to providers based on whichever allocation method is agreed (see paragraphs 44 to 49 below).
40. In addition, a second, separate budget would be allocated to address other learning support needs (which could, as at present, use GCSE points scores in English and maths as a proxy for identifying these needs) and low level LDD needs.
41. The funds would not be ring fenced, and therefore it would be for providers to determine how these funds are best deployed to attract and support disadvantaged learners.

<sup>16</sup> *Consultation on school funding reform*, op. cit., p.31.

Option 2 advantages	Option 2 disadvantages
Ensures providers have funding relevant to the characteristics of the cohort they recruit (that is, for both economically disadvantaged learners and those with other learning needs not related to economic circumstances)	Similar to current arrangements and does not simplify
Funding to meet low level LDD needs is separately identified and supports proposals in the schools funding consultation	Funding targeted specifically at economic disadvantage would be reduced compared with option 1
Least disruption for providers with impact being relatively minor – there are no significant losers, and private providers gain the most	Two funds to administer, (budget to address needs of learners from low income households and a separate budget for other learning needs and LDD)
Maintains current coverage of learners (depending on allocation method agreed)	

**Option 3: A fund to address general economic disadvantage only, with a separate budget to address low level LDD needs. Funding to address other learning support needs to be integrated into programme funding.**

42. This option would create a fund allocated solely to address the needs of learners due to them being from low income households or other identified circumstances, as in option 2 above. In addition, a separate budget would be allocated to address low level LDD needs. There would be no separately identified funds for addressing more general educational disadvantage over and above those associated with low level LDD. Instead, this element of the current ALS budget would be incorporated into programme funding and it would be for providers to use the enhanced programme funding for this purpose where appropriate.
43. Providers would be expected to use disadvantage funding to meet the additional costs of attracting and supporting economically disadvantaged learners, and to meet the needs of those with LDD from a separate fund. The funds would not be ring fenced, so providers would be free to determine how best to deploy funding to support participation and achievement.

Option 3 advantages	Option 3 disadvantages
Has a clear purpose, is transparent and is fully targeted on general economic disadvantage	Two funds to administer (budget to address needs of learners from low income households and separate budget for low-level LDD)
Ensures providers have funding relevant to the characteristics of the cohort they recruit (that is, for both disadvantaged learners and those with LDD needs)	Funding for disadvantage is reduced compared to option 1, as around 50% would be needed for the increased programme size and the additional LDD budget
Funding to meet low level LDD needs separately identified and supports proposals in the schools funding consultation	Funding for those with additional support needs (except low level LDD) that are not economically deprived is not separately identified; increasing the size of the basic programme for all learners would benefit all learners rather than taking a targeted approach
Increases the size of the basic programme for all learners – if the proportion of the current ALS assumed to be for general support rather than for supporting those with LDD needs were included in the programme, there could be a further increase of 5% in the number of hours per learner	Creates significant shifts in funding with traditional Academies, general FE colleges, and private providers seeing the largest losses, and converter Academies and sixth form colleges seeing the highest gains

### *Questions for consultation*

Q2. Which of these three options would you support?

## Options for calculating and allocating disadvantage funding

44. All of the above options will carry significant funding over and above the programme funding to address disadvantage. It is essential for the methodology to allocate the funding to learners with the greatest need – but it must also be transparent and simple. We have identified three options for determining eligibility for the funding relating to the economic disadvantage proportion of disadvantage funding. The impact on providers for each of these options is illustrated in annex B.

### Option 1: Mirror pre-16 eligibility

45. The pre-16 pupil premium is based on eligibility for free school meals, for which the criteria is household income below £16,190: we could use FSM as a measure post-16 as well. We could also make eligible the additional categories of learners (children in care and service children) who are eligible pre-16 – see paragraphs 50 to 56 for further information on these additional categories.
46. The schools funding consultation proposes two options for extending the coverage of the pupil premium:<sup>17</sup>
- to include pupils eligible for FSM in one of the last three years (known as FSM ever 3), or
  - to include pupils eligible for FSM in one of the last six years (FSM ever 6).
47. When applied to 16-19 learners, FSM ever 6 gives the greatest coverage and is used for the estimates and illustrations below. For clarity, it is not proposed to re-assess learners' eligibility post-16, but rather to base the allocation on whether or not they were eligible in year 11.

Option 1 advantages	Option 1 disadvantages
Consistency with pre-16 means that eligibility continues unbroken post-16	Coverage is limited: 13% of the cohort for FSM in year 11, or 26% of cohort when using FSM ever 6; the coverage cannot be scaled up simply
Simple enough for learners and parents to understand	Requires complex data matching between pre- and post-16 data; the costs of matching the data may outweigh the benefits
Targets individual learners from low income households	Uses data that is two years old and does not reflect changes in learner circumstances
Relatively straightforward when a learner stays in the sixth form in the same school	Claiming FSM pre-16 has issues of stigma, therefore data is likely to under-report the number of eligible learners; there are also differences in how FSMs are operated at local authority level, and therefore application may not be nationally consistent

<sup>17</sup> *Consultation on school funding reform*, op. cit., p.46.

Option 1 advantages	Option 1 disadvantages
	Criteria would be different from those used by the Skills Funding Agency for post-19 funding, requiring providers to understand two systems

### Option 2: Index of Multiple Deprivation

48. The Index of Multiple Deprivation (IMD) is an indicator that shows the relative deprivation of small geographical areas, known as lower super output areas (LSOAs). It is published by the Social Disadvantage Research Centre for the Department of Communities and Local Government, and is used widely across government. As it is currently used in the calculation of the disadvantage uplift, it is readily available.

Option 2 advantages	Option 2 disadvantages
Coverage can be scaled – on the current definition around 25% of the cohort would qualify	Very small pockets of disadvantaged learners in more affluent areas are not picked up; some learners who are not disadvantaged may also be picked up
Recognises the overall general economic deprivation of the catchment area (there are, on average 200 LSOAs per local authority)	Does not allocate funding on the basis of where disadvantaged learners actually live
No issues with learners identifying themselves as eligible, no stigma attached	Applied to local areas and not to individual learners, therefore not as transparent to learners or parents as a FSM measure
The indicator recognises changes in the cohort year on year: learner data is only one year old and the index is relatively stable	Includes adult indicators of deprivation as well as those affecting children – for example adult unemployment and benefit claims
Widely respected indicator across government	Not entirely consistent with pre-16 although there is some overlap
No requirement for additional data and no additional costs, as all calculations are done from learner postcode	
Data is robust and accurate	

Option 2 advantages	Option 2 disadvantages
Consistent with Skills Funding Agency disadvantage funding	
Minimal turbulence caused	

### Option 3: Income Deprivation Affecting Children Index (IDACI)

49. IDACI is a sub-set of the IMD that focuses on the percentage of children under 16 that live in families that are income deprived (defined as household income below 60 per cent of the national average before housing costs, and/or in receipt of certain benefits). It is also an area-based measure that would have the advantage of focusing the funds more closely on children in areas of general economic disadvantage.

Option 3 advantages	Option 3 disadvantages
Coverage can be scaled – on the current definition around 25% of the cohort would qualify	Not entirely consistent with pre-16 although there is some overlap
Directly recognises deprivation as it affects children, and is closely linked to deprivation through using a small catchment area	Not applied to individual learners, therefore does not associate funding with all disadvantaged learners as FSM does
No issues with learners identifying themselves as eligible, no stigma attached	Criteria would be different from those used by the Skills Funding Agency for post-19 funding – but both would be postcode based, and therefore would not require providers to duplicate data
The indicator recognises changes in the cohort year on year – learner data is only one year old and the index is relatively stable	
Widely respected indicator across government	
No requirement for additional data and no additional costs, as all calculations are done from learner postcode	
Data is robust and accurate	
Minimal turbulence caused	

*Questions for consultation*

Q3. Which of the three options for establishing eligibility for disadvantage funding would best reflect the Government's objectives?

### Determining eligibility for additional funding for specific groups

50. A key issue is which learners from specific groups should attract additional funding. This is not a simple choice: the eligibility should reflect the pupil premium pre-16, but the needs of young people are different post-16. Young people 16-19 have highly complex lives, with many of them living independently and being employed part time. We are also mindful of the need for data to be accurate and recent, and to avoid increasing the data burden on providers.
51. In the current disadvantage funding methodology, young people's home postcodes determine uplifts on a sliding scale (between 8 and 32 per cent) for learners who live in any of the 27 per cent most deprived areas of England, as determined by the IMD.
52. Providers other than school sixth forms and 16-19 Apprenticeship providers are funded for seventeen additional categories relating to their learners' individual characteristics, including those who are in or have recently left care, and these categories are listed in annex A. The categories attract an uplift of 12 to 32 per cent.
53. Feedback from the post-16 sector suggests that this is inherently unfair, complex and expensive to evidence and administer, not least because of the sensitive nature of the categories. The sector suggests that the majority of these learners will be recognised by the revised eligibility criteria for disadvantage funding. The system would be significantly simpler and fairer across all provider types if these categories were no longer recognised individually: therefore we propose not to explicitly recognise these categories for funding allocation purposes.
54. For the pre-16 pupil premium, recent leavers from care and service children are automatically eligible. We need to decide whether to replicate this for additional funding post-16. If we do, funding for these groups would need to be calculated separately. Including these learners would give consistency with the pre-16 pupil premium but would mean prioritising these groups over others that we would no longer recognise for additional funding. Care leavers are included in the automatically eligible group for the 16-19 Bursary Fund in recognition of the fact that they will tend to be living independently of parental or other adult support. This is not the case for service children, although they may receive support from the discretionary element of the Fund. Therefore we believe there may be a case for including care leavers as an individual category for additional funds post-16, but the case for including service children is less strong.

55. Recognising these two groups separately for funding would mean collecting additional data from schools, and continued data collection for all other providers. If these categories were not eligible for additional funding, we could stop collecting this data.
56. However, removing eligibility for the additional disadvantage categories may also result in some providers' funding reducing, due to the characteristics of the learners they recruit. The majority of providers significantly affected would probably be local authorities and private providers, with a few general FE colleges also affected. Funding currently distributed for learners in the additional disadvantage categories would be available to be redistributed into other disadvantage funding, and therefore disadvantage funding could increase for school sixth forms, who do not currently receive any disadvantage funding for the additional categories. Analysis of 2009/10 data indicates that this increase would be up to 1 per cent of total funding.

*Questions for consultation*

Q4a. Do you agree that the removal of the additional categories for funding purposes is a welcome simplification?

Q4b. If not, what is your case for recognising some or all of these categories for all provider types?

Q5. Do you believe that children in care and recent care leavers should attract additional funding?

Q6. Do you believe that service children should attract additional funding?

### 3: Simplifying participation funding

57. The Wolf review was unequivocal when it comes to funding on a per learner basis.

*Wolf recommendation 11*

Funding for full time students age 16-19 should be on a programme basis, with a given level of funding per student. (This can and should be adjusted for differences in the content related cost of courses, and for particular groups of high-need students). The funding should follow the student.<sup>18</sup>

58. The Government has accepted the recommendations made by the Wolf review and determined that all 16-19 year-olds should have an individually tailored programme that enables them to fulfil their ambitions, whether that is on to employment or further study. Professor Wolf argued that funding on a per learner basis would remove the perverse incentive to ‘pile up’ qualifications rather than develop a genuinely full time programme guided by a set of principles on content, general structure, assessment and contact time.
59. The use of measures such as guided learning hours (glh) and standard learner numbers (SLN) in the funding formula creates an audit burden for providers, and using them as a basis for funding can encourage behaviour that is detrimental to a coherent programme of learning. While measuring the size of a programme is important – we will need to retain a way of doing this – we do not want to attach any additional importance to the use of glh, which would increase the audit burden attached to it.
60. In moving towards funding on a per programme and per learner basis, we propose that the funding received by providers for each learner be expressed in financial terms, rather than glh or SLNs. This would mean that there would be a clear price per learner, regardless of which simplification option is chosen.<sup>19</sup>
61. We need to make sure that such an approach is capable of responding to other key recommendations made in the Wolf review, and accepted by the Government. In particular, the review stresses that achieving English and maths GCSE (at grades A\*-C) is fundamental to young people’s employment and education prospects. Yet less than 50 per cent of learners have both at the end of their compulsory education, and

<sup>18</sup> *Review of Vocational Education*, op. cit., p.8.

<sup>19</sup> Apprenticeships are funded using the all-age Apprenticeships funding methodology, and the Skills Funding Agency are already working on simplifying this. Funding for Apprenticeships is presented as a rate for the framework, and therefore it is clear what is paid for each framework. Therefore Apprenticeship funding will not be changed in line with this section.

at 18 the figure is still below 50 per cent. Only 4 per cent of the cohort make this key achievement during their 16-19 education. Worse, the funding and accountability systems established by government create perverse incentives to steer young people into inferior alternative qualifications.

#### *Wolf recommendation 9*

Students who are under 19 and do not have GCSE A\*-C in English and/or maths should be required, as part of their programme, to pursue a course which either leads directly to these qualifications, or which provides significant progress towards future GCSE entry and success.<sup>20</sup>

62. Therefore the funding per learner approach must also:
- deliver resources for English and maths attainment for young people who have not achieved GCSE grade C in these subjects during their compulsory education,
  - avoid young people being put on non-challenging vocational courses that offer little by way of progression, and
  - include weightings to recognise the content-related costs of courses.

#### *Options for funding per learner*

63. We have considered a number of options for how funding per learner could work. We have ruled out funding all learners at the same funding rate, and believe that full and part time learners should be treated separately. We also considered funding programmes for learners up to level 2, and then for level 3 programmes separately or funding learners based on typical study programmes. However, we do not believe these approaches would be consistent with the reforms the Government is pursuing following the Wolf review to ensure that all young people have coherent and substantive study programmes.
64. Your views are therefore sought on the following options.
- Option 1: Fund full time and part time learners separately at an average funding rate for each.
  - Option 2: Fund a basic programme size, with uplifts for enhanced and large programmes. Part time learners would be funded separately.
  - Option 3: funding to recognise three different programme sizes. Part time learners would be funded separately.

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<sup>20</sup> *Review of Vocational Education*, op. cit., p.15.

### Current programmes for full time learners

65. Currently, there is a wide variation in the average amount of funded teaching time that full time learners receive, which is broadly dependent on the type of programme they are doing. The maximum guided learning hours (glh) we currently fund is capped at 703 hours per year, which includes 30 hours for tutorials or other non-qualification based activities.
66. The table below shows the average size of programmes across academic and vocational qualifications (excluding Apprenticeships). The average varies from around 530 hours per year (around 16 hours per week) for programmes of three A levels, or small vocational programmes, to around 700 hours per year (over 20 hours per week) for someone on a programme of more than five A levels, or the International Baccalaureate.
67. Larger programmes are not restricted to academic programmes of learning – the size of vocational programmes also varies significantly, with 10 per cent of learners doing programmes of 700 hours or more.

Table 1: Average guided learning hours (2009/10 academic year)<sup>21</sup>

Type of programme	Numbers of learners	Average funded glh per learner per year
International Baccalaureate programmes	4,000	694
Programmes of 5+ A levels	90,000	701
Programmes of 4 A levels	205,000	630
Level 3 vocational programmes	355,000	624
Level 2 programmes	125,000	581
Level 1 programmes	71,000	580
Programmes of 3 A levels	176,000	534

68. A mechanism that funds on a per learner basis needs to reflect the cost of large programmes and be affordable. The exact funding level would depend in part on other questions in this consultation, for example the decisions made regarding the source of funding for disadvantage (see paragraphs 37 to 43.)

### Options for funding full time learners

69. In each of the following options, all full time learners would receive a basic level of funding, and this would fund a substantial programme of

<sup>21</sup> Average time has been calculated using programme size after the cap has been applied, including the entitlement of 30 glh.

learning that follows the general principles in terms of contact time and structure set out in recommendation 6 of the Wolf review.

*Wolf recommendation 6*

16-19 year-old students pursuing full time courses of study should not follow a programme which is entirely 'occupational', or based solely on courses which directly reflect, and do not go beyond, the content of National Occupational Standards. Their programmes should also include at least one qualification of substantial size (in terms of teaching time) which offers clear potential for progression either in education or into skilled employment. Arrangements for part-time students and work-based 16-18 year-olds will be different but the design of learning programmes for such students should also be considered.<sup>22</sup>

70. Alongside this consultation, the DfE is developing the principles for the structure of study programmes,<sup>23</sup> in order to implement the Wolf review's recommendations. The proposals would require providers to offer full time learners a coherent educational programme that offers depth, breadth and good progression opportunities, as well as appropriate amounts of contact time. The size of a full time study programme could be around 600 glh per year, which would provide sufficient time for three A levels or a good sized vocational qualification, with additional hours including English and maths where necessary.
71. The impact on provider funding of implementing any of the three options set out below is shown in annex B, and assumes we would maintain current distribution.

**Option 1: Funding all full time learners at the same rate**

72. We are keen to ensure that the funding methodology is as straightforward as possible and our ambition is for a single rate. Option 1 is simple in concept: all full time learners would be funded at the same rate, regardless of the actual size of their programme. The level of funding would be appropriate for a substantial programme of learning, as recommended by the Wolf review, as well as covering tutorials and non-qualification or enrichment activities. In order to recognise that some provision is more costly to deliver than others, programme funding would be uplifted by programme weightings.
73. It would be for providers to:
- define the learning package that each learner would be offered within the programme principles,
  - determine the learner's programme: we would not require providers to deliver the same amount of teaching time for each learner, so

<sup>22</sup> *Review of Vocational Education*, op. cit., p.121.

<sup>23</sup> *Study Programmes for 16-18 year-olds*, Department for Education, October 2011. [education.gov.uk/consultations](http://education.gov.uk/consultations)

that there would be flexibility for providers to make an appropriate offer, with some learners receiving more and others receiving less,

- ensure that all learners are on a substantive programme, meeting the minimum full time definition according to the legislation for raising the participation age, which is yet to be published.
74. For example, a learner on an A level programme could study for four AS levels in year 12 and three A2 qualifications in year 13. This would allow them to access either an additional qualification, or roughly an additional 120 hours of non-qualification activities and tutorials across two years.
75. For those on lower level qualifications, the programme should be designed to also cover:
- English and maths study, when the learner needs it,
  - tutorial provision, and
  - non-qualification bearing activities (for example, experience of the workplace), where appropriate.
76. The size of programme that determines the level of funding for full time learners would be dependent on which option for the disadvantage element is taken forwards and other questions in this consultation. If the third option for funding disadvantage (which would including current ALS funding within every learner's programme funding) were chosen, the programme size would increase by about 5 per cent.

Option 1 advantages	Option 1 disadvantages
It would be fair to learners as all learners would attract the same level of funding; it would be transparent how much funding each full time learner would attract	Very large programmes over the average size are not fully funded by this method
Providers would have the flexibility to manage the size of programmes above the minimum full time level	Large programmes may become unattractive to providers and be discontinued
Removes the incentive for providers to encourage an increase in the number of qualifications being taken by individual learners to increase funding and allows providers to deliver some enrichment activities incorporated into the programme where appropriate	Providers may reduce their programme size to the minimum required, in order to manage financial pressures; this risks a reduction in teaching time

**Option 2: Uplift to recognise larger programmes**

- 77. There are alternatives to a single rate, which introduce further degrees of complexity.
- 78. Option 2 would be very similar to option 1, but would also recognise that in some cases large programmes, both academic and vocational, are necessary to meet the aspirations and needs of some young people and therefore these would attract additional funding.
- 79. There are two options for determining how the additional costs of delivering larger programmes could be funded.
  - There could be two rates available for a full time learner: a rate for the majority of provision that reflects the historical average of delivery (as in option 1), with a second rate for the smaller number of learners on large programmes such as the International Baccalaureate, five A levels, and large vocational programmes.
  - There could be a weighting applied to the basic rate for larger programmes, to recognise the additional costs they incur. This would be similar to the accelerated and intensive provision weighting used within the HE funding system.
- 80. The differences between the two options are largely presentational; they would not be different in terms of the level of funding. The first gives two funding rates rather than one, and the second adds a weighting – both options increase complexity. Both would reduce the overall average programme size by a small amount, around 1.5 per cent.
- 81. While this extra rate or weighting caters for the delivery of larger programmes, it does pose risks in terms of general affordability or to the unit of funding in order to live within the funding available. We would need to manage the delivery of the larger programme actively, to avoid an upwards trend in programme size. One way of managing delivery would be to ensure that only providers delivering large programmes to the majority of their learners would be funded for larger programmes, and/or only those providers that maintain high quality delivery would be funded for large programmes. We would welcome views on how this could be managed.

Option 2 advantages	Option 2 disadvantages
Large programmes can be funded as an exception	A two tier approach to 16-19 learning could be perceived
Providers that deliver large programmes to the majority of their learners would have further flexibility to manage the size of programmes above the minimum full time level	Funding a large programme by either methodology would mean a slight reduction in the overall average programme size for all other programmes

Option 2 advantages	Option 2 disadvantages
Helps to control the incentive for providers to encourage an increase in the number of qualifications being taken by individual learners to increase funding and allows providers to deliver some enrichment activities incorporated into the programme where appropriate	Active management needed to avoid upward drift to larger programmes

### Option 3: Funding to recognise different programme sizes

82. Building on the previous options, option 3 recognises current delivery more closely.
83. Analysis of current delivery demonstrates that the size of full time programmes (above 450 glh) varies significantly according to provider types, as illustrated in table 1 (page 22). Historically level 1 and level 2 programmes are smaller than level 3 programmes option 3 would recognise this variation, and though it would introduce a degree of complexity, it would reflect the trends in current delivery. Option 3 would also recognise more explicitly that there will be young people for whom larger than standard programmes are appropriate, and other young people for whom even larger programmes, such as the International Baccalaureate diploma, are appropriate.
84. Option 3 could include the following programme sizes:
- A basic full time programme – for example, level 1 and level 2 programmes and small A level programmes. Providers would have the flexibility to design each programme to include English and maths where appropriate.
  - An enhanced full time programme to recognise delivery of programmes that require more teaching time – for example four A levels and level 3 vocational programmes.
  - A large full time programme as described in option 2 – for example programmes of five or six A levels, the International Baccalaureate, and large vocational programmes.
85. As with option 2, we would need to actively manage delivery of the enhanced and larger programmes, to avoid an upward drift, which could pose an equal threat to the budget or the unit of funding. We would like views on how to manage this.

Option 3 advantage	Option 3 disadvantage
More accurately reflects current delivery	Less simple, and could result in difficulty in determining which programme a learner is doing
Providers that deliver large programmes to the majority of their learners would have further flexibility to manage the size of programmes above the minimum full time level	Active management needed to avoid upward drift to larger programmes
	Funding for three programmes further reduces the funding level for the basic programme

### *Questions for consultation*

Q7a. Do you agree that a single rate for all full time learners based upon historical average delivery (option 1) is appropriate?

Q7b. If yes, would you support an additional programme weighting for delivering the International Baccalaureate diploma?

Q7c. If no, do you believe that there should be recognition of larger programmes?

Q8a. If you do believe that there should be recognition of larger programmes, do you support option 2 or option 3?

Q8b. For the large programme(s), would you support a further rate or weighting?

Q9. What would be the best way to avoid an upward drift to larger programme sizes?

## Part time programmes

86. We do expect compulsory participation for 16 and 17 year-olds to change the pattern of part time attendance. As the pattern begins to settle down in the next three to five years, we would reassess the impact of funding and simplify the funding structure further where possible. In the meantime, we believe that part time learners are enrolled on programmes they want, and are able, to do, and therefore they should be funded accordingly.
87. The range of part time programme sizes is similar to those for full time programmes: the number of learners on programmes of 50 hours is nearly equal to those on programmes of 400 to 450 hours.

88. To a certain extent this will be resolved when the participation age is raised, as all 16 and 17 year-olds will need to do a full time programme, or at least 280 hours of learning if in employment.
89. However, the raised participation age does not affect 18 year-olds, and 18 year-olds currently make up 25 per cent of 16-19 learners doing part time programmes. It is unlikely that the participation age or any other policy changes planned (as a result of the Wolf review, for example) will alter this pattern of part time participation for 18 year-olds.
90. We have explored the advantages and disadvantages of funding part time learners on:
- a single rate for part time programmes – to give sufficient funding for the minimum programme that all 16 and 17 year-olds will have to take (280 glh),
  - a range of rates.
91. We have found that using one or two rates for part time programmes would move funding from larger programmes to smaller ones. We propose having three part time rates, and to express these as a proportion of the standard full time rate.
92. Table 2 illustrates the proposed proportion for each of the part time rates and the numbers of learners that would have fallen into each rate in 2009/10.

Table 2: Part time funding rates

	Funding rate as a percentage of the basic full time rate	Number of learners in 2009/10
Part time rate 1	60%	90,537
Part time rate 2	30%	66,737
Part time rate 3	7.5%	70,202

93. As the impact of the raised participation age on the pattern of part time attendance becomes clear, we would be able to reassess the appropriateness of the three rates, and possibly further simplify the funding structure.
94. The range of hours and final percentages will be set taking into account the removal of the short programme modifier (see paragraphs 136 to 141).

*Questions for consultation*

Q10. Do you agree with the proposal of applying a proportion of the basic full time programme funding for part time learners?

Q11. Do you agree that it is appropriate to fund at three part time levels?

## Weightings for programme funding

95. One of the principles recommended in the Wolf review is that funding should be related to content.<sup>24</sup> As an example of the variation needed by subject area, the review gives the example of engineering being paid at a higher rate than office work.<sup>25</sup>
96. While the current funding formula's use of weighting factors commands general support from the sector,<sup>26</sup> it could be argued that it has become overly complicated. The main causes of complexity are that weightings are set at qualification level, and that there are too many different weightings in use.
97. We want to simplify the system of weightings without losing the principle that funding should reflect the cost of programmes that are more expensive to provide. We therefore propose to apply weightings at programme, rather than qualification, level. This will bring it into line with the overall approach to funding and effect a significant simplification.
98. The system could be made even simpler if there were fewer weightings in use. There are six weightings for general and vocational qualifications, and a seventh for basic skills aims. The weightings range from 1.12 to 1.92. There are also seven weightings used for Apprenticeships. It is reasonable to ask whether seven weightings is too great a number, and whether fair and appropriate funding distribution could be achieved with fewer.
99. The values assigned to the weightings would be determined through further analysis and based on responses to the principles set out in this consultation. It is not intended that changes in the weightings' values are made in order to reduce unit costs.
100. BIS and the Skills Funding Agency are also proposing to reduce the number of programme weightings and to apply them across all provision, regardless of mode of delivery. We propose aligning programme weightings across 16-19 provision where it makes sense to do so.

<sup>24</sup> *Review of Vocational Education*, op. cit., p.14.

<sup>25</sup> *Review of Vocational Education*, op. cit., p.58.

<sup>26</sup> *Review of Programme Weights*, ACL Consulting, 2009, p.2 and pp.18-21.

### Weighting academic programmes

101. Academic qualifications (such as A levels and GCSEs) are currently all weighted at the two lowest values (1 and 1.12). If we consolidated the two lowest weightings into one weighting, with the value of 1.0, and used it for all academic programmes, we would be able to fund all academic programmes at a slightly higher rate. This would also mean that around 2,000 providers would not need to consider programme weightings in their funding formula calculations at all.
102. Analysis of the use of the weightings for academic qualifications confirms that only a minority of academic qualifications (both in terms of the number of qualifications available and the number of qualifications delivered) are weighted at 1.12. Therefore this proposal will not cause significant volatility for the majority of providers (85 per cent would see a change of under 3 per cent).
103. The academic qualifications weighted at 1.12 are in science, engineering, design, and some arts subjects. This would mean that providers offering academic programmes concentrated in these areas could experience a decrease in funding.

### Weightings for vocational programme funding

104. Vocational qualifications cover a large range of subjects, and therefore will need to be weighted in order for funding to reflect the costs of delivery. Weighting for a vocational programme would be determined by the subject of the core qualification.
105. In a similar way that the two lowest weightings would be consolidated, we are considering reducing the remaining five weightings to three.

Table 3: Potential vocational programme weightings

Current weighting	Future weighting
1.3	Low
1.4	
1.6	Medium
1.72	
1.92	Specialist

106. For Apprenticeships, we are working with the Skills Funding Agency to ensure we reduce the number of programme weightings and to seek alignment to the proposals on which we are consulting for the whole of the 16-19 programmes. The proposals for these changes are set out in the Skills Funding Agency's update to the sector on its proposals for simplifying the funding system.<sup>27</sup> We will consider the responses to this

<sup>27</sup> *A simplified further education and skills funding system and methodology: summary of responses to consultation*, Department for Business, Innovation and Skills, November 2010. [tinyurl.com/SFAfundingconsultation](http://tinyurl.com/SFAfundingconsultation)

consultation on the best way to ensure we introduce the right changes to the Apprenticeship programme and that they align to our proposals for creating a simpler system for all 16-19 provision.

### Part time learners

107. Part time programmes would be weighted in line with their full time equivalents.

#### *Questions for consultation*

Q12. Do you agree that we should merge the lowest two programme weightings into one?

Q13. Do you agree that we should reduce the number of weightings for vocational programmes?

Q14. Would reducing the number of weightings for vocational programmes be a significant simplification?

Q15. Do you think that the proposed weightings for programmes would appropriately reflect the relative delivery costs?

## 4: Success rates

108. The current funding formula contains an element known as the success factor, which is derived from the success rate. The success rate combines retention and achievement rates, to measure the number of learners who start and achieve the qualification they started on. The success factor is the midpoint between the success rate and 100 per cent – this ensures that no provider has a success factor under 50 per cent, as a success factor below this point could have an unduly large effect on funding.
109. There is evidence that suggests that the success factor in its current form has driven up performance in the sector. However, there are three developments that suggest that the current approach has come to the end of its useful life. The first is an issue of administration and transparency: the success factor is not the same as the success rate, and the process of converting one to the other is not perceived as transparent. The second, identified by the Wolf review, shows that the use of success rates as an integral part of the funding formula may act as a perverse incentive, encouraging providers to place young people on programmes that are too easy, in order to protect the provider's success rate. The third stems from other important developments in the pursuit of accountability and quality, which have given alternative means of driving up performance. There are no equivalents of success rates pre-16 or in HE.

### Qualification success rates (QSRs)

110. The wider application of success rates in the presentation of a school or college's performance as part of its accountability to its community means that the data that underpins them are going to need collection for the foreseeable future. As this applies whether or not the funding formula continues to make use of any element of the success rate, the decision on its future can be based solely on an assessment of its advantages and disadvantages to the funding formula.
111. On that basis, there are three options we are considering.

#### Option 1: Continue to recognise success

112. We would continue to use a success factor as part of the funding formula, and therefore successful providers would continue to receive more funding because of their higher success rates.
113. The application of the QSR could be made simpler and more transparent, for example by including it in the formula as a standalone element, rather than as part of the provider factor.
114. If a success factor were retained, we would have to address the issue raised by the Wolf review around the lack of challenge and stretch in

programmes, due to providers and awarding bodies wishing to raise or maintain success rates by making sure that more learners can achieve.

115. To encourage providers to offer more stretching programmes and qualifications, the percentage of funding affected by the success factor could be reduced from the current 50 per cent to, for example, 25 per cent. This would reduce the risk to providers but retain a financial incentive to improve.

Option 1 advantages	Option 1 disadvantages
Funding is linked to learner outcomes	It makes the methodology more complex
Providers who serve learners well are rewarded	It does not reflect or reward those providers that get high grades in qualifications, as it uses a pass only not grades
Funding is for a broader set of objectives than simply volume and participation	Including success in both the application of a minimum standard and the funding methodology increases its importance and drives some providers to seek to maximise success rates, disadvantaging those that make progress with the hardest to help (although less than current system)
Risk to providers recruiting those with poorer attainment is reduced	It can lead to risk averse behaviour, in that it encourages institutions “to steer a high proportion of learners into courses they are likely to pass easily” <sup>28</sup>

### Option 2: Remove the success factor completely from the funding formula

116. This option is the reverse of option 1. It would be a major simplification in funding, although not in data collection. However, it would also remove any financial incentive for continuous improvement.
117. In the longer term, funding would be fairer, as all learners would be allocated the same amount for their programme, regardless of the provider’s performance. This would mean providers could take greater risks when recruiting learners who might not otherwise participate in education or training.
118. Removing the QSR from the funding formula would have a minimal effect on 51 per cent of providers. However, for 6 per cent of providers

<sup>28</sup> *Wolf Review of Vocational Education – Government Response*, Department for Education, May 2011, p.60. [tinyurl.com/wolfreviewresponse](http://tinyurl.com/wolfreviewresponse)

it would mean a major change to funding of more than 10 per cent. In effect, funding would be moved from providers with the highest success rates to those with the lowest. This could also be seen as giving poorly performing providers some financial resource to enable them to improve.

119. The impact of removing the QSR from the funding formula is illustrated in annex B based on if the success factor was not applied in 2009/10.

Option 2 advantages	Option 2 disadvantages
All learners receive the same funding regardless of success rates	No financial incentive to maintain or aim for high achievement rates
Major simplification in funding	Moves funding from high performing providers to those with the lowest success rates
Less risky for providers to engage young people who might otherwise not participate in education or training	Risks reducing success rates
Less risky when putting learners on qualifications or programmes that challenge them, but that they might not achieve	
Allocates resource to providers with poor success rates, enabling them to improve	

### Option 3: Remove the achievement element, but keep the retention element

120. The concerns set out in the Wolf review are specifically linked to funding success – however, the QSR comprises both success and retention rates. It is possible that the success rate element of the QSR could be removed from the formula, leaving a retention measure.
121. Such a change would fund providers for learners who have had the full opportunity to achieve an outcome, rather than for the outcome itself.
122. The absence of a retention measure could result in an upward pressure on unit costs, as providers would be funded for a whole year's delivery even when the learner withdraws before the year's end. This would not represent good value for money. We must retain the integrity of the lagged learner number methodology by ensuring that we do not just fund starts, but fund sustained participation.
123. There are two ways in which a retention measure could be included in the formula.
- We could use a retention element calculated at programme component level – for example, on the basis of the individual

programme components that a learner completes (programme components that are not completed are not funded at all).

- b. We could use a retention element calculated at learner level – for example, learners who do not complete either their programme or the funding year are paid at 50 per cent of the funding.

124. The impact on funding, based on 2009/10 data if we only funded aims that learners fully completed, or only funded learners who completed at least one learning aim, is illustrated in annex B.

Option 3 advantages	Option 3 disadvantages
Funding is for a broader set of objectives than simply volume and participation	No financial incentive to maintain or aim for high achievement rates
No financial incentive for providers to start learners who subsequently drop out	If option 3 (paragraph 123 a) were implemented, there would be a need for assessment at component level
Less risky (although not risk free) for providers to engage young people who might otherwise not participate in education or training	Complexity created by learners whose learning crosses academic years, or who transfer between providers
Less risky for providers when putting learners on qualifications or programmes that challenge them, but that they might not achieve	If applied at learner level then there is the risk that qualifications may be dropped before exams are taken

*Questions for consultation*

Q16. Which option would you support for reforming success within the funding formula?

## 5: Further simplification

### Area costs

125. The YPLA applies an uplift to some providers' funding, to account for geographical factors that make delivery more costly (primarily higher wage costs). The areas attracting the uplift are mainly in London and south-east England.
126. Area cost uplifts are used by other education funding bodies. The dedicated schools grant (DSG) pre-16 and the Higher Education Council for England (HEFCE) both acknowledge area cost differences, but calculate the value and the application of their uplifts in different ways. The Skills Funding Agency also applies an area costs uplift.

### Simplifying area costs

127. It is proposed that an area cost uplift will continue to apply to provision in high cost areas. There are two options for applying an area cost uplift in future we could:
- retain the current uplifts, which align with the Skills Funding Agency uplifts, or
  - align with the proposed methodology for pre-16 school funding.
128. The DfE is considering a change to its area costs methodology for pre-16 funding, and has included two options in the school funding reform consultation.<sup>29</sup>
- Option 1: retain the current general labour market (GLM) approach.
  - Option 2: combine the GLM approach with the specific costs approach (SCA). While the GLM approach considers all wages, the SCA only uses teacher pay bands, which are grouped into: inner London, outer London, London fringe, and the rest of the country.<sup>30</sup> The combined approach would calculate an uplift based on 68 per cent of the uplift being determined by spend on teachers' pay (SCA), and 32 per cent determined by spend on non-teaching staff pay (GLM).
129. Applying either of the DfE's proposed pre-16 options to 16-19 provision would give a larger number of providers an uplift, and would apply across more areas of England; they are also more finely differentiated. However, it would reduce the maximum uplift available, compared to the current uplift. The impact of changing to either of the pre-16 methodologies is illustrated in annex B.

<sup>29</sup> *Consultation on school funding reform*, op. cit., p.20.

<sup>30</sup> *A Consultation on School Funding Reform*, annex D.  
[tinyurl.com/schoolfundingconsultationdocs](https://tinyurl.com/schoolfundingconsultationdocs)

130. There are also features of the DfE combined methodology that may not fit well with all principles and features of post-16 provision. The SCA element is based on teacher salaries with nationally applicable pay bands – there is no similar structure for teaching staff working in post-16 education. In addition, Academies are not required to use the national pay bands and may set their own salaries for teaching staff.
131. We will also need to consider whether the area cost uplifts applied post-16 should be changed if the pre-16 area cost methodology changed again.
132. The Skills Funding Agency applies an uplift to its rates in recognition of the higher living costs and salary levels in London and south east England. Currently the same index of area cost factors applies across all learner responsive and employer responsive (including Apprenticeship) provision. When providers are delivering 16-19 and adult provision, and Apprenticeships, it would seem reasonable to keep all area costs aligned. The Skills Funding Agency has no plans to change their existing approach: it intends to retain the area costs uplift in the simplified funding formula, as well as the current index. Therefore Apprenticeships will continue to use the Skills Funding Agency area cost uplift.

*Question for consultation*

Q17. Would you support retaining the current area costs methodology, or would you support a change to the same area costs methodology as used for pre-16 funding?

## Residential care standards

133. The YPLA, through the provider factor element of the funding formula, currently provides additional funding to providers with residential accommodation for 16-19 year-olds living away from home where the college is considered in loco parentis.
134. The funding responds to the additional costs associated with complying with the Care Standards regulations. As the factor only applies to a small number of providers, we propose that the residential element of funding is removed from the formula and is distributed directly to the providers that qualify.
135. The Skills Funding Agency is currently undertaking an evaluation of the grants available to adults, including all residential funds, with a view to simplification and transparency.

*Question for consultation*

Q18. Do you support removing the calculation of residential care standards funding from the formula and distributing it directly to the providers that qualify?

## Short programme modifier

136. The YPLA currently uses a short programme modifier as part of the provider factor, to uplift funding for the proportion of short programmes delivered. Short programmes are more costly to deliver relative to longer programmes, as the induction and registration costs are not related to the size of the programme.
137. For the majority of providers, the short programme modifier does not generate a large uplift, and some providers may consider that the benefit to making allocations fairer and more representative of their delivery is not offset by the additional complexity and cost in the funding formula.
138. Furthermore, the raising of the participation age will force the number of short programmes to decrease rapidly, as the majority of young people will be either in employment or on full time programmes.
139. We therefore propose to remove the short programme modifier from the formula. The impact of removing the short programme modifier from the funding formula would not have a large impact on 97 per cent of providers. However, there would be some providers where short programmes make up a large proportion of delivery, and they would be more significantly affected.
140. Where delivery of part time programmes is appropriate, we propose that part time programme rates will be paid (see paragraphs 86 to 94). These rates could take into account the additional costs that short programmes incur.
141. The impact of removing the short programme modifier in 2009/10 is illustrated in annex B.

### *Question for consultation*

Q19. Do you agree that the YPLA should stop using a short programme modifier?

## Data and audit

142. The outcome of this funding consultation and the consultation around the implementation of the Wolf review will impact on the data needed to support an efficient 16-19 education system. Work will be necessary in order to assess the impact of any final proposals so that the bodies that govern the collection of 16-19 data can ensure a smooth transition to whatever new system is implemented.
143. It is expected that the earliest timescale for any data collection changes relating solely and directly to funding simplification for schools, Academies and colleges would be for the 2013/14 academic year. This will ensure there is sufficient time for institutions to make the necessary amendments to their systems.

144. Our proposal is to reduce the amount of data providers are required to collect for the calculation of funding, and to make those changes as soon as possible.
145. The audit methodology will follow the funding methodology and if the former is simplified then other risk factors being equal, the audit process should also be simpler.
146. The YPLA will issue revised audit guidance to auditors reflecting consequent changes to the audit approach.

*Question for consultation*

Q20. Do you have any comments on the impact that the proposed options for changes would have on data collection or audit?

### Equality analysis

147. Before submitting proposals to ministers we will conduct an equality impact assessment. This will be published on the YPLA website, and there will be the opportunity to comment on it and identify any possible adverse affects on learners.
148. An initial analysis of all changes taken together shows they will benefit learners from low income and disadvantaged backgrounds. An analysis of the learner cohort has been carried out to identify groups of learners who might be affected, and is included in annex C.
149. We have modelled the impact of the funding formula at macro level and individual providers. This analysis will be complemented by evidence from the sector through responses to this consultation. The sector is asked to help identify where they believe the changes will have a negative impact on different groups.

*Question for consultation*

Q21. Do you believe these proposals will have an impact on any specific groups?

## 6: Implementation

### The Spending Review

150. Both the Comprehensive Spending Review and the white paper *The Importance of Teaching*<sup>31</sup> made it clear that changes to funding were required for reasons of fairness and efficiency. This includes convergence of the funding for schools and colleges by 2015. To achieve this, two significant actions have been implemented for the 2011/12 allocation.
- Ending disparity in funding for 16-19 year-olds by funding all providers at one national rate.
  - Protecting main programmes of learning undertaken by 16-19 year-olds by reducing funded guided learning hours for the Curriculum 2000 entitlement to 30 glh per annum.
151. Although the funding rates for schools and colleges have risen significantly over the last decade, it is still the case that the implementation of fair funding alongside other policy changes has resulted in some volatility in funding, which is being carefully managed through transitional protection.

### The funding formula review

152. As outlined in section 1 paragraph 8.f, a principle of the new funding system must be to avoid financially destabilising good quality provision.
153. The current proposal as outlined in table 4 (page 43) is for all changes to be made in 2013/14 academic year.
154. We are aware that the impact on providers of the changes to the funding formula, on top of the changes made in the Spending Review from 2011/12, will differ depending on the particular type of provider, the characteristics of their learners, and the types of programmes they offer.
155. While we have been able to review the impact that individual changes may have, based on 2009/10 delivery, it has not been possible to fully model the cumulative effect of all options. Although the case for change is strong, we are conscious that, the cumulative impact of the reforms may result in undue turbulence and that the change must be carefully managed.
156. There are a number of ways that any volatility in funding could be handled.

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<sup>31</sup> *The Importance of Teaching*, op. cit., pp.14-15.

### Option 1: Transitional protection

157. Transitional protection could be used to moderate the impact of the funding formula changes in order for providers to manage and plan for the change. There are two ways of applying transitional protection.
- a. Implement all changes in 2013/14 with transitional protection for a three year period. We would supply each provider with an indication of what their individual position would be at the end of the three year period, to ensure providers can manage any reduction. We would apply a maximum limit to any reduction or increase in funding per learner each year, with any balance being removed over the next two years.
  - b. Extend the period of transitional protection by applying a maximum limit to the change in funding per learner each year.
158. In all options transitional protection must be affordable from within the current 16-19 budget. Those providers seeing an increase in funding per learner as a result of the funding formula changes would have these increases limited, in order to cushion the impact on the providers who will experience a decrease in funding per learner
159. Details of transitional protection arrangements will be discussed with provider associations prior to being published alongside the other aspects of the funding system, once the final approach is confirmed.

### Option 2: Phased implementation

160. An alternative way of minimising turbulence would be to phase implementation. Instead of implementing all changes in 2013/14, we would prioritise those that fulfil the key Government priorities of funding at learner level, and transparent funding for disadvantage.
- In the first year we would implement changes to participation funding, and to disadvantage funding.
  - In subsequent years we would implement any other revisions, such as for success rates and area cost.
161. Under this approach a degree of transitional protection would also be applied to providers for whom a negative change to funding per learner would have the greatest impact.
162. We are seeking your views on which of the above options would best limit turbulence and enable providers to plan and manage change.
163. Following approval of the final methodology and timing for implementation, it is our intention to calculate a 'shadow' allocation for each provider during 2012/13, which will illustrate the potential allocations under the new system for the academic year 2012/13 based on data that has been used to calculate the 2012/13 allocation. The shadow allocation will be issued in summer 2012.

*Questions for consultation*

Q22. Should transitional protection be applied across a fixed period of three years or extended across a longer period?

Q23. Do you think that there should be phased implementation of the proposed changes?

## 7: Next steps

164. The table below outlines the overall timetable of the proposed changes.

Table 4: Timetable for implementing changes

October 2011 to January 2012	Consultation with the sector, closing on 4 January.
Autumn 2011	YPLA staff attend stakeholder organisations' events
Spring 2012	Decision on and announcement of the changes to be made
2012/13	Development year – YPLA working with stakeholder organisations. Further equality analysis to be carried out on chosen options
2013/14	Raising of the participation age to 17
2013/14	Implementation of new funding arrangements for 16-19 providers
2015/16	Raising of the participation age to 18

165. During the period of the consultation, the YPLA will join events organised by stakeholder organisations and groups to provide further information and clarification, and to receive feedback. Any organisation wishing to invite the YPLA to such events should use the YPLA's consultation email address, given below.

166. Information and requests for clarification should be made through the dedicated email address: [yplaformulaconsultation@ypla.gov.uk](mailto:yplaformulaconsultation@ypla.gov.uk).

167. Responses to the consultation can either be made:

- online: [education.gov.uk/consultations](http://education.gov.uk/consultations),
- by email: [16-19Funding.CONULTATION@education.gsi.gov.uk](mailto:16-19Funding.CONULTATION@education.gsi.gov.uk) ,
- or by post:

Consultation Unit  
Area 1C  
Castle View House  
Runcorn  
Cheshire WA7 2GJ

# Annex A: Current funding formula

## The current post-16 funding formula

1. The current post-16 funding formula is as follows:

$$\text{Funding} = (\text{SLN} \times \text{National funding rate per SLN} \times \text{Provider factor}) + \text{Additional learning support (ALS)}$$

- Standard learner number (SLN): the measure of the volume of learning activity delivered. One SLN is equal to 450 guided learning hours, which is the current definition of a full time learner.
- The national funding rate per SLN is the amount (in pounds) paid for each SLN.
- Provider factor: a factor that accounts for the relative cost of provision. It is calculated annually for all providers, and is largely based on recent historical data.

2. The provider factor is calculated from the following elements.

$$\text{Programme weighting} \times \text{Area cost uplift} \times \text{Success factor} \times \text{Short programme modifier} \times \text{Care standards uplift} \times \text{Disadvantage uplift}$$

- Programme weightings: uplifts that support higher cost provision such as agriculture/ horticulture, construction, and engineering.
- Area cost: uplifts that reflect the higher costs of delivering provision in different parts of the country, particularly in London and the southeast.
- Success factor: a factor that represents retention and achievement rates. An average success rate is calculated for each provider, which takes into account the size of programmes that have been studied. The success factor is the mid-point between the success rate and 100 per cent. The calculation recognises that there is a basic cost of providing teaching and support to those learners that do not achieve their qualification.
- Short programme modifier: a factor that provides an uplift to address the additional cost of recruiting learners onto short programmes.
- Care standards/residential uplift: allows for the extra costs in relation to residential accommodation for 16 and 17 year-olds in order to comply with the Care Standards Acts and subsequent legislation and regulation.

- Disadvantage uplift: calculated using the Index of Multiple Deprivation (2007) to allocate funding to providers for learners living in the 27 per cent most deprived lower super output areas (LSOAs) of the country and some other circumstances. Additional funding ranges from 8 to 32 per cent.

## Programme weightings

3. Programme weightings recognise that some programmes are more costly to deliver than others. There are seven programme weighting factors in the 16-19 learner-responsive model.

Table A1: Programme weighting factors

Weighting code	Weighting factor
A	1
B	1.12
C	1.3
D	1.6
E	1.72
F	1.4
G	1.92

## Disadvantage uplift

4. Two elements of the YPLA's current demand-led funding formula address disadvantage. The first is the disadvantage uplift, which addresses general economic disadvantage. It is linked to disadvantage based on where a learner lives or their individual circumstances. The uplift is calculated on a sliding scale which increases the funding for qualifications by between 8 and 32 per cent, depending on the level of deprivation or the learner's circumstances. For example, for a learner on a programme of four A levels this would mean an uplift of between £350 and £1,390. In 2011/12 the YPLA allocated £320m for disadvantage uplift, and around 25% per cent of learners aged 16-19 received a disadvantage uplift.
5. Disadvantage funding is also available for learners who fall into one of the following categories.
  - Basic skills learners – it is expected that very few 16-18 learners will fall into this category, as they will not usually be doing a substantial programme of study based around adult basic skills qualifications. However, in the exceptional circumstances where they are doing so they are eligible for disadvantage uplift under this category.
  - Those living in hostels and residential centres.

- Those with mental health problems.
  - Travellers.
  - Those whose statutory education has been interrupted.
  - Those in care or who have recently left care.
  - Asylum seekers eligible for YPLA funding according to the Funding Regulations guidance.
  - Refugees.
  - Ex-offenders.
  - Offenders serving their sentence in the community.
  - Full time carers.
  - Those recovering from alcohol or drug dependency.
  - Learners funded by the Single Regeneration Budget.
  - Learners funded under the Offender Learning and Skills Service (OLASS) arrangements.
  - People living in supported accommodation provided by a registered social landlord (RSL) or housing association (HA) registered with the Housing Corporation, or provided by another non-profit-making organisation in a building owned by an RSL or HA.
  - People living in supported accommodation provided by a registered charity.
  - People living in supported accommodation registered with the local authority or National Housing Federation.
6. The second disadvantage element of the current funding formula addresses specific educational disadvantage. Additional learning support (ALS) funding is allocated based on prior attainment (as measured by GCSE grades in English and maths) and historical spend on additional support. As well as supplementing funding to support achievement for those with poor literacy and/or numeracy, ALS is also used to support those with low level learning difficulties and disabilities (LDD), such as dyslexia, a degree of sensory impairment or moderate disabilities.
7. ALS is also allocated on a sliding scale with all full time learners allocated some ALS funding. For example, in 2011/12 learners with the lowest GCSE points score will attract £2,689 each, while those with the highest score only attract £38.<sup>32</sup>
8. In 2011/12 the YPLA allocated £355m for learners who needed less than £5,500 of ALS. There is also ALS funding for those with higher

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<sup>32</sup> For FE colleges and all providers other than schools, 40% of ALS is allocated based on historical spend.

cost LDD needs – this funding is not part of this review, as it is covered by the schools funding consultation.<sup>33</sup>

9. For 2011/12 the Government has introduced a pre-16 pupil premium to specifically address the issues of disadvantage up to age 16. For this, the approach is based on eligibility for free school meals (FSM). Also included are children in care and service children, for whom a reduced premium is paid.

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<sup>33</sup> *Consultation on school funding reform*, op. cit., pp.30-33.

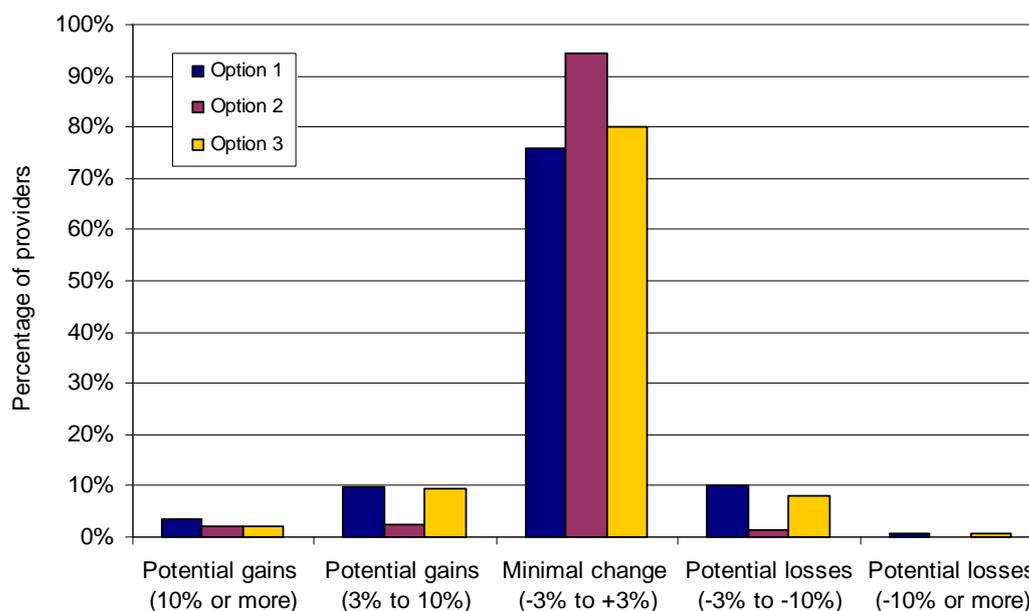
## Annex B: Impact analysis of proposals

1. As well as considering changes to the elements of the funding formula, we also need to consider what the impact the changes in the funding system would have on providers: we have stated in the introduction that one of the principles of a revised funding formula would be to avoid destabilising good quality provision.
2. Throughout this annex we have included analysis of the impact on providers for each of the proposals in the main body of the document.

### Funding disadvantage

3. Proposals for revising funding for disadvantage are detailed in paragraphs 37 to 43. The options are as follows.
  - 1: A single fund to recognise both deprivation and prior attainment.
  - 2: A fund to address economic disadvantage only with a separate budget to address attainment in English and maths and low level LDD needs.
  - 3: A fund to address general economic disadvantage only with a separate budget to address low level LDD needs. Funding to address poor attainment in English and maths to be integrated into programme funding.

Chart B1: Impact on funding of options for implementing revised disadvantage funding

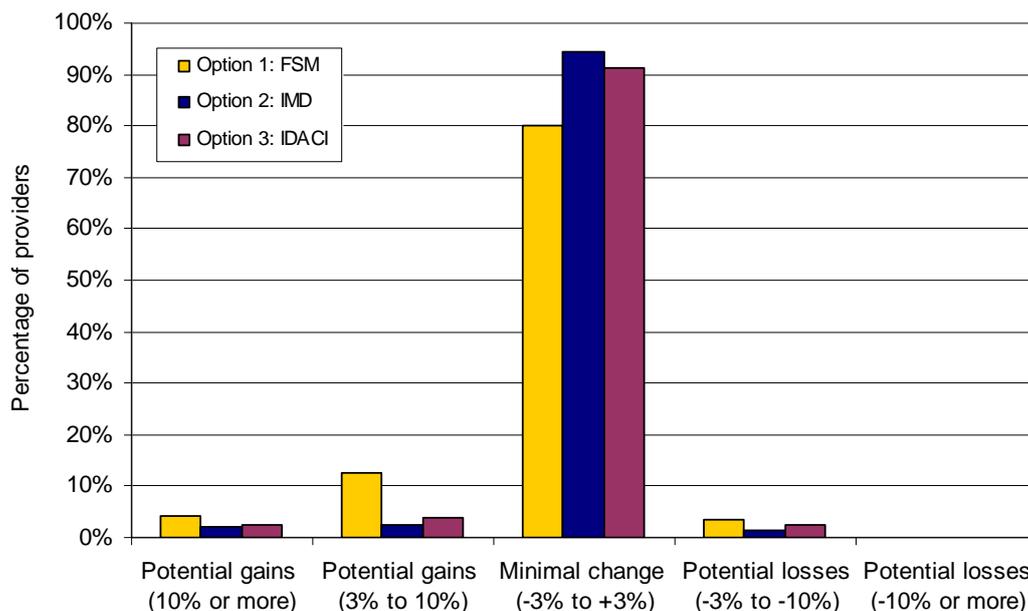


4. Option 1 creates a change in total provider funding of less than 3 per cent for 76 per cent of all providers. The greatest impact would be on traditional Academies with 27 per cent losing 3 per cent or more of total

funding and on specialist colleges where 35 per cent lose more than 3 per cent. Private providers would see the greatest increases with 39 per cent seeing an increase of 3 per cent or more, 27 per cent of sixth form colleges would see an increase of over 3 per cent.

5. Option 2 creates the least volatility with 94 per cent of providers seeing less than 3 per cent change in total funding. The only significant impact is that 24 per cent of private providers gain more than 3 per cent.
6. Option 3 creates change in total provider funding of less than 3 per cent for 80 per cent of all providers. Private providers would see the greatest impact with 38 per cent losing more than 3 per cent. General FE colleges would also see significant effects with 19 per cent losing more than 3 per cent. The biggest gains are experienced by converter Academies and sixth form colleges, with 29 per cent and 18 per cent respectively experiencing gains of more than 3 per cent.
7. Chart B2 shows the impact of the different options for determining eligibility to attract disadvantage funding, as detailed in paragraphs 45 to 49.

**Chart B2: Impact on funding of options for determining eligibility for disadvantage funding**

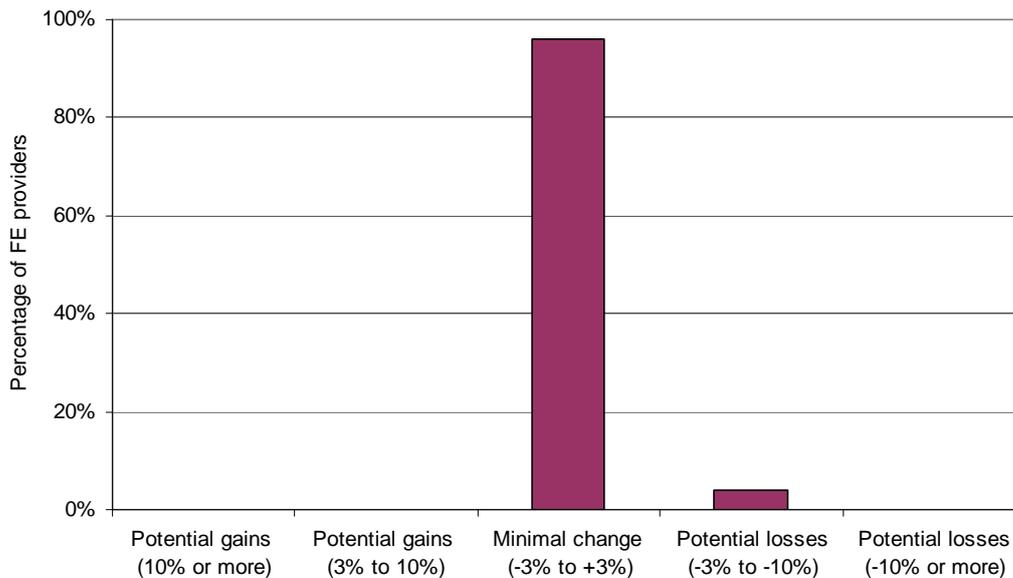


8. Option 1 (free school meals, FSM) creates the greatest volatility. 20 per cent of all providers see a change in total funding of over 3 per cent. The greatest losers are sixth form colleges with 9 per cent of colleges losing more than 3 per cent, 8 per cent of general FE colleges and 5 per cent of specialist colleges also lose more than 3 per cent. School sixth forms and private providers see the biggest gains with 20 per cent and 23 per cent respectively seeing increases above 3 per cent.
9. Option 2 (the Index of Multiple Deprivation, IMD) creates minimal losses, only 6 per cent of all providers would see a change in total

funding of more than 3 per cent and only private providers seeing significant increases, with 24 per cent gaining more than 3 per cent.

10. Option 3 (the Index of Deprivation Affecting Children Index, IDACI) causes slightly more change than option 2 as the measure focuses more closely on children. 9 per cent of providers would see changes in total funding of more than 3 per cent and again only providers see significant increases with 21 per cent gaining more than 3 per cent.

**Chart B3: Impact on funding of removing additional categories from disadvantage funding eligibility**



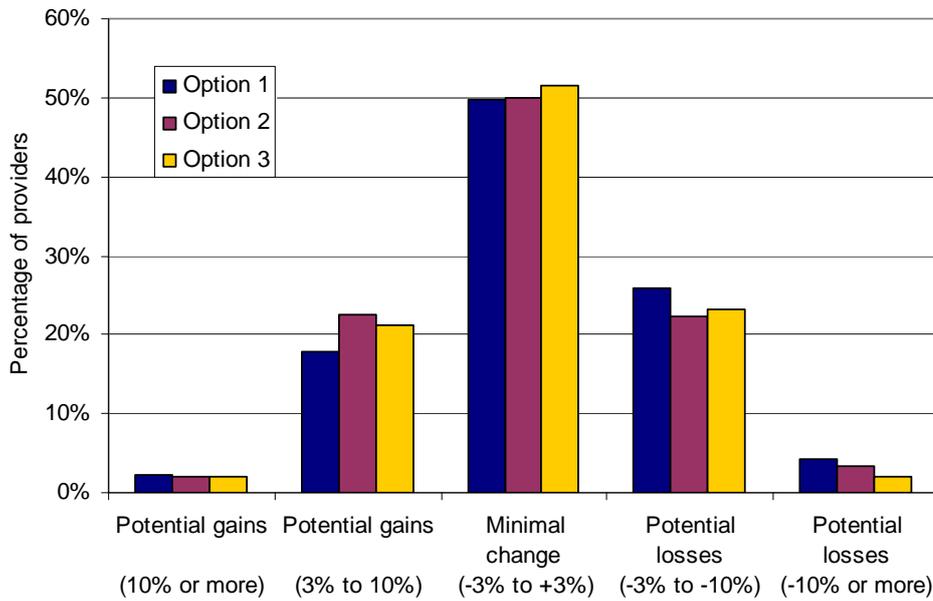
11. Removing the additional categories from eligibility for disadvantage funding (as set out in paragraphs 50 to 56), has a minimal effect on the majority of providers. 4 per cent could experience a decrease in funding of between 3 and 10 per cent.
12. As school sixth forms cannot receive funding for learners in the additional categories under the current funding formula, making the categories ineligible would free up a small amount of additional money and might increase school sixth forms' funding by up to 1 per cent - the majority of school sixth forms could have an increase of up to 0.25 per cent. Similarly, the majority (67 per cent) of other FE providers could have an increase in funding, of up to 3 per cent.

### Simplifying participation funding

13. Proposals for how we could apply funding per learner are detailed in paragraphs 64 to 85. The options are as follows.
- 1: Fund all full time learners at the same rate.
  - 2a: Funding rates recognise larger programmes (such as the International Baccalaureate, five A levels, and large vocational programmes) through either a separate rate or through a weighting.

- 3: Funding to recognise different programme sizes.
14. For some providers, changes in the funding formula will balance out, so that their allocations continue at the same level: there would be losses from reduced funding for large programmes, but increased funding for smaller programmes. However, for the majority of providers this will not be the case. This is because different types of providers tend to recruit particular kinds of learners and those learners tend to do similar courses.
  15. General FE colleges typically recruit across the whole range of learners. School sixth forms and sixth form colleges focus mostly on A level provision and will recruit a larger proportion of learners onto the very large programmes referred to above. Independent providers and local authority providers tend to recruit on to lower level courses, some of which will be small programmes at the moment.
  16. The chart below shows the percentage change in allocations if option 1 (a single full time rate) were adopted. The table also includes the impact of our part time proposals compared to 2011/12 total cash allocations. The average change for different types of provider is not very large (maximum 2 per cent increase and maximum 4 per cent loss). However, we can see some significant shifts within provider types, for example, over one-third of maintained sixth forms losing more than 3 per cent of their funding and over 40 per cent of sixth form colleges in the same position.
  17. The impact on providers of option 2 (recognising larger programmes) is shown on the same basis, and is significantly less than a single full time rate. The percentage of schools, Academies and sixth form colleges losing 3 to 10 per cent of their funding is 22 per cent, while 12 per cent of general FE colleges lose 3 to 10 per cent.
  18. The impact of implementing option 3 is broadly similar to the impact of option 2. The overall number of providers experiencing significant decrease (greater than 10%) decreases slightly – for specialist providers, the percentage experiencing a significant decrease reduced from 15% to 0%. However, when compared to option 2, the number of providers experiencing minimal change (+/- 3%) and experiencing small potential losses (-3% to 10%) increases slightly, and the number of providers experiencing an increase in funding decreases.

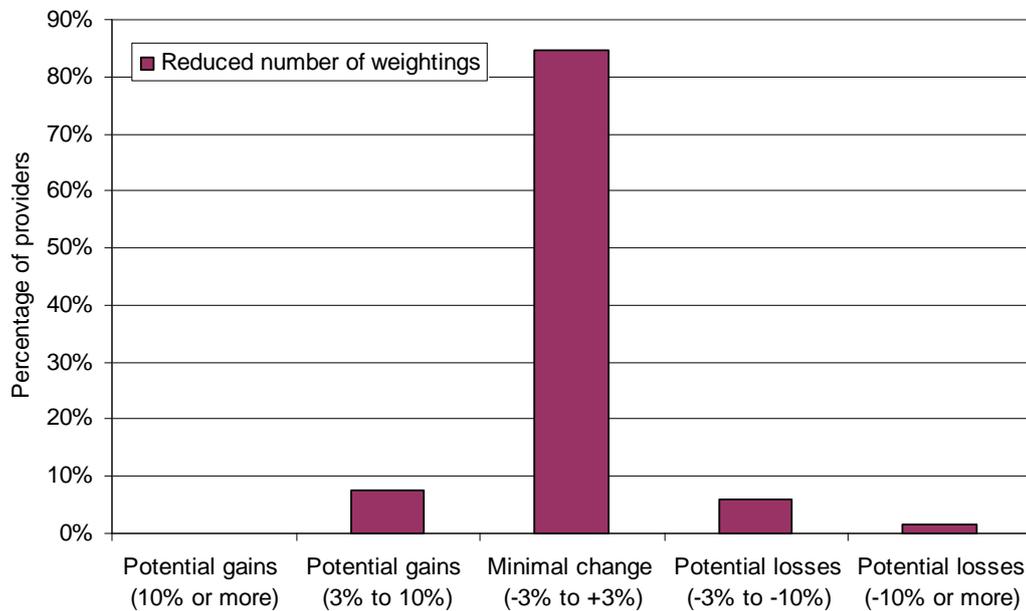
**Chart B4: Impact on funding of options for simplifying participation funding**



**Weightings for programme funding**

19. The proposal to simplify programme weightings is detailed in paragraphs 95 to 107.

**Chart B5: Impact on funding of weighting simplification**



20. For the majority of providers the impact is minimal change between 3 per cent gain or loss. A quarter of independent providers would lose over 3 per cent, with 4 per cent losing more than 10 per cent. The greatest impact would be on local authorities with 68 per cent with potential losses in excess of 3 per cent, HE organisations where 27 per cent lose more than 3 per cent and general FE colleges where 19 per cent lose more than 3 per cent.

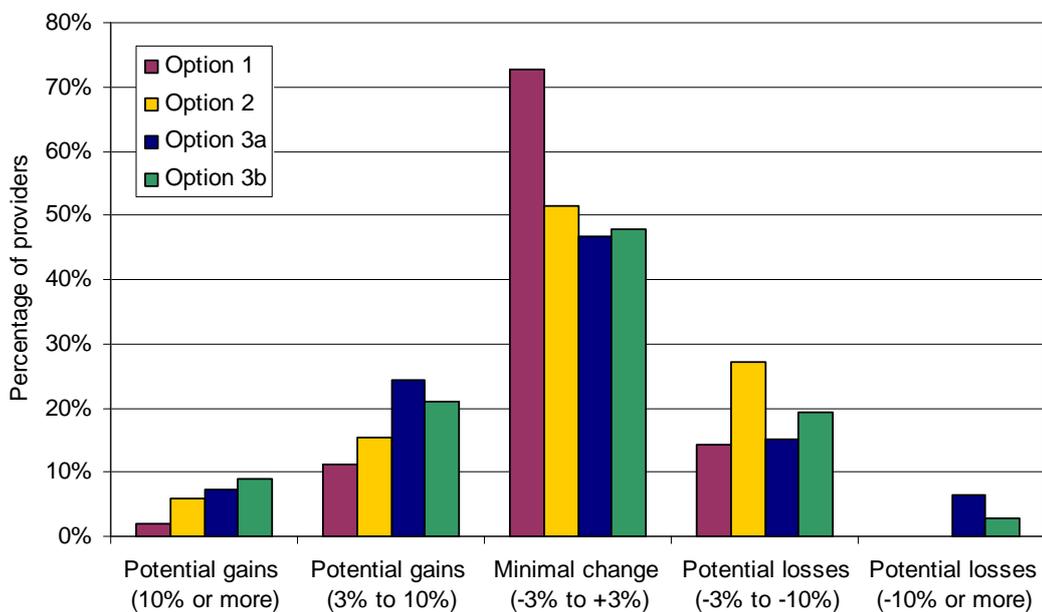
## Success rates

21. The options for simplifying success rates are detailed in paragraphs 112 to 124. The options are as follows.

- 1: Continue to recognise success.
- 2: Remove the success factor completely from the funding formula.
- 3a: Remove the achievement element, but keep the retention element and calculate the retention element at programme component level.
- 3b: Remove the achievement element, but keep the retention element and calculate the retention element at learner level.

### Chart B6: Impact on funding of changes to success rate use

22. The impact on providers of Option 1 is that for over 70 per cent of all providers there is minimal change in funding, and no provider loses



more than 10 per cent. Highest losses would be for converter Academies with 36 per cent losing between 3 and 10 per cent, HE organisations with 27 per cent losing 3 to 10 per cent and maintained schools with 18 per cent losing 3 to 10 per cent.

23. For Option 2 again no provider loses in excess of 10 per cent of funding. Half of all providers would see minimal change, Academy converters are the highest losses with 61 per cent losing between 3 and 10 per cent. Around a third of maintained schools, HE organisations and sixth form colleges would lose between 3 and 10 per cent.
24. Option 3a creates minimal change in funding for around 50 per cent of all providers. Independent providers would lose the most funding, with 56 per cent losing more than 10 per cent of funding. Over 40 per cent of specialist colleges and traditional Academies would lose between 3 and 10 per cent.

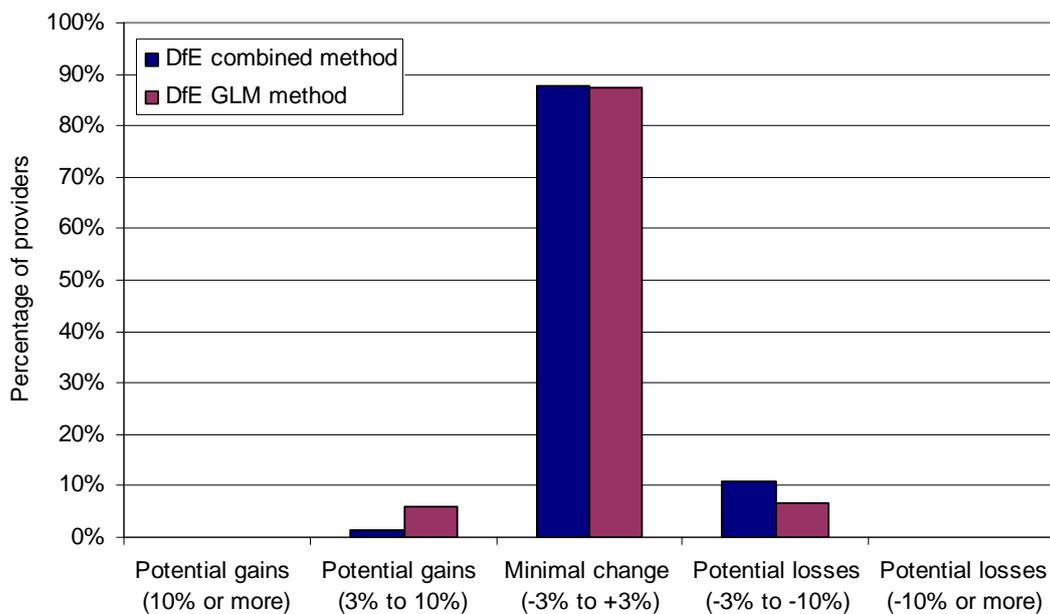
25. The impact on providers of Option 3b is that for 73 per cent there is minimal change. For around a third of both Academy converters and HE organisations, potential loss is between 3 and 10 per cent.

### Further simplification

#### Area costs

26. Proposals for changes to area cost uplifts are detailed in paragraphs 127 to 131. The options are as follows:
- 1. Retain the current uplifts.
  - 2. Align with one of the proposed methodologies for pre-16 school funding: either the general labour market approach (GLM), or the combined approach that uses both the GLM and specific costs approach (SCA).

Chart B7: Impact on funding if using either of the DfE methods for area cost uplifts

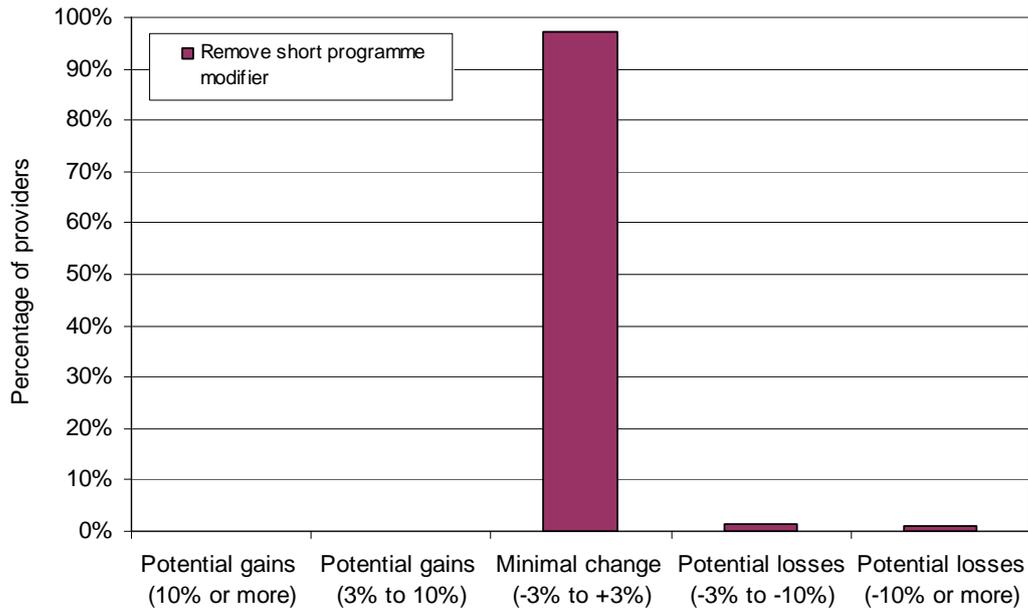


27. There is minimal change for 88 per cent of providers with the DfE combined method. The greatest impact would be for maintained schools with 13 per cent losing between 3 and 10 per cent and Academy converters with 10 per cent losing between 3 and 10 per cent.
28. The alternate general labour market approach the greatest impact would be on Academy converters with 10 per cent losing between 3 and 10 per cent.

**Short programme modifier**

- 29. The proposal to remove the short programme modifier is detailed in paragraphs 136 to 140.
- 30. The impact on providers of removing the short programme modifier is that for 97 per cent of providers there is minimal change. A third of local authorities would lose between 3 and 10 per cent with 31 per cent losing more than 10 per cent.

**Chart B8: Impact on funding of removing the short programme modifier**



## Annex C: Equality analysis

1. The Equality Act 2011 introduces a new public sector equality duty. As part of this duty there is a requirement to complete an equality analysis of the data held to support the implementation and the impact of any policy, practice or procedure delivered by public sector organisations.
2. The equality analysis needs to answer two questions as stated in the YPLA Single Equality Scheme (2010-2013)<sup>34</sup>.
  - Could/does the policy have a negative impact on one or more of the groups of people covered by the protected characteristics of equality? If so, how can this be changed or modified to minimise or justify the impact?
  - Could/does the policy have the potential to create a positive impact on equality, by reducing and removing inequalities and barriers that already exist? If so, how are these maximised?
3. Some of the proposals are intended to make a positive impact on those learners who are more disadvantaged.
4. The initial stage of modelling for the new funding formula has focussed on the macro level and individual providers. This has allowed the YPLA to understand if the changes make sense and could work. Once principles have been agreed the YPLA will analyse where there could be unintended consequences. This analysis will focus on key protected groups where we are able to do so. The key protected groups are:
  - race,
  - gender,
  - transgender,
  - sexual orientation,
  - religion,
  - age, and
  - pregnancy/maternity.
5. For the purpose of our analysis we can include: race, gender, and age. We will also include analysis of those learners with learning difficulties or disabilities. This analysis will be completed after the consultation, once feedback has been analysed, to create a final proposed formula.
6. Presented below is the preliminary analysis of learner responsive funded provision including school sixth forms. This provides the starting point from which possible impacts can be measured.
7. The analysis completed by the YPLA will be supported by evidence from the sector through responses to this consultation. The sector will

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<sup>34</sup> YPLA *Single Equality Scheme*, Young People's Learning Agency, March 2011. [tinyurl.com/YPLAequalityscheme](http://tinyurl.com/YPLAequalityscheme)

- explain whether they believe the changes will have a negative impact on different groups.
8. Analysis of consultation responses that relate to equality issues, and further equality analysis if necessary, will feed into the development and implementation of the chosen options as part of the work undertaken during 2012/13.

### Learning profile: learner responsive

9. All data provided is for the 869,435 learners in FE, in full year data for 2009/10 (L05).

### Gender

10. The split between males and females is 51.95 per cent male (451,632) and 48.05 per cent females (417,803).
11. In terms of funding, girls receive a higher proportion than their population would suggest due to the higher SLN ratio of the learning undertaken. Males receive 51.3 per cent of funding and females 48.7 per cent.

### Learners with learning difficulties and disabilities (LLDD)

12. 18 per cent of learners (156,226) are classified as having LDD. The SLN ratio for these learners is slightly lower than those without LDD so they receive less funding (17.8 per cent) than their population would suggest. Learners with LDD receive nearly 71 per cent of additional learning support.
13. Self-declaration of LDD varies between regions. In London only 11.9 per cent of learners are classified as LLDD (although there are 7.4 per cent unknown) compared to 21.4 per cent in the south east.
14. In all regions a higher proportion of male learners than female are classified as having LDD. On a national level, 16 per cent of females and 19.8 per cent of males are classified as having LDD. For females this varies from 11.4 per cent in London to 19.2 per cent in the south east, and for males it varies from 13.5 per cent in London to 23.6 per cent in the south east.
15. Male learners with LDD account for 42.6 per cent of all ALS funding compared to 28.1 per cent for females.

### Ethnicity

16. 78.5 per cent of learners are from the white British group. The next biggest groups are Asian or Asian British, Pakistani (3.1 per cent), black or black British African (2.8 per cent), any other white background (2.4 per cent) and black or black British Caribbean (1.9 per cent).
17. While white British learners account for 78.5 per cent of learners, they only account for 77.8 per cent of total funding. Some BME groups receive a higher proportion of funding than would be expected given the

proportion of the learner population – for example, black or black British African (3.08 per cent funding and 2.75 per cent learners) and Asian or Asian British Indian (1.97 per cent funding and 1.86 per cent learners).

18. The gender split by ethnicity varies between ethnic groups. Among white British and Irish learners the split is 48.5 per cent female compared to 51.5 per cent male. This compares to the Asian group where only 43.1 per cent of the learners are female compared to 56.9 per cent of males. Within this group those from other Asian backgrounds have only 35.9 per cent of females.

### Disadvantage

19. 30 per cent of learners (278,747) received disadvantage uplift because they were from a deprived area. There is no significant difference between males and females in terms of the proportion of learners from deprived areas.
20. Those from Asian, black or mixed backgrounds (54.4 per cent) are more likely to be in receipt of the disadvantage uplift than those from a white British background (26.8 per cent). Within the BME group some groups are particularly likely to be in receipt of the uplift, such as Asian/Asian British Bangladeshi (66.6 per cent), Asian/Asian British Pakistani (64.9 per cent) and black or black British Africans (63.1 per cent).
21. Learners in receipt of the disadvantage uplift accounted for 37.6 per cent of the total ALS spend reported.

### Full time and part time

22. 82.8 per cent of females are on full time programmes, compared to 80 per cent of males.
23. 79.2 per cent of learners with LDD are on full time courses compared to 81.9 per cent of those who do not have LDD.
24. 82.1 per cent of those in deprived areas are in full time learning.
25. There are large differences in the balance of full time and part time provision between ethnic groups. The highest proportions on full time courses are: Chinese (88.5 per cent), Asian/Asian British Indian (87.7 per cent), and black or black British African (87.5 per cent). The lowest proportions on full time courses are: unknown/not provided (74.7 per cent), mixed white/black Caribbean (78.4 per cent) and white Irish (78.6 per cent).

Table C1: Full time participation by learner ethnicity

Ethnicity	Full time
Any other	80.3%
Asian or Asian British – any other Asian background	83.4%
Asian or Asian British – Bangladeshi	80.9%

Ethnicity	Full time
Asian or Asian British – Indian	87.7%
Asian or Asian British – Pakistani	80.9%
Black or black British – African	87.5%
Black or black British – any other black background	81.5%
Black or black British – Caribbean	82.5%
Chinese	88.5%
Mixed - any other mixed background	83.2%
Mixed - white and Asian	84.4%
Mixed - white and black African	83.2%
Mixed - white and black Caribbean	78.4%
Not known/not provided	74.7%
White - any other white background	81.9%
White – British	81.1%
White – Irish	78.6%

### Level

26. On average females study at a higher level. 60 per cent of females are on level 3 provision compared to 47 per cent of males.

Table C2: Level of study

Notional level	Females	Males
Entry level	3%	4.4%
Level 1	11.6%	18.5%
Level 2	22.1%	25.2%
Level 3	59.9%	47.3%
Level 4	0.1%	0.1%
Level 5	0%	0%
Higher level	0%	0%
Other level	3.3%	4.6%

### Learning profile: school sixth forms (SSF)

27. All data provided is for the 402,347 learners in SSFs, in full year data 2009/10 (S05).

## Gender

28. The split between males and females is 51.9 per cent female (208,894) and 48.1 per cent male (193,453).

## Special educational needs (SEN)

29. Learners with any SEN represent 7.9 per cent of SSF learners.
30. For males this figure is 9.5 per cent while for females it is 6.4 per cent.
31. There is some regional variation, with London having the highest proportion with SEN (11 per cent), followed by the south east (8.5 per cent). The lowest is the north east (6.2 per cent), followed by the west Midlands (6.6 per cent).

## Ethnicity

32. White British learners account for 75.3 per cent. The next biggest groups are Asian or Asian British – Indian (3.9 per cent), any other white background (3.4 per cent), and Asian or Asian British – Pakistani (3 per cent).
33. Not as many gender differences exist within ethnic groups as observed in learner responsive provision. The two largest differences are for Asian or Asian British – Pakistani where females represent 1.7 per cent of learners and 3.2 per cent of all females compared to 1.3 per cent and 2.8 per cent for males and black or black British – African where females represent 1.5 per cent of the overall learner population and 2.8 per cent of females, whereas for males the percentages are 1.2 per cent and 2.5 per cent.

## Free school meals (FSM)

34. 5.5 per cent of learners are in receipt of FSM. A slightly higher proportion of females than males receive FSM: 5.9 per cent, compared to 5.1 per cent.
35. Those from Asian, black or mixed backgrounds are particularly likely to be in receipt of FSM. Despite only representing 22.6 per cent of learners, this group represents 48.9 per cent of those in receipt of FSM. The white British group represents 75.3 per cent of learners but only 49 per cent of those on FSM. Within the BME group some are particularly likely to be in receipt: Asian/Asian British Bangladeshis (29 per cent), Asian/Asian British Pakistanis (18.9 per cent) and black or black British African (18.6 per cent). The lowest proportion is white British (3.6 per cent).

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