



## Issues around the funding of 16-19 education

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For several years the Government has been conducting consultations on various aspects of 16-19 education and as a result of these processes significant changes have been made to the way 16-19 education is funded. In future providers will receive funding per student rather than per qualification taken, the additional funding for some high cost subjects will be reduced and the disparity in funding between school sixth forms and colleges will end. These reforms aim to address various anomalies in funding across the sector, simplify the system, underpin the raising of the participation age and improve vocational education.

These funding changes will affect all providers of 16-19 education however certain aspects of the changes will affect some types of provider more than others.

This note outlines these changes and other funding issues such as the reduction in funding for 18 and 19 year olds and the payment of VAT by sixth form colleges. The note addresses the impact of the changes and sets out the concerns of providers during this period of change.

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## **Contents**

<b>1</b>	<b>Background</b>	<b>3</b>
<b>2</b>	<b>The new funding formula for 16-19 funding from 2013/14</b>	<b>4</b>
<b>3</b>	<b>Issues affecting provider funding</b>	<b>5</b>
3.1	Reduction in programme cost weighting	5
3.2	Changing to funding per student	5
3.3	Closing the 'funding gap' between schools and colleges	6
3.4	The 16-19 funding 'dip'	8
3.5	Cuts in funding for 18 and 19 year olds	9
3.6	Sixth Form Colleges and VAT	9
<b>4</b>	<b>Impact of 16-19 funding changes on providers</b>	<b>11</b>
4.1	Sixth form colleges	11
4.2	School sixth forms	12
4.3	FE colleges	13

## 1 Background

In October 2011 the Department for Education (DfE) and the Young Peoples Learning Agency (YPLA) launched a consultation on 16 - 19 education - the [16-19 Funding Formula Review](#). In the consultation document the Government proposed a series of reforms aimed at making the funding system simpler and more transparent including proposals to end the system of funding learning providers per qualification and the introduction of a system of funding per student. The Government stated that these changes were a necessary adjunct to rising the participation age and implementing recommendations in Professor Alison Wolf's report on vocational education. The majority of the respondents to the review 'agreed with the overarching principle of simplification of the 16-19 funding formula', however concerns were raised over some aspects of the proposals such as the impact of the changes on students taking large programmes of study. The responses to the consultation were published in [16-19 Funding Formula Review Analysis of responses to the consultation document](#).

In July 2012, Michael Gove, the Secretary of State for Education made a written statement [Education for Young People](#) in which he set out changes to the education system for 16-19 year olds::

**The Secretary of State for Education (Michael Gove):** We need to reform the education system for young people aged over 16, particularly for students who want to pursue vocational courses. Around 1.6 million 16 to 19-year-olds are in education each year, but as Professor Alison Wolf stated in her review of vocational education, as many as 350,000 are on courses which do not benefit them.

[...]

To ensure a better experience for all young people a number of changes need to take place. One of the principal barriers to improving vocational education has been the system for funding education for young people aged over 16. At present schools and colleges are funded per qualification and so the more qualifications students take and pass, the more money schools and colleges receive. This means that the most rational course of action for schools and colleges is to enter students for easier qualifications—whether vocational or academic. Furthermore, the funding system is not geared towards activity that does not lead to qualifications, such as work experience, even though evidence shows its high value in securing future employment.

We are therefore introducing reforms to programmes of study and funding so that schools and colleges are freed to improve vocational education. Rather than funding per qualification, we will fund institutions “per student” allowing sufficient income for each student to undertake a full programme of study, whether vocational or academic.

As a result of these changes, every 16 to 19-year-old will have the opportunity to undertake high quality study which will help students move on to skilled work or further or higher education. Young people will be able to take up valuable work experience opportunities. Students without a good pass at 16 in English and maths—the subjects most valued by employers—will have to continue to study those subjects to age 18. We will publish data for each institution showing whether students progressed into work and further or higher education. This will enable students and their parents to make informed choices about programmes of study and institutions. It will also encourage schools and colleges to offer the courses and qualifications employers and higher education institutions value. (HC Deb 12 July 2013 c34WS)

Details of Mr Gove's proposals were set out in a DfE and Education Funding Agency (EFA) publication [16-19 Funding formula review Funding full participation and study programmes for young people](#) July 2012.

Numerous publications relating to the funding reforms are available on the DfE webpage, [Funding education for 16-19 year olds](#). The DfE document, [Overview of the 16 to 19 Funding Formula Funding full participation and study programmes for young people](#) June 2013 is currently the key document that describes the new system and funding mechanism for 16-19 education and training from 2013 onwards, it includes links and references to further detailed guidance and information.

## **2 The new funding formula for 16-19 funding from 2013/14**

From the academic year 2013/14 funding for 16-19 providers will be made using the new 16-19 National Funding Formula, under this system funding allocations for each provider will be calculated based on several elements which are set out in an Education Funding Agency (EFA) document [Funding guidance for young people 2013/14 Rates and formula](#) June 2013 p 3:

### **Funding methodology**

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

- a. the number of students,
- b. a national funding rate per student,
- c. retention factor,
- d. programme cost weighting,
- e. area cost allowance, and
- f. disadvantage.

The individual funding for each provider will then be calculated using the formula:

### **The formula:**

(Student numbers **X** National Funding Rate per student **X** Retention Factor **X** Programme Cost Weighting **+** Disadvantage Funding) **X** Area Cost Uplift =Total Programme Funding

Calculating provider allocation is therefore complicated and each FE provider will receive funding based on its individual circumstances. In 2013/14 the national funding rate per full time student was £4,000.<sup>1</sup>

A detailed outline of the new funding formula is set out in a presentation by the Education Funding Agency, [16-19 Funding 2013/14 Update](#) May 2013.

Funding guidance for 2014/15 is contained in a DfE document [Funding guidance for young people 2014 to 2015 Funding regulations](#) June 2014

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<sup>1</sup> EFA [Funding guidance for young people 2013/14 Rates and formula](#) version 1 p4 para 5

### **3 Issues affecting provider funding**

#### **3.1 Reduction in programme cost weighting**

Some study programmes are more expensive to deliver than others and the national funding formula reflects these extra costs by applying a programme cost weighting. There are four programme weighting factors for the 16 to 19 sector – base, medium, high and specialist; these weightings reflect the level of resources required to teach particular subjects.

The value of the programme cost weightings has been reduced for 2013/14, so some programmes of study will receive less funding than in previous years. Most academic and vocational courses will have a base weighting of 1.

#### **3.2 Changing to funding per student**

In the reform statement in July 2012 [Education for Young People](#); Mr Gove said that in future providers would be funded per student rather than per qualification.

Michael Gove acknowledged that some institutions might have concerns about the change and announced a transition period so that no institution would see its funding per student fall as a result of the reforms for at least three years:

I realise that these changes may cause concern for institutions which offer a primarily academic programme of study. I very much value the commitment of schools, colleges and students to achieving academic excellence and entry to top universities. To protect institutions while discussions about academic qualifications take place, I am guaranteeing that no institution will see its funding per student fall as a result of these changes for at least three years.

I am establishing a ministerial working group to assist us in ensuring that these reforms work in the best interests of all young people. I will be inviting representatives from further education colleges, sixth form colleges, schools (including grammar schools) and other providers of post-16 education to consider the best way to implement the reforms to the programmes of study and associated funding changes.<sup>2</sup>

In July 2012 DfE published [16-19 Funding formula review Funding full participation and study programmes for young people](#). This set out further information about the Government's proposal to introduce a basic funding rate per student:

19. We are introducing a single basic funding rate per full time student per year regardless of where and what they study. This will fund a programme of study for around 600 guided learning hours for all students as described in *Study programmes for 16-19 year olds: Government response to consultation*. Institutions will have the flexibility to offer non-qualifications based activity as part of their programmes, including work experience. The basic funding rate per student will be expressed in cash terms.

20. We presented a number of options for the size of full time programmes within the consultation document, including uplift for both academic and vocational large programmes, where these are necessary to meet the aspirations and needs of some young people. We need to review this in light of the reform of A levels and to consider the labour market value of large vocational qualifications. We will continue to work on the option of a higher level of funding for large programmes from 2015/16. We will

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<sup>2</sup> [HC Deb 2 July 2012 cc 33-5WS](#)

convene a group to include institutions that have an interest in this to help us take forward these reforms.

21. We intend to fund all part time students based on four bands, calculated from the planned guided learning hours for the year. We plan to link these bands to the requirements for full participation and to work with the sector to define these bands and agree the working arrangements. Full time students will not be eligible for part time funding at a different institution.

22. It is our intention that funding rates will be set annually and announced in the EFA's 16-19 Funding Statement each year.<sup>3</sup>

The new basic funding allocation is intended to cover 600 hours of guided learning, this is roughly equivalent to three A levels. Reductions in funding with the shift to per student funding will affect all types of providers. However it has been argued that these changes could affect some providers more than others - concern has been expressed by FE colleges offering large vocational programmes and grammar schools and sixth form colleges which offer more than three A levels and large study programmes like the International Baccalaureate:

"There is a real fear that schools and colleges that currently deliver large programmes will find it difficult to continue and will have to reduce the number of courses they run," said Malcolm Trobe, deputy general secretary of the Association of School and College Leaders.

Sixth-form colleges have said they will be particularly at risk. "We think 16-19 education is, per student, the lowest-funded part of the state education system," said David Igoe, chief executive of the Sixth Form Colleges' Forum. Students receive only about three-quarters of the funding after 16 that they do for earlier key stages.

Mr Igoe said that, at the moment, sixth-form colleges are increasingly placing students on larger programmes as the only way to attract a "critical mass" of funding to pay for a rounded education and the extracurricular activities that universities expect. Even if it was not necessary to take more than three A levels, state pupils would be put at a disadvantage by limiting other opportunities, such as using the time for an extended project, he added.<sup>4</sup>

The DfE made the following comment on the changes in an article in March 2013:

A Department for Education spokeswoman said the current formula, based on funding per qualification, had "acted as a perverse incentive for schools to enter students for easier qualifications".

"Funding schools and colleges per student instead will free them up to deliver demanding and innovative courses that meet the individual needs of all young people," she added.<sup>5</sup>

### **3.3 Closing the 'funding gap' between schools and colleges**

For many years there has been a disparity in funding between the amount of money schools received to teach sixth formers and the amount that colleges received to teach this age group – this has been referred to as the 'funding gap'. In 2010 colleges received on average

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<sup>3</sup> p12

<sup>4</sup> "Sixth forms keep their money - for three years", *TES*, 6 July 2012

<sup>5</sup> "Funding change - half of sixth forms 'unviable'", *TES* 13 March 2013

£280 less per student than school sixth forms.<sup>6</sup> Commentators have long argued that the funding gap should be closed and the [Schools White Paper 2010, \*The Importance of Teaching\*](#) published on 24 November 2010 contained a commitment to close the funding gap by 2015; somewhat unexpectedly the White Paper statement committed to close the funding gap by levelling down funding and lowering school sixth form funding into line with college funding. :

8.17 We are also committed to all young people staying on in education and training to age 18 by 2015 and a simple post-16 funding system which is fair and transparent will underpin this commitment. Historically, sixth form colleges and general FE colleges have been funded at a much lower level than school sixth forms delivering post-16 education: on average a full time student in a maintained school is funded at £280 more than a student in an FE college. We will bring to an end the disparity by bringing the funding levels for school sixth forms into line with colleges so that there is equity in funding and increased value for money for the tax payer. The transition towards fairer post-16 funding will begin in 2011–12 and will be completed by 2015. We will provide the necessary transitional protection for schools facing significant changes.<sup>7</sup>

The reduction in funding for school sixth forms was discussed in an article in the *Guardian* on 14 December 2010:

Sixth-form and further education colleges have long envied the more generous funding enjoyed by schools for post-16 students – "all we want is a level playing field" has become a stock refrain. But the sector always envisaged its own budget being raised to give parity; not schools funding being dragged down to FE levels.

Now everyone is trying to digest the implications of Michael Gove's intention to end the £280 gap between the cost of educating post-16s in schools and colleges, announced in last month's white paper, *The Importance of Teaching*.

His transition towards "fairer" post-16 funding will begin in 2011–12 and be completed in 2015. Gove promises "transitional protection for schools facing significant changes". Most heads are still grappling with the arithmetic. Some schools are likely to offer fewer A-level subjects. Bigger classes seem certain. Students may have less contact time with teachers.

But what might this rough justice mean for post-16 provision outside schools? The Sixth Form Colleges Forum (SFCF) is at pains not to display *schadenfreude* over the fate of schools; though some might be justifiable. The executive chairman, David Igoe, says that funding disparity has forced the closure of 25% of sixth-form colleges since 1993. "Then there were 125; now there are 93," he says. "Despite being very successful, they struggled to survive financially."<sup>8</sup>

The Association of Colleges (AOC) published a press release on 24 November 2011 welcoming the commitment to close the gap.<sup>9</sup>

Transitional protection has been put in place to protect schools from the full impact of the changes for three years; information in a PQ in February 2011 stated that the transitional protection would be removed by 2015:

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<sup>6</sup> ["Funding gulf opens up between sixth-form colleges and schools"](#) *Times Educational Supplement* 22 July 2011

<sup>7</sup> Para 8.17, p83

<sup>8</sup> ["Schools may lose out as Gove ends funding gap for post-16 education"](#). *The Guardian* 14 December 2010

<sup>9</sup> AOC ["Education White Paper states funding gap to be closed by 2015"](#) 24 November 2010

**Caroline Lucas:** To ask the Secretary of State for Education (1) if he will take steps to ensure that identical courses provided by colleges and a school sixth forms receive the same level of funding per student; and if he will make a statement; [34512]

(2) what estimate he has made of the like-for-like funding difference between schools and colleges in each of the last three years; and what methodology his Department uses to calculate this figure. [34579]

**Mr Gibb:** The White Paper "The Importance of Teaching", published in November 2010, set out the Government's commitment to end the disparity in funding for 16-19 year olds so that by 2015 schools and colleges are funded at the same level as one another. We want to achieve this in a carefully managed way over time so as not to destabilise providers. To ensure this is the case we are limiting the reduction in the average funding per student in 2011/12 to a maximum of 3% per student. The transitional protection will be removed over the spending review period.

In 2008 KPMG independently assessed the funding gap between school sixth forms and other providers at 5.6%. Since 2008 the gap has remained the same following the introduction of a consistent funding methodology between all types of providers. The methodology used by KPMG was to cost identical programmes for each provider type and then to assess the difference. The conclusion was that the gap was due to a 3% difference in funding rates and 2.6% paid to schools for teachers' pension payments. KPMG also stated that the Teachers' Pay Grant (TPG) was now a clearly identifiable grant for schools with sixth forms that was not available to FE and other providers. Including the TPG in the calculation widened the gap to 9.6%. Other factors such as differences in treatment for VAT were not considered to form part of the funding gap.<sup>10</sup>

In March 2013, Matthew Hancock, Parliamentary Under-Secretary of State for Skills, answered a series of questions about the funding disparity for school sixth forms and sixth form colleges:

4. **Lorely Burt** (Solihull) (LD): What steps he is taking to ensure that the funding formula for school sixth forms and sixth-form colleges is fair and equitable. [145455]

**The Parliamentary Under-Secretary of State for Skills (Matthew Hancock):** In 2010 we committed to ending the historical disparity in post-16 funding so that by 2015 schools and colleges will be funded at the same level as one another for the first time, on a per-pupil basis. Transitional protection will apply for four years from 2011 to give institutions time to adjust.<sup>11</sup>

### 3.4 The 16-19 funding 'dip'

Funding per student for the 16-19 age group is less than for pre - 16 students and higher education students; this anomaly has been termed the funding 'dip'. The size of the funding dip was given in a briefing paper by the Sixth Form Colleges Association:

#### **How deep is the 16-19 funding dip?**

In 2011/2012 the median income for pupils in secondary schools with key stage 4 was £56206. In 2011/2012 the average fee per student was £8,4147 in universities. The

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<sup>10</sup> [HC Deb 9 February 2011 c344W](#)

<sup>11</sup> [HC Deb 4 March 2013 cc655-6](#)



average level of funding for a 16-19 year old in schools and colleges was £4,6458. The dip in funding between pre-16 and post-18 education is substantial.<sup>12</sup>

In April 2013 the leaders of several 16-19 organisations sent a letter to Michael Gove urging him to address this situation.<sup>13</sup>

### 3.5 Cuts in funding for 18 and 19 year olds

In December 2013 it was announced that funding for 18 and 19 year olds would be cut by 17.5 per cent. This issue is discussed in library briefing note SN/SP/6802 *Cuts in funding for 18 and 19 year olds*, 23 January 2014.

This issue was debated in the House on 6 January 2014, [Further Education \(Funding\)](#)<sup>14</sup>. In March 2014 it was announced that procedures would be put in place to mitigate the impact of the changes to help providers most badly affected by the cuts in funding, a PQ in April 2014 sets out the current position:

#### Further Education

**Stephen Timms:** To ask the Secretary of State for Education if he will visit further education colleges to discuss the effect of his proposed 17.5 per cent reduction from September for funding for 18-year-olds in full-time education. [195446]

**Elizabeth Truss:** I have received a large number of invitations to discuss this topic and sadly cannot accept nearly as many as I would like to.

Nevertheless, I have listened to the views of the hon. and right hon. Members, as well as those of colleges and other providers of 16 to 19 education. I am pleased that we have been able to afford to mitigate the impact of the funding reduction on 18-year-olds in the academic year 2014/15. We will cap any losses in relation to this at 2% of the funding that an institution receives for the education of 16 to 19-year-olds.

However, the overriding need to tackle the budget deficit remains, and so the full funding reduction for 18-year-olds will still be necessary in 2015/16. We have carried out and published an impact assessment, which is available online at:

<https://www.gov.uk/government/publications/funding-reduction-for-18-year-olds-impact-assessment> (HC Deb 10 April 2014 c412)

### 3.6 Sixth Form Colleges and VAT

Both schools and colleges have to pay VAT, however different arrangements apply to schools and colleges with regard to VAT, the difference was set out in a PQ in November 2010:

#### VAT: Sixth Form Education

**Austin Mitchell:** To ask the Chancellor of the Exchequer for what reasons (a) sixth form colleges, (b) schools with sixth forms and (c) academies are not liable to pay value added tax; and whether he plans to review such tax arrangements to take account of the implementation of the proposed change in the status of sixth form colleges as part of a review of value added tax liabilities. [25214]

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<sup>12</sup> Letter from Association of Colleges, Association of School and College Leaders, Sixth Form Colleges Association, Independent Academies Association, Freedom and Autonomy for Schools National Association, Principal's Professional Association to Rt Hon Michael Gove, [The 16-19 Funding Dip](#) 23 April 2013

<sup>13</sup> *ibid*

<sup>14</sup> HC Deb 6 January 2014 c10

**Mr Gauke:** Education funded by local or central Government is not a business activity, so would not be subject to VAT if it was charged for. However, schools and sixth form colleges, in common with everyone else, are liable to pay VAT on the taxable goods and services they purchase. The Chancellor has no plans to review this.

Those institutions are currently funded for these costs either through up-front central Government funding or, if they are local authority controlled schools, through a mechanism in section 33 of the VAT Act 1994. ([HC Deb 23 November 2010 c285](#))

The payment of VAT by sixth form colleges has frequently been raised in the House without any indication of a change in the Government's position: for example:

#### **VAT: Sixth Form Colleges**

**Mr Sheerman:** To ask the Chancellor of the Exchequer (1) whether he has received advice from his officials on sixth form colleges paying full-rate VAT; and if he will make a statement; [142861] (2) what advice he has received from his officials regarding sixth form colleges paying the full-rate of VAT; and if he will make a statement. [143477]

**Mr Gauke:** Sixth form colleges are required to pay VAT on their purchases, as are all public sector bodies. The basic funding principle for sixth form colleges is that these VAT costs are taken into account as part of the up-front funding allocation. ([HC Deb 13 Feb 2013 c728W](#))

However during PMQs on 9 October 2013 David Cameron gave a commitment to look at the issue again:

**Ian Swales (Redcar) (LD):** I congratulate the Government on ending the unfairness in free school meals for 16 to 18-year-olds. Will the Prime Minister look to end the similar unfairness whereby sixth-form colleges have to pay VAT whereas schools or academies with sixth forms do not?

**The Prime Minister:** I will look carefully at what my hon. Friend says. It is good that we will now have the same system for free school meals for sixth-form colleges and for secondary schools and I also think that it is very welcome that children in infant school will not have to pay for school meals. I will look carefully at his point about VAT. ([HC Deb 9 October 2013 c158](#))

Despite the commitment in 2013 the situation remains the same, in an article in *Times Education Supplement* in June 2014 a spokesperson for the DfE said:

"Colleges are treated differently to schools when it comes to VAT because of their legal status."<sup>15</sup>

The issue of VAT and sixth form colleges was discussed in an article in *FE Week* in October 2013<sup>16</sup> and the Sixth Form College Association have published a briefing paper which makes the case for change – [Briefing: VAT and Sixth Form Colleges October 2014](#)

#### *Cost of exempting SFCs from VAT*

A PQ in January 2014 gave information on the cost of exempting sixth form colleges from VAT:

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<sup>15</sup> "Funding cuts force sixth form colleges to axe staff and courses, says report", *TES* 16 June 2014

<sup>16</sup> "Colleges hoping for VAT 'anomaly' end after MPs' letter and PM pledge" *FE Week* 18 October 2013

## Further Education: VAT

**Mr Wallace:** To ask the Secretary of State for Education what estimate has been made of the cost to the Exchequer of exempting sixth form colleges and further education colleges from VAT along the same lines as schools. [183574]

**Matthew Hancock:** We estimate that the cost of recompensing sixth form colleges for their VAT costs would be about £30 million per year. If we were also to recompense all other 16 to 19 institutions that are currently not able to claim back their VAT costs, which would include further education colleges, then we estimate that the cost would rise to about £150 million per year (HC Deb 21 January 2014 c112)

## 4 Impact of 16-19 funding changes on providers

The changes to FE funding will affect all providers of 16-19 education, but some aspects of the reforms will affect one type of provider more than others - different providers will therefore feel the effects of the changes in different ways.

### 4.1 Sixth form colleges

A briefing paper by the Sixth Form College's Association in 2012 suggested that the funding reforms could hit sixth form colleges harder than other providers as they will experience greater budget reductions than schools or colleges;

Sixth Form Colleges will see an average reduction in their funding allocations of 6.1% - a greater reduction than Further Education colleges (that face a 1% cut) and schools/academies (that face a 5% cut). Some Sixth Form Colleges face cuts in funding of up to 15.5% - almost £2 million per year. The annual amount of funding being removed from the Sixth Form College sector as a result of the government's reforms is £43 million.<sup>17</sup>

The paper also suggested that funding cuts would have a greater impact on sixth form colleges as they cannot cross subsidise this age group using funds intended for other age ranges as can be done in schools and FE colleges:

In June 2014 the Sixth Form Colleges Association published a survey of the effect of funding changes on sixth form colleges - [Summary: SFCA Funding Impact Survey 2014](#); an article in the *Guardian* in June 2014 gave an overview of the survey's findings:

On Monday the [Funding Impact Survey](#), published annually by the Sixth Form College's Association, revealed some worrying findings. Some 68% of sixth-form colleges have dropped courses as a result of funding cuts – a 15 percentage point increase on last year.

More than a third of sixth-form colleges (38%) have been forced to drop courses in modern foreign languages and more than a fifth (22%) have cut science, technology, engineering and maths (Stem) subjects. Sport, music and educational visits have also been reduced, with 71% of colleges being forced to reduce or remove the extra-curricular activities available to students.

Almost all of the colleges surveyed (95%) have reduced their staffing levels as a result of the funding cuts, and 69% are now teaching students in larger class sizes. Sixth-form colleges – which we know perform highly – are under serious threat.<sup>18</sup>

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<sup>17</sup> Sixth Form Colleges Forum [Sixth Form Colleges and funding: summary for stakeholders](#) 20 December 2012

<sup>18</sup> 'Sixth-form colleges shrinking in face of funding cuts', *The Guardian* 17 June 2014

An article in the *Times Education Supplement* included a response from the DfE on this issue:

A Department for Education spokesman said the government had ended the historic unfair funding difference between post-16 schools and colleges by putting both on the same rate.

"We have also implemented the recommendations made by Professor Alison Wolf that funding should be on a fair per student basis, not per qualification - this ensures that young people are studying high-quality qualifications that will help them get on in life," the spokesman added.

"At the same time, we have protected funding until the end of the academic year in 2016 so all colleges and schools with sixth forms can continue to plan ahead.

"Colleges are treated differently to schools when it comes to VAT because of their legal status."<sup>19</sup>

#### **4.2 School sixth forms**

School sixth forms have faced a loss of funding on various fronts and in particular through the change brought in to create equal funding between schools and colleges. It has been suggested that some sixth forms might close due to the resultant loss in funding:

School sixth-forms are facing closure because of government funding cuts, head-teachers warned today.

In addition, others will have to reduce the number of A-level courses on offer to students - with key subjects such as modern foreign languages and further maths - not so popular with pupils - particularly at risk.

The dilemma, revealed at the Association of School and College Leaders' conference in London, emerges as the Government attempts to put funding for school sixth-forms on an equal footing with further education colleges.

However, head-teachers warned that the new formula was reducing funding for schools - with some losing as much as £333,000.

[...]

ASCL is warning that smaller sixth-forms are most at risk with those with fewer than 200 pupils in danger of becoming unviable within the next two years.

Those serving rural and far flung communities are likely to suffer the most - with students having to travel further distances to find school or college places.

At the very least, predicts ASCL, sixth-forms will have no choice but to drop courses which do not recruit large numbers of students - with further maths, languages and economics all likely to suffer.

A spokeswoman for the Department for Education said there was a "clear need" to reform funding for 16 to 19-year-olds "so that every young person is able to undertake high quality study which will lead to better education and employment opportunities".

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<sup>19</sup> ['Funding cuts force sixth form colleges to axe staff and courses, says report'](#), *Times Education Supplement* 16 June 2014

"One of the principal barriers to this has been the current funding system based on funding for qualifications - which has acted as a perverse incentive for schools to enter students for easier qualifications," she added.

"Funding schools and colleges per student instead will free them up to deliver demanding and innovative courses which meet the individual needs of all young people."<sup>20</sup>

### 4.3 FE colleges

FE colleges teach more 18 and 19 year old students than schools and sixth form colleges, the reduction in funding for this age group will therefore hit these providers harder than other 16-19 providers, this was acknowledged in the impact assessment on the funding cut:

General FE and tertiary colleges are the next most affected institution type. Academically oriented institutions such as schools, academies and sixth form colleges have so far seen a significantly larger reduction in funding per student since 2011/12, as part of equalising funding rates across institution types, than vocationally oriented FE colleges who tend to be more affected by this reduction in funding for 18 year olds. So, in broad terms those institutions most affected by previous changes are least affected by this change.<sup>21</sup>

This issue was discussed in an article in *FE Week* 13 January 2014:

Colleges will be hit by a controversial funding rate cut for 18-year-olds far worse than school sixth forms, a much-anticipated government impact assessment has revealed.

The report on plans to reduce the full-time funding rate for 18-year-old learners to 17.5 per cent less than 16 and 17-year-olds was published by the Department for Education today — nearly a month after it was promised by Education Secretary Michael Gove.

It reveals that general FE colleges will be among the worst-hit of all institutions — with an average reduction in funding of 3 per cent. For land-based colleges it's 2.5 per cent, for commercial and charitable providers it's 1.5 per cent, and for sixth form colleges it's 1.2 per cent.

But for school sixth forms it's just 0.4 per cent. However, the report does not say how much the funding rate cut is expected to save.

Nevertheless, it does also reveal that four options for a cut were considered. Firstly, a reduction in funding across the board for 16 to 19-year-olds, secondly a reduction in funding for disadvantaged learners, and thirdly a reduction in funding for apprenticeships — but it was considered that the fourth option of cutting for 18-year-olds would be the "least detrimental" option.

[...]

The report highlighted the fact the biggest impact would be in London, the South East and North West, which have the highest percentage of learners over the age of 18.<sup>22</sup>

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<sup>20</sup> "School sixth-forms face closure due to government funding cuts", *The Independent* 15 March 2013

<sup>21</sup> Department for Education *Funding reduction for EFA-funded institutions and providers educating full-time 18 year olds* Impact assessment 2014 para 15

<sup>22</sup> "Colleges hit by 18-year-old funding rate cut far worse than school sixth forms, government assessment reveals", *FE Week* 14 January 2014