

Evidence for the Wolf Review of 14-19 Vocational Education



Funding complexity

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Overview

The phase of 14-19 vocational education is not recognised in a single funding model, although a national post-16 demand-led funding formula (learner and employer-responsive) was introduced in 2008/09 as part of a simplification agenda. The reality is that the new post-16 funding models and formula remain complicated by design, and there continues to be a call for a re-design driven by a desire to reduce administration cost and simplify. The problem with 'funding simplification' is that it creates winners and losers, and the more the model is simplified the greater some win or lose.

If Raising the Participation Age (RPA) was to mean that all 16-18 year-olds were in full-time education or training then the new Education Funding Agency may be able to introduce a simpler learner funding rate formula. However, this alone would not take account of the additional costs particular to vocational provision (such as machinery or even stables). Also, unless the learner and qualification data requirements for providers were significantly reduced then few would feel like simplification had been achieved (and the Qualification and Credit Framework requires more data, such as planned credits). Finally, having different education and skills agencies does not help.

The funding sources and formulas (England only)

Firstly, the 14-19 age group is funded from two different Government departments.

- ~ 14-18 year-olds
Funded by the Department for Education (DfE)
- ~ 19 year-olds
Funded by the Department for Business Innovation and Skills (BIS)

Then different agencies pay providers using different funding formulas.

- ~ 14-15 year-olds
Funded by Local Authority or Young People's Learning Agency (YPLA) using a locally devised formula
- ~ 16-18 year-olds (learner-responsive ~ e.g. Schools, Colleges and what used to be called Entry to Employment and is now called Foundation Learning)
Funded by the YPLA using the national demand-led funding formula with historical weightings and paid based on a planned profile.
- ~ 16-18 year-olds (employer-responsive ~ Apprenticeships)
Funded by the Skills Funding Agency (SFA) using a national demand-led funding formula with in-year weightings and paid based on delivery.
- ~ 19 year-olds (learner-responsive) - based on age as at 31st August
Funded by the Skills Funding Agency (SFA) using the national demand-led funding formula with historical weightings and paid on a profile for schools and colleges and on delivery for independent providers. If the learner is in their second year (so was 18 based on the start date of the enrolment) then they are funded at YPLA 16-18 funding rates and eligibility.
- ~ 19 year-olds (ER ~ Apprenticeships) - based on age as at start date
Funded by the Skills Funding Agency (SFA) using a national demand-led funding formula with in-year weightings. Funding is now paid on profile for colleges but remains on delivery for independent providers.

Learner-responsive (LR) 16-18 funding formula (excl. ALS)

Standard Learner Number Guided Learning Hour (SLN GLH)	<p>The SLN GLH represents the size of the enrolment, which is either ‘listed’ within the online Learning Aim Database for the relevant year or in the case of non-school provision some learning aims are ‘unlisted’ as the SLN GLH is the figure recorded by the provider, such as for Functional Skills. All school provision is ‘listed’ as they do not recorded their GLH in their data returns.</p> <p>SLN GLH is not the same as the recommended GLH (they are often different values).</p>				
Standard learner number (SLN)	SLN is always the SLN GLH divided by 450				
National Funding Rate (NFR)	<p>The National Funding Rate is set each year and applied based on the age of as at the 31st August for the year the enrolment started. The 16-18 LR national funding rates for 2010/11 are as follows:</p> <table border="1" data-bbox="644 943 1139 1167"> <tr> <td data-bbox="644 943 986 1043">16-18 Schools</td> <td data-bbox="986 943 1139 1043">£3,007</td> </tr> <tr> <td data-bbox="644 1066 986 1167">16-18 non-Schools (e.g. colleges)</td> <td data-bbox="986 1066 1139 1167">£2,920</td> </tr> </table>	16-18 Schools	£3,007	16-18 non-Schools (e.g. colleges)	£2,920
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Programme Weighting Factor (PWF)	Like the SLN, the programme weighting is assigned each year to the relevant qualification and can be found on the Learning Aim Database. Programme weightings recognise that irrespective of size, some qualifications are more costly to deliver than others.				
Disadvantage uplift (DU)	The disadvantage uplift is based on the learner home postcode, and therefore applied equally to all qualification within their Framework. It ranges from 8-32 per cent for learners living in the 27 per cent most deprived areas of England.				
Area Cost Uplift (ACU)	The area cost uplift recognises that the relative cost of delivery in London and the South East is higher than the rest of England. It is applied based on the delivery location of each individual qualification and rises from 1 per cent in parts of West Sussex to a maximum of 20 per cent for the inner-ring of London boroughs.				
Funding (£)	This is what the funding would have been if the learner achieved, and the provider factor were not being applied (see next page).				

Note: There are three other weighting within the LR funding formula, but for most providers they do not apply. These are:

- ~ Short Course Modifier (SCM)
- ~ Care Standards Factor (CSF)
- ~ Long term residential factor (LTRF)

The LR enrolment funding formula in theory is therefore:

$$\text{SLN} \times \text{NFR} \times \text{PWF} \times \text{DU} \times \text{ACU} \times \text{SCM} \times \text{CSF} \times \text{LTRF} = \text{Funding (excl. ALS)}$$

Also, in 2010/11 school sixth forms receive Teachers' pension funding of £125 - £137.50 per learner (although this is being phased out).

Source: YPLA funding presentation for 2010/11: <http://tinyurl.com/6fz5s8o>

The LR Provider Factor

When the national demand-led funding formula was introduced for England in 2008/09 it was supposed to be 'simpler' because many of the formula elements were to be fixed averages calculated for the provider in a previous year. This included a success factor to take account of achievement and retention (calculated as the previous success rate / 2 + 0.5).

When these elements were multiplied together the result was the Provider Factor.

So, a 1.2003 Provider Factor (PF) might be based on:

Programme Weighting Factor	Disadvantage Uplift	Area Cost Uplift	Short Course Modifier	Care Standards Factor	Long term residential factor	Success Factor
1.1645	1.0465	1.1200	1.0029	1.0000	1.0000	0.8769

When all multiplied together the PF = 1.2003

The LR enrolment funding formula in reality is therefore:

$$\text{SLN} \times \text{NFR} \times \text{PF} = \text{Funding (excl. ALS)}$$

College allocation funding formula example

Total SLNs	3,425
National Funding Rate	£2,920
Provider Factor	1.2003
Total allocation	£12,004,314

Learner A programme example SLNs

Element within programme	SLN GLH	SLN
BTEC L2 Diploma in Sport (QCF)	450	1
Functional Skills in Mathematics	36	0.08
Functional Skills in English	36	0.08
Entitlement	114	0.25
Total	636	1.41

$$\text{E.g. } 1.41 \text{ SLN} \times \text{£2,920 NFR} \times 1.2003 \text{ PF} = \text{£4,954}$$

Learner B programme example SLNs (and rational for 1.75 SLN cap)

Element within programme	SLN GLH	SLN
AS Level History	150	0.33
AS Level Politics	150	0.33
AS Level Economics	150	0.33
AS Level Geography	150	0.33
AS General Studies	30	0.07
Functional Skills in English	36	0.08
Entitlement	114	0.25
Total	780	1.73

E.g. 1.73 SLN x £2,920 NFR x 1.2003 PF = £6,075

Note: The YPLA cap the maximum annual learner SLN at 1.75 (likely to fall to 1.56 for 2011/12 as Entitlement is being cut from 114 SLN GLH to 30). No such cap exists for Apprenticeship provision.

Some complexities worth a mention:

The use of historical factors within a Provider Factor may seem like a step in the right 'simplification' direction, but it actually makes it very difficult to see the real funding value for a course. This is particularly relevant in the context of vocational provision and provider collaboration, as vocational courses often have a programme weighting (such as 1.92 for Equine Studies) which is therefore shared equally with non-vocational provision (such as Geography which has no weighting).

The weekly SLN funding rate remains for what was Entry to Employment (E2E) funding

Some non-school provision SLN rates are 'unlisted', whilst all school rates are listed and the age definition is different from Apprenticeship provision.

Many SLN GLH rates differ from recommended GLH rates (e.g. many BTECs), and the YPLA can and do change some rates and programme weightings each year.

YPLA funding plans for 2011/12 and beyond include:

The YPLA anticipate that whilst the overall funding goes up a bit, there will be more learners and their average funding will rise (owing to the Raising of the Participation age and part-timers becoming full-time). Therefore the YPLA are using a number of methods to reduce the average programme size (SLN per learner) and redistribute some of the funding to relatively more disadvantaged learners. Without transitional protection I forecast that the average college will see approximately an 8% reduction in funding per learner and the average school 10% (as they converge downwards to the college rates). Independent providers will see their average funding per learner rise, as in the main they currently deliver part-time programmes (previously referred to as E2E).

The 2011/12 allocations process, now known as the 'lagged learner number', is surprisingly complex, and includes an SLN per learner ratio based on delivery in the prior and current year, SLN Entitlement cuts, large average SLN programme reductions, additional funding for DU and ALS and a 3% maximum cut to funding per learner as part of transitional protection. Very few understand it and providers will not know their final 2011/12 allocation until the end of March.

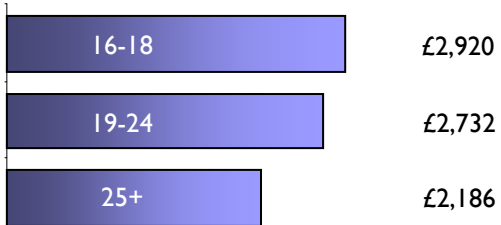
Source: YPLA College Briefing for 2011/12: <http://tinyurl.com/4w74tb9>

Source: YPLA School 6th Form Briefing for 2011/12: <http://tinyurl.com/5v9j64u>

16-18 Apprenticeship Funding

All apprenticeships are funded in England by the Skills Funding Agency using an 'employer-responsive' funding formula. The funding formula is applied to each individual qualification within the relevant Apprenticeship Framework.

The Apprenticeship funding formula elements

Standard learner number (SLN)	The SLN represents the size of the qualification, which is 'listed' within the online Learning Aim Database for the relevant year. For example, the SLN for a Certificate in Engineering might be 1.067 SLN								
X									
National Funding Rate (NFR)*	<p>The Apprenticeship National Funding Rate is set each year and applied based on the age of the apprentice when they start their Framework. The Apprenticeship national funding rates for 2010/11 are as follows:</p>  <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Age Group</th> <th>NFR</th> </tr> </thead> <tbody> <tr> <td>16-18</td> <td>£2,920</td> </tr> <tr> <td>19-24</td> <td>£2,732</td> </tr> <tr> <td>25+</td> <td>£2,186</td> </tr> </tbody> </table>	Age Group	NFR	16-18	£2,920	19-24	£2,732	25+	£2,186
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Area Cost Uplift (ACU)	The area cost uplift recognises that the relative cost of delivery in London and the South East is higher than the rest of England. It is applied based on the delivery location of each individual qualification and rises from 1 per cent in parts of West Sussex to a maximum of 20 per cent for the inner-ring of London boroughs.								
=									
Funding (£)	In a limited number of cases the percentage of the funding earned is nationally or locally negotiated.								

Unlike 19+ Apprenticeships, all 16-18 year-olds are fully-funded, so even the largest FTSE 100 employer does not pay a fee.

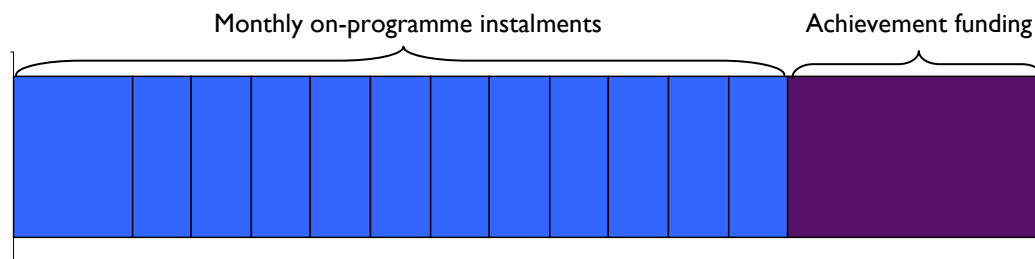
Source: Apprenticeship funding documents: <http://tinyurl.com/38df52d>

Monthly on-programme instalments and achievement funding

The funding for each qualification is paid to apprenticeship providers on a monthly basis during the period of training. It is calculated by applying the funding formula to apprenticeship provider enrolment data, which providers submit online every month.

The amount paid each month for each qualification is arguably complex, because the first month is a double instalment and achievement funding, representing 25 per cent of just the main qualification, is held back and only paid once the full Framework has been achieved.

For the purposes of demonstration, funding instalments for the main qualification over a year might look like this:



It is also worth noting that:

- Minimum attendance: If the qualification duration is more than 24 weeks and the learner is on-programme for less than six weeks then the learner is not recorded as a start and zero funding is earned (same rule for LR funding).
- Rates are based on academic year: Instalments are calculated using rates within the funding formula for the relevant academic year. This means that learners who started in 2009/10 that 'carried-in' to 2010/11 are likely to earn different instalment values from August onwards.

Apprenticeship Framework funding example

The table below lists example qualifications and 16-18 year-old rates in 2010/11 for an Advanced Apprenticeship in Engineering. In this example, the trainee lives in an area where the disadvantage uplift is 8 per cent and the delivery location is within the outer-ring of London boroughs, for which there is an area cost uplift of 12 per cent.

Qualification (and level)	SLN	NFR	PWF	DU	ACU	Funding
NVQ in Engineering (3)	2.257	£2,920	1.5	1.08	1.12	£11,958
Certificate in Engineering (3)	1.067	£2,920	1.3	1.08	1.12	£4,899
Five Key Skill qualifications (2)	0.08 x 5	£2,920	1	1.08	1.12	£1,413
Total funding						£18,270

Funding beyond 2010/11

Although the overall 16-18 Apprenticeship budget for England will rise with demand, the YPLA have said that the National Funding Rate will fall by 2% in each of the next three years. The Specification of Apprenticeship Standards for England (SASE) also comes into effect from the 6th April 2011, and with minimum on and off-the-job glh it is likely to have a an impact on Framework designs, demand and supply.