

Skills Funding Agency

Allocations Methodology for the Initial Funding Statement for the Adult Skills Budget for the 2012/13 Contracting Year.

This note describes:

- the methodology used to calculate the initial funding statements for the Adult Skills Budget for 2012/13 contracting year;
- the continuing freedoms and flexibilities for colleges, training organisations and employers;
- the integration of Formal First Step into the Adult Skills Budget;
- an updated position on outcome incentive payments for 2012/13;
- how we will treat funding for Sixth Form Colleges and Specialist Designated Institutions, including protection for PCDL provision within Adult Safeguarded Learning allocations; and
- the next steps to issuing the confirmed allocations in March 2012.

1 Following the publication of *New Challenges, New Chances* and the *Skills Investment Statement 2011-2014*, by the Department for Business Innovation and Skills, this note describes the methodology used to calculate the initial funding statements for all providers for the 2012/13 contracting year. It should be read in conjunction with both the letter accompanying the initial funding statement and the funding statement.

2 The Skills Funding Agency (the Agency) will continue to operate a single Adult Skills Budget (ASB) in 2012/13. The ASB will fund classroom-based, Apprenticeships and workplace provision. The freedoms and flexibilities, introduced in 2010/11, will continue in 2012/13. However, the *Skills Investment Statement* emphasises that providers should address the needs of younger learners, those with lower skills and those who are unemployed. Within the Adult Apprenticeships allocation for example, we expect a greater focus on the recruitment of young people aged 19 to 24 rather than maintenance of current recruitment levels for those aged over 25. This will be supported with the roll-out of the new incentive payment for employers recruiting apprentices aged under 25 years.

3 Because some funding lines are shared between the Department for Business, Innovation and Skills and other government departments, the following programmes sit outside the Adult Skills Budget:

- 16-18 Apprenticeships;
- Offender Learning and Skills Service (OLASS);
- European Social Funding (ESF); and
- Adult Safeguarded Learning programmes including: Family Literacy, Language and Numeracy, Neighbourhood Learning in Deprived Communities, Wider Family Learning, Personal and Community Development Learning.

4 The Investment Table, found on page three of the *Skills Investment Statement*, sets out the investment the Department for Business, Innovation and Skills will make in both the 2012/13 and 2013/14 financial years.

5 To determine the budget for allocation, the financial year budgets have been converted into an academic year budget for 2012/13. The costs of meeting some commitments, (for example, learners aged 25 and over and those learners aged 19 up to 25 who may have a learning difficult and/or disability but do not have a learning assessment) have also been allowed for.

6 The tables below set out the methodology used to calculate the initial allocations for both: (i) providers that are paid on the basis of an annual profile (shortened to 'paid on profile') in Table 1; and (ii) those providers that are paid on the basis of actual delivery each month (shortened to 'paid on actual') in Table 2.

7 The reason for the different approach is because the Agency wants to ensure that the initial allocations for 2012/13 are based on the most up-to-date performance information. For providers that are paid on actual, the Agency will base the initial allocation on maximum contract values (MCVs) following the quarter one (Q1) review conducted in November 2011/12. For providers paid on profile, the most up-to-date picture is performance at the close of the 2010/11 academic year.

8 Whilst the initial allocations reflect the reduced level of investment, described above, we have also recognised that within this reduction there is an assumption that investment in Apprenticeship delivery will continue to grow, albeit slightly. As with previous years, and because of the continuing importance attached to the Apprenticeship programme, the allocation made in respect of Apprenticeships will remain a minimum expectation.

9 To provide stability and limit change at provider level between 2011/12 and 2012/13, we will apply a 'floor' and 'ceiling' using the latest 2011/12 allocations. The latest allocations for providers that are paid on profile are the 2011/12 allocations (following any variations made in October) and for those providers that are paid on actual, they are the current MCVs - following any adjustments at quarter one (Q1).

Table 1. Allocations Methodology for those providers paid on profile.

	Classroom and Other Workplace	19+ Apprenticeships
Input to calculation	2010/11 cash out-turn	2010/11 cash out-turn
Percentage change applied in calculation (in line with SIS)	88% 101%	
Ceiling Limit Applied	100% of 2011/12 allocation	101% of 2011/12 allocation
Floor Limit Applied	75% of 2011/12 allocation	87% of 2011/12 allocation

Table 2. Allocations Methodology for those providers paid on actual.

	Classroom and Other Workplace	19+ Apprenticeships
Input to calculation	2011/12 MCV post Quarter 1	2011/12 MCV post Quarter 1
Percentage change applied in calculation (in line with SIS)	88% 101%	
Ceiling Limit Applied	100% of 2011/12 allocation	101% of 2011/12 allocation
Floor Limit Applied	75% of 2011/12 allocation	87% of 2011/12 allocation

10 There will not be a separate budget line in 2012/13 for **Formal First Step (FFS)**, which was previously set at £37.5m and funding will be allocated through the Adult Skills Budget. Those providers who received an FFS allocation in 2011/12 will receive an Adult Skills Budget statement with the same level of FFS funding as was allocated in 2011/12.

11 We are treating 2012/13 as a transition year and we will fully integrate the FFS budget into the Adult Skills budget for 2013/14. Performance management arrangements for FFS will be confirmed before final allocations are issued.

12 The 2011/12 allocation included an element, set at 2.5 per cent, for preparing for **job outcomes incentive payments (JOIP)**. This element will be consolidated into the baseline calculations at provider level for 2012/13. *Update 86*, issued recently, clarified the latest arrangements for managing JOIP during 2011/12.

13 Where **Sixth Form Colleges** have learners who were aged 18 years at the start of their programme and reach 19, the Agency will continue to fund this learning by transferring the cost to the Young People's Learning Agency (YPLA). The YPLA will issue this element as part of its allocations process. For this reason, funding statements do not include any entitlement funding for Sixth Form Colleges.

14 For **Specialist Designated Institutions** the basis of Adult Skills Budget allocations will be the same as all other providers that are paid on profile. We will maintain the protection arrangements for their Adult Safeguarded Learning during 2012/13.

15 The Agency will issue initial funding statements for other budget lines, for example, 16-18 Apprenticeships; Adult Safeguarded Learning; Learning and Learner Support on the 27 January 2012.

16 Final funding statements for all budget lines for 2012/13 will be issued on the 30 March 2012. Final funding statements will be revised to reflect the latest in-year performance data. For this reason, it is important that mid-year data returns are completed as accurately as possible.

17 For those providers that are paid on profile, the mid-year estimate and forecast from the data return due in February (R06) will be used.

18 For providers that are paid on actual, the outcome of the Quarter Two (Q2) review will be used. For most providers, there may be little change between this initial allocation and final allocation.

19 Following the final funding statement, the Agency will issue the Financial Memorandum for colleges, the Conditions of Grant for public sector providers and Contracts for training organisations and employers.

20 For providers that are paid on profile, we will continue to use the current monthly payment profile pattern. For providers that are paid on actual, we plan to review the current standard profile and may introduce some adjustments to reflect any changes there have been in the national standard delivery patterns.

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