



BRIEFING PAPER

Number 9194, 30 April 2021

Further education funding in England

By Sue Hubble
Paul Bolton
Joe Lewis

Contents:

1. Background
2. 16-19 Funding
3. 19+ Funding
4. Capital funding
5. Issues



Contents

Summary	3
1. Background	5
1.1 Declining FE spending	5
1.2 Financial sustainability of colleges	5
2. 16-19 Funding	7
2.1 Trends in funding	7
2.2 Recent funding announcements	9
2.3 How is 16-19 funding allocated?	10
2.4 National funding rates	12
2.5 Student support schemes	13
3. 19+ Funding	15
3.1 Trends in funding	15
3.2 Recent funding announcements	16
3.3 The Adult Education Budget (AEB)	17
3.4 National Skills Fund	20
3.5 Advanced Learner Loans	20
3.6 Skills for Jobs White Paper proposals	21
4. Capital funding	23
4.1 Recent funding announcements	23
4.2 Further Education Capital Transformation Fund (FECTF)	23
4.3 Condition Improvement Fund (CIF)	25
4.4 T Level Capital Fund (TLCF)	25
4.5 Institutes of Technology capital funding	26
4.6 Skills for Jobs White Paper proposals	27
5. Issues	28
5.1 Colleges' financial health	28
5.2 Covid-19 impact on colleges	29
5.3 Funding for a post-Covid economy	32

Summary

The further education (FE) funding system in England is complex and has undergone a number of changes in recent years. Currently, FE providers are allocated funds from different sources depending on the type of courses they provide and on the age of their students; most funding follows the learner. There is also capital funding available for upgrading the college estate. This briefing explains the different systems, examines recent funding announcements and trends, and considers some related issues facing the FE sector.

16-19 funding

In the 16-19 system, the Education and Skills Funding Agency (ESFA) funds FE colleges, schools, and independent learning providers in England to provide education for learners aged 16 to 19-years-old. In 2020/21, the total amount of ESFA funding for 16-19 learning was £6.1 billion. A national funding formula is used to calculate the allocation of funding that each provider receives each academic year. Several additional elements that are not part of the formula, including high needs funding and student support schemes, contribute to the total funding amount awarded to an institution.

19+ funding

The ESFA-funded Adult Education Budget (AEB) provides most of the public funding for non-apprenticeship, 19+ FE in England, including classroom-based courses and informal community learning. Alongside the AEB, there are several additional funding streams for adult learning, including the National Skills Fund, Advanced Learner Loans, traineeships, and apprenticeships. (This briefing focuses on the funding of 19+ classroom-based learning and does not include information on work-based schemes such as traineeships and apprenticeships).

Capital funding

Capital funding is used by FE providers to repair, upgrade, or expand their buildings, facilities, and equipment. The 2020 Budget committed £1.5 billion over five years for capital spending across all further education sites in England, including FE colleges and designated institutions, sixth-form colleges, Institutes of Technology, and T Level providers.

Skills for Jobs White Paper

In January 2021, the Department for Education published a White Paper, [Skills for jobs: lifelong learning for opportunity and growth](#), which contained proposals for reforming the FE sector, including the funding system. Proposals will be consulted on in spring 2021. They include moving to a multi-year funding regime, introducing a Lifelong Loan Entitlement equivalent to four years' worth of post-18 education, and targeting capital funding at providers that can demonstrate an urgent need for increased capacity in coming years.

Funding trends

The FE sector has experienced a prolonged period of reduced funding. A report by the Institute for Fiscal Studies (IFS), [Annual report on education spending in England](#), concluded in November 2020 that 16-19 funding had experienced the biggest drop in funding of any education sector:

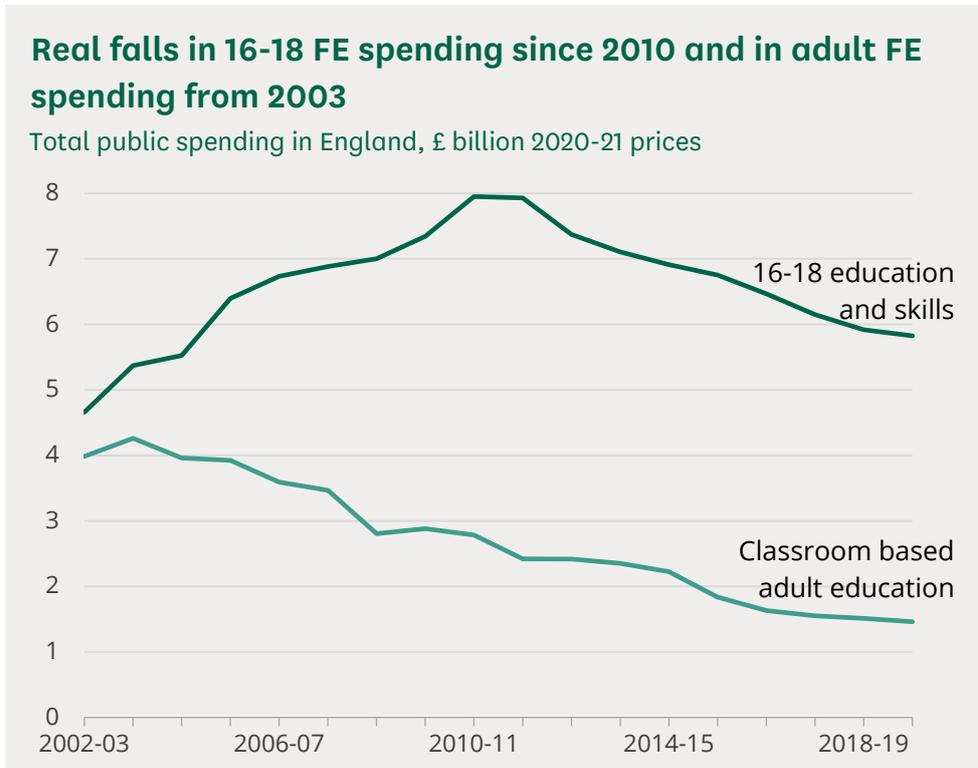
Further education colleges and sixth forms have seen the largest falls in funding of any sector of the education system since 2010–11. Funding per student in further

4 Further education funding in England

education and sixth-form colleges fell by 12% in real terms between 2010–11 and 2019–20, while funding per student in school sixth forms fell by 23%.

On 19+ funding, the report stated:

Spending on adult education is nearly two-thirds lower in real terms than in 2003–04 and about 50% lower than in 2009–10. This fall was mainly driven by the removal of public funding from some courses and a resultant drop in learner numbers.



Source: Institute for Fiscal Studies, [2020 Annual report on education spending in England](#), 3 November 2020 – section 4.

Issues facing the sector

The IFS report highlighted several “significant resource challenges in the coming years” for the FE sector. These include increased demand for FE due to the lack of employment and training opportunities caused by the pandemic and the associated economic downturn, loss of learning during the pandemic, the impact of past reductions in funding, and the Government’s upcoming reforms for the sector. Other areas of concern include the application of the college insolvency regime that came into effect in January 2019, the impact that Covid-19 has had on the sector, and the extra funding needed for reskilling and upskilling young people and adults for a post-Covid economy.

1. Background

In April 2020, there were 242 colleges in England, comprising 192 FE colleges and 50 sixth-form colleges. Colleges educate and train around one million adults and 660,000 young people aged 18 and under each year. In 2018/19, colleges' income totalled **£6.5 billion**, of which **£5.1 billion (78%)** was public funding.¹

Information on FE funding up to 2019 can be found in two library briefing papers:

- [16-19 education funding in England since 2010](#), 19 February 2020
- [Adult further education funding in England since 2010](#), 16 December 2019

1.1 Declining FE spending

In June 2018, the House of Lords Economic Affairs Committee published a report on the structure and funding of the post-16 education sector. It [highlighted the difference in respect for the FE and HE sectors](#), and the unequal public funding system:

Further education is the poor relation to higher education and its position has been weakened and undermined by reductions to its budgets and a complex funding architecture. The separate funding mechanisms create educational silos that prevent innovation. The system accentuates the perception that routes into higher education that begin in further education are inferior to the A-Level/ undergraduate degree option.²

In May 2019, the Augar Review into post-18 education published its findings in a report that included an overview of the FE sector and its finances.³ The report particularly [highlighted the decline in adult education funding](#) over the last decade:

Funding for adult learners in FE is fragmented, unpredictable and sits at a much lower level per learner than both HE and 16-18 funding... Largely reflecting the collapse in learner numbers, total spending on adult skills has fallen by approximately 45 per cent in real terms between 2009/10 and 2017/18. This is one of the most important statistics in this entire report and cannot be justified in terms of either economics or social equity.

1.2 Financial sustainability of colleges

A [National Audit Office \(NAO\) report](#) published in September 2020 noted that the financial position of colleges had fluctuated over the previous seven years:

¹ NAO, [Financial sustainability of colleges in England](#), September 2020, p5.

² House of Lords Economic Affairs Committee, [Treating Students Fairly: The Economics of Post-School Education](#), June 2018, p49.

³ [Independent panel report to the Review of Post-18 Education and Funding](#), May 2019, pp114-141.

6 Further education funding in England

The total operating balance of the college sector changed from an £8.5 million surplus in 2013/14 to a £45.7 million surplus in 2018/19, which followed a £70.3 million deficit in 2017/18.⁴

The report stated that the financial health of the sector remained fragile. It asserted that funding pressures and uncertainty had led to colleges narrowing their provision and reducing broader support for students:

Overall, the financial health of the college sector remains fragile. Ofsted inspection ratings suggest that colleges are generally maintaining educational quality, but other evidence shows that financial pressures are affecting wider aspects of provision such as the breadth of the curriculum and levels of student support.⁵

The Education and Skills Funding Agency (ESFA) funds FE providers and rates the financial health of colleges as outstanding, good, requires improvement (known as satisfactory before 2018/19) or inadequate. To calculate ratings, the agency uses financial ratios that indicate:

- solvency (current assets compared with current liabilities)
- financial performance (education-related earnings as a percentage of adjusted income)
- borrowing (as a percentage of adjusted income).⁶

The ESFA rated the financial health of **64% of colleges as less than good** at some point between 2013/14 and 2018/19.⁷

⁴ NAO, [Financial sustainability of colleges in England](#), September 2020, p20.

⁵ National Audit Office, [Financial sustainability of colleges in England](#), 16 September 2020, p12.

⁶ *Ibid.*, p22.

⁷ *Ibid.*

2. 16-19 Funding

FE colleges, schools, academies and independent learning providers receive annual funding allocations from ESFA for the provision of education for 16 to 19-year-olds and 19 to 24-year-olds with special educational needs and disabilities (SEND) who have an Education Health and Care Plan (EHCP).

In 2020/21, **£6.1 billion** was allocated by the ESFA to almost 2,800 schools, colleges, and independent learning providers in England for 16-19 education.⁸

An overview of 16-19 funding is available in an ESFA guidance document, [16 to 19 funding: how it works](#), 21 January 2021.

2.1 Trends in funding

The briefing paper [16-19 education funding in England since 2010](#) gives a detailed description of changes in funding between 2010 and 2019.

In early November 2020 (before the 2020 Spending Review), the IFS published its [Annual report on education spending in England](#). Its key findings on 16-19 further education were:⁹

- **Further education colleges and sixth forms have seen the largest falls in funding of any sector of the education system since 2010–11.** Funding per student in further education and sixth-form colleges fell by 12% in real terms between 2010-11 and 2019–20, while funding per student in school sixth forms fell by 23%.
- **There could be a sharp increase in student numbers in colleges and sixth forms in 2020.** Population projections imply a 3% growth in the number of 16- and 17-year-olds in 2020 and growth of 13% between 2019 and 2023. As in previous recessions, the economic downturn could lead to an increase in participation in full-time education, particularly with large reductions in apprenticeship and training opportunities.
- **Responding to these changes in participation will be challenging given that providers' funding is based on previous student numbers.** The government has already provided an extra £400 million for 16–18 education in 2020–21. This allows for a real-terms growth in spending per pupil of about 2% based on population forecasts. However, exceptional growth in student numbers could erode much, if not all, of this planned real-terms increase in spending per student.

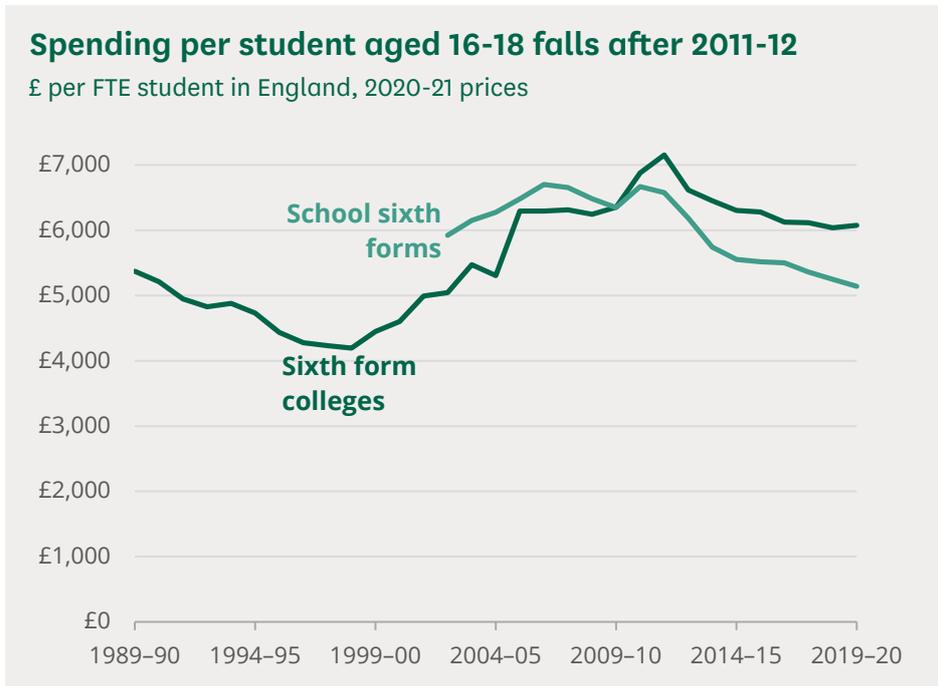
The chart below shows changes in real levels of spending per student over the past three decades (it is based on the IFS data on per student funding in 16-18 further education) – it includes school sixth forms and sixth form colleges not students aged 16-18 in general FE colleges. Spending in school sixth forms peaked in 2010-11 and at sixth form

⁸ DfE, [16 to 19 allocation data: 2020 to 2021 academic year](#).

⁹ Institute for Fiscal Studies, [2020 Annual report on education spending in England](#), 3 November 2020 – section 4.

8 Further education funding in England

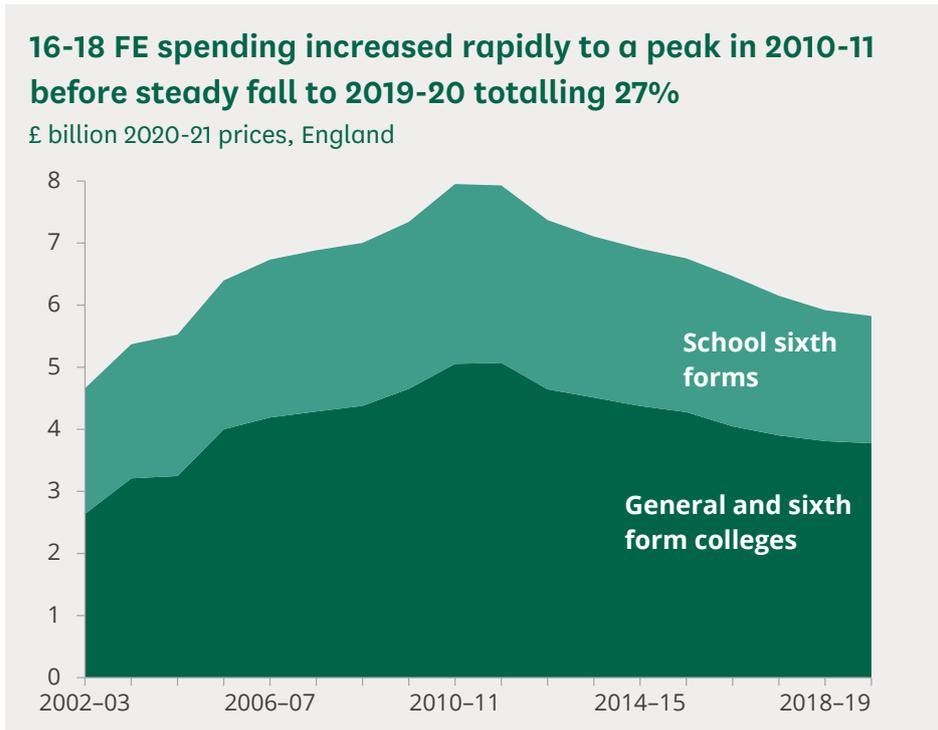
colleges in 2011-12. Since then spending has fallen by 23% in school sixth forms (around £1,100 per student) despite an increase in 2019-20, and 15% in sixth form colleges (£1,500 per student).



Source: Institute for Fiscal Studies, [2020 Annual report on education spending in England](#), 3 November 2020 – section 4.

Trends in total spending on this sector are shown below. It increased from £4.7 billion (2020-21 prices) in 2002-03 to a peak of £7.9 billion in 2010-11. It has since fallen in real terms in each year to £5.8 billion in 2019-20; a fall of 27% since the peak.¹⁰

¹⁰ Institute for Fiscal Studies, [2020 Annual report on education spending in England](#), 3 November 2020 – figure 4.1



Source: Institute for Fiscal Studies, [2020 Annual report on education spending in England](#), 3 November 2020 – section 4.

2.2 Recent funding announcements

On 31 August 2019, the Chancellor announced an additional £400 million for 16-19 education funding in England for 2020-21. This consisted of £190 million to increase the base rate of funding, £120 million for higher cost subjects, £35 million for level 3 students re-sitting GCSE maths and English, plus extra funding for T-levels, the advanced maths premium, and to recruit and retain teachers.¹¹

The Government expects the additional money will increase funding per 16-19 student in FE sector colleges by around £440 in 2020/21.¹² This is a real terms increase of almost 8%,¹³ but, if applied to the data in the chart on the previous page, would still mean funding in colleges was below the real levels between 2010 and 2013.

In the Spending Review 2020 on the 25 November 2020, the Chancellor [announced additional funding of £291 million for 16 to 19 education in 2021 to 2022](#). This was in addition to the £400 million that the Government provided in 2020 to 2021. This increase was “to ensure that core funding for 16 to 19-year-olds is maintained in real terms per learner”. Information on this is available on GOV.UK at [16 to 19 funding: information for 2021 to 2022](#).

¹¹ [“Chancellor announces £400 million investment for 16-19-year olds’ education”](#), Gov.UK, 31 August 2019.

¹² [PO 179740](#) [Further education: Expenditure] 12 April 2021.

¹³ Adjusted using HMT GDP deflators from March 2021. Deflator growth forecasts have been averaged across the three years 2020-2023 to smooth the distortions caused by pandemic-related factors.

2.3 How is 16-19 funding allocated?

A national funding formula is used to calculate annual funding allocations for each institution. The ESFA uses place numbers only for special schools and special academies to calculate funding allocations.

Basic funding for institutions is calculated using the 16-19 funding formula. This is based on learner numbers, national funding rates for study programmes and other elements detailed below. This allocation is supplemented by additional funding for [high needs students](#) and [financial support](#) to help students with their education costs.

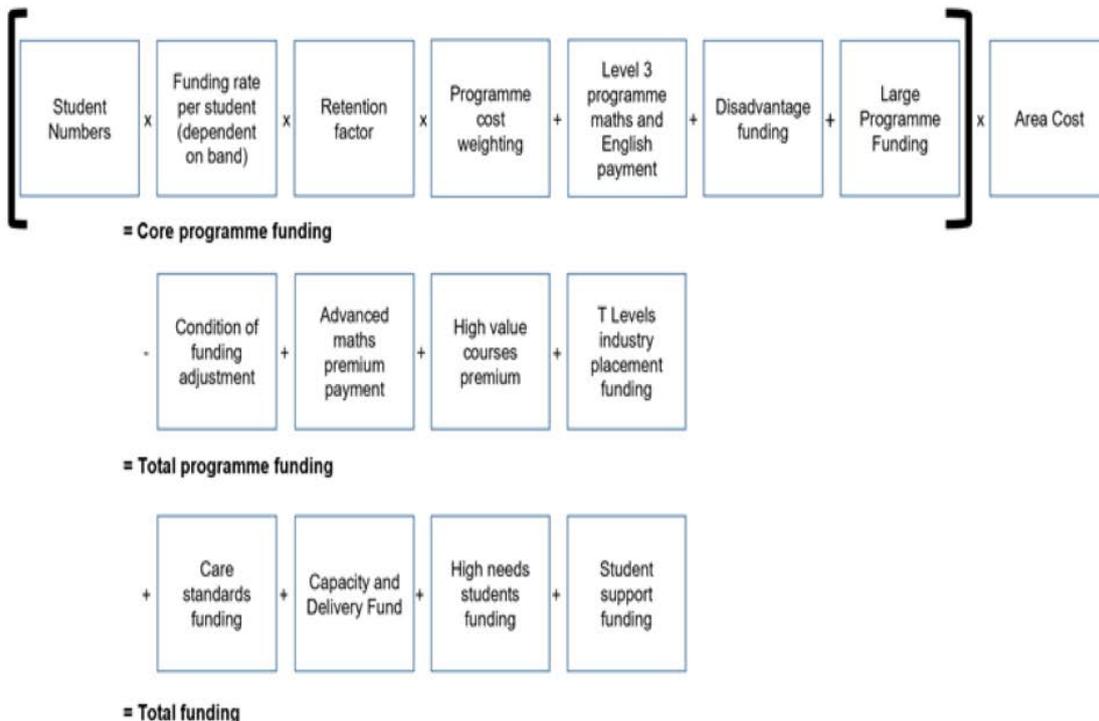
Information about how 16 to 19 funding is allocated is set out in ESFA guidance: [16 to 19 education: funding allocations](#), 17 December 2020. The most recent funding allocations for individual institutions are for [2020/21](#), and allocations from [earlier years](#) are also available online.

[https://www.gov.uk/guidance/16-to-19-education-funding-allocations - published-allocations](https://www.gov.uk/guidance/16-to-19-education-funding-allocations-published-allocations)

The national funding formula

The 16-19 funding formula provides a nationally consistent method of calculating funding for all institutions delivering 16 to 19 education each year. The formula includes the elements listed below, and its working is set out in ESFA guidance: [Funding guidance for young people 2021 to 2022. Rates and formula](#) (last updated 10 March 2021).

The formula



Core funding formula elements

Number of students

The number of students participating at an institution in the previous academic year (referred to as 'lagged student numbers'). Full-time students must remain on their study programmes for six weeks to qualify for funding.

The national funding rate per student

This is determined by the size of a student's study programme based on their [planned hours](#).

Retention factor

This recognises the number of students who remain in learning to the planned end date of their study programme. Each student who is not retained attracts 50% of the full funding rate.

Programme cost weightings

This recognises that some subjects cost more to deliver. Programme cost weightings by sector subject area are available on pages 43-45 of the document [Funding guidance for young people 2021 to 2022. Funding rates and formula](#), March 2021.

The level 3 programme maths and English payment

Funding is provided to support the additional costs incurred in teaching and supporting students who have low prior attainment in English and maths.

Disadvantage funding

Disadvantage Block 1 funding is to support students from areas of economic deprivation based on the index of multiple deprivation (IMD).

Disadvantage block 2 funding is to support students with additional needs, including moderate learning difficulties and disabilities.

Large programme funding

The [large programme uplift](#) reflects that some study programmes are much larger than average.

Area cost allowance

This recognises that education costs in London and parts of the South East are higher than in the rest of England, due to the cost of premises, maintenance, and staff.

Additional elements

To calculate the total programme funding, four additional elements are taken into account:

- Condition of funding adjustment (relevant for students who have not achieved at least a grade 4, or C, in Maths and English)
- Advanced maths premium payment
- High value courses premium
- T Levels industry placement funding

There are also several additional elements that contribute to the total funding that an institution receives, but which are calculated outside of the funding formula, including:

- Care standards funding for institutions that have residential accommodation for students under the age of 18.
- Capacity and delivery funding (CDF) to help institutions prepare to deliver substantive industry placements for students
- High needs funding
- Student support schemes

More detail on each of the core and additional funding elements is available in the ESFA guidance document, [16 to 19 funding: how it works](#), 21 January 2021.

2.4 National funding rates

The national funding rate for full-time 16- and 17-year-olds, and students aged 18 and over with high needs, is **£4,188 per year**, funding for 18 to 19-year-olds is **£3,455**.

A Parliamentary Question (PQ) on 1 March 2021 asked if the Secretary of State for Education would “increase the level of funding for sixth form students to at least £4,760 per year.” In response, the Minister for Apprenticeships and Skills [highlighted recent changes to 16-19 funding](#):

The government has already announced an additional £291 million in 16 to 19 education in 2021 to 2022. This is in addition to the £400 million awarded in the 2019 Spending Review which was the biggest injection of new money into 16 to 19 education in a single year since 2010. This has allowed us to raise the base rate of funding for all providers of 16 to 19 education, including school sixth forms and sixth-form colleges, for the first time since the current funding system was introduced in 2013, from £4,000 in each academic year up to 2019/20, to £4,188 in academic years 2020/21 and 2021/22.

Over and above this base rate figure, the government has recently made further funding increases targeted on high value and high-cost programmes as well as providing additional funding to support those on level 3 programmes to continue to study English and maths where needed. As a result, the average total programme funding per 16-19 student has increased more significantly than the base rate, from £4,516 in 2019/20 published allocations to £4,958 in 2020/21 published allocations.¹⁴

Study programmes

The funding formula funds institutions to deliver study programmes to their students:

The study programme must be tailored to the prior attainment of each student, have clear study and/or employment goals reflecting the student’s prior attainment, show progression in learning, and should include:

- substantial qualifications or work experience
- [maths and English](#) for students who have not achieved grade 9 to 4, A*-C GCSE in these subjects by age 16
- high-quality [work experience](#)
- added value non-qualification activity

Most study programmes have a [core aim](#), which is either the completion of a substantial qualification (academic or vocational), or work experience. Core aims are an essential part of the funding allocations calculation.

¹⁴ [PO 160748](#) [Sixth Form Education: Finance] 1 March 2021.

Box 1: Approved qualifications

The [Funding regulations guidance for 2021-22](#), which was published in February 2021, explains that the ESFA will only fund students to undertake qualifications through its 16 to 19 offer that are included on an [approved list](#) (previously known as the Section 96 list):

For funding purposes, study programmes must only include qualifications approved for teaching to 16 to 19 year olds on the ESFA list of qualifications approved for funding 14 to 19, or any alternative list which may be published by the Department for Education (DfE) in the future.¹⁵

In deciding whether to approve funding for a qualification, the ESFA considers the “qualification’s title, level, size, sector subject area, operational start and end dates, as well as the qualification specification published by the awarding organisation.”¹⁶

2.5 Student support schemes

Institutions can apply for financial support to help their students take part in education and training.

16 to 19 Bursary Fund

The [16 to 19 Bursary Fund](#) provides financial support to help students overcome specific financial barriers to participation and remain in education. The Government’s policy on the Fund was [set out in a PQ on 25 September 2020](#):

Siobhain McDonagh, 16 September 2020

To ask the Secretary of State for Education, how many student bursaries were awarded to 16- to 19-year olds between 23 March and 1 September 2020; and what comparative assessment his Department has made of that figure and the number of those bursaries awarded during the same period in each of the past five years.

Gillian Keegan, 25 September 2020

16 to 19 Bursary funding is designed to help students overcome the individual financial barriers to participation that they face, and institutions must ensure the funds go to those who genuinely need them. It has 2 elements, the discretionary bursary, and the bursary for defined vulnerable groups.

Education providers draw down the funding for the bursary for defined vulnerable groups when they have identified an eligible student. Information on this element of the bursary fund is below (latest full year data is not yet available).

Academic Year	Number of students
2014/15	23,205
2015/16	22,160
2016/17	21,354
2017/18	21,377
2018/19	21,120

¹⁵ ESFA, [Funding guidance for young people 2021 to 2022](#), February 2021, p30.

¹⁶ ESFA, [List of Qualifications approved for funding. Further Information](#), accessed 14 April 2021.

14 Further education funding in England

The discretionary bursary funding element is allocated to individual education institutions for them to administer to students. Because this is devolved to individual providers, the Department for Education does not hold information about the number of discretionary bursaries awarded or the total overall number of bursaries.¹⁷

The defined vulnerable groups of students eligible for support are those in care or who are care leavers, and students receiving Income Support, Universal Credit, Disability Living Allowance, Personal Independence Payments, or Employment and Support Allowance.

Individual institutions set their own criteria for discretionary bursaries and levels of funding, but they are expected to target students who cannot stay in education without financial help for things such as transport, meals, books, or equipment.

Free meals in further education

Funding is provided for [free meals](#) for FE students enrolled on ESFA funded provision.

Further information on the financial support available to young people in FE is available in the guidance [16 to 19 education: financial support for students](#) (last updated 31 March 2021).

¹⁷ [PO 90936](#) [Students: Finance] 16 September 2020.

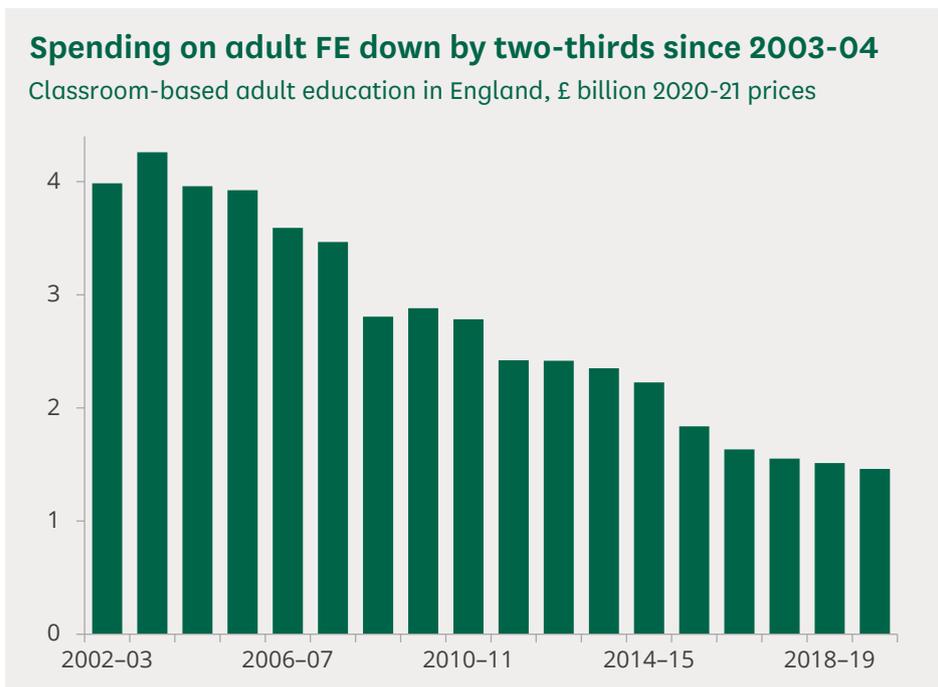
3. 19+ Funding

The majority of public funding for non-apprenticeship, 19+ FE in England is currently provided by the ESFA through the [Adult Education Budget \(AEB\)](#). There are additional streams of funding for adult learning alongside the AEB, including the [National Skills Fund](#), which was announced in 2020 to help adults to train and gain skills to improve their job prospects, and Advanced Learner Loans.

3.1 Trends in funding

The Library briefing paper [Adult further education funding in England since 2010](#) gives a detailed description of changes in 19+ funding between 2010 and 2019.

A report by the Institute for Fiscal Studies in 2020, [Annual report on education spending in England](#) found that spending on classroom-based adult education in 2019-20 was **nearly two-thirds lower in real terms than in 2003-04** and about 50% lower than in 2009-10. It stood at £4.3 billion in 2003-04 (2020-21 prices) and fell to £2.9 billion in 2009-10 and to just under £1.5 billion in 2019-20. This trend is illustrated below.



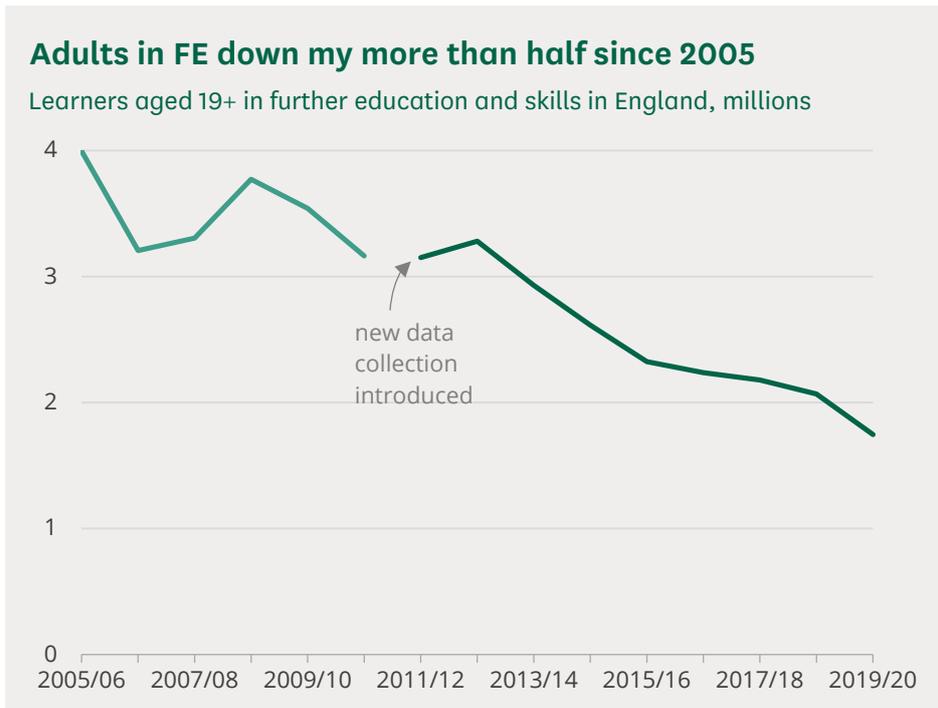
Source: Institute for Fiscal Studies, [2020 Annual report on education spending in England](#), 3 November 2020 – section 4.

This fall in funding was said to be mainly driven by the removal of public funding from some (mainly lower level) courses and a resultant drop in learner numbers.

Trends in the total number of adult learners is shown in the chart below. This includes those on adult apprenticeships and community

learning courses. There is a break in this series,¹⁸ but it is still clear that learner numbers have fallen over time from 4 million in 2005/06 to below 3 million from 2013/14 and below 2 million in the latest figures.

Since 2011/12, the number of learners on classroom-based education and training has fallen by 42%, community learning by 48%, and adult apprenticeships by 5%. The largest fall in numbers by level was in those studying at ‘full level 2’ (equivalent to 5+ GCSEs), where numbers fell by 82% or around 850,000 between 2011/12 and 2019/20.¹⁹



Source: [Further education and skills: November 2020](#), DfE

This large fall in learner numbers means that funding *per student* will not have fallen to the same extent as total funding. The IFS report did not calculate funding per student in adult (19+) further education.²⁰

The authors of the IFS report said “there has also been a large and deliberate shift from classroom-based to apprenticeship training”. Spending on apprenticeships increased by 50% in real terms between 2009-10 and 2019-20 to a total of £2.0 billion (2020-21 prices). However, *total* spending on classroom-based adult education, apprenticeships and work-based learning still fell by 35% in real terms between 2009-10 and 2019-20.²¹

3.2 Recent funding announcements

[Budget 2020](#) committed **£2.5 billion over the course of the parliament** to a new [National Skills Fund](#) to improve adult skills in

¹⁸ This is thought to have reduced counts of learner numbers by around 2%.

¹⁹ When the full range or ‘width’ of course aims a learner is taking are summed they are equivalent to five or more GCSEs.

²⁰ Institute for Fiscal Studies, [2020 Annual report on education spending in England](#), 3 November 2020 – section 4.

²¹ *Ibid.*

England. Earlier funding announcements for adult education were summarised in a [PO](#) on 10 July 2020, which highlighted the AEB, National Skills Fund, and planned capital funding:

We are continuing to invest in education and skills training for adults through the Adult Education Budget (AEB) (£1.34bn in 2019/20 and 2020/21). We will continue to explore options within adult education and will be making decisions on where we may be able to introduce flexibilities to aid the Post-Covid recovery.

Budget 2020 committed £1.5 billion over five years for capital spending across all of further education in England and a new £2.5 billion National Skills Fund to improve adult skills in England. In June the Government announced that £200 million of the capital funding would be brought forward to 2020-21.²²

The Chancellor announced how £375 million from the National Skills Fund would be spent at the [Spending Review in November 2020](#). This included £43 million to expand skills bootcamps and £95 million to support adults in completing a level 3 qualification.

3.3 The Adult Education Budget (AEB)

The AEB covers funding for adult education (excluding apprenticeships), community learning, and learner support. It is targeted at groups of learners with low skills, including young adults, unemployed individuals actively seeking work, and employed individuals in receipt of a low wage. It also provides funding for certain subjects, such as English and maths. Eligibility for full funding or co-funding (when the student or their employer must pay part of the costs) is based on an individual's age, their prior educational attainment, and personal circumstances.

Under the Spending Review 2015 settlement, the AEB (comprising the previous non-apprenticeship Adult Skills Budget, plus community learning and discretionary learner support) was set to be held constant in cash terms at £1.5 billion up to 2019-20. However, the Government subsequently decided that a portion of the AEB would be retained centrally to spend on other Department for Education priorities. As a result, the annual AEB was reduced to £1.34 billion from 2016-17 onwards. The AEB remains at **£1.34 billion in 2020/21**.

Funding allocation

The budget for adult FE is set by the Government, often in an annual skills funding statement or letter. Funding allocations reflect Government priorities for provision. A guidance document on how the ESFA allocates the AEB is available on the ESFA website, [19+ funding allocations](#). The latest allocations for individual providers are for [2020/21](#), and allocations from [earlier years](#) are also available online.

Devolution of the AEB

Guidance on how the AEB is distributed in England is available on GOV.UK at [Adult education budget \(AEB\) devolution](#), and discussed in

²² [PO 72243](#) [Skilled Workers: Coronavirus] 10 July 2020.

18 Further education funding in England

the Library briefing [Devolution of the Adult Education Budget](#), 19 June 2019.

On 1 August 2019, control over the AEB was transferred to six mayoral combined authorities (MCAs) and the Greater London Authority (GLA). The devolved authorities are:

- Cambridgeshire and Peterborough
- Greater Manchester
- Liverpool City Region
- Tees Valley
- West Midlands
- West of England
- Greater London

On 1 August 2020, North of Tyne also became responsible for administering the AEB, and subject to legislation being in place Sheffield City Region and West Yorkshire will become responsible for administering the AEB from 1 August 2021.

The devolved authorities will be responsible for commissioning and funding AEB provision for learners resident in their areas. In exercising their adult education functions, the devolved areas must have regard to [statutory guidance](#) issued by the Secretary of State.

The ESFA remains responsible for funding learners in England that are resident outside of the devolved areas.

AEB funding methodology

FE providers are allocated AEB funding on an annual basis using a nationally consistent methodology. As a general principle, funding is based on historic delivery of provision and aims to ensure that allocations are in line with what providers can realistically earn from the delivery of education and training that is approved for public funding.

Information on the qualifications and learning approved for funding can be found in the ESFA publication, [ESFA funded adult education budget \(AEB\): funding and performance management rules 2020 to 2021](#) version 6, April 2021.

Formula

Individual provider allocations are calculated based on a formula that takes into account the type of courses provided, learner numbers, and the demographics of the provider. Details of the funding formula are set out in the ESFA publication, [ESFA Funded Adult Education Budget Funding Rates and Formula 2020 to 2021](#), January 2021 (pp6-10).

The formula comprises three elements:

- *Rate*: The basis for funding is the rate for the learning aim. The learning aim may be a qualification or other learning activity. Some courses are funded at a higher rate than others. These

programme weightings recognise the relative costs of delivering training in different sectors and subjects.

- *Disadvantage uplift*: This provides extra funding to support the most disadvantaged learners, recognising that they are sometimes more costly to recruit and retain.
- *Area cost uplift*: This reflects the higher cost of delivering training provision in some parts of the country, such as London and the South East.

Learner funding legal entitlements

Adult learners may qualify to have their FE course fees paid depending on their immigration and residency status, personal circumstances, and on the course they wish to take. Which courses are funded may also differ between devolved and non-devolved areas.

There is, however, a **statutory entitlement** to full funding for certain adult learners. The ESFA document [ESFA funded adult education budget \(AEB\) funding and performance rules 2020 to 2021](#) details the four current legal entitlements for full funding:

ESFA funded AEB includes support for 4 legal entitlements to full funding for eligible adult learners. These entitlements are set out in the [Apprenticeships, Skills and Children Learning Act 2009](#), and enable eligible learners to be fully funded for the following qualifications:

- English and maths, up to and including level 2, for individuals aged 19 and over, who have not previously attained a GCSE grade 4 (C), or higher,
- first full qualification at level 2 for individuals aged 19 to 23,
- first full qualification at level 3 for individuals aged 19 to 23
- Essential digital skills qualifications, up to and including level 1, for individuals aged 19 and over, who have digital skills assessed at below level 1.²³

If an individual meets the legal entitlement eligibility criteria, providers must not charge them any course fees.

Community learning

The community learning budget was combined into the newly created AEB in 2016, following the 2015 Spending Review settlement. In 2017/18, the community learning budget was **18% (£0.24 billion) of the total £1.34 billion AEB**.²⁴

Adult community learning is primarily managed and delivered by local authorities, general FE colleges, and charities. Most community learning provision is at level 2 (equivalent to GCSE level) or below, including non-formal learning which does not lead to accreditation.

It covers a wide range of areas, such as English, maths, digital skills and English for Speakers of Other Languages (ESOL) qualifications, as well as

²³ ESFA, [ESFA funded adult education budget \(AEB\) funding and performance rules 2020 to 2021](#), pp34-36.

²⁴ [PO 216425](#) [Adult Education: Expenditure] 4 February 2019.

learning aimed at developing employability skills and improving well-being, family-oriented programmes, and learning for leisure and enjoyment.

Information on Community Learning provision is set out in a spreadsheet on the ESFA website, [Community learning by type, region, and equality and diversity: participation 2005/6 to 2018/19](#).

3.4 National Skills Fund

The Conservative Party [manifesto](#) for the 2019 General Election included a plan for a National Skills Fund (NSF). It was to be worth £3 billion over the next parliament and provide matching funding for individuals and SMEs for high-quality education and training.²⁵

Funding for the NSF in England was announced in [Budget 2020](#). The Chancellor then [announced an investment of £375 million](#) at the Spending Review in November 2020. This included **£43 million** to expand skills bootcamps and **£95 million** to support adults in completing a level 3 qualification. More details of this expenditure and the courses and learners eligible for this funding can be found on the DfE's [overview of the National Skills Fund](#). No further spending allocations have been made.

Box 2: Lifetime Skills Guarantee

On 29 September 2020, the Prime Minister [announced a Lifetime Skills Guarantee](#), which is intended to give people the opportunity to train and retrain throughout their lives in order to respond to changing skills needs and employment patterns. The policy currently has two strands financed by the National Skills Fund:

Skills bootcamps

These are free courses of 12 to 16 weeks for adults aged 19 or over and who are either in work or recently unemployed. They are backed by £43 million from the NSF and cover areas including construction, digital, and technical, giving people the opportunity to build up sector-specific skills and fast-track to an interview with a local employer.

Level 3 offer

Since 1 April 2021, adults aged 19 and over who do not have a full [level 3 qualification](#), which is equivalent to an advanced technical certificate or diploma, or A levels, have been able to access [fully-funded courses on an approved list](#). The £95 million is administered either by the ESFA or the Mayoral Combined Authorities and the Greater London Authority depending on whether or not students reside in an area in which the AEB is devolved.

3.5 Advanced Learner Loans

Advanced Learner Loans (ALLs) were introduced in 2013/14 for learners aged 24 and older on full level 3 and level 4 courses. They were subsequently extended to learners aged 19-23 on full level 3 and level 4 courses and to all learners aged 19 and older on level 5 and 6 courses.

Eligibility

Eligibility for ALLs depends on the learners age, nationality and residency status, previous study history, and on the level of course to be

²⁵ [Get Brexit Done Unleash Britain's Potential. The Conservative and Unionist Party Manifesto 2019](#)

taken. Details of eligibility requirements are set out in a Student Finance England publication, [Advanced Learner Loan Guidance 20/21](#).

Costs and take-up

ALLs only cover the costs of course fees. Repayment terms for these loans are the same as for current higher education undergraduate student loans: Advanced Learner Loans for Access to Higher Education Diplomas are written off if the learner goes on to complete a higher education course. The average loan amount paid per learner was **£2,280 in 2019/20**.²⁶

The table below gives trends in take-up. Uptake of ALLs has fallen in recent years with fewer loans taken out for level 3 courses. The value of loans awarded fell by 23% in cash terms between academic year 2016/17 and 2019/20.

Advanced learner loan take-up, England						
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
<i>Number of learners with loans</i>						
Level 3	70,700	89,000	110,200	99,500	97,600	86,400
Level 4+	4,800	6,300	9,100	9,900	10,300	9,900
Total	75,400	95,000	119,000	109,000	107,300	95,800
<i>Value of loans awarded (£ million)</i>						
	148.8	195.2	236.2	208.0	200.3	182.4

Source: [Further education and skills: November 2020](#), DfE

To put these figures in context more than 1 million home higher education students took out student loans in 2019/20 with a total value of almost £17 billion.²⁷

The Government forecasts that the value of ALLs will increase modestly from £202 million in (financial year) 2019-20 to £210 million in 2023-24. Only 25% of learners who take out these loans are expected to repay them in full. The Government forecasts that the costs of these loans to the public sector (the so-called 'RAB charge') is 69% of their face value. In other words, the present value of loan repayments is expected to be 31% of the amount taken out.²⁸ These estimates are subject to considerable uncertainty, especially at present with the economic downturn due to the coronavirus pandemic.

3.6 Skills for Jobs White Paper proposals

In January 2021, the Government published a White Paper, [Skills for jobs: lifelong learning for opportunity and growth](#), which contained proposals for reforming the FE sector, simplifying funding streams, and potentially moving to a multi-year funding regime:

²⁶ [Advanced Learner Loans paid in England, Academic Year 2019/20](#), Student Loans Company

²⁷ [Student Support for Higher Education in England 2020](#), SLC

²⁸ [Student loan forecasts, England: 2019 to 2020](#), DfE

We will reform our funding and accountability systems to better support providers in their role, simplifying funding streams and giving providers more autonomy, but holding them to account for the outcomes they deliver. We will develop proposals for consultation in spring 2021 which will set out how we will:

- Simplify and streamline funding for further education to support high-value provision relevant to the labour market.
- Give more certainty to providers over their funding, including considering how we could move to a multi-year funding regime which is more forward-looking.
- Reform our accountability approach, relaxing ringfences and reporting; instead focusing on the outcomes that colleges are delivering to improve progression and respond to employer demand.
- Introduce new accountability structures to underpin delivery of Local Skills Improvement Plans.²⁹

Lifelong Loan Entitlement

The White Paper also stated that a component of the Lifetime Skills Guarantee will be the Lifelong Loan Entitlement (LLE), which “will provide individuals with a loan entitlement to the equivalent of four years’ worth of post-18 education to use over their lifetime.”³⁰ The LLE will be introduced from 2025 for modules at higher technical and degree levels (levels 4 to 6). The Government will consult on the scope and detail of the entitlement in early 2021.³¹

The White Paper is discussed in more detail in the Library briefing [FE white paper: Skills for Jobs: Lifelong Learning for Opportunity and Growth](#), 28 January 2021.

IFS analysis of the White Paper proposals

A report by the IFS analyzing the Government’s adult education proposals [asserted that many key details about the proposals were missing or left to further consultation](#), particularly with regard to what the National Skills Fund would mean in practice.³²

The IFS also noted that the £2.5 billion spending commitment over the next five years would only reverse about one-third of the cuts to adult education spending over the 2010s.

The report supported the case for reforming the current funding system, which it argued is overly-complex, too focused on the short term, and provides perverse incentives to increase numbers. However, it again noted a lack of detail and firm commitments in the White Paper.³³

²⁹ DfE, [Skills for jobs: lifelong learning for opportunity and growth](#), January 2021, p48.

³⁰ *Ibid.*, p40.

³¹ *Ibid.*, p41.

³² IFS, [Big changes ahead for adult education funding? Definitely maybe](#), April 2021, p16.

³³ *Ibid.*, p2.

4. Capital funding

Capital funding is allocated to providers to repair, upgrade, or expand FE buildings, facilities, and equipment.

4.1 Recent funding announcements

[Budget 2020](#) committed **£1.5 billion over five years for capital spending** across all further education sites in England. In June, the Government [announced that £200 million of the capital funding would be brought forward](#) to 2020-21:

The £200m for FE colleges this year brings forward plans announced by the Chancellor at Spring Budget this year for £1.5bn of investment over five years to transform the FE college estate.

This fast tracked activity will further support the government's wider plans to protect jobs and incomes and drive forward the country's economic recovery from the pandemic.³⁴

4.2 Further Education Capital Transformation Fund (FECTF)

Further education colleges and designated institutions in England are able to apply to the [Further Education Capital Transformation Fund](#) for investment to tackle poor condition across their estates (sixth-form colleges may apply to the DfE's Condition Improvement Fund, see 4.3 below).

The £1.5 billion capital funding commitment made in the Budget 2020 will be delivered through the FECTF. The document [FECTF: Guidance for Applicants](#), which was published by the DfE in January 2021, explains the objectives of the programme:

- to upgrade the FE college estate and to significantly reduce the proportion of FE college estate not fit for purpose or in unsatisfactory condition, ensuring all colleges are excellent places to learn;
- to support the government's further education and technical education reforms including those set out in Skills for Jobs: Lifelong Learning for Opportunity and Growth;
- to ensure FE colleges have the buildings and facilities they need to support the skills needs of their local labour market, building strong relationships with local employers;
- to contribute to local economic regeneration and the levelling up of skills and opportunities across the country;
- to promote optimum space utilisation and more efficient use of facilities;

³⁴ DfE press release, "[PM announces transformative school rebuilding programme](#)", 29 June 2020.

- to support government objectives on environmental sustainability.³⁵

FECTF allocations

The work of the FECTF programme was [outlined in a written statement on 13 April 2021](#):

The FE capital transformation programme delivers the Government's £1.5 billion commitment to upgrade the FE college and designated institutions' estate in England. It builds on the £200 million further education capital allocation paid in September 2020 to support FE college and designated institutions to undertake immediate remedial works and provide a boost to the economy and the education system.

There are two elements to the FE capital transformation programme. The first element was announced on 21 January 2021, when we launched the open bidding fund to which all FE colleges and designated institutions can bid for larger projects to tackle their condition need and upgrade their estate. We are now announcing the second element today: we will be working in partnership with 16 colleges with some of the highest condition need in the country. High quality buildings and facilities will aid colleges in supporting their students to gain the skills they need to progress and help the economy to grow.³⁶

First phase

On 19 August 2020, the Education Secretary Gavin Williamson [announced that more than 180 colleges would receive a share](#) of the **£200 million** capital funding brought forward for the year 2020-21.³⁷ The successful applicants are listed in the document, [Further education capital allocation](#), 19 August 2020.

Second phase

A second phase was launched in January 2021, when all colleges and designated institutions were invited to bid for additional funding to help upgrade their campuses. Funding is expected to be awarded in autumn 2021.

Third phase

On 8 April 2021, it was [announced that the DfE would work](#) in partnership with 16 colleges identified as some of the most in need of capital investment in the country.³⁸

More details on the DfE webpage [Capital allocations for FE colleges and designated institutions](#).

³⁵ DfE, [Further Education Capital Transformation Fund Guidance for Applicants](#), January 2021, p4.

³⁶ [HC Deb 13 April 2021 c4WS](#).

³⁷ DfE press release, "[Colleges to receive £200 million to transform their buildings](#)", 19 August 2020.

³⁸ DfE press release, "[Sixteen colleges to benefit from next phase of fund to transform facilities](#)", 8 April 2021.

4.3 Condition Improvement Fund (CIF)

The [Condition Improvement Fund](#) is an annual bidding round for eligible sixth-form colleges (and academies and voluntary aided schools) to apply for capital funding.

The priority for the fund is to address health and safety issues, building compliance, and poor building condition in order to keep education provider buildings safe and in good working order. The CIF also supports a small number of expansion projects for sixth-form colleges rated good or outstanding by Ofsted that can demonstrate a need to expand. Such projects are expected to either increase the number of admissions or address overcrowding.

The document [Condition Improvement Fund 2021-22: Information for applicants](#) explains that bids from applicants with strong governance and good financial management are favoured.³⁹

4.4 T Level Capital Fund (TLCF)

T Levels have been introduced in phases since 2020 and offer a technical alternative to A Levels. The TLCF was established to support FE providers in acquiring facilities and equipment for the delivery of the qualification. There are two elements to the fund:

- The Specialist Equipment Allocation (SEA)
- The Buildings and Facilities Improvement Grant (BFIG)

More information is available in the DfE document, [Guide to the T Level Capital Fund \(TLCF\)](#), January 2021 (updated March 2021).

TLCF allocations

T Level providers must have either a grade one or two from Ofsted, and 'satisfactory' financial health to be eligible for funding. The terms of capital funding grants require providers to deliver the technical qualifications for 20 years on their premises, or risk having to return any funding they had received.⁴⁰

Wave one

On 11 July 2019, the first wave of funding was announced. Eleven colleges and schools shared **£8.65 million** to prepare their sites for the delivery of the new technical qualifications from September 2020. The successful applicants are listed in the FE Week article, "[Revealed: 11 T-level colleges sharing £9m to upgrade facilities](#)", 11 July 2019.

Wave two

Successful applications for wave 2 of the T Levels capital fund were announced on 13 January 2021, and are available at [T Levels capital fund: wave 2 - successful applications](#). Funding of over **£48 million** was

³⁹ DfE, [Condition Improvement Fund 2021-22: Information for applicants](#), November 2020, p7.

⁴⁰ "[Providers risk handing back £38m in next 20 years if they quit T-levels](#)", FE Week, 18 October 2019 (accessed 16 April 2021).

awarded for 56 projects across 49 further education colleges, sixth-form colleges and schools.

Wave three

In January 2021, a third wave of funding was announced with a budget of **£135 million** to support capital projects for T Level delivery from the 2022 to 2023 academic year.⁴¹

4.5 Institutes of Technology capital funding

In 2017, the Government Green Paper [Building our Industrial Strategy](#): set out plans to establish new Institutes of Technology (IoTs) and invest **£170 million in their capital funding**.⁴² IoTs are collaborations between FE providers, universities, and employers and they specialise in delivering higher technical education (at Levels 4 and 5) with a focus on science, technology, engineering and mathematics (STEM) subjects, including engineering, digital, and construction.

The [2021 Skills for Jobs White Paper](#) detailed the Government's progress in rolling out the IoT programme:

The first wave of 12 IoTs is currently being established across the country and we will expand this model further. The Wave Two Competition is expected to conclude in summer 2021 with eight IoTs selected. We will begin to roll out Wave Two IoTs as early as the 2021/22 academic year. By the end of this Parliament, there will be 20 IoTs covering every area of England, making them the 'go-to' providers for higher technical STEM education and training.⁴³

Funding allocations

On 10 April 2019, then-Education Secretary [Damian Hinds announced the first twelve IoTs](#) to share £170 million of Government investment to fund industry-standard facilities and equipment. A spokesperson for the Association of Colleges (AoC) [claimed that more funding would be needed to address recent deficiencies](#) in capital spending:

many more colleges than the successful ones have suffered from capital spending in colleges being at a 20-year low because of reductions in government grants and commercial lending. The £170m for IoTs is welcome but we probably need another 50 or 60 IoTs in the next decade.⁴⁴

In October 2020, the second wave of funding applications opened to proposals covering Local Enterprise Partnership (LEP) that did not currently have an IoT.⁴⁵ Eight new IoTs will be selected and backed by a total of **£120 million**. More information is available in the [Wave two prospectus](#).

⁴¹ "[DfE launches £135m capital fund for wave three T Level providers](#)", *FE Week*, 13 January 2021 (accessed 16 April 2021).

⁴² HM Government, [Building our Industrial Strategy: green paper](#), January 2017, pp43-44.

⁴³ DfE, [Skills for jobs: lifelong learning for opportunity and growth](#), January 2021, p33.

⁴⁴ "[Revealed: The winners and losers in the £170m Institutes of Technology competition](#)", *FE Week*, 10 April 2019 (accessed 16 April 2021).

⁴⁵ DfE, "[Competition opens for new wave of Institutes of Technology](#)", 8 October 2020.

4.6 Skills for Jobs White Paper proposals

The [2021 Skills for jobs White Paper](#) included a proposal to “continue to invest in the college estate, to transform facilities and enable high-quality provision.”⁴⁶

The White Paper highlighted the capital investment of £200 million in 2020-21, and the further £1.3 billion promised over the coming five years through the FEETF programme. It also noted that £268 million of capital funding had been allocated to support T Level providers in financial years 2019/20, 2020/21 and 2021/22 to ensure that students have access to up-to-date facilities and equipment.⁴⁷

In future years there will be a sharp increase in the number of 16 to 19-year-olds in the population, and the White Paper proposes to target funding for capital projects at FE colleges and sixth-form colleges that can demonstrate an urgent need for increased capacity in the academic year 2022-23.⁴⁸

⁴⁶ DfE, [Skills for jobs: lifelong learning for opportunity and growth](#), January 2021, p11.

⁴⁷ *Ibid.*, p59.

⁴⁸ *Ibid.*

5. Issues

5.1 Colleges' financial health

A National Audit Office (NAO) report published in September 2020 [detailed how the financial health of the college sector remains fragile](#), with funding constraints and uncertainty presenting significant challenges to colleges' financial sustainability.⁴⁹

On 31 January 2019, a [new college insolvency regime came into effect](#).⁵⁰ Aspects of commercial insolvency law now apply to FE providers, meaning that colleges can fail and be put into an insolvency process. In such situations, the DfE can appoint an education administrator with duties to protect the learning provision of students and realise assets for the benefits of creditors.⁵¹

A DfE document, [Further education bodies: insolvency guidance](#), explains that the insolvency regime is part of "the Government's co-ordinated approach to support and intervene to improve financial resilience and quality in colleges."⁵² The Government's policy on college oversight and intervention is available in the document [College Oversight: Support and Intervention](#), October 2020, and details include:

- a preventative function to identify problems sooner
- extended triggers for early and formal intervention
- a strengthened role for the FE Commissioner to review provision in a local area
- use of independent business reviews to support effective decision making

The NAO report showed that two colleges, Hadlow College and West Kent and Ashford College, had been through the new insolvency process, at a gross cost of nearly £27 million between April 2019 to May 2020. The ESFA expects to receive some money from asset sales.⁵³

Support for colleges in financial difficulty

Between November 2014 and March 2019, FE colleges with severe cashflow problems were able to apply to the ESFA (or its predecessor, the Skills Funding Agency) for Exceptional Financial Support (EFS) to help them maintain services for learners – this scheme closed on 31 March 2019.⁵⁴

The 2020 NAO report noted that 36 colleges received **£253 million** in EFS.⁵⁵ When EFS was introduced it was made clear that all amounts would be repayable, but, at March 2020, less than a quarter of total EFS

⁴⁹ NAO, [Financial sustainability of colleges in England](#), September 2020, p8.

⁵⁰ [The Further Education Bodies \(Insolvency\) Regulations 2019](#).

⁵¹ "[What does the new insolvency regime mean for colleges?](#)", *FE Week*, 31 January 2019 (accessed 19 April 2021).

⁵² DfE, [Further education bodies: insolvency guidance](#), January 2020, p5.

⁵³ NAO, [Financial sustainability of colleges in England](#), pp44-46.

⁵⁴ DfE, [College Oversight: Support and Intervention](#), October 2020, p5.

⁵⁵ NAO, [Financial sustainability of colleges in England](#), pp43-44.

(£61.6 million) had been repaid, while nearly £100 million had been recategorized as non-repayable.⁵⁶

A further **£15 million** was spent between April 2019 to May 2020 to provide emergency funding to five colleges in serious financial difficulty, which the ESFA decided to handle outside the insolvency regime. The report comments that the ESFA is aware of the limitations of the insolvency regime:

The ESFA recognises that, depending on the types of case involved, the cost and effort of handling colleges in education administration mean that it may need to limit the number of colleges in the insolvency regime at any one time.⁵⁷

The 2021 [Skills for jobs](#) White Paper outlined plans to “overhaul” the funding and accountability rules for the FE sector in order to avoid more bailouts and insolvencies in the future:

We will seek to strengthen powers for the Secretary of State for Education to intervene locally to close or set up college corporations, bring about changes to membership or composition of governing bodies or review leadership, or take other actions where there are long term weaknesses.⁵⁸

5.2 Covid-19 impact on colleges

Three Library briefings discuss the impact that the Covid-19 pandemic has had on the FE sector:

- [Coronavirus: Update implications for the further and higher education sectors](#), 21 May 2020
- [Coronavirus: Easing lockdown restrictions in FE and HE in England](#), 2 September 2020.
- [Coronavirus: HE/FE return to campus in England 2021](#), 16 April 2021.

Impact on FE finances

The IFS have [speculated the economic downturn caused by the Covid-19 pandemic could lead to an increase in student numbers](#) in colleges and sixth forms, due to reductions in apprenticeship, training, and employment opportunities.⁵⁹

Since the national funding formula used by the ESFA relies on student numbers from previous years, planned increases in spending per student may in fact be eroded in real terms by any growth in student numbers in 2021 and beyond.

Catch-up funding

In June 2020, colleges were left out of a £1 billion Covid-19 “catch-up” package aimed at tackling the impact of lost teaching time in schools,

⁵⁶ *Ibid.*

⁵⁷ *Ibid.*, p45.

⁵⁸ DfE, [Skills for jobs: lifelong learning for opportunity and growth](#), January 2021, pp53-54.

⁵⁹ Institute for Fiscal Studies, [2020 Annual report on education spending in England](#), 3 November 2020 – section 4.

despite FE providers initially appearing to have been included in the Government's plans.⁶⁰

In July 2020, the Government [announced a £96 million 16-to-19 tuition fund](#), which would be paid for out of the £350 million National Tutoring Programme. The funding is being provided to support small group tuition for 16 to 19 students.⁶¹ Providers will receive £150 for each full-time student without GCSE grade 4 or above in English and/or maths.

Education Policy Institute report analysis

On 18 February 2021, the Education Policy Institute (EPI) published a report [comparing the catch-up programmes](#) established by the different administrations across the UK.

It found that while the funding committed at that point in England and Scotland was the most generous on a per pupil basis, the catch-up programmes of Wales and Northern Ireland were far better targeted at their most disadvantaged pupils. The report concluded that "at present, the overall scale of these catch-up plans seems insufficient and modest as compared with the scale of the problems."⁶²

[Responding to the report](#), Chief Executive of the AoC, David Hughes, said:

Centrally planned initiatives such as the National Tutoring Programme for school-aged children don't work so well for many post-16 students who need specialist learning to support their progression into employment or further study. A range of provision including access to practical learning settings, catch-up and support for personal development and wellbeing will be required. Colleges should have the flexibility to decide who needs support, what they need and how best to provide it because the disruption will have affected different students in varying ways.⁶³

On 24 February 2021, the Government [announced a £102 million extension](#) of the 16-19 Tuition Fund for a further year.⁶⁴

AEB reconciliation threshold: funding 'clawback'

DfE policy requires that ESFA grant-funded colleges and local authorities with an allocation for the AEB (for adult skills, including non-formula funded community learning and 19-24 traineeships), or the Advanced Learner Loan Bursary fund, are liable for returning unspent funds if they do not meet a threshold for delivery set by the ESFA. This is normally 97% and 100% respectively.

⁶⁰ ["Treasury excluded colleges from £1bn catch-up fund just hours before DfE announcement"](#), *FE Week*, 23 June 2020 (accessed 16 April 2021).

⁶¹ ["Study staff, pastoral care, peer mentoring: spending the tuition fund"](#), *FE Week*, 6 November 2020 (accessed 16 April 2021).

⁶² Education Policy Institute, [Education reopening and catch-up support across the UK](#), 18 February 2021, p43.

⁶³ ["New EPI report compares the education catch up plans of the four UK nations"](#), *FE News*, 18 February 2021 (accessed 16 April 2021).

⁶⁴ DfE press release, ["New education recovery package for children and young people"](#), 24 February 2021.

2019/20

In 2019/20, the ESFA initially said that they would “not carry out the final reconciliation for grant funded providers in receipt of ESFA funded AEB” due to the impact of the pandemic. However, the agency [later set a threshold of 68 per cent](#), unless providers could submit a business case to justify why they should not be penalised for under delivery.⁶⁵

2020/21

In 2020/21, the ESFA [set a higher threshold of 90 per cent](#), meaning that only colleges which had hit 90 per cent of their delivery would be able to keep 100 per cent of their funding. The agency justified their decision by highlighting the successful remote delivery of many providers:

We acknowledge the situation is still difficult for providers, but our latest data shows that a threshold of 90% is a fair representation of grant funded providers’ average delivery. We also know that many grant funded providers have been able to continue remote delivery very successfully during lockdown, having built on the experience of 2019 to 2020 to establish effective contingency arrangements to manage COVID-19 restrictions.⁶⁶

In a letter to the Education Secretary, the Chief Executive of the AoC David Hughes [warned that the 90 per cent threshold](#) may lead to colleges having to cut courses and make large numbers of redundancies. The letter provides examples of colleges that would suffer a significant financial impact if they had to repay funding for not delivering provision.⁶⁷

On 12 April 2021, the Minister for Apprenticeships and Skills stated in response to a PQ that [the 90 per cent reconciliation threshold was the final position of the ESFA](#) and, unlike the previous year, there would be no business case process for providers facing the prospect of having to repay funding.

Rachael Maskell, 12 April 2021

To ask the Secretary of State for Education, with reference to the disruption to higher education as a result of the covid-19 outbreak, what plans his Department has to review the Education and Skills Funding Agency’s proposals to clawback adult skills funding from colleges in the event that they miss their 2020-21 academic year targets by more than 10 per cent.

Gillian Keegan, 15 April 2021

We are lowering the reconciliation threshold of Education and Skills Funding Agency grant funded Adult Education Budget (AEB) - adult skills including non-formula funded community learning and 19-24 Traineeships - and Advanced Learner Loan Bursary fund providers for 2020 to 2021, from 97% and 100% respectively to 90%.

⁶⁵ “[ESFA refuses to rule out funding clawback for ‘under delivery’](#)”, *FE Week*, 30 September 2020 (accessed 16 April 2021).

⁶⁶ ESFA, [Lower reconciliation threshold for ESFA grant funded providers](#), 22 March 2021.

⁶⁷ AoC press release, “[Government’s recovery plans in jeopardy because of cuts to adult training funds](#)”, 15 April 2021.

The allocations for COVID-19 Skills Offer, including funding for the new level 3 adult offer, are ringfenced and the reconciliation threshold for under-delivery of this provision will remain at 97%.

Our primary aim is to support providers to continue to deliver as much quality provision as possible, including above the 90% threshold, whether that be face-face where permitted, online or otherwise remotely, and including subcontracting (for AEB-funded provision only) where that is in line with our subcontracting conditions set out in the rules and contracts.

We acknowledge the situation is still difficult for providers but equally we know that many providers have been able to deliver remotely during lockdown very successfully and the return to face-to-face learning should enhance further providers' ability to deliver.

This 90% threshold is the final position for the 2020-21 academic year and will not be subject to change. There will not be a business case process. In areas where the AEB has been devolved, Mayoral Combined Authorities and the Greater London Authority are responsible for considering any provider flexibilities in their areas.⁶⁸

5.3 Funding for a post-Covid economy

In October 2019, the Industrial Strategy Council published a research paper that argued there will be "[acute shortages of specialist skills in STEM and health services by 2030](#)."⁶⁹ It has since been asserted that the need to upskill and reskill the UK workforce has become even more pressing due to the economic impact of the Covid-19 pandemic.

On 10 June 2020, the Association of Employment and Learning Providers (AELP) [asked for a one-off £8.6bn post-pandemic skills package](#) comprising:

- £3bn for Adult Education Budget (includes proposed adult traineeships)
- £1.5bn for apprenticeships
- £0.45bn for 16 to 18-year-old programmes (includes 16-18 traineeships)
- £3.6bn wage subsidy for apprenticeships for 16 to 24 year olds.

The AELP argued that rather than finance its planned National Skills Fund, the Government should instead channel funding into a significant increase of the AEB to help tackle mass unemployment and support vital reskilling for those who have remained in work.⁷⁰

On 18 June 2020, the Association of Colleges published a report, [Rebuild: A skills led recovery plan](#), warning of:

- Increased demand for college places as high unemployment crowds young people out of the labour market

⁶⁸ [PO 179245](#) [Adult Education: Finance] 12 April 2021.

⁶⁹ Industrial Strategy Council, [UK Skills Mismatch 2030](#), October 2019, p28.

⁷⁰ "[AELP calls for one-off £8.6bn post-pandemic skills package](#)", *FE Week*, 10 June 2020.

- Large numbers of young people needing support to catch up as a result of lost learning in lockdown
- Reductions in apprenticeship places, a large number of apprentice redundancies and a shortage of new places for apprentices
- Large numbers of adults requiring training to help them move from struggling sectors into those that recover more quickly, or even grow.⁷¹

The report called for an extra £3.6 billion to upskill the 764,000 people most at risk economically post Covid-19, and recommended:

- Guaranteeing a high quality, education or training place for every 16 to 18 year old, funded to meet their needs and the learning lost
- Offering a suite of work focussed training programmes, including expanded traineeships and apprenticeships designed to get young people into jobs as soon as they become available. This should include a comprehensive bursary system and incentives for employers
- Providing support for adults who lose their jobs to train or retrain flexibly up to higher level technical / professional level, aimed at getting them back into the workforce as quickly as possible, with additional training to manage their transition once back in work.⁷²

On 20 October 2020, there was a debate held in Westminster Hall: "[Colleges and Skills: Covid-19](#)."⁷³ The Library debate pack "[Role of colleges in a skills-led recovery from covid-19 outbreak](#)" provides some background on this issue.

⁷¹ AoC press release, "[To avoid the mistakes of past recessions, government should focus on skills to get the most at risk 764,000 people back into secure work](#)", 18 June 2020.

⁷² *Ibid.*

⁷³ [HC Deb, 20 October 2020, 362WH.](#)

About the Library

The House of Commons Library research service provides MPs and their staff with the impartial briefing and evidence base they need to do their work in scrutinising Government, proposing legislation, and supporting constituents.

As well as providing MPs with a confidential service we publish open briefing papers, which are available on the Parliament website.

Every effort is made to ensure that the information contained in these publicly available research briefings is correct at the time of publication. Readers should be aware however that briefings are not necessarily updated or otherwise amended to reflect subsequent changes.

If you have any comments on our briefings please email papers@parliament.uk. Authors are available to discuss the content of this briefing only with Members and their staff.

If you have any general questions about the work of the House of Commons you can email hcenquiries@parliament.uk.

Disclaimer

This information is provided to Members of Parliament in support of their parliamentary duties. It is a general briefing only and should not be relied on as a substitute for specific advice. The House of Commons or the author(s) shall not be liable for any errors or omissions, or for any loss or damage of any kind arising from its use, and may remove, vary or amend any information at any time without prior notice.

The House of Commons accepts no responsibility for any references or links to, or the content of, information maintained by third parties. This information is provided subject to the [conditions of the Open Parliament Licence](#).