



## BRIEFING PAPER

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# Adult further education funding in England since 2010

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# Summary

## 2010-11 to 2015-16

The initial teaching and learning funding allocations for adult further education (FE) and skills in England fell from a 2010-11 baseline of £3.18 billion to £2.94 billion in 2015-16, a reduction of 8% in cash terms or 14% in real terms. The allocation for 2015-16 fell further as a result of the 2015 Summer Budget, which reduced the non-apprenticeship part of the Adult Skills Budget (ASB) by an additional 3.9%.

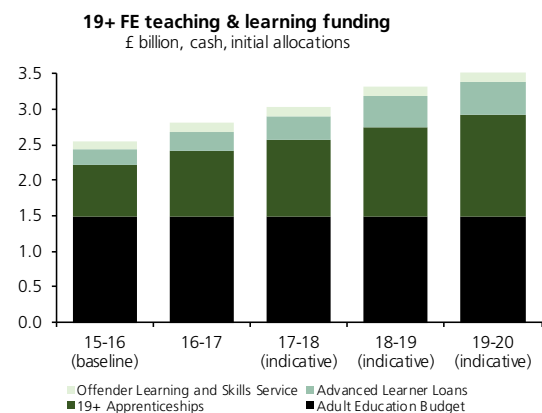
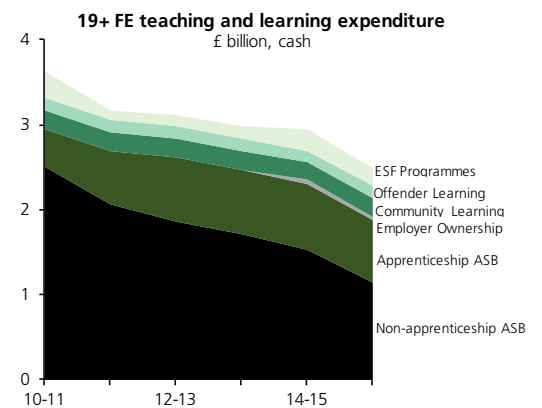
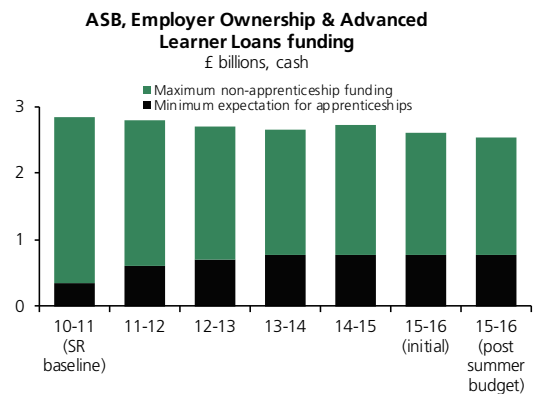
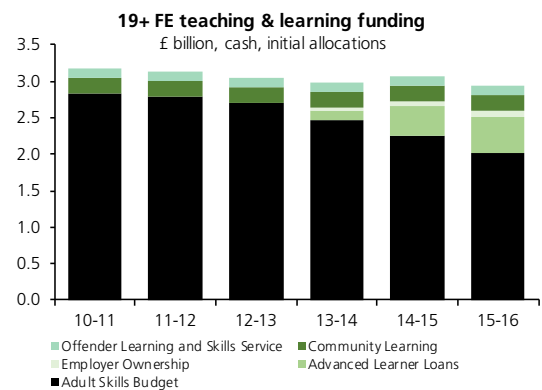
While funding for community learning and offender learning stayed fairly constant over the period, ASB funding declined by 29% in cash terms between 2010-11 and 2015-16 – this in part connected to the replacement of grant funding with loan funding for some learners from 2013-14 onwards. The minimum annual funding allocated to adult apprenticeships increased by 113% between 2010-11 and 2015-16, meaning that non-apprenticeship funding comprised a smaller proportion of the reduced ASB.

Actual expenditure on adult FE by the Skills Funding Agency (SFA) shows a similar pattern, with expenditure on community learning and offender learning staying constant but ASB spending falling by 32% in cash terms between 2010-11 and 2015-16, from £3.63 billion to £2.48 billion. Within the ASB, expenditure on adult apprenticeships increased from £0.45 billion to £0.71 billion over the period (an increase of 58%), while non-apprenticeship ASB spending fell by 54%, from £2.50 billion to £1.14 billion. It should be noted that these figures, and the chart opposite, do not include spending on Advanced Learner Loans. In the 2013-14 academic year, the Student Loans Company paid out £116 million in loans; in 2014-15 it paid out £145 million, and in 2015-16 it paid out £182 million.

## 2016-17 onwards

Under the Spending Review 2015 settlement the newly created Adult Education Budget (comprising the ASB plus community learning and discretionary learner support) is set to be held constant in cash terms at £1.5 billion up to 2019-20. Funding for apprenticeships and loans is set to increase by 92% and 140% respectively between the 2015-16 baseline and 2019-20. From 2017-18 onwards, apprenticeship funding has, in part, be provided via the apprenticeship levy.

The Government has announced a review of post-18 education funding, including further education. The review will be supported by an independent panel, led by Philip Augar, and is expected to conclude in early 2019.



# 1. Introduction

## What is adult further education?

The term adult further education (FE) is used in this briefing to refer to education for individuals aged 19 and over that takes place outside of school and the higher education sector, including apprenticeships.<sup>1</sup> In 2016-17, there were around 2.2 million publicly-funded learners aged 19+ in some form of adult FE, including 713,600 on an apprenticeship and 535,800 on community learning courses.<sup>2</sup> Around 1,200 providers received some form of public funding to deliver adult FE in 2017-18.<sup>3</sup>

## How is adult further education funded?

From its creation in 2010 until April 2017 funding for adult FE was the responsibility of the Skills Funding Agency (SFA).<sup>4</sup> In April 2017 the SFA was merged with the Education Funding Agency to form the Education and Skills Funding Agency (ESFA).

The budget for adult FE is set by the Government, usually in an annual skills funding statement or letter. After it has received details of its budget, the ESFA confirms each FE provider's funding allocation or maximum contract value for the forthcoming year. Providers then earn funding up to their maximum allocation by delivering education and training that is approved for public funding. Information on the qualifications and learning that is approved for funding in 2018-19 can be found in the [ESFA's funding rules guidance](#).

Details on the calculation of allocations for providers in 2018-19 has been published by the ESFA at: [Maintained stability in provider allocations](#). Provider allocations for previous years are available at:

- [2017-18](#)
- [2016-17](#)
- [2015-16](#)
- [2014-15](#)
- [2005-2013](#)

It is expected that control over the Adult Education Budget (the biggest element of adult education funding) will transfer to Mayoral Combined Authorities and the Greater London Authority (GLA) from 2019-20.

## What does this briefing cover?

This briefing provides an overview of high level funding for adult FE in England since 2010, focusing on the funding provided by the Government to the sector as a whole rather than the distribution of funding between individual providers.

Community learning covers a wide range of non-formal courses, such as IT courses, employability skills and family learning. It is provided primarily by local authorities and FE colleges.

<sup>1</sup> Any references in the briefing to further education or adult education should be taken as referring to learners aged 19 and over.

<sup>2</sup> ESFA & DfE, [Further education and skills: November 2017](#), 32 November 2017.

<sup>3</sup> Including public funding in the form of an Advanced Learner Loan facility.

<sup>4</sup> Learners with learning difficulties and disabilities were funded by the Education Funding Agency up to the age of 25.

## 2. Funding for adult further education in 2010-11

Initial funding allocations for adult FE in 2010-11 were set out in the [Skills Investment Strategy 2010-11](#), published by the Labour Government in November 2009. The strategy allocated total funding of £4.5 billion, including £3.16 billion for adult and employer responsive provision and £0.21 billion for adult safeguarded learning.

### Box 1: Adult FE participation funding streams 2010-11

- *Adult responsive provision*: traditionally comprised learning delivered to adults in further education colleges. By 2010-11 it included adult learning delivered by a range of providers but excluded learning delivered wholly on an employer's premises.
- *Employer responsive provision*: learning that took place wholly on the employer's premises, including adult apprenticeships and Train to Gain (training for employees who lacked basic skills or qualifications below a specified level).
- *Adult Safeguarded Learning* (referred to as community learning from 2013-14 onwards): funding for occupational courses, delivered by FE colleges, local authorities, the voluntary sector and other training providers.
- *Offender Learning and Skills Service*: funding for the provision of vocational and employability skills for offenders in custody.

These 2010-11 allocations were altered following the 2010 general election. In a speech shortly after the election, the new Chancellor, George Osborne, announced that £6.25 billion of "wasteful spending across the public sector would be cut", £500 million of which would be re-invested. The cut included a reduction in spending by the Department for Business, Innovation and Skills of £836 million.<sup>5</sup>

In a [letter](#) of 17 June 2010, the then Secretary of State for Business, Innovation and Skills, Vince Cable, set out the revised budget for the SFA in 2010-11, as detailed in the table opposite.

The letter stated that Train to Gain funding would be reduced by £200 million, with £150 million being used to deliver additional apprenticeship places and £50 million used for additional capital investment in FE colleges. An extra £15 million was also allocated to the SFA "to support the sector to deliver genuine efficiencies".<sup>6</sup>

**Table 1: 19+ FE and Skills budget, England, 2010-11**

£ billion, cash

	Skills Investment Strategy, Nov 2009	Skills Funding Letter 2010-11, June 2010	% change Nov 2009 to June 2010
Adult Learner Responsive	1.78	1.80	+1%
Employer Responsive	1.38	1.31	-5%
<i>Adult Apprenticeships</i>	0.40	0.55	+38%
<i>Workplace Learning (Train to Gain)</i>	0.98	0.76	-23%
<b>Total Responsive Funding</b>	<b>3.16</b>	<b>3.11</b>	<b>-2%</b>
Adult Safeguarded Learning	0.21	0.21	0%
Offender Learning and Skills Service	0.13	0.15	+8%
<b>Total Participation Funding</b>	<b>3.51</b>	<b>3.46</b>	<b>-1%</b>
Learner Support	0.16	0.16	0%
FE Development, Capacity and Quality	0.24	0.23	-5%
Total Capital Grants	0.51	0.56	+9%
Total Administration	0.08	0.10	+27%
<b>Grand Total</b>	<b>4.50</b>	<b>4.51</b>	<b>0%</b>

Sources: BIS, *Skills Investment Strategy, 2010-11*, November 2009; BIS, *Funding Letter to Skills Funding Agency*, 17 June 2010.

<sup>5</sup> [Speech by the Chancellor of the Exchequer, Rt Hon George Osborne MP, announcing £6.2 billion savings](#), HM Treasury, 24 May 2010; [George Osborne outlines detail of £6.2bn spending cuts](#), BBC News, 24 May 2010.

<sup>6</sup> BIS, [Funding Letter to Skills Funding Agency: 2010-11](#), 17 June 2010

## 3. Funding for adult FE from 2011-12 to 2015-16

### 3.1 Spending Review 2010

The Comprehensive Spending Review 2010 set out the parameters for public spending over the period 2011-12 to 2014-15. Under the settlement, the adult FE resource budget was to fall by 25% from a baseline of £4.3 billion in 2010-11 to £3.2 billion in 2014-15.<sup>7</sup>

A strategy document published by the Coalition Government in November 2010, [Further Education – New Horizon: Investing in Skills for Sustainable Growth](#), provided further information on the spending review settlement and outlined a number of reforms to be made over the period to 2014-15:

- fully-funded provision would be focused on learners with very low levels of skills and there would be an expectation that learners and employers would contribute to the costs of intermediate and higher level courses;
- grant funding for learners aged 24 and over studying at levels 3 and 4 would be removed and replaced with a new loans facility (24+ Advanced Learner Loans);
- spending on adult apprenticeships would increase by “up to £250 million a year by 2014-15 compared with the 2010-11 spending review baseline;
- the community learning budget would be protected;
- Train to Gain would be abolished and funding for workplace training would be focused on SMEs; and
- English for Speakers of Other Languages (ESOL) would be “refocused”, including removing funding for ESOL delivered in the workplace.<sup>8</sup>

The Spending Round 2013 extended the spending review settlement to 2015-16 and announced further savings to the FE budget of “at least £260 million” in 2015-16, to be made “by prioritising higher value qualifications, and reducing non-participation spending.”<sup>9</sup>

### 3.2 Annual funding allocations

The November 2010 strategy document set out the adult FE funding allocations for 2011-12 and also outlined the 2010-11 funding baselines used for the 2010 spending review. It should be noted that the spending review baselines are not directly comparable with the 2010-11 funding allocations set out in section 1 of this briefing.

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<sup>7</sup> [Department for Business, Innovation and Skills Spending Review Settlement](#), BIS, 20 October 2010.

<sup>8</sup> BIS, [Further Education – New Horizon: Investing in Skills for Sustainable Growth](#), November 2010, pp4-5.

<sup>9</sup> HM Treasury, [Spending Round 2013](#), Cm 8639, June 2013, p40.

Funding allocations for the later years of the spending review period were set out in a series of subsequent publications:

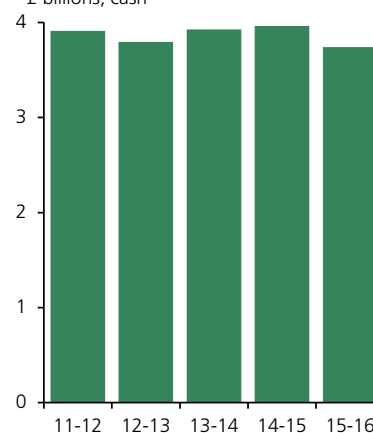
- 2012-13 - [Skills Investment Statement 2011 – 2014: Investing in a World Class Skills System](#), 1 December 2011.
- 2013-14 – [Skills Funding Statement 2012-2015](#), December 2012
- 2014-15 – [Skills Funding Statement 2013-2016](#), February 2014.
- 2015-16 - [Skills funding letter: April 2015 to March 2016](#), February 2015.

## Total adult FE funding

As chart 1 shows, total funding allocated to adult FE (excluding the European Social Fund) declined from £3.91 billion in 2011-12<sup>10</sup> to £3.74 billion in 2015-16 – a reduction of 4.4% in cash terms and 5.3% in real terms.<sup>11</sup> These figures include funding for Advanced Learner Loans, for which some additional funding was obtained outside of the spending review settlement.<sup>12</sup> If funding for loans is excluded then total direct funding for adult FE fell from £3.91 billion in 2011-12 to £3.24 billion in 2015-16 – a 17% cut in cash terms or 21% in real terms.

A more detailed breakdown of funding over the period of the 2010 spending review is provided in the following two sections.

**Chart 1: Total adult FE initial budget allocations**  
£ billions, cash



### Box 2: European Social Fund

Money from the European Social Fund (ESF) is used to support individuals who are not supported by the 'standard' funding system. The total value of the ESF programme for 2007-2013 was £1.6 billion and the follow on programme for 2014-2020 is expected to total £1.0 billion.<sup>13</sup> An estimate of the likely ESF funding to be used in a given year has been included in some skills investment statements, but not on a consistent basis. Between 2011-12 and 2015-16 the estimated funding from the ESF in any given year ranged between £0.17 billion and £0.18 billion.

## Funding for teaching and learning

From 2011-12, funding for classroom-based adult FE, adult apprenticeships and other workplace training was combined to form a single Adult Skills Budget (ASB). Some teaching and learning funding remained outside the ASB, however, including:

- *Community learning*: referred to as Adult Safeguarded Learning until 2013-14, community learning comprises a wide range of non-formal courses, such as IT courses, employability skills and family learning, primarily provided by local authorities or further education colleges; and

<sup>10</sup> The baseline for 2010-11 used in the 2010 Spending Review does not provide a figure for total FE and Skills funding in 2010-11 that is comparable to later years.

<sup>11</sup> Real terms reduction calculated using 2015-16 prices based on the June 2016 GDP deflator.

<sup>12</sup> BIS & SFA, [Skills Funding Statement 2012-2015](#), December 2012, p6.

<sup>13</sup> SFA, [Annual Report and Accounts 2015 to 2016](#), July 2016, p12.

- *Offender learning and skills service (OLSS):* the OLSS contracts with four organisations who provide learning and skills training for offenders in custody in England.

These funding streams remained broadly unchanged through to 2015-16, with the addition of funding for [24+ Advanced Learner Loans](#) and the Employer Ownership pilots from 2013-14 onwards.<sup>14</sup>

**Box 3: Advanced Learner Loans**

From 2013-14, grant funding for learners aged 24 and over studying at levels 3 and 4 (e.g. A-levels) was removed and replaced with Advanced Learner Loans. Initially, loans also replaced grants for apprentices aged 24 and over studying at level 3 and above. However, loans for apprentices were dropped from February 2014 onwards, in part due to low take-up, and higher level apprenticeships were instead made eligible for grant funding from the ASB.<sup>15</sup> Following an announcement at the Spending Review 2015 Advanced Learner Loans were additionally made available for 19-23 year olds studying at levels 3 and 4, and to learners aged 19 and over studying at levels 5 and 6.<sup>16</sup> The availability of loans does not replace the entitlement to full grant funding for learners aged 19-23 undertaking their first level 3 qualification.<sup>17</sup>

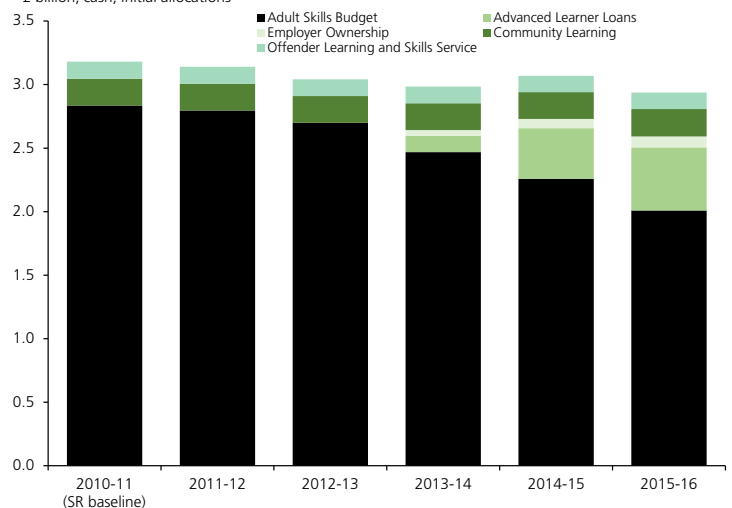
The amount a learner can receive in a loan depends on the course they are studying and their fees. They begin to repay their loan (plus interest), subject to income, from the April following the completion of their course. Repayments are made at 9% of any income in excess of £21,000 a year.

More information on Advanced Learner Loans is available on the Gov.uk website at, [Advanced Learner Loan](#) and in the SFA publication, [Advanced learner loans funding and performance-management rules 2016 to 2017](#).

As chart 2 shows, initial ASB funding fell from £2.84 billion in 2010-11 to £2.01 billion in 2015-16, a reduction of 29% in cash terms and 34% in real terms. It should be noted, however, that from 2013-14 onwards, part of this reduction is associated with the introduction of funding for Advanced Learner Loans and Employer Ownership pilots.

The funding statements indicate a minimum level of funding that it is expected should be used for apprenticeships. The funding earmarked for apprenticeships increased from a 2010-11 baseline of £0.36 billion to £0.77 billion in 2015-16 – a real terms increase of just under 100%. As a result, the maximum funding allocated to non-apprenticeship learning across the ASB, the Employer Ownership Pilots and Advanced Learner Loans

**Chart 2: 19+ FE teaching & learning funding**  
£ billion, cash, initial allocations



<sup>14</sup> Under the Employer Ownership Pilot Scheme funding for vocational training was allocated directly to employers who were invited to enter a competition to secure funds. More information is available at: [Employer Ownership of Skills pilot](#).

<sup>15</sup> SFA & BIS, [Skills Funding Statement 2013-2016](#), February 2014, p10.

<sup>16</sup> A guide to qualification levels is available on the Gov.uk website at: [Compare different qualification levels](#).

<sup>17</sup> SFA, [Advanced Learner Loans funding and performance management rules, 2016-17](#), July 2016, p6.



declined from £2.48 billion in 2010-11 to £1.82 billion in 2015-16 – a reduction of 26% in cash terms and 31% in real terms.<sup>18</sup>

The other major components of the adult FE teaching and learning budget saw little change in cash terms over the period. Funding for community learning was held at £211 million per year until 2014-15, before increasing slightly to £216 million in 2015-16 in order to provide an additional £5 million for pilot courses to help adults recover from mild to moderate mental illness.<sup>19</sup> Funding for the Offender Learning and Skills Service decreased slightly from the 2010-11 baseline of £135 million to an initial allocation of £129 million in 2015-16.

Overall, excluding the European Social Fund but including Advanced Learner Loans, initial funding for adult FE teaching and learning fell from £3.18 billion in 2010-11 to £2.94 billion in 2015-16, a reduction of 8% in cash terms or 14% in real terms. The funding allocation for each funding stream in each year is provided in table 2 below.

The figures in this section, and the figures in table 2, refer to initial funding allocations only and do not include further in-year changes. This is of particular relevance in 2015-16 when changes were made to the initial funding allocations following the 2015 Summer Budget (see below).

**Table 2: 19+ FE Funding, England 2010-11 to 2015-16**  
£ billion, initial allocations

	2010-11 (SR baseline)	2011-12	2012-13	2013-14	2014-15	2015-16
<i>Cash prices</i>						
Adult Skills Budget	2.84	2.80	2.70	2.47	2.26	2.01
Employer Ownership	0.00	0.00	0.00	0.05	0.07	0.09
Advanced Learner Loans	0.00	0.00	0.00	0.13	0.40	0.50
Minimum expectation for apprenticeships <sup>a</sup>	0.36	0.61	0.70	0.76	0.77	0.77
Offender Learning and Skills Service	0.13	0.13	0.13	0.13	0.13	0.13
Adult Safeguarded Learning/Community Learning	0.21	0.21	0.21	0.21	0.21	0.22
<b>Total Teaching and Learning<sup>c</sup></b>	<b>3.18</b>	<b>3.14</b>	<b>3.04</b>	<b>2.98</b>	<b>3.07</b>	<b>2.94</b>
<i>2015-16 prices<sup>b</sup></i>						
Adult Skills Budget	3.03	2.95	2.79	2.51	2.26	2.01
Employer Ownership	0.00	0.00	0.00	0.05	0.07	0.09
Advanced Learner Loans	0.00	0.00	0.00	0.13	0.40	0.50
Minimum expectation for apprenticeships <sup>a</sup>	0.39	0.64	0.72	0.78	0.77	0.77
Offender Learning and Skills Service	0.14	0.14	0.14	0.13	0.13	0.13
Adult Safeguarded Learning/Community Learning	0.23	0.22	0.22	0.21	0.21	0.22
<b>Total Teaching and Learning<sup>c</sup></b>	<b>3.40</b>	<b>3.31</b>	<b>3.14</b>	<b>3.03</b>	<b>3.07</b>	<b>2.94</b>

Notes

(a) In 2011-12 and 2012-13, the minimum expectation for apprenticeships covered apprenticeships delivered through the ASB. For 2013-14, it covered apprenticeships delivered through the ASB, the Employer Ownership Pilots and Advanced Learner Loans. For 2014-15 and 2015-16 it covered apprenticeships delivered through the ASB and the Employer Ownership Pilots.

(b) Prices adjusted to 2015-16 values using the GDP deflator for June 2016

(c) Figures for total teaching and learning exclude funding from the European Social Fund

Values in shaded areas are based on the indicative budget for 2014-15 as no figure was provided in the final initial allocations.

Sources

BIS, *Further Education - New Horizon: Investing in Skills for Sustainable Growth*, November 2010; BIS, *Skills Investment Statement 2011 – 2014: Investing in a World Class Skills System*, 1 December 2011; BIS, *Skills Funding Statement 2012-2015*, December 2012; BIS, *Skills Funding Statement 2013-2016*, February 2014; and BIS, *Skills funding letter: April 2015 to March 2016*, February 2015.

<sup>18</sup> In 2011-12 and 2012-13, the minimum expectation for apprenticeships covered apprenticeships delivered through the ASB. For 2013-14, it covered apprenticeships delivered through the ASB, the Employer Ownership Pilots and Advanced Learner Loans. For 2014-15 and 2015-16 it covered apprenticeships delivered through the ASB and the Employer Ownership Pilots; Advanced Learner Loans were no longer available for apprenticeships from February 2014.

<sup>19</sup> BIS, [Skills funding letter: April 2015 to March 2016](#), February 2015.

### Summer Budget changes

In his Summer Budget of July 2015, the then Chancellor, George Osborne, announced further spending reductions, including in-year cuts for the Department for Business, Innovation and Skills. Following this, Peter Lauener, Chief Executive of the Skills Funding Agency, outlined in a [letter](#) how this impacted on the adult FE funding allocations for 2015-16. The letter set out a further 3.9% reduction in non-apprenticeship ASB funding (and for discretionary learner support). This reduced the non-apprenticeship ASB by around a further £50 million compared to the initial allocation for 2015-16.

**Chart 3: ASB, Employer Ownership and Advanced Learner Loans funding**

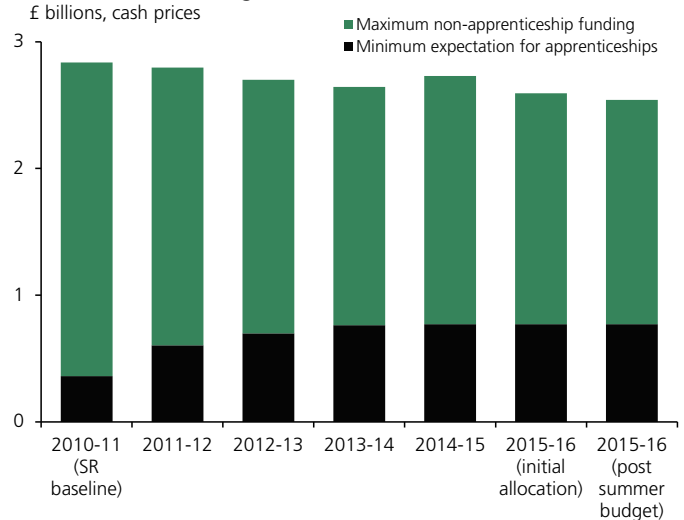


Chart 3 shows the split between apprenticeship and non-apprenticeship funding across the ASB, the Employer Ownership pilots and Advanced Learner Loans between 2010-11 and 2015-16. The shift to apprenticeship funding is clear; the proportion of funding earmarked for apprenticeships increased from 13% in 2010-11 to around 30% following the 2015 Summer Budget.

### Non-teaching funding

The funding streams for the non-teaching components of the adult FE budget were not presented on a consistent basis in the skills funding statements between 2010-11 and 2015-16. This means that it is not possible to provide comparable figures for the total funding allocation for the non-teaching part of the adult FE budget over this period. This section therefore provides figures for the individual non-teaching components of adult FE and skills funding.

### Student and learner support funding

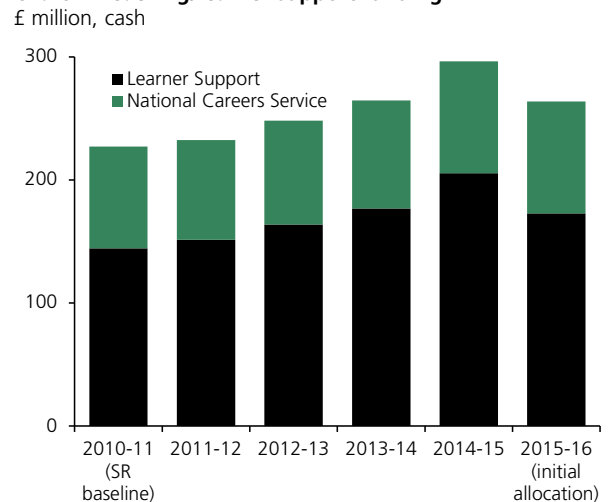
Learner support funding was made up of a number of components:

- [Discretionary Learner Support](#): available from further education providers to help learners on fully-funded courses who are facing financial difficulty;
- The learner support element of the [Advanced Learner Loans Bursary Fund](#);
- [Professional and Career Development Loans](#); and
- [Dance and Drama Awards](#).

Funding for the National Careers Service also fell within the broader student and learner support funding stream.

Learner support funding increased from £144 million in 2010-11 to £206 million in 2014-15, before reducing to an initial allocation of £173 million in 2015-16. The initial 2015-16 allocation was reduced further as a result of an additional 3.9% cut to discretionary learner

**Chart 4: Teaching/learner support funding**



support funding announced in the Summer Budget 2015. As a result, the reduction in learner support funding between 2014-15 and 2015-16 was slightly larger than indicated by chart 4, which is based on the initial allocations.

Funding for the National Careers Service increased from £83 million to £91 million over the period – an increase of 2.6% in real terms.

### Skills infrastructure

Skills infrastructure funding includes funding for the apprenticeship vacancy system and the promotion of apprenticeships. It also previously included funding for the Learning and Skills Improvement Service (LSIS), the improvement body for the FE and skills sector in England.<sup>20</sup> In December 2012, the Government confirmed that the LSIS would cease to receive public funding from 2013-14.<sup>21</sup>

Skills infrastructure funding fell from the 2010-11 spending review baseline of £137 million to £23 million in 2015-16 – a real terms reduction of 84%.

### Funding to support the FE and skills sector

This covers funding for a range of programmes not routed through the SFA, including the [UK Commission for Employment and Skills](#). The 2010 spending review announced a 46% reduction to this funding between 2010-11 and 2014-15.<sup>22</sup>

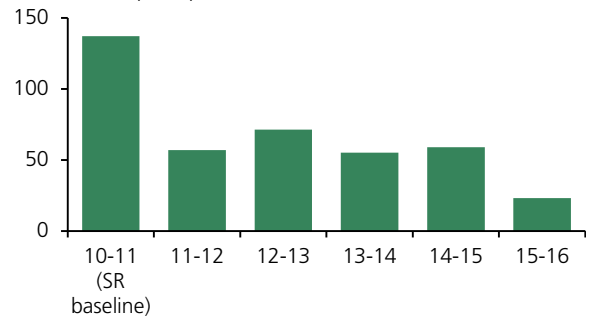
Funding to support the FE and skills sector fell from £0.16 billion in 2012-13 to £0.11 billion in 2015-16 – a 31% reduction in cash terms and 33% in real terms. Funding allocations are only provided on a consistent basis from 2012-13, meaning that it is not possible to provide figures for years before 2012-13.

### Capital

The 2010 Spending Review took a zero based review to capital funding and so no baseline figure for 2010-11 was provided. However, the November 2010 strategy document, [Further Education – New Horizon: Investing in Skills for Sustainable Growth](#), stated that the 2010-11 capital budget was £580 million.<sup>23</sup> The spending review settlement provided for a reduced capital funding allocation of £305 million in 2011-12 and funding was reduced further to £279 million in 2012-13. Following the 2013 Autumn Statement,

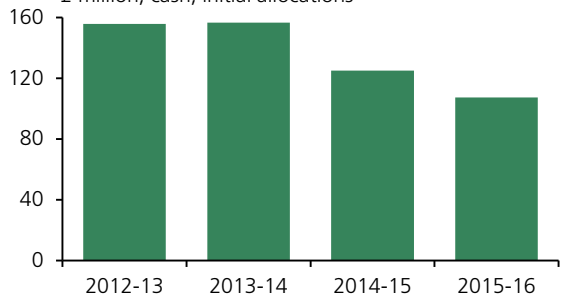
**Chart 5: Skills infrastructure funding**

£ million, cash, initial allocations



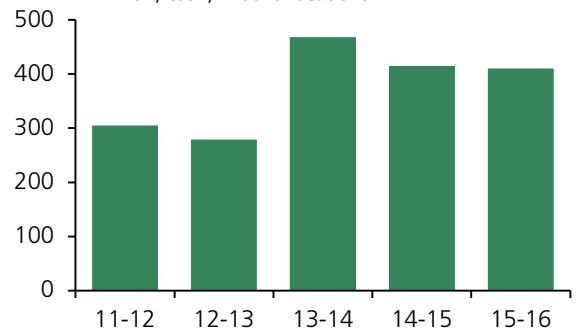
**Chart 6: Funding to support the adult FE & skills sector**

£ million, cash, initial allocations



**Chart 7: Capital grants**

£ million, cash, initial allocations



<sup>20</sup> For more information on the work of the LSIS, see the archived version of its website at: [Learning and Skills Improvement Service](#).

<sup>21</sup> [LSIS funding to cease as chair plans legacy strategy](#), *FE Week*, 10 December 2012.

<sup>22</sup> BIS, [Skills Investment Statement 2011 – 2014: Investing in a World Class Skills System](#), 1 December 2011, p4.

<sup>23</sup> BIS, [Further Education – New Horizon: Investing in Skills for Sustainable Growth](#), November 2010, p25.

## 12 Adult further education funding in England since 2010

additional funding was provided for FE capital, meaning that funding increased to £468 million in 2013-14.<sup>24</sup> In subsequent years, funding decreased slightly to reach £410 million in 2015-16, a real terms reduction of 34% compared to the budget for 2010-11.<sup>25</sup>

### **Box 4: Department for Education evaluation of FE reform**

In October 2017, the Department for Education published a [research report](#) evaluating the FE reform programme up to 2015. Regarding the changes to FE funding (including the introduction of Advanced Learner Loans and the creation of the Adult Skills Budget) the report's findings included:

- Publicly-funded courses are increasingly likely to have work-related outcomes, improve English and maths skills, and be targeted at young adults.
- Action is being taken to make provision as efficient as possible and to increase revenue from outside of government funding.
- The quality of teaching and learning "could be at risk from continued government reductions in funding and increasing focus on financial efficiencies."<sup>26</sup>

Regarding the introduction of Advanced Learner Loans, the report stated that for some providers the policy had led to an increase in learner numbers. It added that this was not the case for most providers, however, and many reporting a decline in participation.<sup>27</sup>

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<sup>24</sup> BIS, [Skills Funding Statement 2012-2015](#), December 2012

<sup>25</sup> Capital funding for 2015-16 includes £80 million routed through the SFA and £330 million routed through DCLG, LEPs and BIS.

<sup>26</sup> Department for Education, [Evaluation of the FE Reform Programme 2015](#), October 2017, p119.

<sup>27</sup> As above, p90.

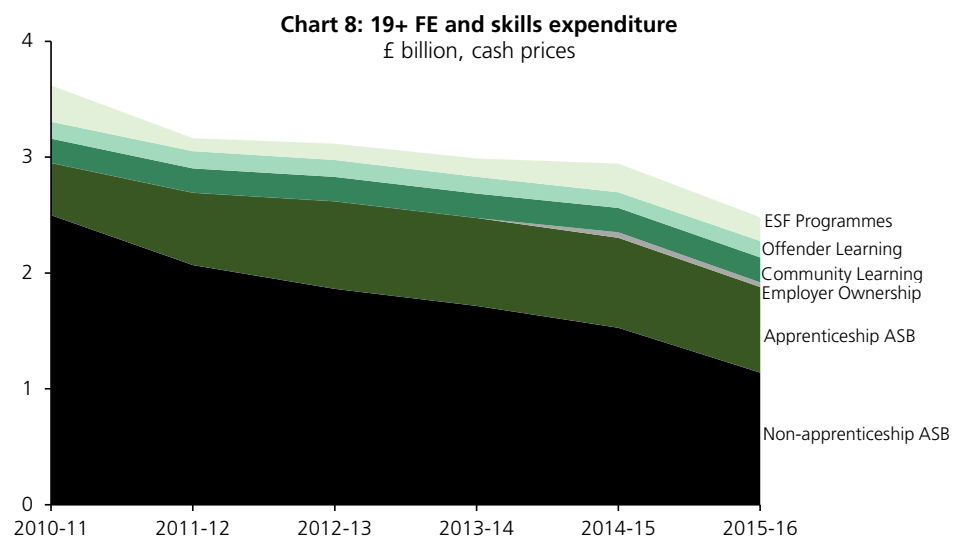
## 4. SFA expenditure on adult FE 2010-11 to 2015-16

An alternative way to look at the financial support provided to adult FE is to look at outturn expenditure from the SFA's annual accounts. This allows for a comparison of what was actually spent rather than allocated at the spending review. In addition, while the categories used in the SFA annual accounts are similar to those used in the skills funding statements and letters, in some places they provide slightly more detail – for example, a more detailed breakdown of ASB expenditure between 2010-11 and 2014-15. The accounts also allow a consistent time series for all non-teaching expenditure excluding capital to be created back to 2010-11.

### Teaching and learning expenditure

Based on the SFA accounts, total teaching and learning expenditure fell from £3.63 billion in 2010-11 to £2.48 billion in 2015-16, a cash terms reduction of 32%. ASB expenditure declined by 36% in cash terms over the period from £2.95 billion to £1.88 billion. Within the ASB,

expenditure on adult apprenticeships increased by 58% from £0.45 billion in 2010-11 to £0.71 billion in 2015-16; non-apprenticeship ASB expenditure reduced by 54% over the period from £2.50 billion to £1.14 billion. It should be noted when considering reductions to ASB expenditure that the SFA accounts do not include expenditure on Advanced Learner Loans (see box three below).



The accounts for 2010-11 to 2014-15 provide a further breakdown of non-apprenticeship ASB expenditure. This shows that the largest proportional reduction was in non-apprenticeship workplace training, which fell by 87% in cash terms from £0.74 billion in 2010-11 to £0.09 billion in 2014-15. Classroom-based expenditure within the ASB fell by 17% in cash terms over the same period, from £1.73 billion to £1.43 billion. Figures for other workplace training and classroom based expenditure were not provided in the SFA's accounts for 2015-16.

**Box 5: Amount paid in Advanced Learner Loans**

The funding allocations for Advanced Learner Loans detailed in sections 3 and 5.2 of this briefing refer to the maximum budget available to be paid out in loans during the year. This is not the same as the money subsequently paid out to students. Statistics from the Student Loans Company suggest that the amount paid out in Advanced Learner Loans was less than the maximum budget allocation in all four years where figures for the full year are available:

- In 2013-14, when the initial budget allocation for loans was £129 million, £116 million was paid out in loans.
- In 2014-15, when the initial budget allocation was £398 million, £145 million was paid out.
- In 2015-16, when the initial budget allocation was £498 million, £182 million was paid out.
- In 2016-17, when the initial budget allocation was £260 million, £250 million was paid out.<sup>28</sup>

Expenditure on community learning saw little change over the period, staying at around £210 million between 2010-11 and 2014-15, before increasing to £215 million in 2015-16. Spending on offender learning decreased from £146 million in 2010-11 to £135 million in 2014-15, before increasing to £142 million in 2015-16.

Table 3 provides teaching and learning expenditure figures for the period 2010-11 to 2015-16 in 2015-16 prices.

**Table 3: Skills Funding Agency FE teaching and learning expenditure, 2010-11 to 2015-16**  
£ billion, 2015-16 prices

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	% change 10-11 to 15-16
ASB	3.16	2.84	2.71	2.52	2.31	1.88	-40.5%
Adult apprenticeships	0.48	0.66	0.78	0.77	0.78	0.71	+47.4%
Apprenticeship grant for employers	-	-	-	-	-	0.03	-
Adult Skills excluding apprenticeships	2.67	2.18	1.93	1.74	1.53	1.14	-57.4%
Classroom-based	1.85	1.61	1.62	1.59	1.43	-	-
Other workplace training	0.80	0.56	0.31	0.15	0.09	-	-
City Deals	-	-	0.00	0.01	0.01	-	-
Growth and Investment Fund	0.03	0.02	0.00	-	-	-	-
Employer Ownership	-	-	-	-	0.05	0.04	-
Community Learning	0.22	0.22	0.22	0.21	0.21	0.21	-4.2%
Offender Learning	0.16	0.16	0.15	0.15	0.13	0.14	-9.0%
ESF Programmes	0.34	0.12	0.15	0.16	0.25	0.20	-39.0%
Other non-BIS funded programmes	0.01	0.01	0.01	0.00	0.00	0.00	-72.8%
<b>Total Teaching and Learning</b>	<b>3.88</b>	<b>3.35</b>	<b>3.23</b>	<b>3.04</b>	<b>2.95</b>	<b>2.48</b>	<b>-36.0%</b>

Source, SFA, *Annual Report and Accounts*, various years

**Non-teaching expenditure**

Expenditure on learner support increased by 33% in cash terms from £120 million in 2010-11 to £160 million in 2014-15, before reducing to £133 million in 2015-16. A response to a parliamentary question in December 2015 provided a further breakdown of 2015-16 learner support expenditure. Of forecast expenditure of £132 million:

- around £86 million (65%) was expected to be spent on Discretionary Learner Support;

<sup>28</sup> Student Loans Company, [Advanced Learner Loans paid in England](#), various years

- around £35 million (27%) was expected to be spent on the Advanced Learner Loan Bursary Fund;
- around £2.5 million (2%) was expected to be used to meet the costs of Professional and Career Development Loans; and
- around £8.5 million (6%) was expected to be used on Dance and Drama Awards.<sup>29</sup>

Expenditure on the National Careers Service increased from £63 million in 2010-11 to £93 million in 2013-14, before decreasing in subsequent years to £61 million in 2015-16.

Capital expenditure decreased by 59% in cash terms between 2010-11 and 2012-13, from £683 million to £282 million. Spending increased to £382 million in 2013-14 before declining again to £296 million in 2014-15. SFA figures for capital expenditure in 2015-16 are not comparable with previous years as the responsibility for the majority of expenditure transferred to Local Enterprise Partnerships.

Mirroring the large proportional reduction in the initial funding allocations, expenditure on skills infrastructure reduced by 81% in cash terms from £162 million in 2010-11 to £31 million in 2015-16.

**Table 4: Selected Skills Funding Agency non-teaching and learning expenditure**  
£ million, cash

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Learner Support Funds	120	130	144	155	160	133
National Careers Service	63	69	74	93	85	61
Skills Infrastructure	162	84	85	32	48	31
Capital	683	387	282	382	296	-
Administration	122	170	131	133	98	90

Source, SFA, *Annual Report and Accounts*, various years

<sup>29</sup> [PO HL4260](#), 11 December 2015.

## 5. Adult FE funding from 2016-17

### 5.1 Spending Review 2015

The 2015 Spending Review set out the parameters for public spending over the period 2016-17 to 2019-20. The settlement includes a protection for the “core adult skills participation budgets” in cash terms at £1.5 billion. Additionally, savings of £360 million will be made from non-participation budgets, including the UK Commission for Employment and Skills. A [written statement](#) in July 2016 confirmed that funding for the UK Commission for Employment and Skills would be withdrawn during 2016-17.

The spending review also outlined plans to expand Advanced Learner Loans to 19-23 year olds studying at levels 3 and 4, and to learners aged 19 and over studying at levels 5 and 6.<sup>30</sup>

### 5.2 Skills funding letter 2016-17

The [2016-17 skills funding letter](#) was published in December 2015. The letter set out funding for further education for 2016-17 and also gave indicative budgets up to 2019-20. From 2016-17, a new Adult Education Budget (AEB) has been created by combining what were previously three separate funding streams:

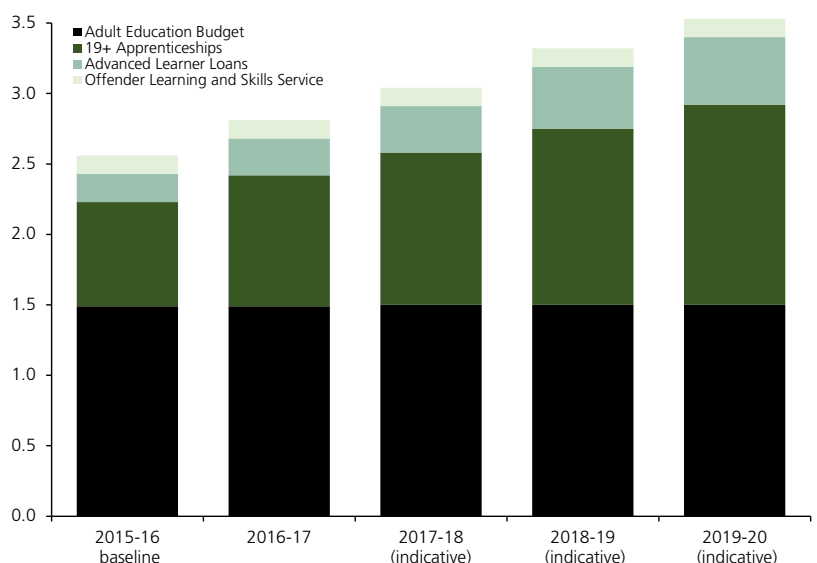
- the non-apprenticeship part of the ASB;
- community learning; and
- discretionary learner support.<sup>31</sup>

#### Teaching and learning funding

The funding letter set out a 2015-16 baseline for the AEB of £1.49 billion and stated that this will be maintained in cash terms in 2016-17. The indicative AEB for 2017-18, 2018-19 and 2019-20 will be held constant at £1.5 billion.

Funding for apprenticeships is initially planned to increase from a 2015-16 baseline of £0.74 billion to £0.93 billion in 2016-17, before increasing further to £1.42 billion by 2019-20. It should be noted that from 2017-18 onwards apprenticeship funding will, in part, be provided via the [apprenticeship levy](#), a charge set at 0.5% of any UK employer’s pay bill in excess of £3 million. By 2019-20, the Government

**Chart 9: 19+ FE teaching & learning funding**  
£ billion, cash, initial allocations



<sup>30</sup> A guide to qualification levels is available on the Gov.uk website at: [Compare different qualification levels](#).

<sup>31</sup> NAO, [English devolution deals](#), 20 April 2016, p47.



estimates that the levy will generate over £3 billion of revenue per year, with £2.5 billion to be used for apprenticeships in England. More information on apprenticeships funding and the levy is available in Library Briefing 3052, [Apprenticeships policy in England](#).

The budget for Advanced Learner Loans is planned to increase from a 2015-16 baseline of £0.20 billion to £0.48 billion in 2019-20. The 2015-16 baseline is based on an estimate of the likely value of loans paid put in the year, which is £298 million less than the initial budget allocation set out in the skills funding letter. Whether the forecast increase in loan budgets result in an increase in loan funding provided to students depends in part, of course, on the future demand for loans (see box three above).

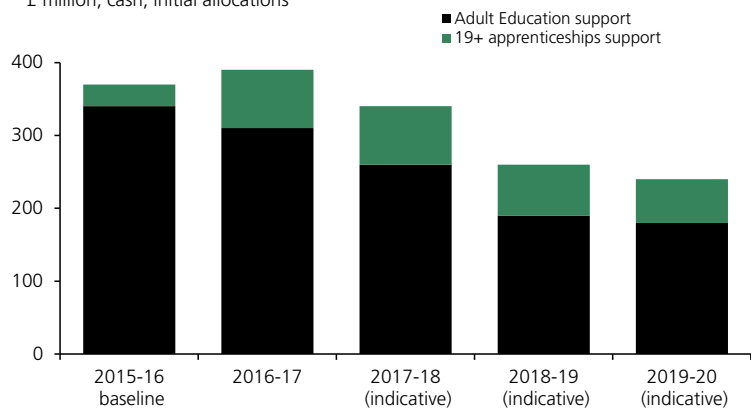
Funding for the Offender Learning and Skills Service, which remains outside the AEB, is planned to remain flat in cash terms at £0.13 billion in each year to 2019-20.

### Non-teaching funding

The 2016-17 skills funding letter consolidates non-teaching funding into two funding lines:

- funding to support 19+ apprenticeships, which is set to increase from a 2015-16 baseline of £30 million to £80 million in 2017-18, before decreasing to £62 million in 2019-20; and
- funding to support adult education, which is planned to increase from a 2015-16 baseline of £343 million to £390 million in 2016-17, before decreasing year-on-year to £239 million in 2019-20.

**Chart 10: 19+ FE support funding**  
£ million, cash, initial allocations



### Total FE and skills funding

The table on the next page shows the total adult FE funding allocations, for both teaching and non-teaching, as set out in the skills funding letter. Allocations from 2017-18 onwards are indicative only.

**Table 5: 19+ FE and skills budget 2016-17 to 2019-20**

£, billion, cash

	2015-16 baseline	2016-17	2017-18 (indicative)	2018-19 (indicative)	2019-20 (indicative)	% change 15-16 to 19-20
19+ Apprenticeships	0.74	0.93	1.08	1.25	1.42	+92%
Adult Education Budget	1.49	1.49	1.50	1.50	1.50	+1%
<b>Total core teaching and learning</b>	<b>2.23</b>	<b>2.42</b>	<b>2.58</b>	<b>2.76</b>	<b>2.93</b>	<b>+31%</b>
Advanced Learner Loans	0.20	0.26	0.33	0.44	0.48	+140%
<b>Total Adult Teaching and Learning</b>	<b>2.44</b>	<b>2.68</b>	<b>2.90</b>	<b>3.20</b>	<b>3.41</b>	<b>+40%</b>
Offender Learning and Skills Service	0.13	0.13	0.13	0.13	0.13	0%
Funding to support						
19+ apprenticeships	0.03	0.08	0.08	0.07	0.06	+100%
Adult Education	0.34	0.31	0.26	0.19	0.18	-47%
<b>Total funding to support</b>	<b>0.37</b>	<b>0.39</b>	<b>0.34</b>	<b>0.27</b>	<b>0.24</b>	<b>-35%</b>
<b>Grand Total</b>	<b>2.94</b>	<b>3.20</b>	<b>3.37</b>	<b>3.60</b>	<b>3.78</b>	<b>+29%</b>

Source: BIS, *Skills Funding Letter 2016-17*, December 2015**Box 6: Budget underspends**

In response to a parliamentary question, the Minister, Anne Milton, stated that in the 2016-17 academic year there was an underspend of £63 million against the main participation element of the AEB. This represented around 5% of the total allocated. The Minister added that a portion of the underspend was reallocated within the FE sector.<sup>32</sup>

An earlier parliamentary question response set out that in the 2014-15 academic year, 4.5% of allocated funding was unspent; in the 2015-16 academic year, 3.5% of allocated funding was unspent.<sup>33</sup>

**Devolution of Adult Education Budget**

The 2016-17 Skills Funding Letter outlined the Government's intention to seek to transfer control of the AEB to local areas through devolution agreements, with the aim of having fully devolved budgets from 2018-19 subject to local readiness.<sup>34</sup> The timetable has since been delayed by a year; it is now expected that the AEB will be devolved to Mayoral Combined Authorities (MCAs), and delegated to the Greater London Authority (GLA), from 2019-20.<sup>35</sup>

Once control over the AEB has been transferred to MCAs and the GLA, they will be responsible for funding residents of their areas. The ESFA will continue to be responsible for funding residents of non-devolved areas.

Devolution of the AEB will cover all providers who deliver provision in the affected areas, irrespective of where the provider is geographically located, as it will be based on the residency of the learner. For two years

<sup>32</sup> [PO127048](#), 14 February 2018.

<sup>33</sup> [PO114691](#), 23 November 2017.

<sup>34</sup> NAO, *English devolution deals*, 20 April 2016, p47.

<sup>35</sup> HM Government, *Industrial Strategy: Building a Britain fit for the future*, November 2017, p114; [Industrial strategy confirms delay to adult education budget devolution](#), *FE Week*, 27 November 2017.

following devolution (2019-20 and 2020-21), certain providers delivering residential provision will, however, continue to be funded nationally by the ESFA.<sup>36</sup>

The Government has issued illustrative AEB allocations for 2018-19 to MCAs and the GLA in order to provide an indication of the AEB that these areas can expect to receive in 2019-20. It is expected that the final AEB to be delegated in 2018-19 will be confirmed in early 2019.<sup>37</sup>

Funding has also been provided by the Government to MCAs and the GLA in 2017-18 to “support preparation for devolution of the adult education budget.” A total of £914.5 million will be paid to the seven authorities in 2017-18.<sup>38</sup>

### 5.3 Skills funding letter 2017-18

The [2017-18 skills funding letter](#) was published on 14 March 2017. As with the previous year’s letter, it set out further education funding for the current year and gave indicative budgets up to 2019-20. The budgets for 2017-18, 2018-19 and 2019-19 were unchanged from the indicative funding levels set out in the 2016-17 funding letter and discussed in the section above.

The letter also noted that the budget for the Offender Learning and Skills Service had transferred to the Ministry of Justice in October 2016.

#### **Box 7: Merger of Education Funding Agency and the SFA**

From April 2017 the Education Funding Agency and the Skills Funding Agency merged to form one body – the ESFA. The ESFA is responsible for the funding of education for 5-16 year olds, education and training for 16-19 year olds, apprenticeships and adult education, and for managing school building programmes.<sup>39</sup>

### 5.4 Flexible Learning fund

The [March 2017 Budget](#) announced that the Government would spend up to £40 million by 2018-19 “to test different approaches to help people to retrain and upskill throughout their working lives.”<sup>40</sup> In October 2017, the [Flexible Learning Fund](#) was launched as part of this pilot programme.

The Fund will provide grants to projects that “develop methods of delivering learning that are flexible and easy to access for adults who are in work, or returning to work, with either low or intermediate level skills.”<sup>41</sup> On 29 March 2018, the Department for Education announced

<sup>36</sup> For further information, see: [PQ133046](#), 21 March 2018.

<sup>37</sup> [Helping providers understand implications of AEB devolution/delegation from 2019 to 2020](#), Education and Skills Funding Agency, 19 March 2018.

<sup>38</sup> Department for Education, [Implementation funding: S31 grant determination letters](#), 6 March 2018.

<sup>39</sup> [New agency to provide joined-up education and skills funding](#), Department for Education, 28 March 2017

<sup>40</sup> HM Treasury, [Spring Budget 2017](#), HC1025, March 2017, p41.

<sup>41</sup> Department for Education, [The Flexible Learning Fund: Specification for project proposals](#), October 2017.

the 32 projects that would receive a share of £11.7 million from the Flexible Learning Fund.<sup>42</sup>

## 5.5 FE maintenance loans

The March 2017 Budget additionally announced that from 2019-20 maintenance loans like those available for higher education students would be provided to students on technical education courses at levels 4 to 6 in National Colleges and Institutes of Technology. It added that these loans will “support adults to retrain at these institutions.”<sup>43</sup>

## 5.6 Autumn Budget 2017

In the [Autumn Budget 2017](#) the Government announced that it would enter into a skills partnership with the Trades Union Congress and the Confederation of British Industry to develop a National Retraining Scheme, which would initially be focused on construction and digital skills. The Budget outlined that £65 million would be invested initially in the scheme with £30 million used “to test the use of AI and innovative EdTech in online digital skills courses so that learners can benefit from this emerging technology, wherever they are in the country.”<sup>44</sup>

The Industrial Strategy reiterated plans to create a National Retraining Scheme to support people to re-skill, beginning with a £64 million investment for digital and construction training. The Strategy added that the National Retraining Scheme will be “informed by the £40m announced in the Spring Budget [see section 5.4 above] to test innovative approaches to helping adults up-skill and re-skill.”<sup>45</sup>

## 5.7 Post-18 education funding review

On 19 February 2018, the Prime Minister announced that there would be a government-led review of post-18 education, which would be supported by an independent panel, led by Philip Augar. The Prime Minister stated that the review would look at “the whole post-18 education sector in the round, breaking down false boundaries between further and higher education, so we can create a system which is truly joined up.”<sup>46</sup>

The review’s [terms of reference](#) were published on 19 February 2018. The review will not make recommendations related to taxation, and its recommendations must be consistent with the Government’s fiscal policies to reduce the deficit and have debt falling as a percentage of GDP.<sup>47</sup>

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<sup>42</sup> [Multi-million pound fund for adult learning announced](#), Department for Education, 29 March 2018.

<sup>43</sup> HM Treasury, [Spring Budget 2017](#), HC1025, March 2017, p41.

<sup>44</sup> HM Treasury, [Autumn Budget 2017](#), HC587, November 2017, p47.

<sup>45</sup> HM Government, [Industrial Strategy: Building a Britain fit for the future](#), November 2017, p117.

<sup>46</sup> [PM: The right education for everyone](#), Gov.uk, 19 February 2018.

<sup>47</sup> [Review of post-18 education and funding: terms of reference](#), Department for Education, 19 February 2018; [Call for Evidence opens for review of post-18 education](#), Department for Education, 21 March 2018.

The independent panel issued a [call for evidence](#) on 21 March 2018, which closes on 2 May 2018. It is expected that the panel will publish its report at an interim stage, with the Government concluding the review in early 2019.

More detail on the review can be found on the page: [Review of Post-18 Education and Funding](#).

## 6. SFA expenditure on adult FE from 2016-17

The [SFA accounts for the 2016-17 financial year](#) were published in July 2017. The accounts provide fewer lines of expenditure than previously. They show that:

- Adult Education Budget expenditure (i.e. all SFA participation and support expenditure that was not ESF, advanced learner loans or apprenticeships) declined from a 2015-16 baseline of £1.61 billion to £1.50 billion in 2016-17.
- Spending on adult apprenticeships increased from a 2015-16 baseline of £748 million to £817 million in 2016-17.
- The SFA expects to receive £518 million in ESF funding spread over 2016-17 and 2017-18. £30.8 million of this was received in 2016-17, with the larger share expected to be claimed in 2017-18. The accounts state that “it is not thought this level of funding will change significantly until at least when the negotiations to complete the UK’s exit from the European Union are finalised.”

Regarding capital expenditure, the accounts noted the transfer of responsibility for funding capital projects at FE colleges from the SFA to LEPs. SFA capital expenditure in 2016-17 was £35 million, the majority of which (£26 million) was for National Colleges.<sup>48</sup>

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<sup>48</sup> Skills Funding Agency, [Annual report and accounts for the year ended 31 March 2017](#), July 2017, pp97 and 63-4.

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