

By Joe Lewis,
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Further education funding in England

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Summary

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Summary

The further education funding system in England is complex and has undergone a number of changes in recent years, with more reforms to adult education funding planned.

Currently, further education providers are allocated funds from different sources depending on the type of courses they provide and on the age of their students. There is also capital funding available for upgrading the college estate.

This briefing provides some background information on the financial sustainability of the further education sector, its recent reclassification into the public sector, and the impact the Covid-19 pandemic has had. It then goes on to explain the different funding systems and examine recent funding announcements and trends.

16-19 funding

In the 16-19 system, the Education and Skills Funding Agency (ESFA) funds further education colleges, schools, and independent learning providers in England to provide education for learners aged 16 to 19-years-old. In 2022/23, the total amount of ESFA funding for 16-19 learning was £7.2 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 majority of public funding for non-apprenticeship, 19+ further education in England is currently provided by the Education and Skills Funding Agency (ESFA) through the [Adult Education Budget \(AEB\)](#). Around 60% of the AEB is devolved to nine mayoral combined authorities and the Greater London Authority.

There are additional streams of funding for classroom-based adult education, which include:

- The [National Skills Fund](#), which was announced in 2020 to help adults to train and gain skills to improve their job prospects. It currently funds [Skills Bootcamps](#) and the government's [Free courses for jobs](#) offer.
- The [UK Shared Prosperity Fund](#), which was created to replace EU structural funds and is currently funding the numeracy programme [Multiply](#).
- Advanced Learner Loans / Higher Education Student Finance, which fund certain [level 3 to 5 qualifications](#). From 2025, this funding will be replaced by the [Lifelong Loan Entitlement](#).

The government has recently consulted on changes to adult education funding, including the introduction of a single Skills Fund (which would include funding for AEB provision and the free courses for jobs offer), a single Development Fund, a new set of funding rates for adult skills, and a greater focus on outcomes for ESFA funded non-qualification provision.

Capital funding

Capital funding is used by further education providers to repair, upgrade, or expand their buildings, facilities, and equipment. The [Autumn Budget and Spending Review 2021](#) committed £2.8 billion of capital investment across the further education sector between 2022-23 and 2024-25. This is for capital spending across all further education sites in England, including colleges and designated institutions, sixth-form colleges, Institutes of Technology, and T Level providers.

Funding trends

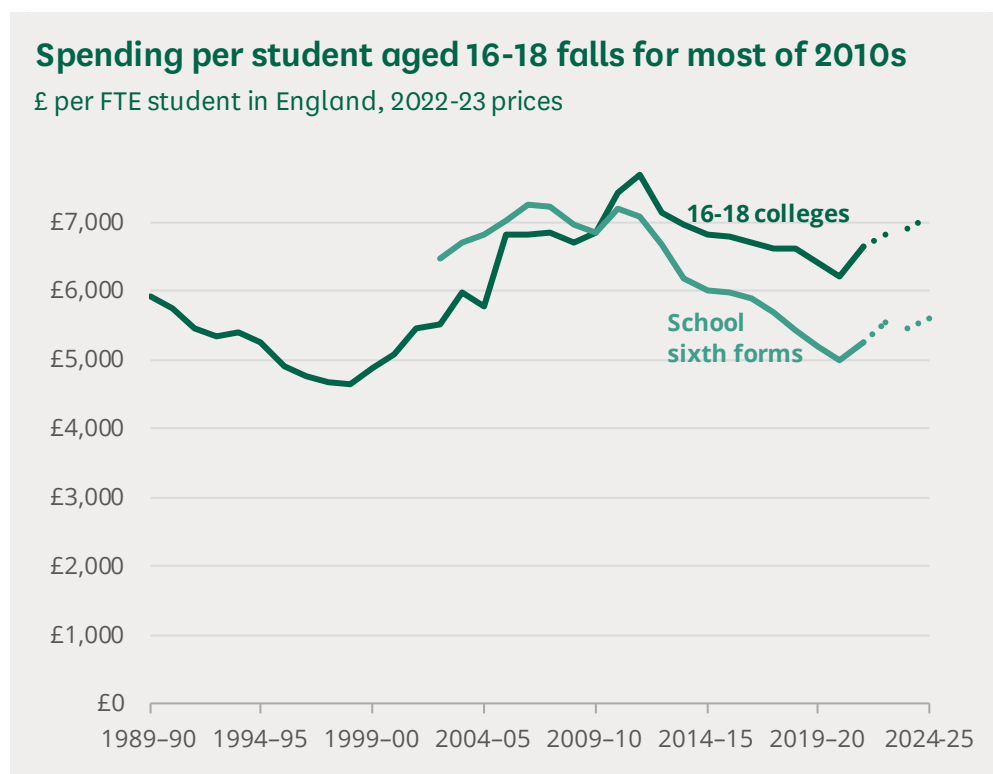
The further education sector has experienced a prolonged period of reduced funding. The Institute for Fiscal Studies latest [Annual report on education spending in England](#), concluded in December 2022 that 16-19 funding had experienced the biggest drop in funding of any education sector and contrasted its long-term funding with growth in primary and secondary schools:

Colleges and sixth forms have seen a long-term decline in spending per student relative to schools. Further education spending per student aged 16–18 in 2022–23 was £6,800, which is lower than spending per pupil in secondary schools and only 11–12% greater than in primary schools having been more than two times greater in the early 1990s.

Further education colleges and sixth forms are in a particularly difficult position at present. They saw larger cuts than other areas of education after 2010 and there was no extra funding announced in the 2022 Autumn Statement

to help colleges and sixth forms cope with larger-than-expected cost increases.

The report said that extra funding announced in the 2019 and 2021 spending reviews would result in real increases in funding per student up to 2024-25. However, these only partially reverse earlier cuts and increasing numbers of 16-18 year olds up to 2030 would put further pressure on finances after 2024 when departmental spending plans had been scaled back.

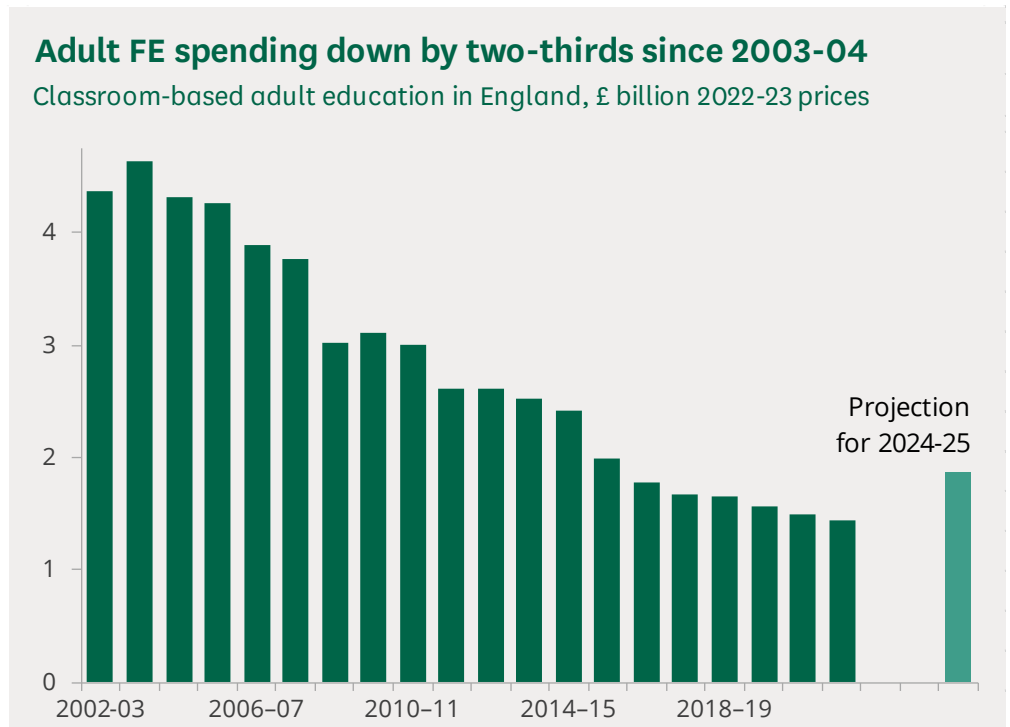


On 19+ funding, the report said:

In the 2021 Spending Review, the government chose to allocate an extra £900 million in funding for adult education and apprenticeships in 2024-25 compared with 2019-20. As a result, total spending on adult skills is set to increase by 22% between 2019-20 and 2024-25. However, as with spending on 16-18 education, this only reverses a fraction of past cuts: total adult skills spending in 2024-25 will still be 22% below 2009-10 levels. Spending on classroom-based adult education has fallen especially sharply, and will still be 40% below 2009-10 levels even with the additional funding.

A [previous year's report](#) commented on longer term trends:

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.



1 Background

In April 2020, there were 242 colleges in England, comprising 192 further education 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

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 further and higher education 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

Information on further education 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 Financial sustainability of colleges

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.³ It noted the financial position of colleges had fluctuated over the previous seven years:

¹ National Audit Office (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 NAO, [Financial sustainability of colleges in England](#), September 2020, p8

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 also said funding pressures and uncertainty had led to colleges narrowing their provision and reducing broader support for students.⁵

The Education and Skills Funding Agency (ESFA) funds further education 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

In December 2022, the Department for Education published its [annual report and accounts](#) for the year ending 31 March 2022. This said further education financial risks had been de-escalated, but “continue to be discussed at both Performance and Risk Committee and Leadership Team on a regular basis.”⁸

1.2

College insolvencies and government intervention

On 31 January 2019, a [new college insolvency regime came into effect](#).⁹ Aspects of commercial insolvency law now apply to further education providers, meaning that colleges can fail and be put into an insolvency process. In such situations, the Department for Education can appoint an education administrator with duties to protect the learning provision of students and realise assets for the benefits of creditors.¹⁰

A Department for Education document, [Further education bodies: insolvency guidance](#), explains the insolvency regime is part of “the Government’s co-

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 National Audit Office, [Financial sustainability of colleges in England](#), 16 September 2020, p22

⁷ National Audit Office, [Financial sustainability of colleges in England](#), 16 September 2020, p22

⁸ Department for Education (DfE), [Department for Education consolidated annual report and accounts 2021 to 2022](#), December 2022, p103

⁹ [The Further Education Bodies \(Insolvency\) Regulations 2019](#)

¹⁰ “[What does the new insolvency regime mean for colleges?](#)”, FE Week, 31 January 2019 (accessed 19 April 2021)

ordinated approach to support and intervene to improve financial resilience and quality in colleges.”¹¹

The government’s policy on college oversight and intervention is available in the document [College oversight: support and intervention](#). Details include:

- a preventative function to identify problems sooner
- extended triggers for early and formal intervention
- a strengthened role for the Further Education Commissioner to review provision in a local area
- use of independent business reviews to support effective decision making.¹²

The September 2020 NAO report outlined how 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 expected to receive some money from asset sales.¹³

In October 2022, St Mary’s College in Blackburn became the third college to go through the further education insolvency regime, closing with £8 million of debt.¹⁴

Support for colleges in financial difficulty

Between November 2014 and March 2019, further education 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 2019.¹⁵

Since then, emergency funding has been made available by the government to keep a college solvent while a decision is made on its future, but the decision to provide funding is made on a case-by-case basis. If a college is receiving emergency funding, its leadership would have a limited say on the processes to review options going forward.¹⁶

The September 2020 NAO report noted 36 colleges received £253 million in EFS during the time the scheme was open.¹⁷ When EFS was introduced it was made clear all amounts would be repayable, but, at March 2020, less than a

¹¹ DfE, [Further education bodies: insolvency guidance](#), January 2020, p5

¹² DfE, [College oversight: support and intervention](#)

¹³ NAO, [Financial sustainability of colleges in England](#), pp44-46

¹⁴ “[Third college to go through FE insolvency regime owes £8m](#)”, FE Week, 14 October 2022 (accessed 22 June 2023)

¹⁵ DfE, [College Oversight: Support and Intervention](#), October 2020, p5

¹⁶ DfE, [College oversight: support and intervention](#), December 2022, p22

¹⁷ NAO, [Financial sustainability of colleges in England](#), pp43-44

quarter of total EFS (£61.6 million) had been repaid, while nearly £100 million had been recategorized as non-repayable.¹⁸

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 NAO report comments that the ESFA is aware of the limitations of the insolvency regime, and that “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”.¹⁹

In the period 1 April 2020 to 31 March 2021, 13 colleges received a total of £31.6 million of emergency funding.²⁰

Government intervention powers

The Department for Education’s 2021 [Skills for jobs](#) White Paper outlined plans to “overhaul” the funding and accountability rules for the further education 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.²¹

The [Skills and Post-16 Education Act 2022](#) gave the Secretary of State powers to make regulations to establish and maintain a list of relevant further education and training providers. Providers on the list would have to meet conditions considered necessary to mitigate the risk and fallout of a disorderly exit from the sector. These conditions may include, among other things:

- insurance cover
- having fit and proper managers
- a student support plan in case of a cessation of activities.

The regulations would prohibit providers not on the list from receiving funding from central or local authorities, and from agreeing subcontracting arrangements with other providers.

Through the [Skills and Post-16 Education Act 2022](#), the Secretary of State also has the power to intervene further if they believe:

¹⁸ NAO, [Financial sustainability of colleges in England](#), pp43-44

¹⁹ NAO, [Financial sustainability of colleges in England](#), p45

²⁰ DfE, [Emergency college funding](#)

²¹ DfE, [Skills for jobs: lifelong learning for opportunity and growth](#), January 2021, pp53-54

- an institution is being mismanaged by the governing body or the governing body has failed to discharge any duty imposed on them
- an institution is performing significantly less well than expected and not providing an acceptable standard of education or training
- the education or training provided by an institution is not adequately meeting local needs.

Where one or more of the above circumstances apply, the Secretary of State can:

- remove members of the governing body and appoint new ones
- give directions to the governing body, including requiring it to make collaboration arrangements
- dissolve the governing body
- transfer property, rights, or liabilities

Guidance on the powers the Secretary of State for Education can use [to intervene in further education providers](#) is available on GOV.UK.²²

1.3 Reclassification of further education into the public sector

In November 2022, the Office for National Statistics (ONS) announced it would reclassify further education corporations, sixth form college corporations, and designated institutions in England into the central government sector.²³ This decision followed the [Skills and Post-16 Education Act 2022](#), which placed new requirements on, and established new controls over, further education institutions in England.

As set out above, the Skills Act enhanced the intervention powers for the Education Secretary to appoint and/or remove members from governing bodies and give directions to them, such as making structural changes like a merger. As a result, the ONS concluded the further education sector in England was under public sector control.

What does it mean for colleges?

Following the reclassification, colleges and their subsidiaries are now part of central government. This means they are subject to the framework for

²² DfE, [Statutory intervention powers for the FE sector](#)

²³ Office for National Statistics, [Economic statistics sector classification – classification update and forward work plan: November 2022](#), 29 November 2022

financial management set out in the Treasury's [managing public money guidance](#),²⁴ as well as other government guidance, including on [senior pay](#).²⁵

Colleges will now only be able to borrow from private sector sources “if the transaction delivers value for money for the Exchequer”, but, because of the higher financing costs associated with private borrowing, it is “very unlikely” colleges will be able to satisfy this condition.²⁶

The government was aware some colleges may have planned to borrow commercially to fund estate condition improvement projects, and so allocated an additional £150 million of capital funding to further education colleges and sixth form colleges.²⁷ It also provided £300 million of payments brought forward to “address the historical issue of uneven monthly payments from central government, which leave colleges out of pocket by March”.²⁸

Colleges' debt commitments do not need to change, but the further use of existing overdraft and credit facilities will be subject to consent from the Department for Education, which expects colleges to phase them out by no later than August 2024.²⁹ Refinancing any debt commercially is unlikely to be possible for colleges under the managing public money framework, but the government has said it will provide funding to enable them to repay lump sums outstanding at the end of loan terms. It will then recover the funds from colleges over an agreed timeline by withholding an agreed amount of planned future funding.

Colleges remain responsible for setting the pay, and terms and conditions for their workforce, but they are now within the scope of the Treasury's [senior pay controls](#), which mean approval is required for salaries over £150,000 and bonuses above £17,500.

More information is available in the Department for Education policy paper [Further education reclassification: government response](#), 29 November 2022.

1.4 Impact of Covid-19

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

- [Coronavirus: Update implications for the further and higher education sectors](#), 21 May 2020

²⁴ Treasury, [Managing public money](#), 4 May 2023

²⁵ Treasury, [Guidance for approval of senior pay](#), last updated 21 September 2021

²⁶ DfE, [Further education reclassification: government response](#), 29 November 2022

²⁷ DfE, [FE Capital Funding: FE reclassification capital allocation](#), last updated 7 June 2023

²⁸ DfE, [Further education reclassification: government response](#), 29 November 2022

²⁹ DfE, [Further education reclassification: government response](#), 29 November 2022

- [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.

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, despite further education providers initially appearing to have been included in the government’s plans.³⁰

In July 2020, the government [announced a £96 million 16-to-19 tuition fund](#), which was part of the £350 million National Tutoring Programme. The funding is being provided to support small group tuition for 16 to 19 students.³¹ Providers received £150 for each full-time student without GCSE grade 4 or above in English and/or maths.

On 24 February 2021, the government [announced a £102 million extension](#) of the 16-19 Tuition Fund for a further year.³² For more information on the fund, see the ESFA’s [16 to 19 funding: 16 to 19 tuition fund](#) guidance.

In October 2021, it was announced £800 million would be allocated across the rest of the Parliament to ensure all 16-19 students receive an [additional 40 hours of education across the academic year](#) (the equivalent of one additional hour a week in school or college).³³

Education Policy Institute report analysis

On 18 February 2021, the Education Policy Institute 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.”³⁴

[Responding to the report](#), Chief Executive of the AoC, David Hughes, argued, in contrast to school-aged children, many post-16 students who need

³⁰ [“Treasury excluded colleges from £1bn catch-up fund just hours before DfE announcement”](#), FE Week, 23 June 2020 (accessed 16 April 2021)

³¹ [“Study staff, pastoral care, peer mentoring: spending the tuition fund”](#), FE Week, 6 November 2020 (accessed 16 April 2021)

³² DfE press release, [“New education recovery package for children and young people”](#), 24 February 2021

³³ DfE, [All schools and colleges to receive extra funding for catch up](#), 27 October 2021.

³⁴ Education Policy Institute, [Education reopening and catch-up support across the UK](#), 18 February 2021, p43.

specialist learning to support their progression into employment or further study do not benefit from centrally planned initiatives. He said 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.³⁵

Adult Education Budget reconciliation threshold: funding ‘clawback’

Department for Education 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.

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.³⁶

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.³⁷

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.³⁸

³⁵ “[New EPI report compares the education catch up plans of the four UK nations](#)”, FE News, 18 February 2021 (accessed 16 April 2021).

³⁶ “[ESFA refuses to rule out funding clawback for ‘under delivery’](#)”, FE Week, 30 September 2020 (accessed 16 April 2021).

³⁷ ESFA, [Lower reconciliation threshold for ESFA grant funded providers](#), 22 March 2021.

³⁸ AoC press release, “[Government’s recovery plans in jeopardy because of cuts to adult training funds](#)”, 15 April 2021.

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.³⁹

The threshold returned to 97% for the following year.⁴⁰

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.”](#)⁴¹ 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 £8.6 billion post-pandemic skills package](#) comprising:

- £1.5 billion for apprenticeships
- £0.45 billion for 16 to 18-year-old programmes (includes 16-18 traineeships)
- £3.6 billion 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 potential mass unemployment and support vital reskilling for those who have remained in work.⁴²

On 18 June 2020, the Association of Colleges published a report, [Rebuild: A skills led recovery plan](#), which called for an extra £3.6 billion to upskill the 764,000 people most at risk economically post Covid-19.⁴³

On 20 October 2020, there was a debate held in Westminster Hall: [“Colleges and Skills: Covid-19.”](#)⁴⁴ The Library debate pack [“Role of colleges in a skills-led recovery from covid-19 outbreak”](#) provides some background on this issue.

³⁹ [PQ 179245](#) [Adult Education: Finance] 12 April 2021

⁴⁰ ESFA, [Reconciliation thresholds for under and over-delivery for Education and Skills Funding Agency adult education budget \(AEB\) academic year 2022 to 2023](#)

⁴¹ Industrial Strategy Council, [UK Skills Mismatch 2030](#), October 2019, p28

⁴² [“AELP calls for one-off £8.6bn post-pandemic skills package”](#), FE Week, 10 June 2020

⁴³ 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

⁴⁴ [HC Deb, 20 October 2020, 362WH](#)

2 16-19 Funding

The Education and Skills Funding Agency (ESFA) funds sixth-form colleges, further education colleges, sixth forms in schools and academies, special schools and academies, independent learning providers (ILPs), local authorities, special post-16 institutions, and some higher education institutions. These institutions are funded to provide study programmes for:

- students aged 16 to 19;
- students up to the age of 25 when they have an education, health, and care plan (EHCP);
- 14- to 16-year-olds who are directly enrolled at further education providers;
- home educated students of compulsory school age at further education providers.

In 2022/23, £7.2 billion was allocated by the ESFA to almost 2,800 providers in England for 16-19 education.⁴⁵ An overview of 16-19 funding is available in an ESFA guidance document, [16 to 19 funding: how it works](#).⁴⁶

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 August 2022 IFS published its [latest report on trends in funding for this sector](#). It formed part of their [Annual report on education spending in England: 2022 published later in the year](#). Its key findings on 16-19 further education were:

Between 2010–11 and 2019–20, spending per student aged 16–18 fell by 14% in real terms in colleges and by 28% in school sixth forms. For colleges, this left spending per student at around the level it was in 2004–05, while spending per student in sixth forms was lower than at any point since at least 2002.

In the 2019 and 2021 spending reviews, the government announced extra funding for colleges and sixth forms. As a result, overall per-student spending in 16–18 education is set to rise by 9% in real terms between 2021–22 and 2024–25. Yet even with the additional funding, college spending per pupil in

⁴⁵ DfE, [16 to 19 allocation data: 2022 to 2023 academic year](#)

⁴⁶ ESFA, [16 to 19 funding: how it works](#), 28 April 2022

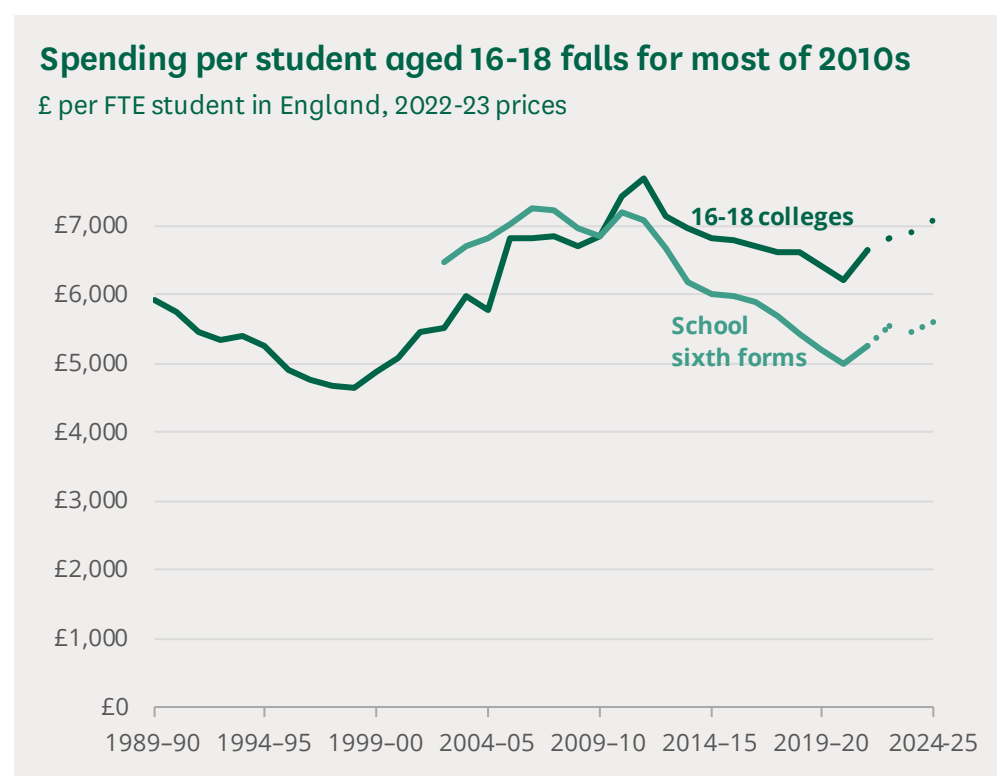
2024–25 will still be around 5% below 2010–11 levels, while school sixth-form spending per sixth-form pupil will be 22% below 2010–11 levels.

Colleges and sixth forms have seen a long-term decline in spending per student relative to schools. Further education spending per student aged 16–18 in 2022–23 was £6,800, which is lower than spending per pupil in secondary schools and only 11–12% greater than in primary schools having been more than two times greater in the early 1990s.⁴⁷

The chart below shows changes in real levels of spending per student over the past three decades and plans to 2024–25. It is based on the IFS data on per student funding in 16–18 further education and includes school sixth forms and ‘16–18 colleges’ (sixth form colleges and further education colleges).

Spending in school sixth forms was higher than that in 16–18 colleges for most of the 2000s. It peaked in 2006–07 and 2010–11. Spending increases were faster in 16–18 colleges in the 2000s. Spending per student in these colleges surpassed that in school sixth forms in 2009–10 and the gap has grown since then.

There were consistent real falls in spending per student in both sectors for most of the 2010s. Levels in 2021–22 were 27% below their peak for school sixth forms (almost £2,000 per student in 2022–23 prices), and 14% in sixth form colleges (£1,100 per student).



Source: IFS, [Further education and skills](#) (2 August 2022)

Real levels of spending appear to fall in 2020–21 and bounce back in 2021–22. This is in large part due to volatility of the GDP deflator (used to produce real

⁴⁷ IFS, [Annual report on education spending in England: 2022](#) (12 December 2022)

time series) during the pandemic.⁴⁸ If the 2020-21 data are disregarded then there was a modest real increase in spending per pupil in both sectors between 2019-20 and 2021-22.

Spending per student is planned to increase to 2024-25. However, 2024-25 levels will still be 22% and 8% below their recent peaks for schools sixth forms and 16-18 colleges respectively.

The time series data on spending are converted to ‘real prices’ (adjusted to prices in a constant base year) using data and forecasts of economy-wide inflation. This is the conventional approach, but some sectors could potentially face different levels of inflation, higher or lower than the average for the whole economy. In October 2022, the IFS said that these assumptions represented a ‘fair’ measure of the cost presumes faced by school sixth forms. The pay offer at the time for colleges was lower than expected increases in schools which would imply lower inflation for colleges. However, the IFS said:

Delivering a significantly lower pay award for college staff than that in schools could risk exacerbating recruitment and retention difficulties at a time when the workforce will need to expand to meet the growing student population.⁴⁹

Even if colleges did want to give higher pay rises, the IFS said that planned increases in funding per student mean they have little scope to offer this.⁵⁰

2.2

Recent funding announcements and future challenges

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.⁵¹

The government expected the additional money to increase funding per 16-19 student in further education sector colleges by around £440 in 2020/21.⁵² This would have been a real terms increase of almost 8%,⁵³ 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.

⁴⁸ IFS, [Latest trends in further education and sixth form spending in England](#) (24 October 2022)

⁴⁹ IFS, [Latest trends in further education and sixth form spending in England](#) (24 October 2022)

⁵⁰ IFS, [Latest trends in further education and sixth form spending in England](#) (24 October 2022)

⁵¹ “[Chancellor announces £400 million investment for 16-19-year olds’ education](#)”, [Gov.UK](#), 31 August 2019

⁵² [PQ 179740](#) [Further education: Expenditure] 12 April 2021

⁵³ 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.

In Spending Review 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 the government had 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](#).

In [Spending Review 2021](#), the government announced an additional £1.6 billion by 2024-25 for 16-19 education. This was said to maintain real levels of funding per student and represent a 18% increase in total 16-19 funding compared to 2019-20. The extra resources would provide additional classroom hours for students studying new T Levels and fund 40 hours of additional learning per student per year.⁵⁴

The IFS has set out a range of challenges faced by the further education sector. These are rising costs, recruitment and retention problems (particularly in colleges), and an ongoing increase in the number of 16- and 17- year-olds in the population:

Further education colleges and sixth forms are in a particularly difficult position at present. They saw larger cuts than other areas of education after 2010 and there was no extra funding announced in the 2022 Autumn Statement to help colleges and sixth forms cope with larger-than-expected cost increases.

Based on existing budgets, college staff have only been offered a pay rise of 2.5% for this year, well below the 5% offered to teachers; this could exacerbate recruitment and retention difficulties in colleges.

The number of 16- to 18-year-olds is projected to rise by 18% between 2021 and 2030, which would make for 200,000 extra students by 2030. This comes at a time when the government has scaled back departmental spending plans after 2024.⁵⁵

2.3

How is 16-19 funding allocated?

A national funding formula is used to calculate annual funding allocations for most 16-19 institutions (funding for special schools and special academies is calculated using place numbers only). 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.

Study programmes

16-19 education providers receive funding from the Education and Skills Funding Agency (ESFA) to deliver ‘study programmes’ to their students. Study

⁵⁴ HM Treasury, [Autumn Budget and Spending Review 2021](#), pp117-118

⁵⁵ IFS, [Annual report on education spending in England: 2022](#), 12 December 2022

programmes are tailored to the prior attainment of each student, with clear goals. They 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.

Funding for study programmes is based on their size as measured in planned hours. Hours are categorised as either qualification hours (planned learning hours), or non-qualification hours (planned employment, enrichment, and pastoral hours). These hours might include work experience, completing the Duke of Edinburgh Award, or playing sport for a college team.

Box 1: Approved qualifications

The [funding regulations guidance for post-16 provision](#) explains 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):

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.”⁵⁶

Information about how 16 to 19 funding is allocated is set out in ESFA guidance on [16 to 19 education funding allocations](#).⁵⁷ The most recent funding allocations for individual institutions are for [2022/23](#), and allocations from [earlier years](#) are also available online.

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 2022 to 2023. Rates and](#)

⁵⁶ ESFA, [List of Qualifications approved for funding. Further Information](#), accessed 18 May 2022

⁵⁷ ESFA, [16 to 19 education: funding allocations](#), last updated 11 May 2023

[formula](#).⁵⁸ The ESFA guidance [Advice: funding regulations for post-16 provision](#) also has more detailed information about some of the elements.⁵⁹

The formula



Core funding formula elements

Number of students

The number of students participating at an institution over a previous period. This is referred to as 'lagged student numbers' and is calculated in different ways for different types of provider. 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, whether it is a T Level programme, the student's age, and whether the student has high needs.

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.

⁵⁸ ESFA, [Funding guidance for young people 2022 to 2023. Rates and formula](#), March 2022

⁵⁹ ESFA, [Advice: funding regulations for post-16 provision](#), March 2022

Programme cost weightings

This recognises that some subjects cost more to deliver.

The level 3 programme maths and English payment

Providers receive additional funding to deliver maths and English to students who have not yet attained a GCSE grade 9 to 4 (or equivalent) if their study programme includes at least 2 A levels, or is a level 3 qualification of at least 360 guided learning hours or a T Level.

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 accounts for the additional costs incurred for teaching and supporting students who have low prior attainment (defined as not achieving English and/or maths GCSEs at grades 9 to 4 by the end of year 11).

Large programme funding

The [large programme uplift](#) reflects that some study programmes are much larger than average. The uplift provides increased funding above the full-time national rate for students that successfully study 4 or 5 A levels, a [Technical Baccalaureate \(TechBacc\)](#), a full International Baccalaureate, or a T Level and an additional A or AS level.

Area cost allowance

This recognises that education costs in London and parts of the Southeast 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](#).

2.4 National funding rates

The national funding rate for students aged 16- and 17-years-old, and students aged 18 and over with high needs, doing a study programme of at least 580 hours is **£4,542 per year** for the 2022/23 academic year. Funding for 18 to 19-year-olds is **£3,757**.

The national funding rate for students doing a two-year T Level programme of at least 1,730 hours is **£13,068 in total**.

More information on the national funding rate is available in the ESFA guidance document [16 to 19 funding: information for 2022 to 2023](#).

2.5 Student support schemes

Institutions can apply for financial support to help their students take part in education and training. Information on all the financial support available to young people in further education is available in the ESFA guidance [16 to 19 education: financial support for students](#).⁶⁰

16 to 19 Bursary Fund

The [16 to 19 Bursary Fund](#) was introduced in 2011 to 2012, replacing the Educational Maintenance Allowance. Its purpose is to provide financial support to help students overcome specific barriers to participation, so they can remain in education.⁶¹

There are two types of 16 to 19 bursaries:

⁶⁰ ESFA, [16 to 19 education: financial support for students](#), accessed 18 May 2022

⁶¹ ESFA, [16 to 19 Bursary Fund guide 2022 to 2023 academic year](#)

- bursaries for defined vulnerable groups
- discretionary bursaries which providers award using policies they set, in line with ESFA funding rules

Bursaries for defined vulnerable groups

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.

The bursary for vulnerable groups can pay up to £1,200 per year to a student on a study programme that lasts for 30 weeks. The actual amount a student receives will depend on their specific financial needs.

Discretionary bursaries

Individual providers 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.

There is no set limit for the amount of discretionary bursary awarded to students, but the provider's rationale must be included as part of their auditable records.

Impact on participation

The Department for Education has published [a number of reports on the 16-19 bursary fund](#), including an [impact evaluation in June 2015](#) (PDF). This found abolishing the Education Maintenance Allowance (EMA) in 2011 reduced Year 12 participation by around 1.5 percentage points during the 2011/12 and 2012/13 academic years

Free meals in further education

Funding is provided for [free meals for further education students](#) enrolled on ESFA-funded provision.⁶²

Funding for student support schemes

Institutions that receive funding allocations for both the 16 to 19 discretionary bursary and free meals in further education are able to use the funding as a single allocation, provided they ensure all students eligible for a free meal receive one in line with the ESFA's [free school meals guidance](#).

⁶² ESFA, [Free meals in further education funded institutions guide 2022 to 2023 academic year](#)

The table below sets out recent government funding for the 16 to 19 bursary fund and funding for free school meals in further education (they are recorded together in the ESFA's annual report and accounts).⁶³

funding £ million cash England	
<u>Financial year</u>	<u>Funding</u>
2017/18	218
2018/19	215
2019/20	209
2020/21	210
2021/22	225

Notes: Includes 16-19 free school meals funding

Source: [ESFA annual report and accounts \(various editions\)](#)

⁶³ See, for example, ESFA, [Education and Skills Funding Agency \(ESFA\) annual report and accounts 2021 to 2022](#), 7 November 2022

3

19+ Funding

The majority of public funding for non-apprenticeship, 19+ further education in England is currently provided by the Education and Skills Funding Agency (ESFA) through the [Adult Education Budget \(AEB\)](#).

There are additional streams of funding for classroom-based adult education, which include:

- The [National Skills Fund](#), which was announced in 2020 to help adults to train and gain skills to improve their job prospects. It currently funds [Skills Bootcamps](#) and the government's [Free courses for jobs](#) offer.
- The [UK Shared Prosperity Fund](#), which was created to replace EU structural funds and is currently funding the numeracy programme [Multiply](#).
- Advanced Learner Loans / Higher Education Student Finance, which fund certain [level 3 to 5 qualifications](#). From 2025, this funding will be replaced by the [Lifelong Loan Entitlement](#).

In May 2019, the independent panel report to the government's Review of Post-18 Education and Funding published its findings, which included an overview of the further education sector and its finances.⁶⁴ 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.

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.

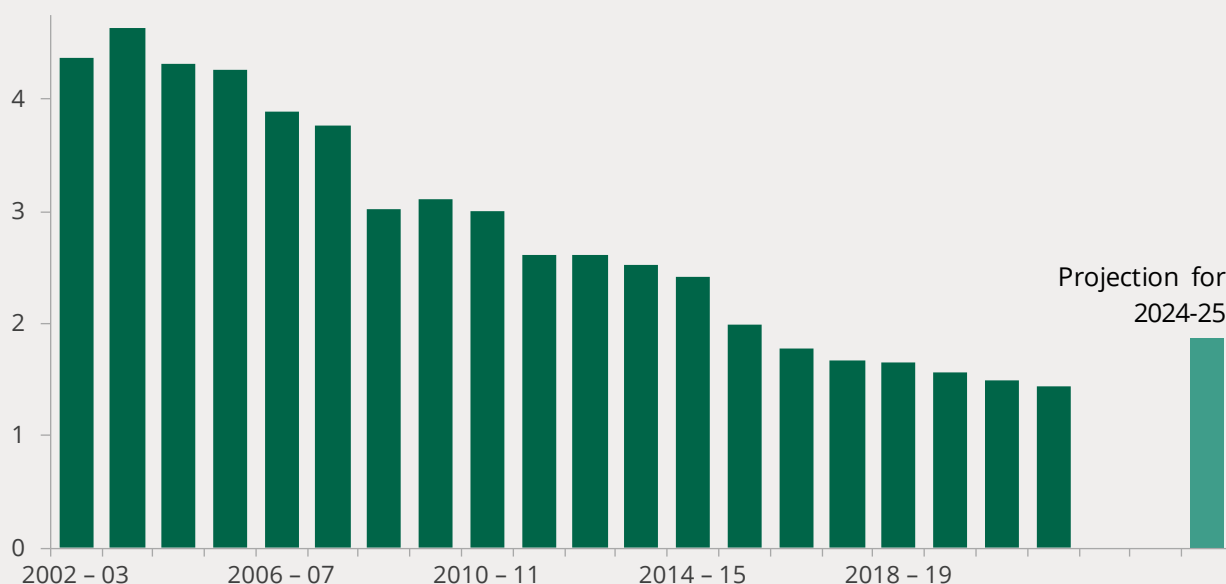
The Institute for Fiscal Studies latest report on [Adult education and skills](#) spending found that total spending on classroom-based adult education in

⁶⁴ DfE, [Independent panel report to the Review of Post-18 Education and Funding](#), May 2019, pp114-141

2021-22 was more than two-thirds lower in real terms than in 2003-04 and just over 50% lower than in 2009-10. It stood at £4.6 billion in 2003-04 (2022-23 prices) and fell to £3.0 billion in 2010-11 and to £1.4 billion in 2021-22.⁶⁵ This trend is illustrated below alongside the projected level in 2024-25, which includes the additional expenditure announced in the [Spending Review 2021](#).

Spending on adult FE down by more than two-thirds since 2003-04

Classroom-based adult education in England, £ billion 2022-23 prices



Source: IFS, [Adult education and skills](#) (2 August 2022)

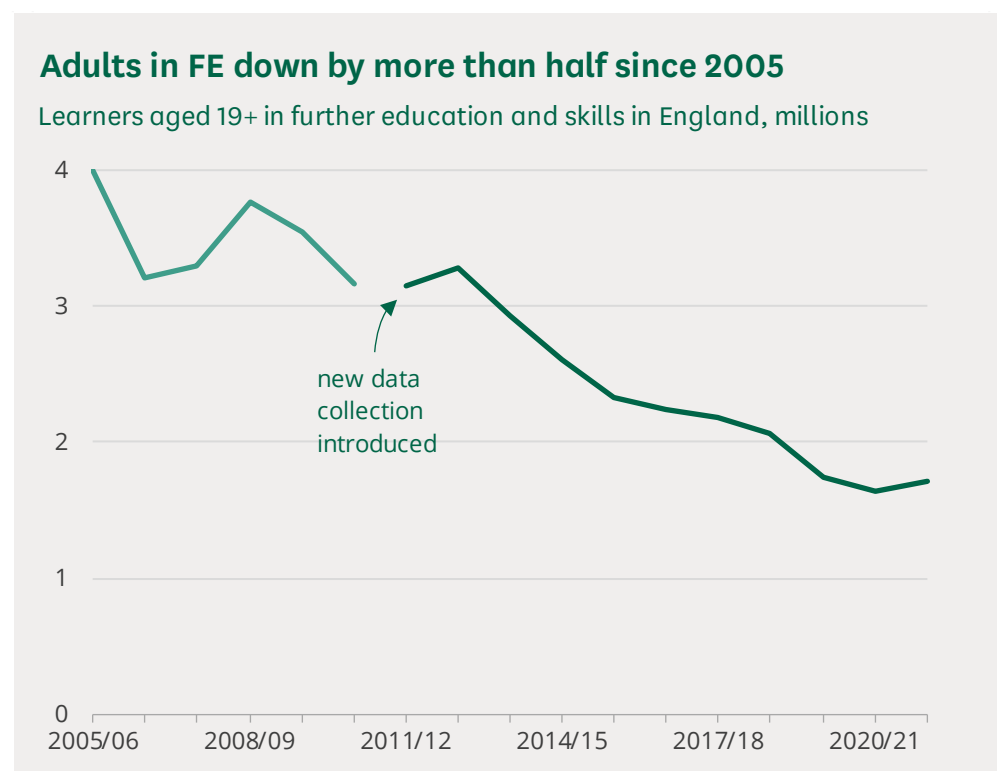
These figures exclude spending on Advanced Learner Loans which are detailed in [section 3.6](#) of this paper.

This fall in funding was 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 are shown in the chart below. This includes those on adult apprenticeships and community learning courses. There is a break in this series,⁶⁶ but it is still clear that learner numbers have fallen over time from four million in 2005/06 to below three million from 2013/14 to around 1.7 million in the latest figures.

⁶⁵ IFS, [Adult education and skills](#), 2 August 2022

⁶⁶ This is thought to have reduced counts of learner numbers by around 2%.



Source: DfE, [Further education and skills: November 2022](#)

Since 2011/12, the number of learners on classroom-based education and training has fallen by 42%, community learning by 55%, and adult apprenticeships by less than 1%.

The largest fall in numbers by level was in those studying at ‘full level 2’ (equivalent to 5+ GCSEs), where numbers fell by 86% or around 890,000 between 2011/12 and 2021/22.⁶⁷ Participation at level 4+ (such as a higher national certificate or higher apprenticeship) increased from 39,000 to 245,000 over the same period. This growth has been driven by increases in numbers taking higher apprenticeships. The number starting level 4+ education and training courses was only 14,1000 in 2021/22 and has fallen by 16% since 2017/18.⁶⁸

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

The authors of the [2020 edition of this report](#) said: “there has also been a large and deliberate shift from classroom-based to apprenticeship training”.⁶⁹ Spending on apprenticeships and other types of work-based learning doubled in real terms between 2002-03 and 2009-10. It fell over the following few years and has been around £2 billion for most of the last

⁶⁷ When the full range or ‘width’ of course aims a learner is taking are summed they are equivalent to five or more GCSEs.

⁶⁸ DfE, [Further education and skills: November 2022](#)

⁶⁹ IFS, [2020 Annual report on education spending in England](#), 3 November 2020, section 4

decade. Its level in 2021-22 was 11% below the real terms peak in 2009-10. This was a smaller fall than in classroom-based education and training (54% shown in the first chart above). Total spending across all areas of adult education and skill in England was broadly maintained in real terms between 2002-03 and 2009-10. It fell through the 2010s and in 2021-22 was 34% less than its 2009-10 level in real terms.⁷⁰

Funding for classroom-based adult education is projected to increase by 30% in real terms between 2021-22 and 2024-25. The increase for apprenticeships and other types of work-based learning doubled is slightly smaller at 13%. However, this increase in funding only partially reverses earlier cuts.⁷¹

The IFS spending data do not include spending on skills bootcamps⁷² or the £560 million (UK-wide 2022-25) Multiply programme. They estimate that including the latter could increase the 2024-25 total by £150-160 million in England.⁷³

3.2 Recent funding announcements and future challenges

Budget 2020

In March 2020, the Budget committed **£2.5 billion over the course of the parliament** to a new [National Skills Fund](#) to improve adult skills in England.⁷⁴

Spending review 2020

The Chancellor outlined 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.⁷⁵

Spending Review 2021

The [Autumn Budget and Spending Review 2021](#) allocated high-level funding for the period to 2024-25. It included £3.8 billion in new funding for skills and lifelong learning (including 16-19 education), to be delivered between 2021-22 and 2024-25.⁷⁶ This was said to be a 26% real increase compared to 2019-20.

⁷⁰ IFS, [Adult education and skills](#), 2 August 2022

⁷¹ IFS, [Adult education and skills](#), 2 August 2022

⁷² This spending is included in the projected total for 2024-25

⁷³ IFS, [Adult education and skills](#), 2 August 2022

⁷⁴ HM Treasury, [Budget 2020](#) (PDF), March 2020, p48

⁷⁵ HM Treasury, [Spending Review 2020](#) (PDF), November 2020, p62

⁷⁶ HM Treasury, [Autumn Budget and Spending Review 2021](#), October 2021, pp96-97

Some details of the overall spending for this sector, not just new money, included:

- £2.8 billion capital investment across the spending review period. This funding will establish Institutes of Technology across England and raise the condition of further education colleges in England.
- Apprenticeships funding to reach £2.7 billion by 2024-25.
- £560 million across the spending review period for adults across the whole of the UK to develop their numeracy skills through the Multiply programme, funded through the UK Shared Prosperity Fund.
- £554 million (part of the National Skills Fund) by 2024-25 to substantially increase retraining and upskilling opportunities for adults. According to the Treasury:

This provides a 29% real terms uplift in adult skills funding compared to 2019-20 and meets the government's commitment to a National Skills Fund.

Detailed funding for individual years up to 2024-25 has not yet been published. The chart in [Section 3.1](#) includes total funding for the sector in 2024-25. The latest IFS [Annual report on education spending in England](#) gives more commentary on background on the spending review outcome for the sector.⁷⁷

Budget 2023

No major funding was announced at the spring 2023 Budget, but an additional £63.2 million was made available to increase the numbers of Skills Bootcamps and Sector-Based Work Academy Programme placements.⁷⁸ Along with accelerated apprenticeships, these will be promoted together to the over 50s as 'returnerships'.⁷⁹

Future challenges

The IFS has said that overcoming the scale of funding cuts and the fall in participation over the past decade and meeting its high aspirations for the sector represents a "huge challenge" to the government. Other challenges include how well the Mayoral Combined Authorities and the Greater London Authority are able to use the devolved Adult Education Budget and addressing the skills gap among non-graduates funding through the new "relatively untested" national programmes: Skills Bootcamps and Multiply.⁸⁰

⁷⁷ Institute for Fiscal Studies, [2021 Annual report on education spending in England](#), 30 November 2021, pp40-42

⁷⁸ HM Treasury, [Spring Budget 2023](#) (PDF), March 2023, p57

⁷⁹ DfE Education Hub blog, [Budget 2023: What are 'returnerships' and who are they for?](#), 17 March 2023

⁸⁰ IFS, [Adult education and skills](#), 2 August 2022

Reforms to the funding and accountability systems

In the government's [Skills for Jobs White Paper](#), published in January 2021, it set out a number of reforms to post-16 technical education and training, including funding and accountability.⁸¹

In July 2021, the Department for Education consulted on reforms to simplify the adult skills funding system and the further education accountability system, and to increase the focus on outcomes in both.⁸² This informed a second consultation, launched in July 2022, which set out in greater detail the proposed reforms and how these could be implemented.⁸³ The second consultation said:

Fundamentally, our reforms are about changing the incentives in the further education (FE) system by focussing accountability on outcomes and simplifying the funding system, so providers have the flexibility that they need to deliver in the most effective way.⁸⁴

In the second consultation, the Department for Education set out proposals for:

- A single Skills Fund, which would include funding for Adult Education Budget (AEB) provision, including Community Learning and the Free Courses For Jobs offer.
- A Single Development Fund for all development funding in the next Spending Review.
- A new set of funding rates for adult skills to both simplify funding and boost funding for training in areas of greatest skills need.
- Refocusing the purpose of all ESFA-funded non-qualification / non-formal provision (which is generally delivered to adults in local communities as adult community education) so it meets at least one of the following objectives:
 - achieving employment outcomes for all learners
 - achieving progression to further learning that moves individuals closer to the labour market, for all learners
 - helping those with learning difficulties and/or disabilities to support their personal development and access to independent living.

⁸¹ DfE, [Skills for Jobs: lifelong learning for opportunity and growth](#), January 2021

⁸² DfE, [Reforms to Further Education Funding and Accountability](#), 7 October 2021. A summary of responses and the Government's response is available: [DfE Consultation outcome: Reforms to further education \(FE\) funding and accountability](#), July 2022

⁸³ DfE, [Implementing a New FE Funding and Accountability System](#), July 2022

⁸⁴ DfE, [Implementing a New FE Funding and Accountability System](#), July 2022, p8

The Department for Education will introduce the Skills Fund in the 2024/25 academic year.⁸⁵ It has said it will respond to the second consultation in due course. Some sector bodies have warned the non-qualification provision proposals would have a “devastating” impact on learning opportunities for the most vulnerable adults.⁸⁶

3.3

Adult Education Budget

The Adult Education Budget (AEB) covers funding for adult education (excluding apprenticeships), community learning, and learner support. It fully funds or co-funds (when the student or their employer must pay part of the costs) skills provision for eligible adults aged 19 and above from [pre-entry to level 3](#).⁸⁷

The AEB 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 subject legal entitlements, such as English and maths. Eligibility for full funding or co-funding is based on an individual’s age, their prior educational attainment, personal circumstances (such as their immigration and residency status), and on the course they wish to take. Which courses are funded may also differ between devolved and non-devolved areas.

Box 2: Learner funding legal entitlements

There is a statutory entitlement to full funding for certain adult learners. As set out in the [Apprenticeships, Skills and Children Learning Act 2009](#), eligible adult learners are 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.

If an individual meets the legal entitlement eligibility criteria, and other criteria including residency eligibility, providers should not charge them any course fees.

⁸⁵ PQ 110750 [[Further Education: Finance](#)] 21 December 2022

⁸⁶ “[Community educators want FE accountability consultation axed](#)”, FE Week, 11 September 2022 (accessed 26 June 2023)

⁸⁷ GOV.UK, [What qualification levels mean](#)

Under the Spending Review 2015 settlement, the AEB (comprising the previous non-apprenticeship Adult Skills Budget, plus community learning and 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 2022-23**.

Funding allocation

The budget for adult further education 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 [2022/23](#), 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 the Library briefing [Devolution of the Adult Education Budget](#).

Since 1 August 2019, around 60% of the AEB has been devolved to nine 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
- North of Tyne
- South Yorkshire
- West Yorkshire
- Greater London

The devolved authorities are 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. Funding allocations for devolved areas were published in separate grant determination letters for each area in [2019/20](#), [2020/21](#), [2021/22](#), [2022/23](#), and [2023/24](#).

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

AEB funding methodology

Further education 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 [Adult education budget \(AEB\) funding rules 2023 to 2024](#).⁸⁸

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 2023 to 2024](#).⁸⁹

The formula comprises three elements:

- **Rate:** This is determined by the learning aim, which 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.

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**.⁹⁰ In 2022-23 funding for community learning made up 20% of the value of AEB allocations made outside of devolved areas.⁹¹

⁸⁸ ESFA, [Adult education budget \(AEB\) funding rules 2023 to 2024](#)

⁸⁹ ESFA, [ESFA Funded Adult Education Budget Funding Rates and Formula 2023 to 2024](#)

⁹⁰ [PQ 216425](#) [Adult Education: Expenditure] 4 February 2019

⁹¹ DfE, [Funding allocations to training providers: 2022 to 2023 \(April 2023\)](#)

Prioritised for disadvantaged learners, the government has said community learning can provide a “stepping stone” for adults who are not ready for formal accredited learning, or who would benefit from learning in a more informal way.⁹² It is primarily managed and delivered by local authorities, general further education 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 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 election](#) included a plan for a National Skills Fund. It was to be worth £3 billion over the next parliament and provide matching funding for individuals and small and medium enterprises (SMEs) for high-quality education and training.⁹³

The £2.5 billion (£3 billion when including Barnett funding for devolved administrations) investment in the National Skills Fund in England was announced in [Budget 2020](#), which was in March of that year.⁹⁴

The Department for Education has published an overview of the [National Skills Fund](#), explaining what it currently funds for adult learners.⁹⁵

Skills for Jobs white paper

On 29 September 2020, the Prime Minister [announced a Lifetime Skills Guarantee](#), to give people the opportunity to train and retrain throughout their lives.

More detail on this policy was included in a government white paper published in January 2021, [Skills for Jobs: lifelong learning for opportunity and growth](#), which said the National Skills Fund “will deliver key elements of the Prime Minister’s Lifetime Skills Guarantee”.⁹⁶

⁹² [PQ HL330 \[Adult Education\]](#) 2 June 2021

⁹³ [The Conservative and Unionist Party Manifesto 2019](#)

⁹⁴ HM Treasury, [Budget 2020](#), March 2020, p48

⁹⁵ DfE, [National Skills Fund](#)

⁹⁶ DfE, [Skills for Jobs: lifelong learning for opportunity and growth](#), January 2021

A report by the Institute for Fiscal Studies analyzing the government's white paper proposals said [a lot of detail was missing or left to further consultation](#), particularly with regard to what the National Skills Fund would mean in practice.⁹⁷ The IFS also noted the £2.5 billion National Skills Fund spending commitment over the next five years would only reverse about one-third of the cuts to adult education spending over the 2010s.

Consultation

In July 2021, the government launched a consultation on the National Skills Fund, which focussed on how the fund could meet critical skills needs and outlined two of the offers already available as part of the Lifetime Skills Guarantee (Skills Bootcamps and Free level 3 qualifications for adults).⁹⁸

The government [responded to the consultation in April 2022](#), setting out its decision to expand Skills Bootcamps and its plan to raise awareness of the Free Courses for Jobs offer.⁹⁹

Skills bootcamps

Skills Bootcamps are free courses of 12 to 16 weeks for adults aged 19 or over who are either in work or recently unemployed, giving them the opportunity to build up sector-specific skills and get a fast-track interview with a local employer. They are developed in partnership with employers, colleges, training providers, and local authorities.

A [list of Skills Bootcamps](#) is available on GOV.UK. Courses include:

- digital skills, including marketing, coding, or data analysis;
- technical training in areas such as engineering, construction, or logistics (eg. HGV driving);
- green skills, such as solar energy or agriculture technology.

At the [Spending Review in November 2020](#), the Chancellor announced **£375 million** in National Skills Fund investment,¹⁰⁰ including **£43 million** for skills bootcamps in the 2021-22 financial year.¹⁰¹

At the [2021 Spending Review](#), a further **£550 million** investment over the next three financial years was announced to expand Skills Bootcamps.¹⁰² In April 2022, in its response to the National Skills Fund consultation, the Department for Education highlighted this investment, saying it “will mean many more

⁹⁷ IFS, [Big changes ahead for adult education funding? Definitely maybe](#), April 2021, p16

⁹⁸ DfE, [The National Skills Fund consultation](#), July 2021

⁹⁹ DfE, [National Skills Fund consultation response](#), April 2022

¹⁰⁰ HM Treasury, [Spending Review 2020](#), November 2020, p62

¹⁰¹ [PQ 68265 \[Skills Bootcamps\] 2 November 2021](#)

¹⁰² HM Treasury, [Autumn Budget and Spending Review 2021](#), October 2021, pp96-97

adults will gain the skills they need to access work in a range of priority sectors, responding to the needs of the economy.”¹⁰³

At the spring 2023 Budget, the government announced an additional £34 million to increase the numbers of Skills Bootcamps, with an aim of delivering 64,000 training places from next year.¹⁰⁴

Free level 3 qualifications for adults

Since 1 April 2021, adults aged 19 and over who do not have a full [level 3 qualification](#), which is equivalent to A levels or an advanced technical certificate or diploma, have been able to access fully-funded courses on an approved list. There are over 400 qualifications available in areas such as engineering, social care, and accounting.¹⁰⁵

The offer is also available to adults in England who earn less than the National Living Wage annually (£20,319 from April 2023) or who are unemployed. This is regardless of their prior qualification level.

At the [Spending Review in November 2020](#), the Chancellor announced £375 million in National Skills Fund investment,¹⁰⁶ including **£95 million** for the free level 3 qualification offer.

3.5

UK Shared Prosperity Fund

The UK Shared Prosperity Fund (UKSPF) is intended to replace the EU’s structural funds, which are designed to support economic development and reduce inequality between and within countries. The UKSPF will provide £2.6 billion of funding for local investment by March 2025. Funding is confirmed for three financial years:

- £400 million for 2022-23
- £700 million for 2023-24
- £1.5 billion for 2024-25.¹⁰⁷

Multiply

The first priority of the UKSPF was Multiply, a programme for improving adult numeracy skills, with up to £559 million in funding available. All local areas in

¹⁰³ DfE, [National Skills Fund consultation response](#), April 2022, pp35-36

¹⁰⁴ DfE Education Hub blog, [Budget 2023: What are ‘returnerships’ and who are they for?](#), 17 March 2023

¹⁰⁵ DfE, [Find a free level 3 qualification](#)

¹⁰⁶ HM Treasury, [Spending Review 2020](#), November 2020, p62

¹⁰⁷ Department for Levelling up, Housing, and Communities, [UK Shared Prosperity Fund: prospectus](#)

the UK will receive funding to deliver bespoke adult numeracy programmes in their area.

- Adults who do not already have a GCSE grade C/4 or higher in Maths will be able to access free courses in person or online, at work or in the evening.
- Employers can work with their Local Authority and training providers to deliver Maths GCSEs or work-ready Functional Skills Qualifications and design and deliver bespoke programmes for their workforce.¹⁰⁸

The Greater London Authority, Mayoral Combined Authorities, and upper tier/unitary authorities outside of these areas in England can develop investment plans for the adult numeracy programmes. These programmes must be delivered across the Spending Review period (2022-23 to 2024-25), and, in return for funding, the government expects an increase in the number of adults participating in, and achieving, adult numeracy qualifications up to and including level 2 (both GCSE Grade C/4 or above, and Functional Skills Qualifications).

More information is available in [several Multiply guidance documents published on GOV.UK](#).

3.6

Advanced Learner Loans

Students studying courses not eligible for higher education student finance, such as diplomas, certificates, and awards in a wide range of vocational areas from levels 3 to 6, can access [Advanced Learner Loans](#) (ALLs) for support with tuition fees. Students cannot access maintenance loans for these courses, but there is a bursary fund to help with study-related costs, such as financial hardship and childcare.

Advanced Learner Loans (ALLs) were first 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 taken. Details of eligibility requirements are available on the [Student Finance England for practitioners website](#).

¹⁰⁸ DfE Education Hub blog, [Everything you need to know about the new Multiply programme](#), 27 October 2021

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 £2,390 in 2021/21.¹⁰⁹

The table below gives trends in take-up. Uptake of ALLs has fallen since 2016/17, with fewer loans taken out for level 3 courses. The number taken out in 2021/22 was the lowest since this data was first reported. The value of loans awarded fell by 45% in cash terms between academic year 2016/17 and 2021/22 to its lowest recorded level.

Advanced learner loan take-up, England								
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
<i>Number of learners with loans</i>								
Level 3	70,700	89,000	110,200	99,500	97,600	86,400	76,900	57,300
Level 4+	4,800	6,300	9,100	9,900	10,300	9,900	10,000	9,000
Total	75,400	95,000	119,000	109,000	107,300	95,800	86,200	65,800
<i>Value of loans awarded</i>								
(£ million cash)	148.8	195.2	236.2	208.0	200.3	182.4	166.9	130.4

Source: DfE, [Further education and skills 2022/23](#)

To put these figures in context 1.3 million home undergraduate higher education students took out student loans in England in 2021/22 with a total value of almost £18.6 billion.¹¹⁰

The latest government forecasts are that the value of ALLs will fall from £155 million in (financial year) 2021-22 to £135 million in 2022-23, before increasing gradually to £145 million in 2026-27. Only 30% of learners who took out these loans in 2021/22 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 40% of their face value for loans taken out in 2022-23. In other words, the present value of loan repayments is expected to be 60% of the amount taken out.¹¹¹

These RAB charge estimates are substantially lower than those for 2020-21 which were 67%. This reflects changes to loan repayment terms¹¹² for existing borrowers. Estimates for ALLs taken out from academic year 2023/24, under new repayment terms¹¹³, are lower still at 31-34%. All these estimates are

¹⁰⁹ Student Loans Company, [Advanced Learner Loans paid in England AY 2022/23, Aug to Apr](#) (Table 2)

¹¹⁰ Student Loans Company, [Student Support for Higher Education in England 2022](#) (Table 2A)

¹¹¹ DfE, [Student loan forecasts, England: 2021 to 2022](#)

¹¹² Two year freeze in repayment threshold and lower increases in the threshold in future years.

¹¹³ The main changes are lower repayment thresholds, lower maximum interest rates and an increase in the repayment term from 30 to 40 years.

subject to considerable uncertainty as they have to forecast borrowers' earning for decades after finishing their courses.

Lifelong Loan Entitlement

From 2025, the [Lifelong Loan Entitlement](#) (LLE) will replace the two existing systems of publicly funded higher education student finance loans and Advanced Learner Loans.

The LLE will provide all new learners with a tuition fee loan entitlement to the equivalent of four years of post-18 education to use up to the age of 60. This would be £37,000 in current fees. Learners will have a personal account they can access throughout their life that will display their student finance LLE 'balance' as well as information, guidance, and details of eligible courses the LLE will fund.

For all courses and modules funded by the LLE, eligible learners will also be able to access maintenance loans towards their living costs, as well as targeted grants depending on their personal circumstances. Additional entitlement will be available for priority subjects, such as medicine. A "residual entitlement" will also be available to returning eligible learners who have already received publicly funded student finance.

The LLE is intended to be used flexibly, for full-time or part-time study of modules (comprising of at least [30 credits](#), whether individual or bundled together) or full qualifications at [levels 4 to 6](#) in colleges or universities. Through provisions in the [Lifelong Learning \(Higher Education Fee Limits\) Bill](#), traditional degree courses, short courses, and modules will be priced consistently according to their respective amount of learning.

To increase flexibility for people using their LLE to retrain, current restrictions on receiving funding for most courses at an equivalent or lower level to a qualification a student already holds will be removed.

More information is available in the Commons Library briefing [The Lifelong Loan Entitlement](#).¹¹⁴ Alongside the Department for Education's [response to a consultation on the LLE](#), it has also published an [impact assessment](#), an [equalities analysis](#), and a [written ministerial statement](#) relating to the LLE.¹¹⁵

¹¹⁴ Commons Library briefing CBP 9756, [The Lifelong Loan Entitlement](#)

¹¹⁵ DfE, [Lifelong Loan Entitlement: Government consultation response](#), 7 March 2023

4 Capital funding

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

The government's [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.”¹¹⁶ The Department for Education has published guidance on the type of capital funding available, what it can be used for, and when providers can apply.¹¹⁷

4.1 Recent funding announcements

Budget 2020

[Budget 2020](#) committed **£1.5 billion over five years for capital spending** across all further education sites in England. In June 2020, 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.¹¹⁸

Spending Review 2021

The [Autumn Budget and Spending Review 2021](#) said capital investment across the further education sector would be £2.8 billion between 2022-23 and 2024-25. This is total funding and will include some of the £1.5 billion figure announced at Budget 2020.¹¹⁹

Reclassification of colleges

Following the reclassification of further education colleges, sixth form colleges, and designated institutions in England to the public sector in

¹¹⁶ DfE, [Skills for jobs: lifelong learning for opportunity and growth](#), January 2021, p11

¹¹⁷ DfE, [FE Capital Funding](#), last updated 7 June 2023

¹¹⁸ DfE press release, “[PM announces transformative school rebuilding programme](#)”, 29 June 2020

¹¹⁹ HM Treasury, [Autumn Budget and Spending Review 2021](#), October 2021, pp 96-97

November 2022, an additional £150 million in capital funding was made available to be spent between 1 April 2023 and 31 March 2025.¹²⁰

Energy efficiency funding

In December 2022, the Government announced £500 million of capital funding for schools and further education institutions in England for energy efficiency upgrades.¹²¹ £53 million was made available to eligible further education colleges and designated institutions.¹²²

This funding is understood to have come from underspends across the Department for Education's other capital budgets.¹²³ It was allocated according to the number of students a provider had rather than their level of need, and so was criticised by some colleges for being insufficient to fund their planned projects.¹²⁴

4.2

Further Education Capital Transformation Fund

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 Further Education Capital Transformation Fund.

Allocations

Several different allocations of the Further Education Capital Transformation Fund have been made between 2020 and 2023:

- In August 2020, then-Education Secretary Gavin Williamson [announced more than 180 colleges would receive a share of £200 million](#) to renovate buildings and facilities.¹²⁵ The [successful colleges can be found on GOV.UK](#).¹²⁶

¹²⁰ DfE, [FE Capital Funding: FE reclassification capital allocation](#), last updated 7 June 2023

¹²¹ DfE, [Investment to shield schools from high energy bills and boost to budgets](#), 6 December 2022

¹²² DfE, [Additional FE capital funding for the 2022 to 2023 financial year](#), last updated 7 June 2023

¹²³ "[Smaller colleges cold-shouldered by energy capital funding](#)", FE Week, 10 December 2022 (accessed 26 June 2023)

¹²⁴ "[Smaller colleges cold-shouldered by energy capital funding](#)", FE Week, 10 December 2022 (accessed 26 June 2023)

¹²⁵ DfE, [Colleges to receive £200 million to transform their buildings](#), 19 August 2020

¹²⁶ ESFA, [Capital allocations for FE colleges and designated institutions](#), 19 August 2020

- In January 2021, another phase was launched, divided into two stages:
 - Stage 1 (closed 22 March 2021): All further education colleges and designated institutions in England were invited to apply for investment for projects to tackle poor condition across their estates.
 - Stage 2 (closed 8 October 2021): Only colleges and institutions with projects approved at stage 1 were invited to submit a full detailed bid application at stage 2. [Guidance for applicants at stage 2 was set out on GOV.UK.](#)

On 4 April 2022, the Government announced [78 proposed projects had been successful](#) and would receive a total of £405 million, with colleges making “a match funding contribution to their projects.” The [62 successful colleges and designated institutions were published on GOV.UK.](#) It has since been confirmed approximately £410 million of funding was provided to 60 colleges for 75 projects.¹²⁷

- On 8 April 2021, it was announced the Department for Education would work in partnership with 16 colleges identified as some of the most in need of capital investment in England.¹²⁸ The amount of associated funding has not been publicly disclosed.
- In March 2023, the final £286 million of funding was allocated to colleges and designated institutions for 2023-24 and 2024-25.¹²⁹

4.3 Condition Improvement Fund

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. Bids from applicants with strong governance and good financial management are favoured.

The Condition Improvement Fund 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.

¹²⁷ DfE, [FE capital funding: FE Capital transformation fund](#), last updated 7 June 2023

¹²⁸ DfE, [Sixteen colleges to benefit from next phase of fund to transform facilities](#), 8 April 2021

¹²⁹ DfE, [Further education capital transformation fund allocation](#), last updated 28 March 2023

In 2023/24, the Condition Improvement Fund will provide funding of £456 million for 1,033 projects at 859 academies, sixth-form colleges, and voluntary-aided schools.¹³⁰

4.4 Post-16 Capacity Fund

The post-16 capacity fund supports post-16 education providers to accommodate demographic increases in learners aged 16 to 19.

The most recent funding round closed on 11 November 2022 and made £140 million available for providers to deliver projects creating additional capacity from September 2024.¹³¹

4.5 T Level Capital Fund

T Levels have been introduced in phases since 2020 and offer a technical alternative to A Levels.¹³² The T Level Capital Fund was established to support further education 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 [T Level Capital Fund](#).¹³³

Allocations

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](#).¹³⁴ Funding of over **£48 million** was awarded

¹³⁰ DfE, [Condition Improvement Fund: 2023 to 2024 outcome](#), 12 May 2023.

¹³¹ DfE, [Post-16 capacity fund: successful projects](#), last updated 7 June 2023

¹³² See the Commons Library briefing [Technical Education in England: T Levels](#) for more information.

¹³³ DfE, [T Levels Capital Fund](#)

¹³⁴ DfE, [T Levels capital fund: wave 2 - successful applications](#), January 2021

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. £50 million was made available to support 65 T Levels projects.¹³⁵ A further 12 projects totalling £16 million were later announced.

Wave four

Wave 4 was intended to support providers delivering T Levels in September 2023, both for specialist equipment and for buildings capital. Over £150 million capital funding was available.¹³⁶ Successful applicants were announced in July 2022, with over £74 million provided in funding to support 86 T Levels projects.¹³⁷

Wave five

Wave 5 is intended to support providers delivering in September 2024 to purchase specialist equipment and to fund new builds or refurbishments. For this wave, over £150 million capital funding is available.¹³⁸

4.6

Institutes of Technology capital funding

In 2017, the Government Green Paper [Building our Industrial Strategy](#) set out plans to establish new Institutes of Technology and invest **£170 million in their capital funding**.¹³⁹

[Institutes of Technology](#) are collaborations between further education providers, universities, and employers. 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.¹⁴⁰

¹³⁵ DfE, [T Levels capital fund: wave 3 – successful applications](#), December 2021

¹³⁶ DfE, [T Levels Capital Fund](#)

¹³⁷ DfE, [T Levels capital fund: wave 4 – successful applications](#), 19 July 2022

¹³⁸ DfE, [Guide to the T Level Capital Fund \(TLCF\) Wave 5](#), November 2022

¹³⁹ HM Government, [Building our Industrial Strategy: green paper](#), January 2017, pp43-44

¹⁴⁰ DfE, [Institutes of Technology](#), December 2021

Funding allocations

Wave one

On 10 April 2019, then-Education Secretary [Damian Hinds announced the first twelve Institutes of Technology](#) to share **£170 million** of government investment to fund industry-standard facilities and equipment.

A spokesperson for the Association of Colleges (AoC) [claimed 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.¹⁴¹

Wave two

In October 2020, the second wave of funding applications for proposals covering Local Enterprise Partnerships (LEP) that did not currently have an Institute of Technology opened.¹⁴²

Eight new Institutes of Technology were to be selected, but all nine proposals met the DfE's quality standards and were ultimately approved. They will receive up to **£120 million** of investment.¹⁴³

¹⁴¹ [“Revealed: The winners and losers in the £170m Institutes of Technology competition”](#), FE Week, 10 April 2019 (accessed 16 April 2021)

¹⁴² DfE, [Competition opens for new wave of Institutes of Technology](#), 8 October 2020

¹⁴³ [HCWS515 \[Institutes of Technology\], 5 January 2022](#)

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