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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. 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. 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. From 31 March 2025, the ESFA's functions will be transferred within the Department for Education.

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 ESFA through the [Adult Skills Fund \(ASF\)](#).

The ASF replaced the Adult Education Budget (AEB) in 2024. It incorporates funding for the government's '[free courses for jobs](#)' offer. Following reforms to the education funding and accountability systems, the ASF has a greater focus on outcomes. [Guidance published by the ESFA](#) states:

The purpose of ASF is to support adult learners to gain skills which will lead them to meaningful, sustained and relevant employment, or enable them to progress to further learning which will deliver that outcome.

Within the ASF, there is also funding for “tailored learning”, which has replaced AEB community learning and non-regulated provision. The primary purpose of tailored learning is to support learners into employment and to progress to further learning, but it will also support wider outcomes, including improving health and wellbeing.

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

- Funding for the delivery of [Skills Bootcamps](#), which are free courses for adults typically lasting up to 16 weeks, available across a range of sectors.
- The [UK Shared Prosperity Fund](#), which was created to replace EU structural funds and is currently funding the numeracy programme [Multiply](#).
- Advanced Learner Loans, which fund certain [level 3 to 5 qualifications](#). From the 2026/27 academic year, this funding will begin to be replaced by the [Lifelong Learning Entitlement](#).

Funding for adult education in England is being increasingly devolved to local areas. Around 60% of the Adult Skills Fund is currently devolved to nine mayoral combined authorities and the Greater London Authority. Other funding streams, including Skills Bootcamps and the UK Shared Prosperity Fund are also devolved.

## 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.

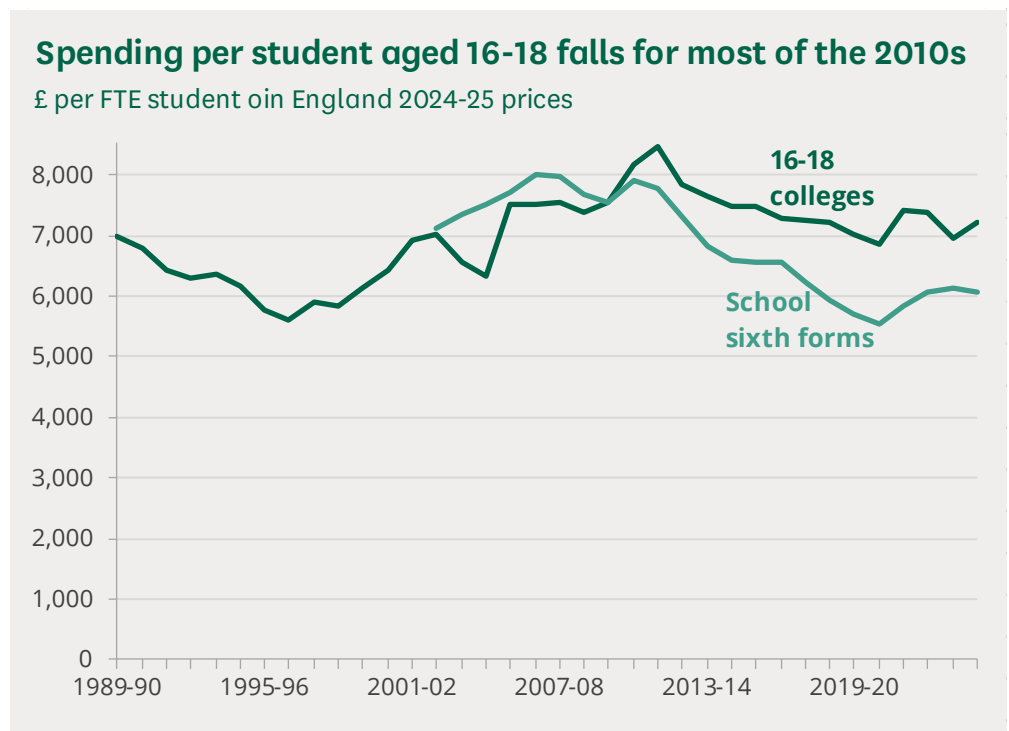
## Funding trends

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 January 2025 that 16-19 education funding had experienced substantial cuts during the 2010s and adult education had seen for an even longer time period. Recent increases to per student funding had done little to reverse the earlier cuts.:

Between the 2010–11 and 2019–20 financial years, funding per student aged 16–18 fell in real terms by 14% in colleges and 28% in school sixth forms.

In the Autumn Budget 2024, the government announced a £300 million cash-terms boost to college and sixth-form funding. Because of rising student numbers and inflation, we calculate that this is only sufficient to deliver a real-terms freeze in funding per student. Combined with increases under the previous government, this leaves college funding per student about 11% lower in real terms than in 2010 and school sixth-form funding per student about 23% lower.

They added that rising 16-19 student numbers mean that the government would need to increase real funding levels by around £200 million in 2027 to maintain real funding at current levels.



Funding cuts for classroom based adult education have been larger than in the 16-19 sector. The [IFS report](#) said:

Total spending on adult skills and apprenticeships is expected to increase by 12% in real terms between 2019–20 and 2024–25. However, this only reverses a fraction of past cuts: total spending in 2024–25 will still be 23% below 2009–10 levels. Spending on classroom-based adult education has fallen especially sharply, driven by falling learner numbers and real-terms cuts in funding rates, and will still be over 40% below 2009–10 levels in 2024–25 even with the additional funding.

# 1 Background

According to the Association of Colleges, a representative body for the further education (FE) sector, there are 218 colleges in England.<sup>1</sup> This includes 157 general FE colleges, 39 sixth form colleges, and 10 land-based colleges.

Colleges use their resources to educate and train 1.6 million people, including 6120,000 16- to 18-year-olds and 925,000 adults. They also employ 133,000 people, of whom 54,000 are teaching staff.<sup>2</sup>

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.<sup>3</sup>

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 health of colleges

In October 2024, the Institute for Fiscal Studies (IFS) published [research on the financial health of further education colleges in England](#).<sup>4</sup> It found that, in 2022-23, the overall sector (including sixth form colleges) had a total income of £6.9 billion and expenditure of £6.5 billion.<sup>5</sup> Since 2010-11 both income and expenditure have fallen by almost one-third in real terms. This was driven by

<sup>1</sup> Association of Colleges, [College key facts 2024/25](#)

<sup>2</sup> Association of Colleges, [College key facts 2024/25](#)

<sup>3</sup> House of Lords Economic Affairs Committee, [Treating Students Fairly: The Economics of Post-School Education](#), June 2018, p49

<sup>4</sup> Moura, B and Tahir, I; [The state of college finances in England](#), 24 October 2024

<sup>5</sup> All figures are given in 2024-25 prices and exclude accounting adjustments.

falling public funding, particularly for adult education (as detailed later in this briefing). The sector-wide surplus has fallen from £700 million in 2010-11 to £400 million in 2022-23.

The financial health of colleges was said to have “deteriorated sharply in the early 2010s”. The proportion in deficit increased from 16% in 2010-11 to 54% in 2015-16. The proportion in deficit remained at around this level for the rest of the decade (despite large numbers of college mergers and sixth form colleges converting to academies<sup>6</sup>), fell in the pandemic and was 37% in 2022-23. There were 75 colleges with deficits in 2022-23, 33 of which had been in deficit for three consecutive years.<sup>7</sup>

The authors of the IFS study compared the financial health of colleges and universities since 2015. They found that throughout the period a higher proportion of colleges than universities reported deficits. The gap has narrowed somewhat in recent years, but in 2022-23 the rate among colleges (37%) was still almost twice as high as among universities (20%).<sup>8</sup>

A National Audit Office (NAO) report published in September 2020 [detailed how the financial health of the college sector was fragile](#), with funding constraints and uncertainty presenting significant challenges to colleges’ financial sustainability.<sup>9</sup> It noted the financial position of colleges had fluctuated over the previous seven years:

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.<sup>10</sup>

The report also said funding pressures and uncertainty had led to colleges narrowing their provision and reducing broader support for students.<sup>11</sup>

The Education and Skills Funding Agency (ESFA), which funds further education providers but is expected to close on 31 March 2025 with its functions brought within the Department for Education,<sup>12</sup> 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)

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<sup>6</sup> And hence being excluded from these figures.

<sup>7</sup> Moura, B and Tahir, I; [The state of college finances in England](#) (24 October 2024).

<sup>8</sup> Moura, B and Tahir, I; [The state of college finances in England](#) (24 October 2024).

<sup>9</sup> National Audit Office, [Financial sustainability of colleges in England](#), September 2020, p8

<sup>10</sup> National Audit Office, [Financial sustainability of colleges in England](#), September 2020, p20

<sup>11</sup> National Audit Office, [Financial sustainability of colleges in England](#), 16 September 2020, p12

<sup>12</sup> Department for Education, [ESFA functions to move to the Department for Education](#), 11 September 2024



- borrowing (as a percentage of adjusted income).<sup>13</sup>

The ESFA rated the financial health of 64% of colleges as less than good at some point between 2013/14 and 2018/19.<sup>14</sup>

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.”<sup>15</sup>

## 1.2 College insolvencies and government intervention

On 31 January 2019, a [new college insolvency regime came into effect](#).<sup>16</sup> 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.<sup>17</sup>

A Department for Education document, [Further education bodies: insolvency guidance](#), explains the insolvency regime is part of “the Government’s co-ordinated approach to support and intervene to improve financial resilience and quality in colleges.”<sup>18</sup>

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.<sup>19</sup>

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<sup>13</sup> National Audit Office, [Financial sustainability of colleges in England](#), 16 September 2020, p22

<sup>14</sup> National Audit Office, [Financial sustainability of colleges in England](#), 16 September 2020, p22

<sup>15</sup> Department for Education (DfE), [Department for Education consolidated annual report and accounts 2021 to 2022](#), December 2022, p103

<sup>16</sup> [The Further Education Bodies \(Insolvency\) Regulations 2019](#)

<sup>17</sup> “[What does the new insolvency regime mean for colleges?](#)”, FE Week, 31 January 2019 (accessed 19 April 2021)

<sup>18</sup> DfE, [Further education bodies: insolvency guidance](#), January 2020, p5

<sup>19</sup> DfE, [College oversight: support and intervention](#)

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.<sup>20</sup>

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.<sup>21</sup>

## 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.<sup>22</sup>

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.<sup>23</sup>

The September 2020 NAO report noted 36 colleges received £253 million in EFS during the time the scheme was open.<sup>24</sup> When EFS was introduced it was made clear all amounts would be repayable, but, at March 2020, less than a quarter of total EFS (£61.6 million) had been repaid, while nearly £100 million had been recategorized as non-repayable.<sup>25</sup>

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 said 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”.<sup>26</sup>

In the period 1 April 2020 to 31 March 2021, 13 colleges received a total of £31.6 million of emergency funding.<sup>27</sup>

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<sup>20</sup> NAO, [Financial sustainability of colleges in England](#), pp44-46

<sup>21</sup> [“Third college to go through FE insolvency regime owes £8m”](#), FE Week, 14 October 2022 (accessed 22 June 2023)

<sup>22</sup> DfE, [College Oversight: Support and Intervention](#), October 2020, p5

<sup>23</sup> DfE, [College oversight: support and intervention](#), December 2022, p22

<sup>24</sup> NAO, [Financial sustainability of colleges in England](#), pp43-44

<sup>25</sup> NAO, [Financial sustainability of colleges in England](#), pp43-44

<sup>26</sup> NAO, [Financial sustainability of colleges in England](#), p45

<sup>27</sup> DfE, [Emergency college funding](#)

## 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.<sup>28</sup>

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:

- 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

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<sup>28</sup> DfE, [Skills for jobs: lifelong learning for opportunity and growth](#), January 2021, pp53-54

- 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.<sup>29</sup>

## 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.<sup>30</sup> 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 financial management set out in the Treasury's [managing public money guidance](#),<sup>31</sup> as well as other government guidance, including on [senior pay](#).<sup>32</sup>

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.<sup>33</sup>

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.<sup>34</sup> It also provided £300 million of payments brought forward to “address the historical issue of uneven monthly

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<sup>29</sup> DfE, [Statutory intervention powers for the FE sector](#)

<sup>30</sup> Office for National Statistics, [Economic statistics sector classification – classification update and forward work plan: November 2022](#), 29 November 2022

<sup>31</sup> Treasury, [Managing public money](#), 4 May 2023

<sup>32</sup> Treasury, [Guidance for approval of senior pay](#), last updated 21 September 2021

<sup>33</sup> DfE, [Further education reclassification: government response](#), 29 November 2022

<sup>34</sup> DfE, [FE Capital Funding: FE reclassification capital allocation](#), updated January 2024

payments from central government, which leave colleges out of pocket by March”.<sup>35</sup>

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 expected colleges to phase them out by no later than August 2024.<sup>36</sup> 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.<sup>37</sup>

The Association of Colleges said that the changes risked making colleges “less fleet of foot” in meeting the needs of their students, employers, and communities.<sup>38</sup> It also called for several reforms, including for colleges to be treated the same as schools and academies in reclaiming VAT in full.

## 1.4

### Closure of the Education and Skills Funding Agency

On 11 September 2024, the government announced the Education and Skills Funding Agency (ESFA), which is responsible for funding and regulating education and skills in England, is set to close on 31 March 2025.<sup>39</sup> Its functions will be transferred to the Department for Education (DfE).

By bringing the agency's functions back into the DfE, the government aims to create a more integrated and responsive approach to education and skills policy. David Withey, Chief Executive of ESFA said:

Moving the ESFA’s functions into the Department will help ensure a fully joined up regulatory environment, and a more cohesive approach to the service we offer to colleges, schools and independent training providers.<sup>40</sup>

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<sup>35</sup> DfE, [Further education reclassification: government response](#), 29 November 2022

<sup>36</sup> DfE, [Further education reclassification: government response](#), 29 November 2022

<sup>37</sup> More information is available in the Department for Education policy paper [Further education reclassification: government response](#), 29 November 2022

<sup>38</sup> Association of Colleges, [AoC responds to ONS reclassification of colleges as public sector](#), 29 November 2022

<sup>39</sup> SfE, [ESFA functions to move to the Department for Education](#), 11 September 2024

<sup>40</sup> SfE, [ESFA functions to move to the Department for Education](#), 11 September 2024

The closure of the ESFA and the transfer of its functions within the DfE was broadly welcomed by the sector, with many arguing it has the potential to improve coordination and decision-making, and bring about a more streamlined funding system for colleges.<sup>41</sup>

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<sup>41</sup> [“ESFA to close in March 2025”](#), FE Week, 11 September 2024

## 2 16-19 Funding

The Department for Education 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.

Until 31 March 2025, funding was administered through the Education and Skills Funding Agency (ESFA). Following this date, the ESFA's funding functions will be transferred within the Department for Education.

An overview of 16-19 funding is available in an ESFA guidance document, [16 to 19 funding: how it works](#),<sup>42</sup> and the latest allocation data for 2024 to 2025 is [available on gov.uk](#).<sup>43</sup>

### 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 January 2025, the Institute for Fiscal Studies (IFS) published its latest [Annual report on education spending in England](#). Its key findings on 16-19 further education were:

Since the start of public spending cuts in the 2010–11 financial year, spending per student has declined across both types of institutions [FE colleges and school sixth forms]. Between 2010–11 and 2019–20, college spending per student dropped by 14%, while school sixth forms saw a much sharper decline of 28%. For colleges, this reduction brought per-student spending back to

<sup>42</sup> DfE, [16 to 19 funding: how it works](#), 13 February 2024

<sup>43</sup> DfE, [16 to 19 allocation data: 2024 to 2025](#), 23 October 2024

roughly the same level as in 2004–05. School sixth-form funding fell to its lowest point in the data series, which extends back to 2002.

Overall, spending per-student in 16–18 education across all institutions has increased by 4% in real terms between 2019–20 and 2024–25. Even with additional funding, levels will remain significantly below those of 2010–11. In 2024–25, funding for colleges, encompassing both further education and sixth-form institutions, is expected to be around 11% lower per student than it was in 2010–11, while spending in school sixth forms is projected to be 23% below 2010–11 levels. Thus, the increased funding from the last government only partially offsets the cuts of the previous decade.

...

The additional money allocated for 2025–26 is just enough to maintain funding per student at the same level in real terms as the previous year. Spending per student thus remains low in historical terms in both colleges and sixth forms.<sup>44</sup>

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

Spending in school sixth forms was higher than in 16-18 colleges during the early 2000s. It peaked in 2006-07 and 2007-08. Spending increases were faster in 16-18 colleges in the 2000s. Spending per student in these colleges surpassed that in school sixth forms in 2010-11 and the gap has generally grown since then. The IFS has said that 16-18 colleges receive more funding per student because they teach more vocational courses and more students from deprived backgrounds, both attract higher levels of funding. Vocational qualifications have also received more new funding streams over the past decade which meant they faced smaller funding cuts in the 2010s.<sup>45</sup>

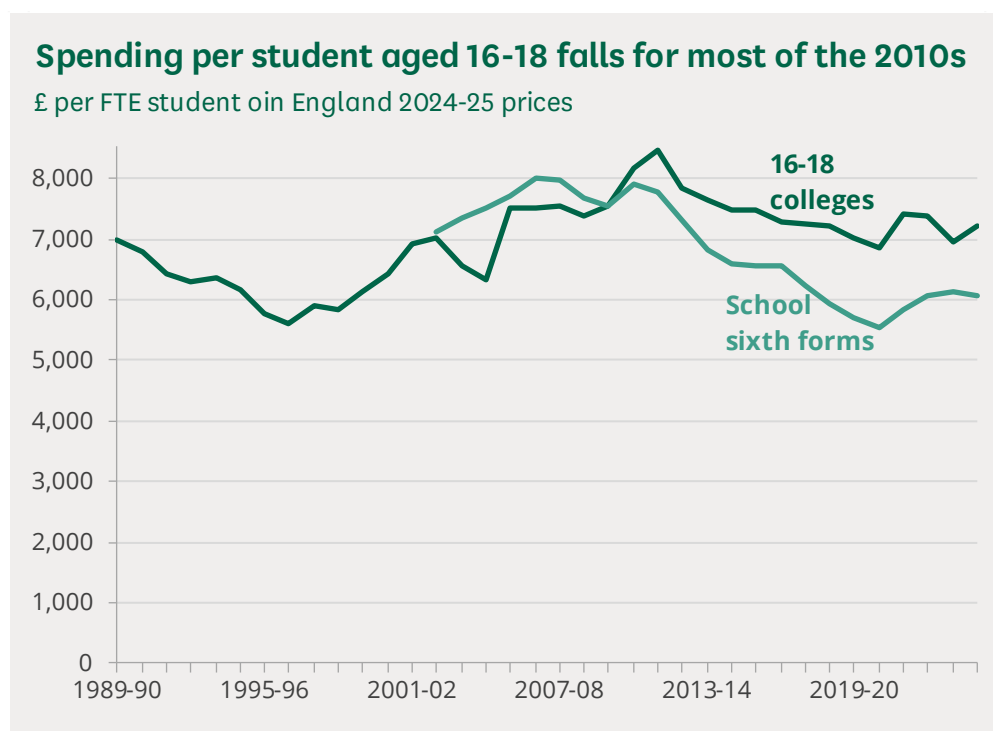
There were consistent real falls in spending per student in both sectors for most of the 2010s. Despite some recent increases, funding per student in school sixth forms in 2024-25 was 24% below its peak (almost £2,000 per student in 2024-25 prices) and was 15% below peak level in sixth form colleges (£1,20 per student).

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<sup>44</sup> IFS, [Annual report on education spending in England: 2024-25](#) (8 January 2025), pp57-58

<sup>45</sup> IFS, [Annual report on education spending in England: 2024-25](#) (8 January 2025), pp56





Source: IFS, [Annual report on education spending in England: 2024-25](#), 8 January 2025

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 time series) during the pandemic.<sup>46</sup> 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.

The IFS projects that spending per student will be unchanged (in real terms) in school sixth forms in 2025-26 and fall slightly in 16-18 colleges.<sup>47</sup>

## 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.<sup>48</sup> The government expected the additional money to increase funding in further education sector colleges by around £440 per 16-19 student

<sup>46</sup> IFS, [Latest trends in further education and sixth form spending in England](#) (24 October 2022)

<sup>47</sup> IFS, [Annual report on education spending in England: 2024-25](#) (8 January 2025), pp58

<sup>48</sup> [“Chancellor announces £400 million investment for 16-19-year olds’ education”](#), Gov.UK, 31 August 2019

in 2020/21.<sup>49</sup> This would have been a real terms increase of almost 8%,<sup>50</sup> 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.

## Spending Review 2020

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](#).

## Spending Review 2021

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.<sup>51</sup>

## Funding for the – since cancelled – Advanced British Standard

In October 2023 [Prime Minister Rishi Sunak announced funding of £600 million](#) over two years to support the eventual introduction of a proposed new qualification, the Advanced British Standard, which was intended to replace A Levels and T Levels.<sup>52</sup> The funding was to be largely focused on teacher recruitment and retention. On 29 July 2024, however, Rachel Reeves, Chancellor in the new Labour government, [announced the Advanced British Standard would not be going ahead](#). The Chancellor highlighted the planned cost and said, “if we cannot afford it, we cannot do it.”<sup>53</sup>

## Autumn Budget 2024

In the [Autumn Budget 2024](#), the government announced an additional £300 million for further education and an additional £300 million in capital funding for colleges in 2025-26.<sup>54</sup> It has been reported £50m of this funding

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<sup>49</sup> [PQ 179740](#) [Further education: Expenditure] 12 April 2021

<sup>50</sup> 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.

<sup>51</sup> HM Treasury, [Autumn Budget and Spending Review 2021](#), pp117-118

<sup>52</sup> Prime Minister’s Office, [New qualifications to deliver world class education for all](#), 4 October 2023

<sup>53</sup> HC Deb [Public Spending: Inheritance], 29 July 2024, c1036

<sup>54</sup> HM Treasury, [Autumn Budget 2024](#), pp83-84

will go to colleges as a grant to fund staff pay awards for the period April to July 2025, with the remainder going towards 16 to 19 funding rates.<sup>55</sup>

## Future challenges

The IFS has set out a range of challenges faced by the further education sector. These are rising costs, ongoing qualification reform, and an ongoing increase in the number of 16–18-year-olds in the population.

The number of 16–18-year-olds in England has increased by 13% between 2018 and 2024 or 230,000. It is projected to increase by a further 110,000 by 2028. This increase puts additional demands on FE providers.<sup>56</sup>

College staff have seen “significant real-terms pay cuts since 2010” and the IFS says that pressures to increase the salaries of staff are likely to intensify in the coming years. No additional funding has been provided to fund salary increases for college staff, so any increases in pay will have to be funded from existing budgets and would be on top of higher costs resulting from changes to employers’ National Insurance contributions announced in the Autumn Budget 2024.<sup>57</sup>

The IFS describe a “continual cycle of qualification reform”. This includes the introduction of T levels/plans to withdraw funding for overlapping qualifications and the Advanced British Standard under the last government. The current government has reduced the number of qualifications which will see their funding withdrawn and cancelled the Advanced British Standard. These changes, the IFS say, “often result in significant changes to the system that prevent stability and make planning immensely difficult for further education providers”.<sup>58</sup>

## 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. From

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<sup>55</sup> [“DfE to release £50m in 2024/25 to help fund FE teacher pay”](#), FE Week, 10 January 2025

<sup>56</sup> IFS, [Annual report on education spending in England: 2024-25](#), 8 January 2025, pp58-59

<sup>57</sup> IFS, [Annual report on education spending in England: 2024-25](#), 8 January 2025, pp60-61

<sup>58</sup> IFS, [Annual report on education spending in England: 2024-25](#), 8 January 2025, pp61-63

31 March 2025, this funding will be provided by the Department for Education, which is taking over the functions of the ESFA. Study 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.”<sup>59</sup>

Information about how 16 to 19 funding is allocated is set out in guidance on [16 to 19 education funding allocations](#).<sup>60</sup> The most recent funding allocations for individual institutions are for [2024/25](#), 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

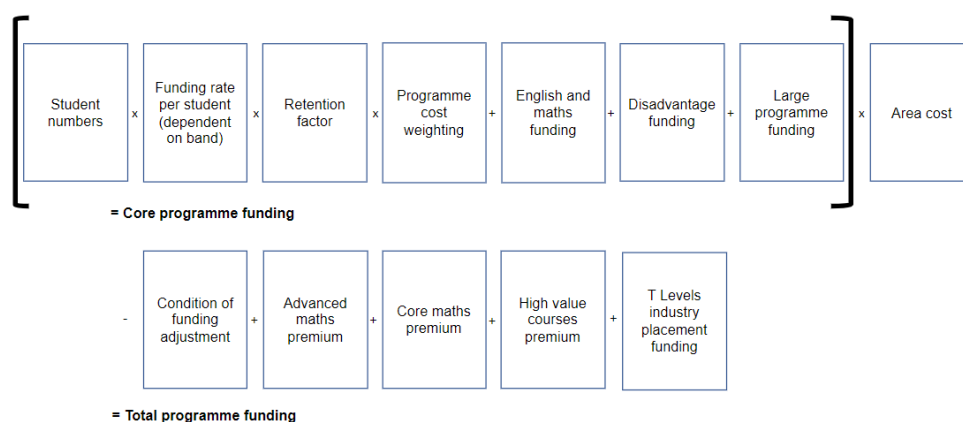
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<sup>59</sup> DfE, [List of Qualifications approved for funding. Further Information](#)

<sup>60</sup> DfE, [16 to 19 education: funding allocations](#)

guidance on rates and formula.<sup>61</sup> Published guidance on funding regulations also has more detailed information about some of the elements.<sup>62</sup>

## The formula



## Core funding formula elements

### Student numbers

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. For example,

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 £4,843 per year for the 2024/25 academic year.<sup>63</sup>

### Retention factor

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

### Programme cost weightings

This recognises that some subjects cost more to deliver.

<sup>61</sup> DfE, [Funding rates and formula](#)

<sup>62</sup> DfE, [Advice: funding regulations for post-16 provision](#)

<sup>63</sup> DfE, [Funding rates and formula](#)

## English and maths funding

This is a [new funding element](#) for 2024 to 2025 academic year, replacing the previous “level 3 programme maths and English payment”. It is related to the now-cancelled Advanced British Standard. Providers receive additional funding to support students who have not achieved a GCSE grade 4 or above in English and maths.

## Disadvantage funding

This consists of two blocks:

- Disadvantage Block 1 funding is to support students from areas of economic deprivation.
- Disadvantage block 2 funding accounts for the additional costs incurred for teaching and supporting students who have low prior attainment in English and maths.

## Large programme funding

The [large programme uplift](#) reflects the fact some study programmes are much larger than average. The uplift provides increased funding above the full-time national rate to give providers the ability to stretch their most able students.

## 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, five additional elements are taken into account:

- Maths and English condition of funding (relevant for students who have not achieved at least a grade 4, or C, in Maths and English)
- Advanced maths premium
- Core maths premium (a new element for 2024 to 2025 to encourage the provision of core maths qualifications and expand maths education for students up to the age of 18).
- 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
- Three types of high needs funding to support students assessed as having complex special educational needs and disabilities (SEND)
- Student support schemes
- Teachers' pensions scheme employer contribution grant payments

More detail on each of the core and additional funding elements is available in the funding rates and formula guidance.<sup>64</sup>

## 2.4 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 government guidance](#).<sup>65</sup>

### 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.<sup>66</sup>

There are two types of 16 to 19 bursaries:

- 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.

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<sup>64</sup> DfE, [Funding rates and formula](#)

<sup>65</sup> DfE, [16 to 19 education: financial support for students](#)

<sup>66</sup> DfE, [16 to 19 Bursary Fund](#)

### 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.<sup>67</sup>

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 [free school meals guidance](#).

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<sup>67</sup> DfE, [Free meals in further education funded institutions guide: 2024 to 2025](#)



## 3

## 19+ Funding

In May 2019, the [independent panel report to the government's Review of Post-18 Education and Funding](#) was published.<sup>68</sup> The report included an overview of the further education sector and its finances, and it 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.

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 Skills Fund \(ASF\)](#). From 31 March 2025, the functions of the ESFA will be brought within the Department for Education.

The Adult Skills Fund replaced the Adult Education Budget in 2024 in non-devolved areas. It incorporates funding for the government's '[free courses for jobs](#)' offer, which was previously funded through the National Skills Fund. Following reforms to the education funding and accountability systems, the ASF has a greater focus on outcomes. Guidance published by the ESFA states:

The purpose of ASF is to support adult learners to gain skills which will lead them to meaningful, sustained and relevant employment, or enable them to progress to further learning which will deliver that outcome.<sup>69</sup>

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

- Funding for the delivery of [Skills Bootcamps](#), which are free courses for adults typically lasting up to 16 weeks, available across a range of sectors.
- 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 the 2026/27 academic year, this funding will begin to be replaced by the [Lifelong Learning Entitlement](#).

<sup>68</sup> DfE, [Independent panel report to the Review of Post-18 Education and Funding](#), May 2019, pp114-141

<sup>69</sup> ESFA, [Adult skills fund: funding and performance management rules 2024 to 2025](#)

Funding for adult education in England is being increasingly devolved to local areas. Around 60% of the Adult Skills Fund is currently devolved to nine mayoral combined authorities and the Greater London Authority. Other funding streams, including Skills Bootcamps and the UK Shared Prosperity Fund are also devolved.

## 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 2024-25 was two-thirds lower in real terms than in 2003-04 and around 50% lower than in 2009-10. It stood at £5.1 billion in 2003-04 (2024-25 prices) and fell to £1.7 billion in 2023-24.<sup>70 71</sup>

This fall in funding was said to be mainly driven by the drop in the number of adult learners (linked to the removal of public funding from lower-level qualifications, a shift in focus to apprenticeships, and a tightening of eligibility criteria from the 2010s) and “large real terms reductions in the funding rates for these courses”.<sup>72</sup>

There were real terms increases across wider adult education and skills funding between 2019-20 and 2024-25. However, even after this increase total spending on classroom-based adult education in 2024-25 was still 40% below its 2009-10 level in real terms.<sup>73</sup>

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,<sup>74</sup> 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 and around 1.7 million 2021/22. There has been an increase in the latest figures, up by 110,000 on 2021/22. This increase has been caused by participation in [Multiply](#) courses, particularly shorter courses which are not assigned a qualification level. Multiply began in 2022/23 and in 2023/24 total participation across all Multiply courses reached 121,200; 96% of which were not assigned a qualification level.<sup>75</sup>

<sup>70</sup> IFS, [Annual report on education spending in England: 2024-25](#) (8 January 2025), p64

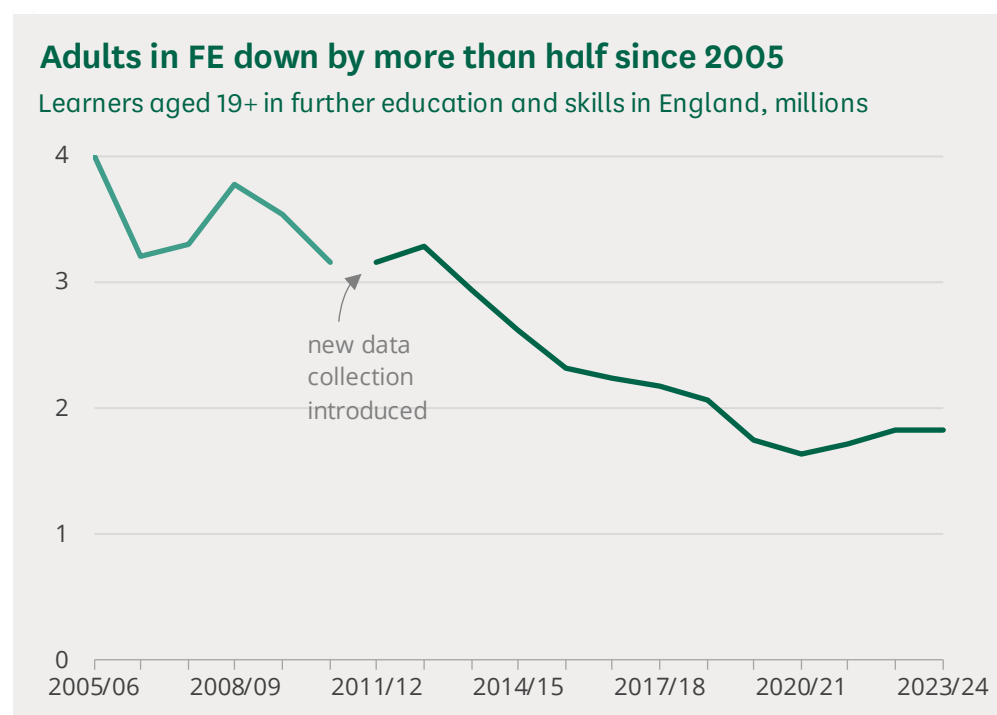
<sup>71</sup> These figures exclude spending on Advanced Learner Loans which are detailed in [section 3.6](#) of this paper.

<sup>72</sup> IFS, [Annual report on education spending in England: 2024-25](#) (8 January 2025), pp65-66

<sup>73</sup> IFS, [Annual report on education spending in England: 2024-25](#) (8 January 2025), p65

<sup>74</sup> This is thought to have reduced counts of learner numbers by around 2%.

<sup>75</sup> DfE, [Further education and skills 2023/24](#), 28 November 2024



Source: DfE, [Further education and skills: Academic year 2023/24](#)

Between 2011/12 and 2023/24, the number of learners on classroom-based education and training fell by 35%, community learning by 53%, and adult apprenticeships by 2%.

The largest fall in numbers by level was in those studying at ‘full level 2’ (equivalent to 5+ GCSEs), where numbers fell by 90% or around 925,000.<sup>76</sup> Participation at level 4+ (such as a higher national certificate or higher apprenticeship) increased from 39,000 to 280,000 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 12,500 in 2023/24 and has fallen by 20% since 2018/19.<sup>77</sup>

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”.<sup>78</sup> 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 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

<sup>76</sup> When the full range or ‘width’ of course aims a learner is taking are summed they are equivalent to five or more GCSEs.

<sup>77</sup> DfE, [Further education and skills: Academic year 2023/24](#)

<sup>78</sup> IFS, [2020 Annual report on education spending in England](#), 3 November 2020, section 4

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.<sup>79</sup>

## 3.2 Recent funding announcements

### 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.<sup>80</sup>

### Spending review 2020

The then-Chancellor of Boris Johnson's Conservative government, Rishi Sunak, 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.<sup>81</sup>

### 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.<sup>82</sup> This was said to be a 26% real increase compared to 2019-20. 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:

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<sup>79</sup> IFS, [Adult education and skills](#), 2 August 2022

<sup>80</sup> HM Treasury, [Budget 2020](#) (PDF), March 2020, p48

<sup>81</sup> HM Treasury, [Spending Review 2020](#) (PDF), November 2020, p62

<sup>82</sup> HM Treasury, [Autumn Budget and Spending Review 2021](#), October 2021, pp96-97

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.<sup>83</sup>

## 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.<sup>84</sup> Along with accelerated apprenticeships, these will be promoted together to the over 50s as 'returnerships'.<sup>85</sup>

## Autumn Budget 2024

In the [Autumn Budget 2024](#), the then-Conservative government announced an additional £300 million for further education and an additional £300 million in capital funding for colleges in 2025-26.<sup>86</sup> It has been reported £50m of this funding will go to colleges as a grant to fund staff pay awards for the period April to July 2025, with the remainder going towards 16 to 19 funding rates.<sup>87</sup>

## 3.3

## Adult Skills Fund

The majority of public funding for non-apprenticeship, 19+ further education in England is provided through the [Adult Skills Fund \(ASF\)](#). The Adult Skills Fund replaced the Adult Education Budget in 2024. It incorporates funding for the government's '[free courses for jobs](#)' offer, which was previously funded through the National Skills Fund.

## Background: Reforms to the funding and accountability systems

In its [Skills for Jobs White Paper](#), published in January 2021, the 2019 Conservative government set out a number of reforms to post-16 technical education and training, including funding and accountability.<sup>88</sup>

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<sup>83</sup> Institute for Fiscal Studies, [2021 Annual report on education spending in England](#), 30 November 2021, pp40-42

<sup>84</sup> HM Treasury, [Spring Budget 2023](#) (PDF), March 2023, p57

<sup>85</sup> DfE Education Hub blog, [Budget 2023: What are 'returnerships' and who are they for?](#), 17 March 2023

<sup>86</sup> HM Treasury, [Autumn Budget 2024](#), pp83-84

<sup>87</sup> "[DfE to release £50m in 2024/25 to help fund FE teacher pay](#)", FE Week, 10 January 2025

<sup>88</sup> DfE, [Skills for Jobs: lifelong learning for opportunity and growth](#), January 2021

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.<sup>89</sup> This informed a second consultation, launched in July 2022, which set out in greater detail the proposed reforms and how these could be implemented.<sup>90</sup> 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.<sup>91</sup>

The Conservative government published a response to the second consultation in July 2023 setting out its final policy decisions, including:

- The introduction of a new Adult Skills Fund in the 2024 to 2025 academic year, encompassing the Adult Education Budget (including community learning), and Free Courses for Jobs. Funding would flow to either local authorities with devolution deals or to providers serving learners in authorities without devolution deals.
- The purpose of “tailored learning” (non-qualification / non-formal provision generally delivered to adults in local communities as adult community education) would be refocused so it primarily supports progression into employment. Following “strong feedback” received during the consultation, however, funded tailored learning will also support wider outcomes, such as improving health and wellbeing.
- The introduction of five new adult skills funding bands for qualifications from the 2024/25 academic year that reflect the relative economic benefit of courses as well as their relative cost.
- Specialist land-based provision, and areas of high policy importance such as functional skills, will continue to receive higher levels of funding, as now.
- Providers will be able to use a proportion of their Adult Skills Fund allocation to work with employers to develop new innovative provision that meets local skills needs.<sup>92</sup>

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<sup>89</sup> 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

<sup>90</sup> DfE, [Implementing a New FE Funding and Accountability System Government Consultation](#), July 2022

<sup>91</sup> DfE, [Implementing a New FE Funding and Accountability System Government Consultation](#), July 2022, p8

<sup>92</sup> DfE, [Implementing a new FE funding and accountability system](#)

## Purpose

The purpose of the Adult Skills Fund is to support adult learners in non-devolved areas to gain skills which will lead them to “meaningful, sustained and relevant employment, or enable them to progress to further learning which will deliver that outcome.”<sup>93</sup>

The ASF 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](#).<sup>94</sup> It is targeted at groups of learners with low skills, including young adults, unemployed individuals actively seeking work, and employed individuals in receipt of a low wage.

The ASF 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.

## 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.

## Tailored learning

Within the ASF, there is also provision for “tailored learning”, which brings together what was AEB community learning,<sup>95</sup> formula-funded AEB non-

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<sup>93</sup> ESFA, [Adult skills fund: funding and performance management rules 2024 to 2025](#)

<sup>94</sup> Gov.uk, [What qualification levels mean](#)

<sup>95</sup> 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](#)

regulated learning (which does not lead to a qualification subject to external accreditation by an awarding organisation), and any new employer-facing innovative provision that is not qualification based.

The primary purpose of tailored learning is to support learners into employment and to progress to further learning. It will also support wider outcomes, including improving health and wellbeing, equipping parents/carers to support their child's learning, and developing stronger and more integrated communities. However, in line with the funding and accountability reforms that followed consultation in 2021 and 2022, the government will no longer fund provision purely for 'leisure' purposes. In September 2024, it said:

The government has to take difficult decisions on where to prioritise funding. Given the economic and social challenges in the country, it is right that the primary purpose of the ASF is to support learners into employment and to progress to further learning.<sup>96</sup>

### Free courses for jobs

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.<sup>97</sup>

This offer was previously funded through the National Skills Fund, but has been brought within the ASF.

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<sup>96</sup> PQ3053 [[Adult Education: Finance](#)] 30 August 2024

<sup>97</sup> DfE, [Find a free level 3 qualification](#)



## National Skills Fund

The [Conservative Party manifesto for the 2019 election](#) included a plan for a “National Skills Fund” worth £3 billion over the next parliament.<sup>98</sup> 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](#).<sup>99</sup>

On 29 September 2020, then-Prime Minister Boris Johnson [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”.<sup>100</sup>

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).<sup>101</sup> 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.<sup>102</sup>

Skills Bootcamps are currently funded through a procurement process with the DfE while the Free Courses for Jobs offer is now funded through the ASF.

## Budget

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.

Under the Spending Review 2015 settlement, the previous Adult Education Budget (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 Adult Skills Fund, which has now replaced the AEB, remains at £1.34 billion in 2024-25.

<sup>98</sup> [The Conservative and Unionist Party Manifesto 2019](#)

<sup>99</sup> HM Treasury, [Budget 2020](#), March 2020, p48

<sup>100</sup> DfE, [Skills for Jobs: lifelong learning for opportunity and growth](#), January 2021

<sup>101</sup> DfE, [The National Skills Fund consultation](#), July 2021

<sup>102</sup> DfE, [National Skills Fund consultation response](#), April 2022

Guidance on how the ASF is allocated is [available on gov.uk](#).

## ASF funding methodology

Further education providers are allocated ASF 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 publication [Adult skills fund: funding and performance management rules 2024 to 2025](#).<sup>103</sup>

### 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 publication [ESFA funded adult skills fund: funding rates and formula 2024 to 2025](#).<sup>104</sup>

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.

## 3.4 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.

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<sup>103</sup> ESFA, [Adult skills fund: funding and performance management rules 2024 to 2025](#)

<sup>104</sup> ESFA, [ESFA funded adult skills fund: funding rates and formula 2024 to 2025](#)

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 then-Chancellor announced £375 million in National Skills Fund investment,<sup>105</sup> including £43 million for skills bootcamps in the 2021-22 financial year.<sup>106</sup>

At the [2021 Spending Review](#), a further £550 million investment over the next three financial years was announced to expand Skills Bootcamps.<sup>107</sup> 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 adults will gain the skills they need to access work in a range of priority sectors, responding to the needs of the economy.”<sup>108</sup>

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.<sup>109</sup>

Skills Bootcamps are procured and delivered via local areas, and previously through a national competition.<sup>110</sup>

## 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.<sup>111</sup>

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<sup>105</sup> HM Treasury, [Spending Review 2020](#), November 2020, p62

<sup>106</sup> [PQ 68265 \[Skills Bootcamps\] 2 November 2021](#)

<sup>107</sup> HM Treasury, [Autumn Budget and Spending Review 2021](#), October 2021, pp96-97

<sup>108</sup> DfE, [National Skills Fund consultation response](#), April 2022, pp35-36

<sup>109</sup> DfE Education Hub blog, [Budget 2023: What are ‘returnerships’ and who are they for?](#), 17 March 2023

<sup>110</sup> DfE, [Supply Skills Bootcamps](#)

<sup>111</sup> Department for Levelling up, Housing, and Communities, [UK Shared Prosperity Fund: prospectus](#)

## 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 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.<sup>112</sup>

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](#).

For 2025-26, the Multiply programme will not continue as a specific, ringfenced programme.<sup>113</sup> Instead, local authorities will be able to use their allocation according to need, including continuing to fund adult numeracy support alongside other skills related activities.

## 3.6

## Devolution of adult education and skills funding

The government's latest English devolution framework, published in March 202, states that areas in England that have negotiated devolution deals with the government will be transferred funding from the Adult Education Budget, Free Courses for Jobs, and Skills Bootcamps programmes.

Funding from these sources will be made available in 'level 3' devolution deals, which include a directly elected mayor; and in 'level 2' devolution

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<sup>112</sup> DfE Education Hub blog, [Everything you need to know about the new Multiply programme](#), 27 October 2021

<sup>113</sup> Ministry of Housing, Communities & Local Government, [UK Shared Prosperity Fund 2025-26: Technical note](#), 13 December 2024

deals, which do not. These levels of devolution deal will also be permitted to “align careers provision with local AEB decisions”.<sup>114</sup>

At the time of writing, eleven areas have level 3 devolution deals in place, with two further areas scheduled to elect their first mayor in May 2025. Six areas have level 2 devolution deals, which are under implementation. Further information is available in the Library research briefing [Devolution to local government in England](#).

Funding was also made available to areas with level 3 devolution deals from the Multiply programme and the UK Shared Prosperity Fund between 2022 and 2025. The government has stated that an additional £900 million will be available from the UK Shared Prosperity Fund in the 2025/26 financial year.

Accountability arrangements for these devolved responsibilities are briefly set out in the [English Devolution Accountability Framework](#), published in 2023.

## Future funding arrangements

Some longer-established mayoralities have access to ‘level 4’ devolution deals with extended powers.<sup>115</sup> As of November 2024, level 4 conditions applied to Greater Manchester; West Midlands; North-East; South Yorkshire; West Yorkshire; and Liverpool City Region. These areas are expected to have access to a single financial settlement – in essence, a form of block grant – from the 2025 Spending Review period.

As part of the preparations for the single financial settlement, the government has said that new grant programmes falling within the responsibilities or ‘themes’ of mayoral combined authorities (MCAs) will normally be devolved:

The MCAs have specific functional responsibilities in each of these themes. Where national HMG funds are in scope of the MCAs’ functional responsibilities, they will be included in the single settlement. ... HMG will use the definitions for functional responsibilities to identify whether a new funding line (whether it be announced at an SR, or between SRs) should be included in the single settlements.<sup>116</sup>

The themes include ‘local growth and place’ and ‘adult skills’. This suggests that, under current policy, any successor programmes to the Adult Skills Budget, the UK Shared Prosperity Fund, and Multiply would be likely to be devolved.

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<sup>114</sup> See the devolution framework in the annex of MHCLG, [Technical paper on Level 4 devolution framework](#), 2023

<sup>115</sup> ‘Level 4’ deals were formalised in late 2023. These powers are currently available to Greater Manchester; Liverpool City Region; West Yorkshire; South Yorkshire; West Midlands; and the North-East.

<sup>116</sup> HM Treasury, [Memorandum of Understanding for the “Trailblazer” Single Settlements for Greater Manchester and West Midlands Combined Authorities](#), 2023, paragraph 5

## Devolution of the ASF

ASF funding is devolved to mayoral combined authorities and the Greater London Authority (GLA) in England. As of November 2024, the mayoral combined authorities are Greater Manchester; Liverpool City Region; Cambridgeshire & Peterborough; West of England; West Midlands; East Midlands; North-East; Tees Valley; York & North Yorkshire; South Yorkshire; and West Yorkshire. York & North Yorkshire and East Midlands have not yet taken on these responsibilities at the time of writing.

Several additional devolution deals have been agreed but are yet to be implemented as of November 2024. These are Hull & East Yorkshire and Greater Lincolnshire (level 3); Surrey, Buckinghamshire, Warwickshire, Devon & Torbay, Cornwall, and Lancashire (level 2). The timescale for devolving AEB funding to these areas is not clear at the time of writing. A government publication from September 2023 stated that adult education funding would be devolved to some of them in autumn 2025.<sup>117</sup>

Devolved bodies will continue to receive funding from the Adult Skills Fund when it replaces the AEB from 2025/26.

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](#).

## Devolution of Free Courses for Jobs and Skills Bootcamps

The government has committed to devolving the Free Courses for Jobs and Skills Bootcamps programmes within level 2 and level 3 devolution deals.

As of the 2023/24 financial year, mayoral combined authorities and the GLA have been able to use Free Courses for Jobs funding to fund any Level 3 qualification that meets local skills needs.<sup>118</sup>

Level 4 devolution deals remove the ringfence on funding for Free Courses for Jobs.<sup>119</sup> The conditions for this to be implemented are:

The eligible institution demonstrates spending 80% of its available funding for the FCFJs offer on delivering high value Level 3 qualifications across an

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<sup>117</sup> See MHCLG, [Adult education devolution](#), 20 Sep 2023. This document says that York & North Yorkshire, East Midlands, Cornwall, Norfolk and Suffolk would receive AEB funding from autumn 2025. However, Norfolk and Suffolk's devolution deals were subsequently scrapped and Cornwall's was 'reduced' from level 3 to level 2. It is not clear what effect this will have on timescales, or when AEB funding will be devolved to the other areas with level 2 deals.

<sup>118</sup> See DfE, [Skills for jobs: implementing a new further education funding and accountability system consultation response](#), 2023, p19

<sup>119</sup> See the annex of MHCLG, [Technical paper on Level 4 devolution framework](#), 2023

academic year and has a track record of delivering the current ‘core offer’ criteria or using the agreed 50% flexibility to address needs in the local labour market to eligible learners, addressing any barriers to Level 3 learning where necessary.<sup>120</sup>

For Skills Bootcamps, the funding ringfence will be removed from 2025/26 for level 4 deals, subject to the following conditions:

- The eligible institutions must retain the core purpose, policy intent and branding of Skills Bootcamps, consistent with the national model and maintaining this model integrity including while using sector flex.
- The eligible institutions must meet performance thresholds and achieve 80% starts and 60% outcomes, to be agreed in a side agreement with local areas.
- The eligible institutions must have delivered Skills Bootcamps for at least a full year, and the DfE will need to have confidence in their assurance process.
- The eligible institutions must maintain regular engagement with DfE and fellow eligible institutions.<sup>121</sup>

For the ringfence to be removed, devolved bodies must also “have demonstrated effective management of its devolved adult education budget for a minimum of 2 years”.<sup>122</sup>

## UK Shared Prosperity Fund

Funding from the UK Shared Prosperity Fund is allocated to the GLA and to mayoral combined authorities where they exist. The prospectus says:

Where the Fund operates over a strategic geography (for example, places in Scotland and Wales or the mayoral combined authorities), all allocations will be aggregated at the strategic geography level, including the 4% for administration. The lead authority for the strategic geography will have overall accountability for the funding and how the Fund operates.<sup>123</sup>

This funding was devolved to the nine mayoral combined authorities in existence in 2022: Greater Manchester, Liverpool City Region, West of England, Cambridgeshire & Peterborough, West Yorkshire, South Yorkshire, Tees Valley, West Midlands, North of Tyne.

The UKSPF provided funding from 2022 to 2025. Further transition funding of £900 million will be made available for the 2025/26 financial year.

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<sup>120</sup> See MHCLG, [Technical paper on Level 4 devolution framework](#), 2023

<sup>121</sup> As above

<sup>122</sup> As above

<sup>123</sup> MHCLG, [UK Shared Prosperity Fund: prospectus](#), Aug 2022, para 4.2

## Multiply

Funding from the Multiply programme was devolved to mayoral combined authorities and the GLA from 2022 to 2025.<sup>124</sup> As with the UKSPF, this funding was devolved to nine mayoral combined authorities: Greater Manchester, Liverpool City Region, West of England, Cambridgeshire & Peterborough, West Yorkshire, South Yorkshire, Tees Valley, West Midlands, North of Tyne.

Government guidance stated that Multiply funding was to be ringfenced for “Multiply purposes”.<sup>125</sup> Elsewhere in England, funding was devolved to upper-tier local authorities. All areas were required to submit a three-year investment plan before being able to access the funding.

## 3.7

## 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](#).

### 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 £2,420 in 2023/24.<sup>126</sup>

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<sup>124</sup> This funding was devolved to nine mayoral combined authorities: Greater Manchester, Liverpool City Region, West of England, Cambridgeshire & Peterborough, West Yorkshire, South Yorkshire, Tees Valley, West Midlands, North of Tyne.

<sup>125</sup> DfE, [Multiply: funding available to improve adult numeracy skills](#), Dec 2023, p12

<sup>126</sup> Student Loans Company, [Advanced Learner Loans paid in England AY 2023/24, Aug to Jul](#) (Table 1)



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 2023/24 was the lowest since this data was first reported. The value of loans awarded fell by 64% in cash terms between academic year 2016/17 and 2023/24 to its lowest recorded level.

	Number of learners with loans			Value of loans awarded
	Level 3	Level 4+	Total	(£ million cash)
	2014/15	70,700	4,800	<b>75,400</b>
2015/16	89,000	6,300	<b>95,000</b>	195.2
2016/17	110,200	9,100	<b>119,000</b>	236.2
2017/18	99,500	9,900	<b>109,000</b>	208.0
2018/19	97,600	10,300	<b>107,300</b>	200.3
2019/20	86,400	9,900	<b>95,800</b>	182.4
2020/21	76,900	10,000	<b>86,200</b>	166.9
2021/22	57,300	9,000	<b>65,800</b>	130.4
2022/23	43,700	8,200	<b>51,400</b>	109.2
2023/24	35,000	7,700	<b>42,200</b>	85.7

Source: DfE, [Further education and skills 2023/24](#)

To put these figures in context 1.3 million home undergraduate higher education students took out student loans in England in 2023/24 with a total value of £19 billion.<sup>127</sup>

The latest government forecasts are that the value of ALLs will be around £100 million in each financial year from 2023-24. 55% of learners who take out these loans in 2024/25 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 34% of their face value for loans taken out in 2024-25. In other words, the present value of loan repayments is expected to be 66% of the amount taken out.<sup>128</sup>

These RAB charge estimates are substantially lower than those for 2020-21 borrowers which were 67%.<sup>129</sup> This difference reflects changes to loan repayment terms for existing borrowers in 2022<sup>130</sup> and further changes for new borrowers introduced in 2023/24.<sup>131</sup> All these estimates are subject to considerable uncertainty as they have to forecast borrowers' earning for decades after finishing their courses.

<sup>127</sup> Student Loans Company, [Student Support for Higher Education in England 2024](#) (Table 2A)

<sup>128</sup> DfE, [Student loan forecasts, England: Financial year 2023-24](#)

<sup>129</sup> DfE, [Student loan forecasts, England: Financial year 2021-22](#)

<sup>130</sup> Two year freeze in repayment threshold and lower increases in the threshold in future years.

<sup>131</sup> The main changes are lower repayment thresholds, lower maximum interest rates and an increase in the repayment term from 30 to 40 years.

## Lifelong Learning Entitlement

From the 2026/27 academic year, the [Lifelong Learning 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 £38,140 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 Learning Entitlement](#).<sup>132</sup>

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<sup>132</sup> Commons Library briefing CBP 9756, [The Lifelong Learning Entitlement](#). Alongside the Department for Education’s [response to a consultation on the LLE](#), it has also published an [impact assessment](#), an [equalities analysis](#), a [written ministerial statement](#), and a [policy paper](#).

## 4 Capital funding

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

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.<sup>133</sup> Some of the funding streams are explained below.

### 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.<sup>134</sup>

#### 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.<sup>135</sup>

#### Reclassification of colleges November 2022

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

<sup>133</sup> DfE, [Further Education Capital Funding](#)

<sup>134</sup> DfE press release, "[PM announces transformative school rebuilding programme](#)", 29 June 2020

<sup>135</sup> 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.<sup>136</sup>

## Energy efficiency funding December 2022

In December 2022, the government announced £500 million of capital funding for schools and further education institutions in England for energy efficiency upgrades.<sup>137</sup> £53 million was made available to eligible further education colleges and designated institutions.<sup>138</sup>

This funding is understood to have come from underspends across the Department for Education's other capital budgets.<sup>139</sup> 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.<sup>140</sup>

## Budget 2024

In the [Autumn Budget 2024](#), the government announced an additional £300 million in capital funding for colleges in 2025-26.<sup>141</sup>

## 4.2

# Further Education Capital Transformation Fund

Further education colleges and designated institutions in England were able to apply to the [Further Education Capital Transformation Fund](#) for investment to tackle poor condition across their estates.<sup>142</sup> The fund is allocating £1.5 billion over six years, ending in March 2026. This fulfils the capital funding commitment made in the 2020 budget 2020.

## 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

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<sup>136</sup> DfE, [FE Capital Funding: FE reclassification capital allocation](#), last updated 7 June 2023

<sup>137</sup> DfE, [Investment to shield schools from high energy bills and boost to budgets](#), 6 December 2022

<sup>138</sup> DfE, [Additional FE capital funding for the 2022 to 2023 financial year](#), last updated 7 June 2023

<sup>139</sup> "[Smaller colleges cold-shouldered by energy capital funding](#)", FE Week, 10 December 2022 (accessed 26 June 2023)

<sup>140</sup> "[Smaller colleges cold-shouldered by energy capital funding](#)", FE Week, 10 December 2022 (accessed 26 June 2023)

<sup>141</sup> HM Treasury, [Autumn Budget 2024](#), pp83-84

<sup>142</sup> Sixth-form colleges may apply to the DfE's Condition Improvement Fund, see 4.3 below.

buildings and facilities.<sup>143</sup> The [successful colleges can be found on gov.uk](#).<sup>144</sup>

- 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.<sup>145</sup>

- 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.<sup>146</sup>
- In March 2023, the final £286 million of funding was allocated to colleges and designated institutions for 2023-24 and 2024-25.<sup>147</sup>

## 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

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<sup>143</sup> DfE, [Colleges to receive £200 million to transform their buildings](#), 19 August 2020

<sup>144</sup> ESFA, [Capital allocations for FE colleges and designated institutions](#), 19 August 2020

<sup>145</sup> DfE, [FE capital funding: FE Capital transformation fund](#)

<sup>146</sup> DfE, [Sixteen colleges to benefit from next phase of fund to transform facilities](#), 8 April 2021

<sup>147</sup> DfE, [Further education capital transformation fund allocation](#), last updated 28 March 2023

demonstrate a need to expand. Such projects are expected to either increase the number of admissions or address overcrowding.

In 2023/24, the Condition Improvement Fund provided funding of £456 million for 1,033 projects at 859 academies, sixth-form colleges, and voluntary-aided schools.<sup>148</sup>

## 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.<sup>149</sup>

## 4.5 T Levels Capital Fund

T Levels have been introduced in phases since 2020 and offer a technical alternative to A Levels.<sup>150</sup> The T Levels 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 Levels Capital Fund](#).<sup>151</sup>

### 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.

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<sup>148</sup> DfE, [Condition Improvement Fund: 2023 to 2024 outcome](#), 12 May 2023.

<sup>149</sup> DfE, [Post-16 capacity fund: successful projects](#), last updated 7 June 2023

<sup>150</sup> See the Commons Library briefing [Technical Education in England: T Levels](#) for more information.

<sup>151</sup> DfE, [T Levels Capital Fund](#)

### 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](#).<sup>152</sup> Funding of over **£48 million** was awarded for 56 projects across 49 further education colleges, sixth-form colleges, and schools.

### Wave three

In January 2021, a third wave of funding was announced with a budget of **£135 million** to support capital projects for T Level delivery from the 2022 to 2023 academic year. £50 million was made available to support 65 T Levels projects.<sup>153</sup> 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.<sup>154</sup> Successful applicants were announced in July 2022, with over £74 million provided in funding to support 86 T Levels projects.<sup>155</sup>

### Wave five

Wave 5 was intended to support providers delivering in September 2024 to purchase specialist equipment and to fund new builds or refurbishments. Over £100 million in funding was provided to support over 100 T Levels projects.<sup>156</sup>

## 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**.<sup>157</sup>

[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.<sup>158</sup>

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<sup>152</sup> DfE, [T Levels capital fund: wave 2 - successful applications](#), January 2021

<sup>153</sup> DfE, [T Levels capital fund: wave 3 - successful applications](#), December 2021

<sup>154</sup> DfE, [T Levels Capital Fund](#)

<sup>155</sup> DfE, [T Levels capital fund: wave 4 - successful applications](#), 19 July 2022

<sup>156</sup> DfE, [T Levels capital fund: wave 5 - successful applications](#), 7 July 2023

<sup>157</sup> HM Government, [Building our Industrial Strategy: green paper](#), January 2017, pp43-44

<sup>158</sup> 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.<sup>159</sup>

### 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.<sup>160</sup>

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.<sup>161</sup>

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<sup>159</sup> [“Revealed: The winners and losers in the £170m Institutes of Technology competition”](#), FE Week, 10 April 2019 (accessed 16 April 2021)

<sup>160</sup> DfE, [Competition opens for new wave of Institutes of Technology](#), 8 October 2020

<sup>161</sup> [HCWS515 \[Institutes of Technology\], 5 January 2022](#)



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