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Further education funding in England



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Summary

The further education funding system in England is complex and has undergone a number of changes in recent years. Currently, further education providers are allocated funds from different sources depending on the type of courses they provide and on the age of their students. There is also capital funding available for upgrading the college estate.

This briefing explains the different systems, examines recent funding announcements and trends, and considers some related issues facing the further education sector.

16-19 funding

In the 16-19 system, the Education and Skills Funding Agency (ESFA) funds further education colleges, schools, and independent learning providers in England to provide education for learners aged 16 to 19-years-old. In 2021/22, the total amount of ESFA funding for 16-19 learning was £6.6 billion.

A national funding formula is used to calculate the allocation of funding that each provider receives each academic year. Several additional elements that are not part of the formula, including high needs funding and student support schemes, contribute to the total funding amount awarded to an institution.

19+ funding

The ESFA-funded Adult Education Budget (AEB) provides most of the public funding for non-apprenticeship, 19+ further education in England, including classroom-based courses and informal community learning.

Alongside the AEB, there are several additional funding streams for non-apprenticeship adult learning, including the National Skills Fund and Advanced Learner Loans. From 2025, the Lifelong Loan Entitlement is intended to provide individuals with a loan entitlement to the equivalent of four years' worth of post-18 education to use over their lifetime.

Capital funding

Capital funding is used by further education providers to repair, upgrade, or expand their buildings, facilities, and equipment. The 2020 Budget committed £1.5 billion over five years for capital spending across all further education sites in England, including 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 November 2021 that 16-19 funding had experienced the biggest drop in funding of any education sector:

Further education colleges and sixth forms have seen the largest falls in per-pupil funding of any sector of the education system since 2010–11. Funding per student aged 16–18 in further education and sixth-form colleges fell by 14% in real terms between 2010–11 and 2019–20, while funding per student in school sixth forms fell by 28%.

The report said that extra funding in 2020 and 2021 had been “...eroded by rapid growth in student numbers.” But per student funding is expected to increase in the future:

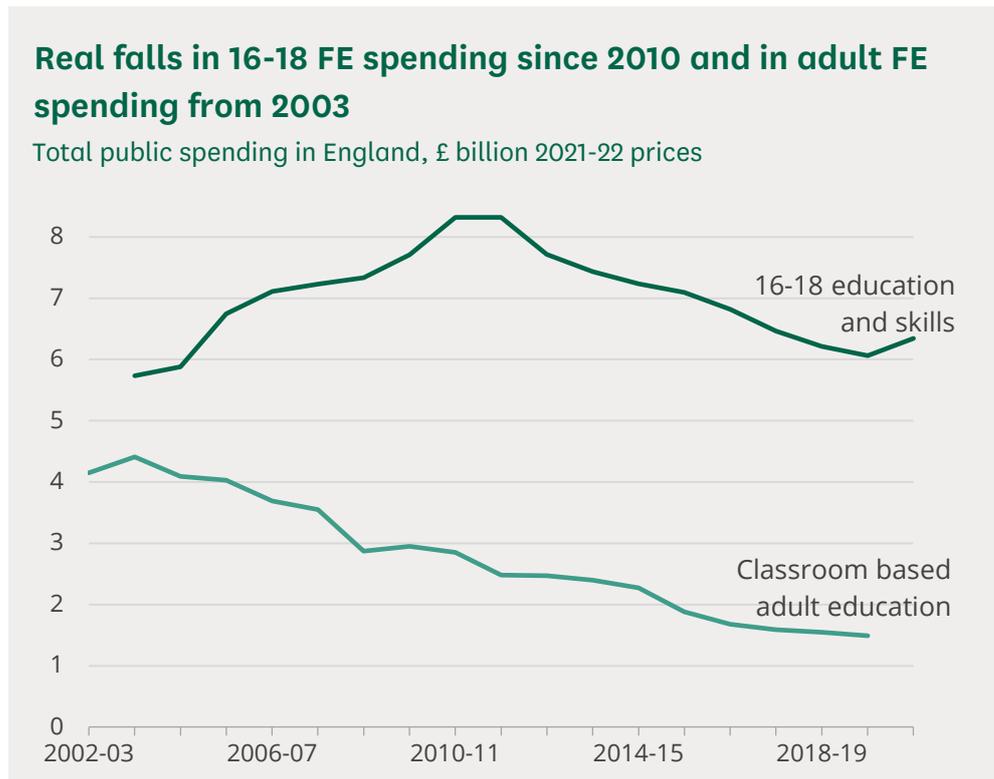
As a result of additional funding in the 2021 Spending Review, total spending per student in 16–18 education is set to rise by 6% between 2021–22 and 2024–25.

On 19+ funding, the report said:

Spending on adult education and apprenticeships will rise by 30% between 2019–20 and 2024–25. However, as with spending on 16–18 education, this only reverses a fraction of past cuts; combined spending on adult education and apprenticeships will still be 15% below 2009–10 levels. Spending on adult education on its own (i.e. excluding growing levels of spending on apprenticeships) fell by 49% 2009–10 and 2019–20, and will still be 33% below 2009–10 levels even with the additional funding announced in the 2021 Spending Review.

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

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



Sources: Institute for Fiscal Studies, [Education spending - adult education and skills](#) (accessed 6 May 2022) and, [2020 Annual report on education spending in England](#), 3 November 2020 – section 4.

1 Background

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

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

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

1.1 Declining FE spending

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

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

In May 2019, the independent panel report to the Government's Review of Post-18 Education and Funding published its findings, which included an overview of the further education sector and its finances.³ The report particularly [highlighted the decline in adult education funding](#) over the last decade:

Funding for adult learners in FE is fragmented, unpredictable and sits at a much lower level per learner than both HE and 16-18 funding... Largely reflecting the collapse in learner numbers, total spending on adult skills has fallen by approximately 45 per cent in real terms between 2009/10 and

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

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

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

2017/18. This is one of the most important statistics in this entire report and cannot be justified in terms of either economics or social equity.

1.2 Financial sustainability of colleges

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

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

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

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

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

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

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

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

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

⁶ National Audit Office, [Financial sustainability of colleges in England](#), 16 September 2020, p22.

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

2 16-19 Funding

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

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

In 2021/22, **£6.6 billion** was allocated by the ESFA to almost 2,800 providers in England for 16-19 education.⁸ An overview of 16-19 funding is available in an ESFA guidance document, [16 to 19 funding: how it works](#).⁹

2.1 Trends in funding

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

In early November 2021 the IFS published its [Annual report on education spending in England](#). Its key findings on 16-19 further education were:

- Further education colleges and sixth forms have seen the largest falls in per-pupil funding of any sector of the education system since 2010–11. Funding per student aged 16–18 in further education and sixth-form colleges fell by 14% in real terms between 2010–11 and 2019–20, while funding per student in school sixth forms fell by 28%.
- The government allocated an extra £700 million to colleges and sixth forms in 2020 and 2021. However, most of this has been eroded by rapid growth in student numbers. Looking forwards, this growth in student numbers represents a continuing major challenge for colleges and sixth

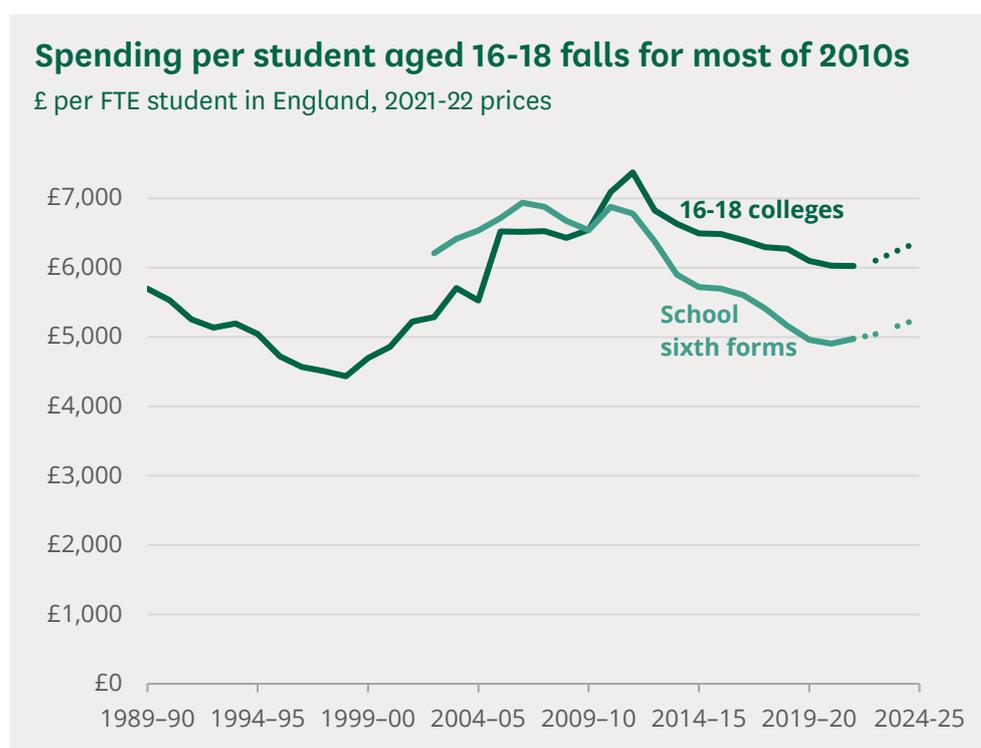
⁸ DfE, [16 to 19 allocation data: 2021 to 2022 academic year](#).

⁹ ESFA, [16 to 19 funding: how it works](#), 28 April 2022.

forms, with further growth of 10% expected between 2021 and 2024. As a result of additional funding in the 2021 Spending Review, total spending per student in 16–18 education is set to rise by 6% between 2021–22 and 2024–25.

- Yet even with this additional funding, college spending per pupil in 2024–25 will still be around 10% below 2010–11 levels, while school sixth-form spending per pupil will be 23% below 2010–11 levels. Therefore, the additional funding for 16–18 education will only serve to partially reverse the cuts of the previous decade.¹⁰

The chart below shows changes in real levels of spending per student over the past three decades and plans to 2024–25. It is based on the IFS data on per student funding in 16–18 further education and includes school sixth forms and ‘16–18 colleges’ (sixth form colleges and further education colleges). Spending in school sixth forms peaked in 2006–07 and 2010–11 and at sixth form colleges in 2011–12. Between these peaks and 2020–21 spending fell by 29% in school sixth forms (almost £2,000 per student), and 18% in sixth form colleges (£1,300 per student).

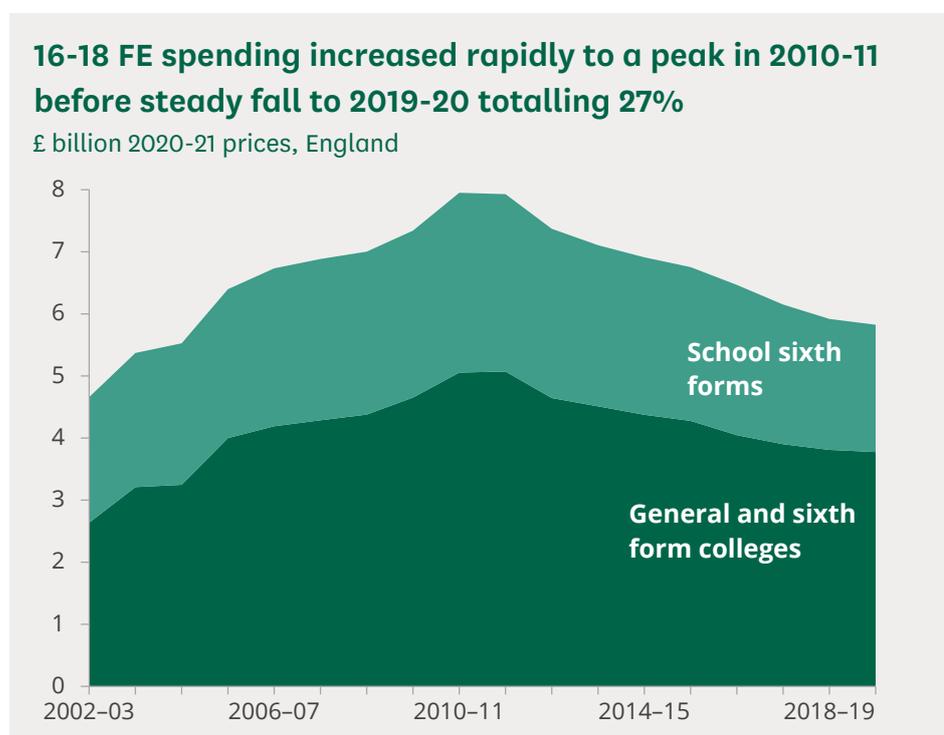


Source: Institute for Fiscal Studies, [Education spending - further education and sixth forms](#) (Accessed 6 May 2022)

Spending per student was broadly flat in real terms in 2021–22 and is planned to increase to 2024–25. However, 2024–25 levels will still be 23% and 14% below their recent peaks for schools sixth forms and 16–18 colleges respectively.

¹⁰ Institute for Fiscal Studies, [2021 Annual report on education spending in England](#), 30 November 2021 – section 4.

Trends in total spending on this sector are shown below. It increased from £4.7 billion (2020-21 prices) in 2002-03 to a peak of £7.9 billion in 2010-11. It has since fallen in real terms in each year to £5.8 billion in 2019-20; a fall of 27% since the peak.¹¹ This data has not been updated since the [2020 report](#).



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

2.2

Recent funding announcements

On 31 August 2019, the Chancellor announced an additional £400 million for 16-19 education funding in England for 2020-21. This consisted of £190 million to increase the base rate of funding, £120 million for higher cost subjects, £35 million for level 3 students re-sitting GCSE maths and English, plus extra funding for T-levels, the advanced maths premium, and to recruit and retain teachers.¹²

The Government expected the additional money to increase funding per 16-19 student in FE sector colleges by around £440 in 2020/21.¹³ This would have been a real terms increase of almost 8%,¹⁴ but, if applied to the data in the

¹¹ Institute for Fiscal Studies, [2020 Annual report on education spending in England](#), 3 November 2020 – figure 4.1

¹² [“Chancellor announces £400 million investment for 16-19-year olds’ education”](#), Gov.UK, 31 August 2019.

¹³ [PQ 179740](#) [Further education: Expenditure] 12 April 2021.

¹⁴ 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.

chart on the previous page, would still mean funding in colleges was below the real levels between 2010 and 2013.

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

In [Spending Review 2021](#), the Government announced an additional £1.6 billion by 2024-25 for 16-19 education. This was said to maintain real levels of funding per student and represent a 18% increase in total 16-19 funding compared to 2019-20. The extra resources would provide additional classroom hours for students studying new T levels and fund 40 hours of additional learning per student per year.¹⁵

The latest IFS [Annual report on education spending in England](#) gives more commentary on background on the spending review outcome for the sector.¹⁶

2.3 How is 16-19 funding allocated?

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

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

Information about how 16 to 19 funding is allocated is set out in ESFA guidance: [16 to 19 education: funding allocations](#), 17 December 2020. The most recent funding allocations for individual institutions are for [2021/22](#), and allocations from [earlier years](#) are also available online.

The national funding formula

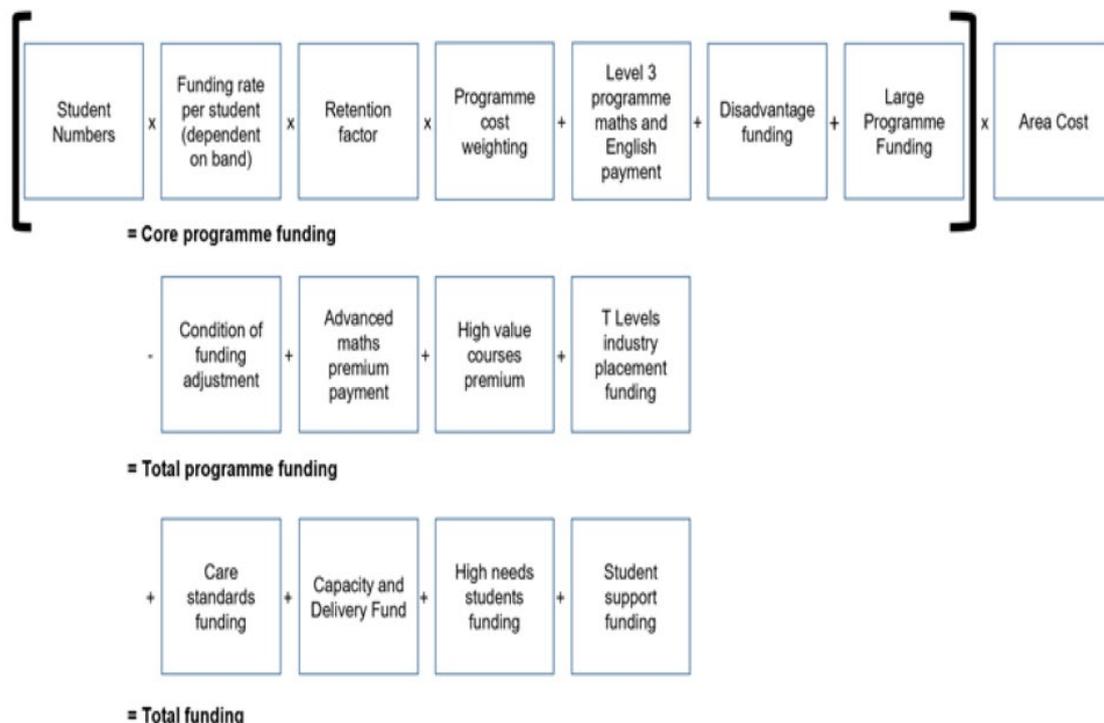
The 16-19 funding formula provides a nationally consistent method of calculating funding for all institutions delivering 16 to 19 education each year. The formula includes the elements listed below, and its working is set out in ESFA guidance: [Funding guidance for young people 2022 to 2023. Rates and](#)

¹⁵ HM Treasury, [Autumn Budget and Spending Review 2021](#) (pp117-118)

¹⁶ Institute for Fiscal Studies, [2021 Annual report on education spending in England](#), 30 November 2021, pp38-40.

[formula](#).¹⁷ The ESFA guidance [Advice: funding regulations for post-16 provision](#) also has more detailed information about some of the elements.¹⁸

The formula



Core funding formula elements

Number of students

The number of students participating at an institution over a previous period. This is referred to as ‘lagged student numbers’ and is calculated in different ways for different types of provider. Full-time students must remain on their study programmes for six weeks to qualify for funding.

The national funding rate per student

This is determined by the size of a student’s study programme based on their planned hours, whether it is a T Level programme, the student’s age, and whether the student has high needs.

Retention factor

This recognises the number of students who remain in learning to the planned end date of their study programme. Each student who is not retained attracts 50% of the full funding rate. In 2021 to 2022, a weighted average retention

¹⁷ ESFA, [Funding guidance for young people 2022 to 2023. Rates and formula](#), March 2022.

¹⁸ ESFA, [Advice: funding regulations for post-16 provision](#), March 2022.

factor was used to account for the exceptional nature of the Covid-19 pandemic.

Programme cost weightings

This recognises that some subjects cost more to deliver.

The level 3 programme maths and English payment

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

Disadvantage funding

- Disadvantage Block 1 funding is to support students from areas of economic deprivation based on the index of multiple deprivation (IMD).
- Disadvantage block 2 funding is to support students with additional needs, including moderate learning difficulties and disabilities.

Large programme funding

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

Area cost allowance

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

Additional elements

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

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

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

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

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

2.4 National funding rates

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

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

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

Study programmes

This funding is for providers to deliver study programmes to their students. Study programmes should be tailored to the prior attainment of each student, with clear goals. They should include:

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

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

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.”¹⁹

2.5

Student support schemes

Institutions can apply for financial support to help their students take part in education and training. Information on all the financial support available to young people in further education is available in the ESFA guidance [16 to 19 education: financial support for students](#).²⁰

16 to 19 Bursary Fund

The [16 to 19 Bursary Fund](#) provides financial support to help students overcome specific financial barriers to participation and remain in education.²¹

There are 2 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.

¹⁹ ESFA, [List of Qualifications approved for funding. Further Information](#), accessed 18 May 2022.

²⁰ ESFA, [16 to 19 education: financial support for students](#), accessed 18 May 2022.

²¹ ESFA, [16 to 19 Bursary Fund guide 2022 to 2023 academic year](#)

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.

Free meals in further education

Funding is provided for [free meals for further education students](#) enrolled on ESFA-funded provision.²²

²² ESFA, [Free meals in further education funded institutions guide 2022 to 2023 academic year](#).

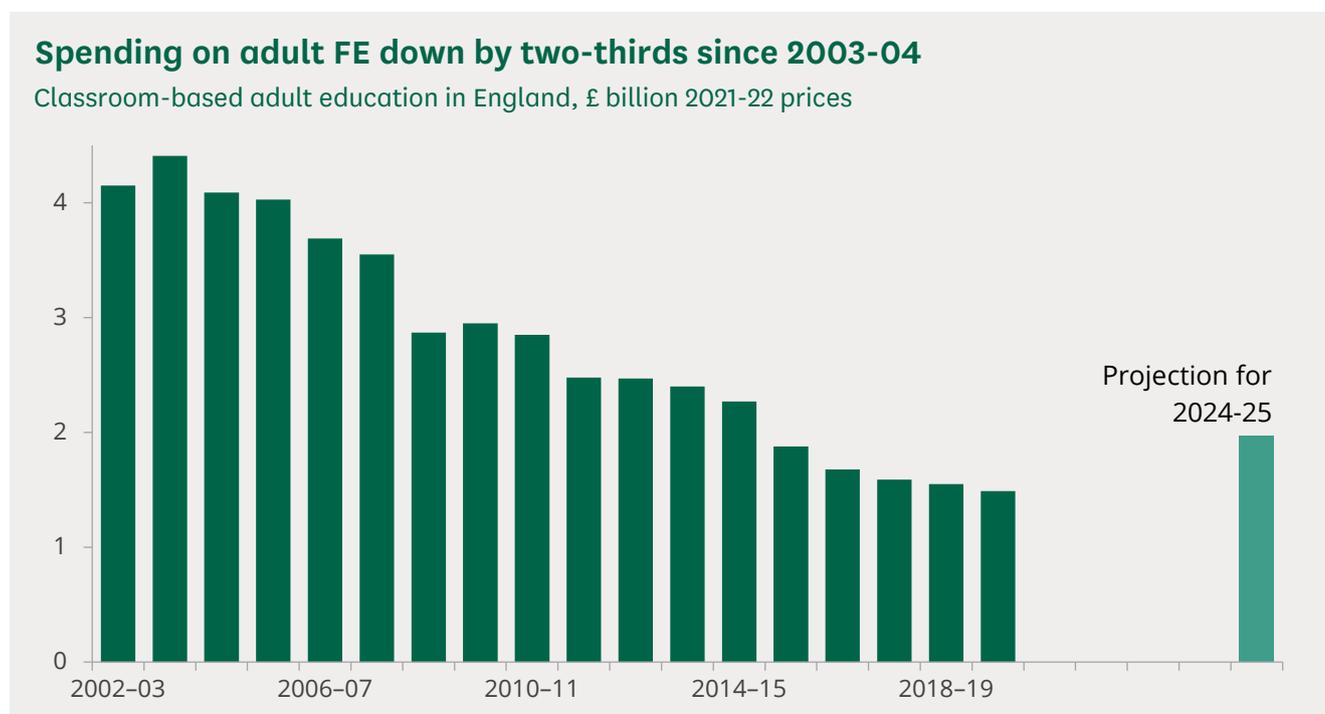
3 19+ Funding

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

3.1 Trends in funding

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

The Institute for Fiscal Studies latest [Annual report on education spending in England](#) found that spending on classroom-based adult education in 2019-20 was **nearly two-thirds lower in real terms than in 2003-04** and about 50% lower than in 2009-10. It stood at £4.4 billion in 2003-04 (2021-22 prices) and fell to £2.9 billion in 2010-11 and to just under £1.5 billion in 2019-20. This trend is illustrated below.

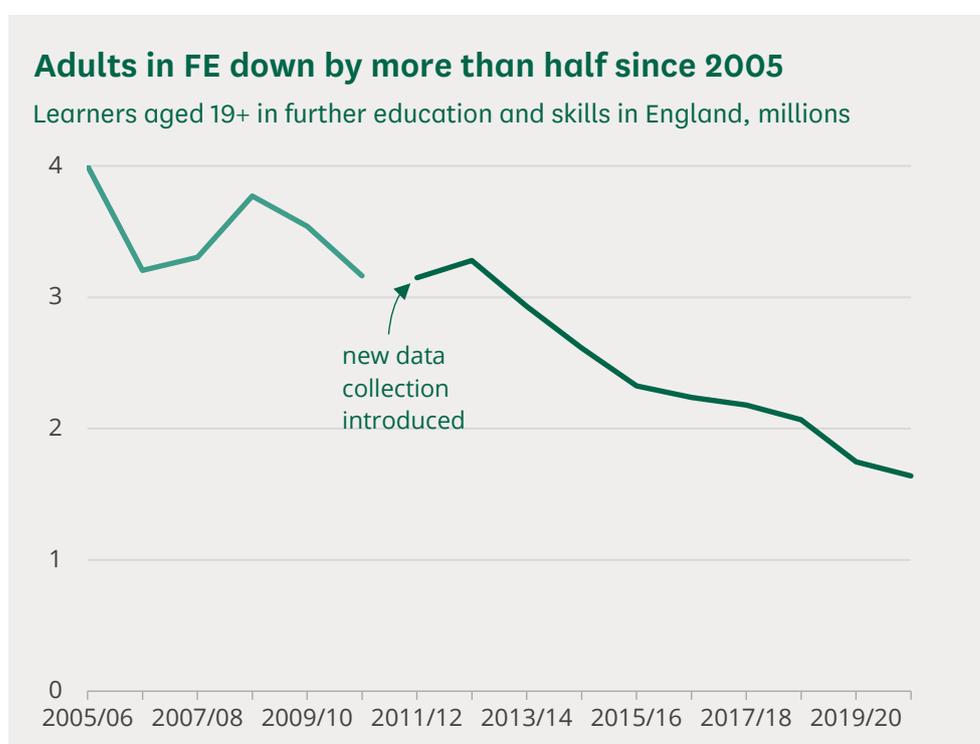


Source: Institute for Fiscal Studies, [2021 Annual report on education spending in England](#), 30 November 2021 – section 4.:

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

Trends in the total number of adult learners is shown in the chart below. This includes those on adult apprenticeships and community learning courses. There is a break in this series,²³ but it is still clear that learner numbers have fallen over time from 4 million in 2005/06 to below 3 million from 2013/14 to around 1.6 million in the latest figures.

Since 2011/12, the number of learners on classroom-based education and training has fallen by 48%, community learning by 64%, and adult apprenticeships by 4%. The largest fall in numbers by level was in those studying at 'full level 2' (equivalent to 5+ GCSEs), where numbers fell by 85% or around 875,000 between 2011/12 and 2020/21.²⁴ Participation at level 4 (such as a higher national certificate or higher apprenticeship) increased from 39,000 to 218,000 over the same period.²⁵



Source: [Further education and skills: November 2021](#), DfE

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

²³ This is thought to have reduced counts of learner numbers by around 2%.

²⁴ When the full range or 'width' of course aims a learner is taking are summed they are equivalent to five or more GCSEs.

²⁵ Source: [Further education and skills: November 2021](#), DfE

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”.²⁶ Spending on apprenticeships increased by 50% in real terms between 2009-10 and 2019-20 to a total of £2.0 billion (2021-22 prices). However, total spending on classroom-based adult education, apprenticeships and work-based learning still fell by 35% in real terms between 2009-10 and 2019-20.²⁷

Funding for classroom-based adult education is projected to increase by 32% in real terms between 2019-20 and 2024-25. The increase for apprenticeships is slightly smaller at 29%. However, the total of the two streams of funding would still be around 15% below 2009-10 levels in real terms.²⁸

3.2 Recent funding announcements

[Budget 2020](#) committed **£2.5 billion over the course of the parliament** to a new [National Skills Fund](#) to improve adult skills in England. Earlier funding announcements for adult education were summarised in a [PQ](#) on 10 July 2020, which highlighted the AEB, National Skills Fund, and planned capital funding:

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

[Budget 2020](#) committed £1.5 billion over five years for capital spending across all of further education in England and a new £2.5 billion National Skills Fund to improve adult skills in England. In June the Government announced that £200 million of the capital funding would be brought forward to 2020-21.²⁹

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

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

²⁶ Institute for Fiscal Studies, [2020 Annual report on education spending in England](#), 3 November 2020, section 4.

²⁷ Institute for Fiscal Studies, [2021 Annual report on education spending in England](#), 30 November 2021, section 4.

²⁸ Institute for Fiscal Studies, [2021 Annual report on education spending in England](#), 30 November 2021, section 4.

²⁹ [PQ 72243](#) [Skilled Workers: Coronavirus] 10 July 2020.

and 2024-25.³⁰ 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:

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.³¹

3.3

Adult Education Budget

The Adult Education Budget (AEB) covers funding for adult education (excluding apprenticeships), community learning, and learner support. It fully funds or co-funds (when the student or their employer must pay part of the costs) skills provision for eligible adults aged 19 and above from pre-entry to level 3.³²

The AEB is targeted at groups of learners with low skills, including young adults, unemployed individuals actively seeking work, and employed individuals in receipt of a low wage. It also provides funding for certain subjects, such as English and maths. Eligibility for full funding or co-funding is based on an individual's age, their prior educational attainment, and personal circumstances.

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

³⁰ HM Treasury, [Autumn Budget and Spending Review 2021](#), October 2021, pp96-97.

³¹ Institute for Fiscal Studies, [2021 Annual report on education spending in England](#), 30 November 2021 (pp40-42).

³² GOV.UK, [What qualification levels mean](#).

support) was set to be held constant in cash terms at £1.5 billion up to 2019-20. However, the Government subsequently decided that a portion of the AEB would be retained centrally to spend on other Department for Education priorities. As a result, the annual AEB was reduced to £1.34 billion from 2016-17 onwards. The AEB remains at **£1.34 billion in 2021-22**.

Funding allocation

The budget for adult further education is set by the Government, often in an annual skills funding statement or letter. Funding allocations reflect Government priorities for provision.

A guidance document on how the ESFA allocates the AEB is available on the ESFA website, [19+ funding allocations](#). The latest allocations for individual providers are for [2021/22](#), and allocations from [earlier years](#) are also available online.

Devolution of the AEB

Guidance on how the AEB is distributed in England is available on GOV.UK at [Adult education budget \(AEB\) devolution](#), and discussed in the Library briefing [Devolution of the Adult Education Budget](#), 19 June 2019.

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

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

Since then, the North of Tyne, South Yorkshire, and West Yorkshire combined authorities have also become responsible for administering the AEB.

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](#) and [2021/22](#).

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

AEB funding methodology

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

Information on the qualifications and learning approved for funding can be found in the ESFA publication [Adult education budget \(AEB\) funding rules 2022 to 2023](#).³³

Formula

Individual provider allocations are calculated based on a formula that takes into account the type of courses provided, learner numbers, and the demographics of the provider. Details of the funding formula are set out in the ESFA publication [ESFA Funded Adult Education Budget Funding Rates and Formula 2021 to 2022](#).³⁴

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.

Learner funding legal entitlements

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

³³ ESFA, [Adult education budget \(AEB\) funding rules 2022 to 2023](#).

³⁴ ESFA, [ESFA Funded Adult Education Budget Funding Rates and Formula 2021 to 2022](#), May 2021, pp6-9.

There is, however, 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 1.³⁵

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

Community learning

The community learning budget was combined into the newly created AEB in 2016, following the 2015 Spending Review settlement. In 2017/18, the community learning budget was **18% (£0.24 billion) of the total £1.34 billion AEB**.³⁶

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

It covers a wide range of areas, such as English, maths, digital skills and English for Speakers of Other Languages (ESOL) qualifications, as well as learning aimed at developing employability skills and improving well-being, family-oriented programmes, and learning for leisure and enjoyment.

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

3.4

National Skills Fund

The [Conservative Party manifesto for the 2019 election](#) included a plan for a National Skills Fund. It was to be worth £3 billion over the next parliament and

³⁵ See GOV.UK, [What qualification levels mean](#).

³⁶ [PQ 216425](#) [Adult Education: Expenditure] 4 February 2019.

provide matching funding for individuals and SMEs for high-quality education and training.³⁷

The £2.5 billion (£3 billion when including Barnett funding for devolved administrations) investment in the National Skills Fund in England was announced in [Budget 2020](#), which was in March of that year.³⁸

The Department for Education has published an overview of the [National Skills Fund](#), explaining what it currently funds for adult learners.³⁹

Skills for Jobs white paper

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

More detail on this policy was included in a Government white paper published in January 2021, [Skills for Jobs: lifelong learning for opportunity and growth](#), which said the National Skills Fund “will deliver key elements of the Prime Minister’s Lifetime Skills Guarantee”.⁴⁰

A report by the Institute for Fiscal Studies analyzing the Government’s white paper proposals said [a lot of detail was missing or left to further consultation](#), particularly with regard to what the National Skills Fund would mean in practice.⁴¹ The IFS also noted the £2.5 billion National Skills Fund spending commitment over the next five years would only reverse about one-third of the cuts to adult education spending over the 2010s.

Consultation

In July 2021, the Government launched a consultation on the National Skills Fund, which focussed on how the fund could meet critical skills needs and two of the offers already available as part of the Lifetime Skills Guarantee (Skills Bootcamps and Free level 3 qualifications for adults).⁴²

The Government [responded to the consultation in April 2022](#).⁴³

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

³⁷ [The Conservative and Unionist Party Manifesto 2019](#)

³⁸ HM Treasury, [Budget 2020](#), March 2020, p48

³⁹ DfE, [National Skills Fund](#).

⁴⁰ DfE, [Skills for Jobs: lifelong learning for opportunity and growth](#), January 2021.

⁴¹ IFS, [Big changes ahead for adult education funding? Definitely maybe](#), April 2021, p16.

⁴² DfE, [The National Skills Fund consultation](#), July 2021.

⁴³ DfE, [National Skills Fund consultation response](#), April 2022.

employer. They are developed in partnership with employers, colleges, training providers, and local authorities.

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

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

At the [Spending Review in November 2020](#), the Chancellor announced **£375 million** in National Skills Fund investment,⁴⁴ including **£43 million** for skills bootcamps in the 2021-22 financial year.⁴⁵ At the [2021 Spending Review](#), a further **£550 million** investment over the next three financial years was announced to expand Skills Bootcamps.⁴⁶

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.”⁴⁷

Free level 3 qualifications for adults

Since 1 April 2021, adults aged 19 and over who do not have a full [level 3 qualification](#), which is equivalent to A levels or an advanced technical certificate or diploma, have been able to access fully-funded courses on an approved list. There are over 400 qualifications available in areas such as engineering, social care, and accounting.⁴⁸

The offer is also available to adults in England who earn less than the National Living Wage annually (£18,525) or who are unemployed. This is regardless of their prior qualification level.

At the [Spending Review in November 2020](#), the Chancellor announced £375 million in National Skills Fund investment,⁴⁹ including **£95 million** for the free level 3 qualification offer.

⁴⁴ HM Treasury, [Spending Review 2020](#), November 2020, p62.

⁴⁵ [PQ 68265 \[Skills Bootcamps\] 2 November 2021](#).

⁴⁶ HM Treasury, [Autumn Budget and Spending Review 2021](#), October 2021, pp96-97.

⁴⁷ DfE, [National Skills Fund consultation response](#), April 2022, pp35-36.

⁴⁸ DfE, [Find a free level 3 qualification](#).

⁴⁹ HM Treasury, [Spending Review 2020](#), November 2020, p62.

3.5

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 set out in a Student Finance England publication, [Advanced Learner Loan Guidance 20/21](#).

Costs and take-up

ALLs only cover the costs of course fees. Repayment terms for these loans are the same as for current higher education undergraduate student loans: Advanced Learner Loans for Access to Higher Education Diplomas are written off if the learner goes on to complete a higher education course. The average loan amount paid per learner was **£2,360 in 2019/20**.⁵⁰

The table below gives trends in take-up. Uptake of ALLs has fallen in recent years with fewer loans taken out for level 3 courses. The value of loans awarded fell by 29% in cash terms between academic year 2016/17 and 2020/21.

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

Source: [Further education and skills: November 2021](#), DfE

⁵⁰ [Advanced Learner Loans paid in England, Academic Year 2020/21](#), Student Loans Company

To put these figures in context almost 1.32 million home undergraduate higher education students took out student loans in England in 2020/21 with a total value of almost £18.2 billion.⁵¹

The Government forecasts that the value of ALLs will fall slightly from £180 million in (financial year) 2020-21 to £170 million in 2025-26. Only 25% of learners who take out these loans are expected to repay them in full. The Government forecasts that the costs of these loans to the public sector (the so-called ‘RAB charge’) is 67% of their face value. In other words, the present value of loan repayments is expected to be 33% of the amount taken out.⁵² These estimates were made before student loans reforms were announced in February 2022. They subject to considerable uncertainty, especially at present with the economic downturn due to the coronavirus pandemic.

3.6 Lifelong Loan Entitlement

The lifelong loan entitlement (LLE) is a flagship element of the [Skills and Post-16 Education Act 2022](#), which received royal assent on 28 April 2022.

The Government has said the LLE will be introduced from 2025 and will give individuals a loan entitlement to the equivalent of four years’ worth of post-18 education to use over their lifetime.⁵³ It is intended to be used flexibly, for full-time or part-time study of modules or full qualifications at levels 4 to 6 in colleges or universities. The Government’s ambition is for the LLE to replace the two existing systems of Government-backed student finance loans and advanced learner loans.

During the parliamentary progress of the Skills and Post-16 Education Bill, the lack of detail about the LLE was repeatedly criticised, particularly because it would be a major change to the current student loans systems. In the House of Lords, Baroness Barran said the Government intended to consult on the “[ambition, objectives and coverage](#)” of the LLE, before bringing further primary legislation at a later date setting out how it will work.⁵⁴

The LLE is discussed in two Library briefings on the Skills and Post-16 Education Bill:

- [Skills and Post-16 Education Bill \[Bill No 176 of 2021-22\] HL](#)
- [Skills and Post-16 Education Bill \[HL\]: Progress of the Bill](#)

⁵¹ [Student Support for Higher Education in England 2021](#), SLC

⁵² [Student loan forecasts, England: 2020 to 2021](#), DfE

⁵³ [HL Deb 15 June 2021 \[Skills and Post-16 Education Bill \[HL\]\], c1791.](#)

⁵⁴ [HL Deb 21 October 2021 \[Skills and Post-16 Education Bill \[HL\]\] c311.](#)

Consultation

On 24 February 2022, the Government [launched a consultation on the lifelong loan entitlement](#) as part of its conclusion to the post-18 education and funding review.⁵⁵

The consultation document says the LLE will be facilitated through “lifelong learning accounts”:

To give the power of informed choice to the learner, new students will be able to sign up and log in online to find a lifelong loan entitlement worth the equivalent of four years of post-18 education to be used across level 4-6 education as they choose. Like a bank account, their account will show their learning “balance”. Through their account, learners will be able to receive clear signposting of the courses and modules they can get onto to propel themselves into learning and further their career aspirations.⁵⁶

The consultation focussed on the design principles of the LLE and how the current system will need to change. It had three themes:

- Ambition of the LLE
- Scope of the LLE
- Supporting quality provision and flexible learning.⁵⁷

The consultation closed on 6 May 2022.

Higher Education Bill

At the Queen’s Speech on 10 May 2022, a Higher Education Bill was announced, which would “enable the introduction of the Lifelong Loan Entitlement”.⁵⁸

The background briefing notes to the Queen’s Speech said the LLE would:

provide individuals with a loan entitlement equivalent to four years of post-18 education (£37,000 in today’s fees) that they can use over their lifetime for a wider range of studies, including shorter and technical courses.⁵⁹

⁵⁵ DfE, [Lifelong loan entitlement consultation](#), 24 February 2022.

⁵⁶ DfE, [Lifelong loan entitlement consultation](#), 24 February 2022, p8.

⁵⁷ DfE, [Lifelong loan entitlement consultation](#), 24 February 2022, p6.

⁵⁸ Prime Minister’s Office, [Queen’s Speech 2022: background briefing notes](#), 10 May 2022, p63

⁵⁹ Prime Minister’s Office, [Queen’s Speech 2022: background briefing notes](#), 10 May 2022, p63.

4 Capital funding

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

The [2021 Skills for jobs White Paper](#) included a proposal to “continue to invest in the college estate, to transform facilities and enable high-quality provision.”⁶⁰ In future years there will be a sharp increase in the number of 16 to 19-year-olds in the population, and the White Paper proposed to target funding for capital projects at further education colleges and sixth-form colleges that can demonstrate an urgent need for increased capacity in the academic year 2022-23.⁶¹

4.1 Recent funding announcements

[Budget 2020](#) committed **£1.5 billion over five years for capital spending** across all further education sites in England. In June 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.⁶²

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 2020.⁶³

⁶⁰ DfE, [Skills for jobs: lifelong learning for opportunity and growth](#), January 2021, p11.

⁶¹ DfE, [Skills for jobs: lifelong learning for opportunity and growth](#), January 2021.

⁶² DfE press release, “[PM announces transformative school rebuilding programme](#)”, 29 June 2020.

⁶³ HM Treasury, [Autumn Budget and Spending Review 2021](#), October 2021, pp 96-97.

4.2

Further Education Capital Transformation Fund

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

The £1.5 billion capital funding commitment made in the Budget 2020 will be delivered through the Further Education Capital Transformation Fund.

Allocations

Phase one

In August 2020, then-Education Secretary Gavin Williamson [announced more than 180 colleges would receive a share of £200 million](#) to renovate buildings and facilities.⁶⁴ The [successful colleges can be found on GOV.UK](#).⁶⁵

Phase two

In January 2021, a “second phase” of the Fund was launched, this was 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](#)

Phase three

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.

⁶⁴ DfE, [Colleges to receive £200 million to transform their buildings](#), 19 August 2020.

⁶⁵ ESFA, [Capital allocations for FE colleges and designated institutions](#), 19 August 2020.

The Df press release [described this as the “third and final” phase of the FE Capital Transformation Fund](#) and listed the 16 successful colleges.

4.3 Condition Improvement Fund

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

The priority for the fund is to address health and safety issues, building compliance, and poor building condition in order to keep education provider buildings safe and in good working order. Bids from applicants with strong governance and good financial management are favoured.

The Condition Improvement Fund also supports a small number of expansion projects for sixth-form colleges rated good or outstanding by Ofsted that can demonstrate a need to expand. Such projects are expected to either increase the number of admissions or address overcrowding.

In 2022/23, the Condition Improvement Fund will provide funding of £498 million for 1,405 projects at 1,129 academies, sixth-form colleges and voluntary aided schools.⁶⁶

4.4 T Level Capital Fund

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

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

More information is available in the DfE document [T Level Capital Fund](#).⁶⁷

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

⁶⁶ DfE, [Condition Improvement Fund: 2022 to 2023 outcome](#), 13 May 2022.

⁶⁷ DfE, [T Levels Capital Fund](#).

listed in the FE Week article, “[Revealed: 11 T-level colleges sharing £9m to upgrade facilities](#)”, 11 July 2019.

Wave two

Successful applications for wave 2 of the T Levels capital fund were announced on 13 January 2021, and are available at [T Levels capital fund: wave 2 - successful applications](#).⁶⁸ 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.⁶⁹ A further 12 projects totalling £16 million were later announced.

Wave four

Wave 4 is intended to support providers delivering T Levels in September 2023, both for specialist equipment and for buildings capital. Over £150 million capital funding is available.⁷⁰

4.5

Institutes of Technology capital funding

In 2017, the Government Green Paper [Building our Industrial Strategy](#) set out plans to establish new Institutes of Technology and invest **£170 million in their capital funding**.⁷¹

[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.⁷²

⁶⁸ DfE, [T Levels capital fund: wave 2 - successful applications](#), January 2021.

⁶⁹ DfE, [T Levels capital fund: wave 3 - successful applications](#), December 2021.

⁷⁰ DfE, DfE, [T Levels Capital Fund](#).

⁷¹ HM Government, [Building our Industrial Strategy: green paper](#), January 2017, pp43-44.

⁷² 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.⁷³

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.⁷⁴

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.⁷⁵

⁷³ [“Revealed: The winners and losers in the £170m Institutes of Technology competition”](#), *FE Week*, 10 April 2019 (accessed 16 April 2021).

⁷⁴ DfE, [Competition opens for new wave of Institutes of Technology](#), 8 October 2020.

⁷⁵ [HCWS515 \[Institutes of Technology\], 5 January 2022](#).

5 Issues

5.1 Colleges' financial health

A National Audit Office (NAO) report published in September 2020 [detailed how the financial health of the college sector remains fragile](#), with funding constraints and uncertainty presenting significant challenges to colleges' financial sustainability.⁷⁶

On 31 January 2019, a [new college insolvency regime came into effect](#).⁷⁷ Aspects of commercial insolvency law now apply to FE providers, meaning that colleges can fail and be put into an insolvency process. In such situations, the DfE can appoint an education administrator with duties to protect the learning provision of students and realise assets for the benefits of creditors.⁷⁸

A DfE document, [Further education bodies: insolvency guidance](#), explains that the insolvency regime is part of “the Government’s co-ordinated approach to support and intervene to improve financial resilience and quality in colleges.”⁷⁹ The Government’s policy on college oversight and intervention is available in the document [College Oversight: Support and Intervention](#), October 2020, and details include:

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

The NAO report showed that two colleges, Hadlow College and West Kent and Ashford College, had been through the new insolvency process, at a gross cost of nearly £27 million between April 2019 to May 2020. The ESFA expects to receive some money from asset sales.⁸⁰

⁷⁶ NAO, [Financial sustainability of colleges in England](#), September 2020, p8.

⁷⁷ [The Further Education Bodies \(Insolvency\) Regulations 2019](#).

⁷⁸ “[What does the new insolvency regime mean for colleges?](#)”, *FE Week*, 31 January 2019 (accessed 19 April 2021).

⁷⁹ DfE, [Further education bodies: insolvency guidance](#), January 2020, p5.

⁸⁰ NAO, [Financial sustainability of colleges in England](#), pp44-46.

Support for colleges in financial difficulty

Between November 2014 and March 2019, FE colleges with severe cashflow problems were able to apply to the ESFA (or its predecessor, the Skills Funding Agency) for Exceptional Financial Support (EFS) to help them maintain services for learners – this scheme closed on 31 March 2019.⁸¹

The 2020 NAO report noted that 36 colleges received **£253 million** in EFS.⁸² When EFS was introduced it was made clear that all amounts would be repayable, but, at March 2020, less than a quarter of total EFS (£61.6 million) had been repaid, while nearly £100 million had been recategorized as non-repayable.⁸³

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

The ESFA recognises that, depending on the types of case involved, the cost and effort of handling colleges in education administration mean that it may need to limit the number of colleges in the insolvency regime at any one time.⁸⁴

Intervention reforms

The 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.⁸⁵

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, and 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.

⁸¹ DfE, [College Oversight: Support and Intervention](#), October 2020, p5.

⁸² NAO, [Financial sustainability of colleges in England](#), pp43-44.

⁸³ NAO, [Financial sustainability of colleges in England](#), pp43-44.

⁸⁴ NAO, [Financial sustainability of colleges in England](#), p45.

⁸⁵ DfE, [Skills for jobs: lifelong learning for opportunity and growth](#), January 2021, pp53-54.

More detail is provided in the Library briefing [Skills and Post-16 Education Bill \[HL\]](#).

5.2 Covid-19 impact on colleges

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

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

Impact on further education finances

The IFS have [speculated the economic downturn caused by the Covid-19 pandemic could lead to an increase in student numbers](#) in colleges and sixth forms, due to reductions in apprenticeship, training, and employment opportunities.⁸⁶

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

Catch-up funding

In June 2020, colleges were left out of a £1 billion Covid-19 “catch-up” package aimed at tackling the impact of lost teaching time in schools, despite further education providers initially appearing to have been included in the Government’s plans.⁸⁷

In July 2020, the Government [announced a £96 million 16-to-19 tuition fund](#), which would be paid for out of the £350 million National Tutoring Programme. The funding is being provided to support small group tuition for 16 to 19 students.⁸⁸ Providers will receive £150 for each full-time student without GCSE grade 4 or above in English and/or maths.

⁸⁶ Institute for Fiscal Studies, [2020 Annual report on education spending in England](#), 3 November 2020, section 4.

⁸⁷ [“Treasury excluded colleges from £1bn catch-up fund just hours before DfE announcement”](#), FE Week, 23 June 2020 (accessed 16 April 2021).

⁸⁸ [“Study staff, pastoral care, peer mentoring: spending the tuition fund”](#), FE Week, 6 November 2020 (accessed 16 April 2021).

On 24 February 2021, the Government [announced a £102 million extension](#) of the 16-19 Tuition Fund for a further year.⁸⁹ For more information on the fund, see the ESFA's [16 to 19 funding: 16 to 19 tuition fund](#) guidance.

In October 2021, it was announced **£800 million** would be allocated across the rest of the Parliament to ensure all 16-19 students receive an [additional 40 hours of education across the academic year](#) (the equivalent of one additional hour a week in school or college).⁹⁰

Education Policy Institute report analysis

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

It found that while the funding committed at that point in England and Scotland was the most generous on a per pupil basis, the catch-up programmes of Wales and Northern Ireland were far better targeted at their most disadvantaged pupils. The report concluded that “at present, the overall scale of these catch-up plans seems insufficient and modest as compared with the scale of the problems.”⁹¹

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

Centrally planned initiatives such as the National Tutoring Programme for school-aged children don't work so well for many post-16 students who need specialist learning to support their progression into employment or further study. A range of provision including access to practical learning settings, catch-up and support for personal development and wellbeing will be required. Colleges should have the flexibility to decide who needs support, what they need and how best to provide it because the disruption will have affected different students in varying ways.⁹²

AEB reconciliation threshold: funding 'clawback'

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

⁸⁹ DfE press release, “[New education recovery package for children and young people](#)”, 24 February 2021.

⁹⁰ DfE, [All schools and colleges to receive extra funding for catch up](#), 27 October 2021.

⁹¹ Education Policy Institute, [Education reopening and catch-up support across the UK](#), 18 February 2021, p43.

⁹² “[New EPI report compares the education catch up plans of the four UK nations](#)”, FE News, 18 February 2021 (accessed 16 April 2021).

2019/20

In 2019/20, the ESFA initially said that they would “not carry out the final reconciliation for grant funded providers in receipt of ESFA funded AEB” due to the impact of the pandemic. However, the agency [later set a threshold of 68 per cent](#), unless providers could submit a business case to justify why they should not be penalised for under delivery.⁹³

2020/21

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

We acknowledge the situation is still difficult for providers, but our latest data shows that a threshold of 90% is a fair representation of grant funded providers’ average delivery. We also know that many grant funded providers have been able to continue remote delivery very successfully during lockdown, having built on the experience of 2019 to 2020 to establish effective contingency arrangements to manage COVID-19 restrictions.⁹⁴

In a letter to the Education Secretary, the Chief Executive of the AoC David Hughes [warned that the 90 per cent threshold](#) may lead to colleges having to cut courses and make large numbers of redundancies. The letter provides examples of colleges that would suffer a significant financial impact if they had to repay funding for not delivering provision.⁹⁵

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

Rachael Maskell, 12 April 2021

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

Gillian Keegan, 15 April 2021

We are lowering the reconciliation threshold of Education and Skills Funding Agency grant funded Adult Education Budget (AEB) - adult skills including non-formula funded community learning and 19-24 Traineeships - and Advanced

⁹³ [“ESFA refuses to rule out funding clawback for ‘under delivery’”](#), FE Week, 30 September 2020 (accessed 16 April 2021).

⁹⁴ ESFA, [Lower reconciliation threshold for ESFA grant funded providers](#), 22 March 2021.

⁹⁵ AoC press release, [“Government’s recovery plans in jeopardy because of cuts to adult training funds”](#), 15 April 2021.

Learner Loan Bursary fund providers for 2020 to 2021, from 97% and 100% respectively to 90%.

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

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

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

This 90% threshold is the final position for the 2020-21 academic year and will not be subject to change. There will not be a business case process. In areas where the AEB has been devolved, Mayoral Combined Authorities and the Greater London Authority are responsible for considering any provider flexibilities in their areas.⁹⁶

5.3 Funding for a post-Covid economy

In October 2019, the Industrial Strategy Council published a research paper that argued there will be “[acute shortages of specialist skills in STEM and health services by 2030](#).”⁹⁷ It has since been asserted that the need to upskill and reskill the UK workforce has become even more pressing due to the economic impact of the Covid-19 pandemic.

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

- £1.5bn for apprenticeships
- £0.45bn for 16 to 18-year-old programmes (includes 16-18 traineeships)
- £3.6bn wage subsidy for apprenticeships for 16 to 24 year olds.

The AELP argued that rather than finance its planned National Skills Fund, the Government should instead channel funding into a significant increase of the AEB to help tackle mass unemployment and support vital reskilling for those who have remained in work.⁹⁸

⁹⁶ [PQ 179245](#) [Adult Education: Finance] 12 April 2021.

⁹⁷ Industrial Strategy Council, [UK Skills Mismatch 2030](#), October 2019, p28.

⁹⁸ “[AELP calls for one-off £8.6bn post-pandemic skills package](#)”, FE Week, 10 June 2020.

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

- Increased demand for college places as high unemployment crowds young people out of the labour market
- Large numbers of young people needing support to catch up as a result of lost learning in lockdown
- Reductions in apprenticeship places, a large number of apprentice redundancies and a shortage of new places for apprentices
- Large numbers of adults requiring training to help them move from struggling sectors into those that recover more quickly, or even grow.⁹⁹

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

- Guaranteeing a high quality, education or training place for every 16 to 18 year old, funded to meet their needs and the learning lost
- Offering a suite of work focussed training programmes, including expanded traineeships and apprenticeships designed to get young people into jobs as soon as they become available. This should include a comprehensive bursary system and incentives for employers
- Providing support for adults who lose their jobs to train or retrain flexibly up to higher level technical / professional level, aimed at getting them back into the workforce as quickly as possible, with additional training to manage their transition once back in work.¹⁰⁰

On 20 October 2020, there was a debate held in Westminster Hall: “[Colleges and Skills: Covid-19](#).”¹⁰¹ The Library debate pack “[Role of colleges in a skills-led recovery from covid-19 outbreak](#)” provides some background on this issue.

⁹⁹ AoC press release, “[To avoid the mistakes of past recessions, government should focus on skills to get the most at risk 764,000 people back into secure work](#)”, 18 June 2020.

¹⁰⁰ AoC press release, “[To avoid the mistakes of past recessions, government should focus on skills to get the most at risk 764,000 people back into secure work](#)”, 18 June 2020.

¹⁰¹ [HC Deb, 20 October 2020, 362WH](#).

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