



## Funding Focus

### 2016 to 17 Skills Funding Letter, December 2015

18 December 2015

*Funding Focus provides quick summaries of recent funding developments, or particular aspects of the funding system.*

#### Introduction

The 12-page **Skills Funding Letter**, from Nick Boles MP to Peter Lauener, sets out the Skills Funding Agency's (SFA) priorities and funding for the 2016 to 2017 financial year. The letter sets out BIS' priorities for funding and, *unusually, says that these 'are valid through to 2020'.* *The intention is that future grant letters will confirm the funding available for the next year but not set new strategic direction.* The priorities set out do not come as a surprise but confirmation is helpful and the letter does include some firmed up pointers for the future. It also sets out the total spending available for adult FE, how it is broken down for 2016-17, and the funding BIS expect to make available up to 2019-20. A couple of important points to note are:

- *BIS question the reason why programmes studied under the 19+ entitlement should be different to the range of qualifications available 16-18 year-olds and expect the SFA to work with the DfE to put in place a single offer for 16-23 year-olds.*
- *Devolution deals will provide specific localities with the power to make their own funding decisions and BIS make it clear that it may become less appropriate to offer large national contracts that span multiple geographic areas.*

This 4 page Funding Focus summarises the priorities and sets out the spending available.

#### Summary of overall funding

In 2016-17 £1bn in funding will be available for adult apprenticeships and £1.5bn for adult skills outside of apprenticeship funding. The £1.5bn funding will now be called the *adult education budget* (AEB) and replaces what had previously been three separate funding lines: funding for adult FE (outside apprenticeships), community learning, and discretionary learner support. The availability of loans will be expanded to those aged 19-23 taking their second level 3 qualification and to higher level qualifications (i.e. levels 5 and 6). From 2017-18 the apprenticeship levy will provide funding to support apprenticeships and this should bring the total investment in apprenticeships to £1.5bn by 2019-20.

The letter states that taken together this investment means that by the end of Parliament the cash value of funding to support FE participation will be 'at its highest ever'; spending power will be £3.41bn by 2019-20; 'a cash terms increase of 40% compared with 2015-16'. Much of this is of course due to increases from the loans budget and the levy. BIS describe this as a 'diversification' of funding routes and highlight this as being important for three reasons. Firstly, it leads to a 'fairer' sharing of costs between government, employers and individuals; secondly, it leads to a higher overall level of investment; and thirdly it puts funding decisions in the hands of those who benefit (i.e. employers taking on apprenticeships, and learners taking out loans). *The letter stresses that it is a funding settlement to 'enable profound change to our system of further education'.*

Alongside investment in apprenticeships, and in more higher level skills, the area reviews will help develop 'a new pattern of FE provision across England' with much greater specialisation of provision.

## Apprenticeships

2016-17 is the last year in which funding for apprenticeships is solely grant. BIS believe the introduction of the levy will lead to increased demand from employers, that there will be opportunities for agile providers, and that many will need to re-work their business models.

## The adult education budget (AEB)

The SFA will allocate the AEB using 3 core principles: effectiveness, simplicity and localisation:

### Effectiveness

The AEB will be allocated in line with priorities and legal duties and BIS stress the SFA should use detailed data about outcomes to inform investment, and promote this data to learners.

#### Technical and professional education

Lord Sainsbury is chairing a [panel](#) looking at how 'technical and professional education' can be organised around a small number of clear routes. Five National Colleges will be created to deliver higher level technical skills in sectors key to growth and a network will be in place from September 2017. A network of Institutes of Technology will focus on higher level STEM and more detail will be available early 2016.

#### Advanced learner loans

From 2016/17 loans will be available to those aged 19 and above studying at levels 3 to 6. 19-23 year-olds still retain an entitlement to full funding for their first level 3. The SFA are responsible for determining qualifications eligible for loan funding.

#### Traineeships

Traineeships continue to be a priority and providers no longer have to be graded as 'good' or 'outstanding' by Ofsted to deliver.

#### Youth obligation

The new youth obligation ('earn or learn') will be introduced from April 2017. 18-21 year-olds will need to participate in an intensive regime of support in order to maintain their benefits and after six months will be expected to apply for an apprenticeship, traineeship, gain work-based skills or go on a mandatory work placement.

#### English and maths

The statutory entitlement to fully-funded English and maths will continue. Jobseekers referred by jobcentres should be the priority for full funding.

#### Offender learning

The OLASS (Offender learning and skills service) budget has been protected in cash terms across the Spending Review period. Further decisions about prison education and commissioning arrangements for 2016/17 will be announced early in 2016.

#### Careers advice and guidance

The National Careers Service will be re-focussed on 19-23 year-olds not in touch with schools/colleges, 24+ with lower skilled, and 25+ with learning difficulties and disabilities.

#### Community learning

There will no longer be a separate community learning budget. Learning providers will be able to offer non-accredited provision if providers and local commissioners (where they are in place) consider it effective.

## Simplicity

BIS want further simplification of what can be funded and ask the SFA to do this in a way that is consistent with the objectives of moving towards devolution of the budget in some areas from 2018. In 2016/17 the SFA will support local delivery agreements which allow for local influence over funding in 2016/17. Rules around learner eligibility for funding will be simplified (we expect these to be published early in January). *Co-funding will remain for some learners but will be removed for qualifications taken in the workplace.* The statutory entitlements have not changed. 19-23 year-olds are fully funded for full qualifications at levels 2 and 3 if they don't already hold a qualification at this level.

*The letter stresses that the SFA should work on the simplification of the qualification offer for 19-23 year-olds and states that there is no reason why the programmes studies under the entitlement should be different to the range of qualifications available to those aged 16-18. They expect the SFA to work with the DfE to put in place a single offer for ages 16-23, focussed on high quality technical and professional qualifications, and ensure there is a single and effective process to identify these qualifications.*

## Independent training providers

The locally led areas reviews of post-16 education and training are looking at how current post-16 provision is delivering against the economic and educational needs of an area and these reviews will provide a good source of information to inform the SFA's contracting of independent providers to ensure provision is tailored to meet the current and future needs of an area. In addition, *devolution deals will provide specific localities with the power to make their own funding decisions and BIS make it clear that it may become less appropriate to offer large national contracts that span multiple geographic areas.* They ask the SFA to take this into account in any re-procurement strategy when current contracts with training providers expire at the end of 2016/17.

## Sub contracting

BIS expect to see less sub-contracting as funding is put in the hands of learners or allocated more locally. For 2016/17 BIS want the SFA to ensure sub-contracting practices are consistent with the need to achieve value for money and to continue to take action against providers who are operating unacceptable practices or failing to provide clear and timely information, and ask the SFA to report the controls in place by the end of March 2016.

## Localisation

In the future, so far as is possible and practical, BIS will expect delivery agreements with providers to reflect local priorities which might include for example, job outcomes and English and maths achievements. The view is that the AEB funds what is essentially a local service and that in the right circumstances it can be better for funding and responsibilities to be held at a local rather than a national level. The SFA will support the progress of the devolution deals in place, and those that arise in the future.

## Area reviews

Area reviews will look at how provision is structured to best meet the economic and educational needs of each part of the country. BIS stress that the reviews should not think of only grant income: loan funding, funding from the levy and wholly private funding are all also part of the picture. There will be no devolution of the AEB to an area before successful completion of an area review (part of the 'readiness conditions' of the agreements).

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## Funding table

Figures set out are taken from the [2016-17 Skills Funding Letter](#) (last 5 columns), and use the [2014-15 SFA Policy and Policy Implementation spending data](#) (column 1), and the [2015-16 Skills Funding Letter](#) which set out the original spending plans for 2015-16 (column 2). It is difficult to accurately compare figures as it is not always made clear which budgets lines relate to which year-on-year. Calculations have been done with the figures in the first two columns to match up budget lines as far possible in order to be able to compare these as accurately as possible.

	2014-15 £000s	2015-16 £000s	2016-17 £000s				
			2015-16	2016-17	2017-18	2018-19	2019-20
<b>Notes refer to the new 2015-16 baseline</b>	<b>2014-15</b>	<b>2015-16</b>					
<b>Employer ownership:</b> This budget line no longer exists.	48,000	86,000	-	-	-	-	-
<b>19+ apprenticeships:</b> Adjusted to reflect the inclusion of the funds for the apprenticeship grant for employers in line 5.	731,000	740,000	740,000	926,019	1,076,004	1,246,996	1,422,999
<b>Adult education budget:</b> Brings together the previous non-apprenticeship adult skills budget, community learning, and discretionary learner support into a new single budget line. The figure also includes the budget for the youth obligation and for basic digital skills and reflects reductions made in the summer budget in July 2015. (It is not clear from old figures what was spent on discretionary learner support.)	1,768,000	1,454,275	1,494,000	1,494,000	1,503,000	1,511,000	1,512,000
<b>Total core teaching and learning</b>	<b>2,547,000</b>	<b>2,280,275</b>	<b>2,234,000</b>	<b>2,420,019</b>	<b>2,579,004</b>	<b>2,757,996</b>	<b>2,934,999</b>
<b>Advanced learner loans:</b> Based on modelled estimates of likely spend against this budget in that year. Budgets from 2016-17 onwards are forecasts. 'Old' forecasts were not spent.	398,000	498,000	202,000	260,000	325,000	440,000	480,000
<b>Total adult teaching and learning</b>	<b>2,945,000</b>	<b>2,778,275</b>	<b>2,436,000</b>	<b>2,680,019</b>	<b>2,904,004</b>	<b>3,197,996</b>	<b>3,414,999</b>
<b>Offender learning and skills service:</b> Excludes an MoJ contribution of £17m. This budget has been maintained at flat cash.	135,000	128,900	130,350	130,350	130,350	130,350	130,350
<b>Total offender and learning skills service</b>	<b>135,000</b>	<b>128,900</b>	<b>130,350</b>	<b>130,350</b>	<b>130,350</b>	<b>130,350</b>	<b>130,350</b>
<b>19+ apprenticeship support:</b> Funds for the apprenticeship grants for employers.	41,000	30,000	30,000	79,000	80,000	74,000	62,000
<b>Adult education support:</b> Includes National Careers Service, quality improvement, data collection and management, financial support for learners and funding for community learning and mental health pilots.	245,000	371,126	343,113	311,324	259,921	192,809	177,427
<b>Total funding to support</b>	<b>286,000</b>	<b>401,126</b>	<b>373,113</b>	<b>390,324</b>	<b>339,921</b>	<b>266,809</b>	<b>239,427</b>
<b>Grand total</b>	<b>3,366,000</b>	<b>3,308,301</b>	<b>2,939,463</b>	<b>3,200,693</b>	<b>3,374,275</b>	<b>3,595,155</b>	<b>3,784,776</b>