

## Funding challenges for FE in an age of austerity

10<sup>th</sup> May 2011  
Stratford-upon-Avon

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**Lsect**  
Learning & skills ~ events,  
consultancy and training

## What does the new landscape look like?

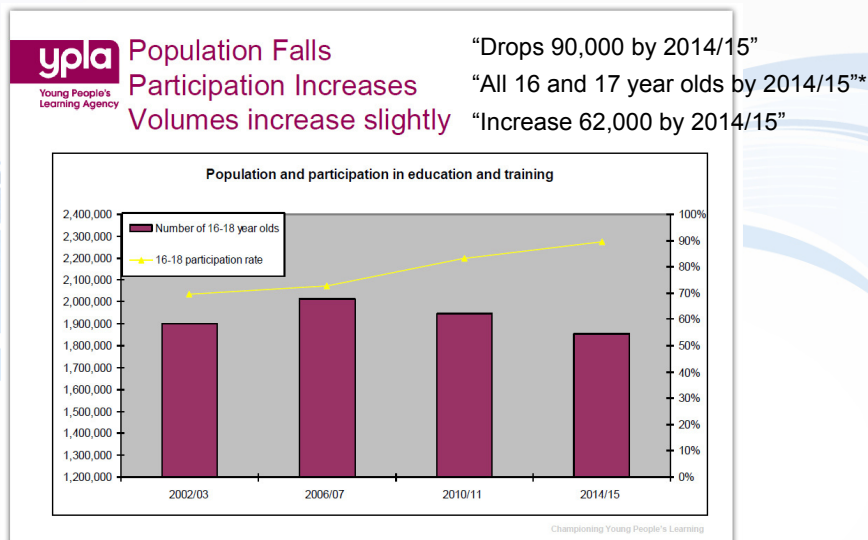


or



Let's consider funding for pre-19 (DfE)  
and post-19 (BIS, DWP and fees)

## 16-18 YPLA RPA planning assumptions



\* And all to be on large programmes (e.g. moving from E2E to Foundation Learning)

## Efficiencies needed (more for less)

- Reductions in 16-18 unit costs (programme size) via reduced SLN per learner per year cap (1.75 to 1.56)
- 74% reduction in “generic” entitlement curriculum hours
- Converge SSF funding with other providers by 2014/15
- Transitional Protection for three years (until 2013/14)
- Maximum loss of 3% per learner in 2011/12

YPLA attempting to announce all policy changes now, and not change for four years (Wolf Review already altered this)

## 16-18 final 11/12 allocation summary

On 29<sup>th</sup> March 2011 colleges received their final 16-18 learner-responsive allocations, alongside several letters and technical guidance documents. Download them from

<http://www.lsect.co.uk/updates/08-02-11-16-18.asp>

- ~ The redistributed £150m is now additional to the -3% transitional protection, so likely allocations are better than expected for many
- ~ Capping largest 20% by programme size scrapped
- ~ SLN cap to be 1.56 and national funding rate to stay £2,920

Afforded by YPLA revising their planning assumptions since December 2010, which took out 51k FE learners and £67m

Many will have better allocations than expected, but will need to find efficiencies (e.g. increase class size)

## 16-18 concluding summary

Individual college impact on overall **budget** will differ based on past recruitment (learner lagged numbers), but most facing per learner **rate** reductions of 3%

Demand expected to increase in next few years owing to Raising the Participation Age (to colleges?)

So 'more for less' the sector strap-line

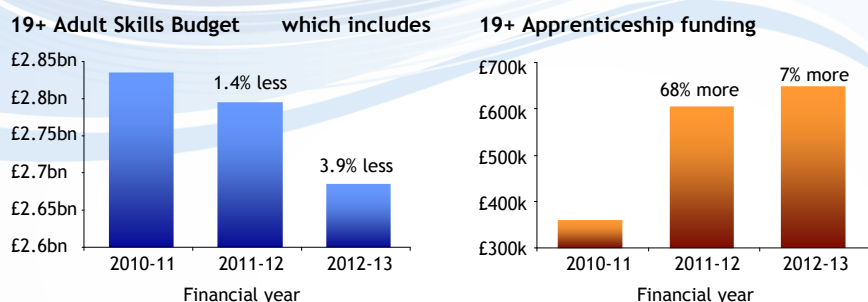
Likely colleges will need to as a minimum (top three):

- ~ Increase class size
- ~ Reduce teaching hours
- ~ Improve early retention

## The 19+ spending for 2011/12

Skills Strategy published November 2010

- ~ FE resource budget reduced by 25% by 2014-15\*
- ~ Significant growth in 19+ Apprenticeships
- ~ Introduction of OIPs and £500k Minimum Contract Levels (MCL)



\* Looks like biggest 'cuts' kick in for 2013-14 and 2014-15 when L3+ loans introduced

## Policy announcements

**BIS Skills Strategy (Nov 2010)** <http://tinyurl.com/35utxks>

**SFA Guidance Note 6 (Dec 2010)** <http://tinyurl.com/2ugc9t5>

**SFA Guidance Note 7 (April 2011)** <http://tinyurl.com/652d9ql>

~ **Learners on 'inactive benefits' = no longer fully funded (50% funded)**

Inactive benefit = Council Tax Benefit, Housing Benefit, Income Support, Working Tax Credit, Pension Credit and contribution based ESA (unless in the Work Related Activity Group), dependents of those these benefits and Asylum Seekers (to be confirmed)

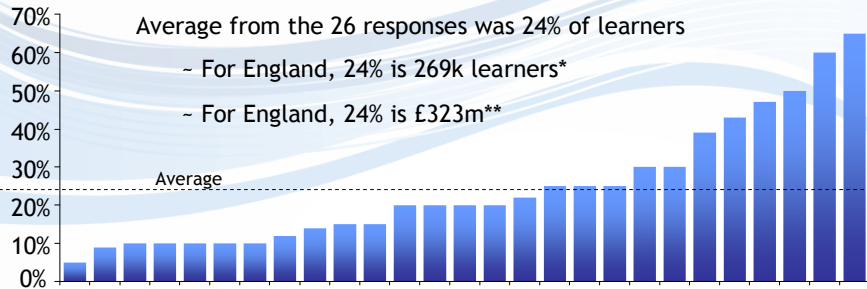
~ **Single Line Adult Skills Budget ends FE college monopoly LR funding**

~ **Rate reduction across LR and ER (4.3%) and Skills for Life weighting of 20% is scrapped (was 40% before this year)**

## Lsect research: inactive benefits part 1

Based on the changes to Government fee eligibility policy next year (such as for those on 'inactive benefits') what percentage of all your adult learners do you think will no longer be able to attend because they cannot afford to pay the fee? - Collected from colleges in one day on SurveyMonkey

<http://www.lsect.co.uk/updates/22-03-11-ALR.asp>

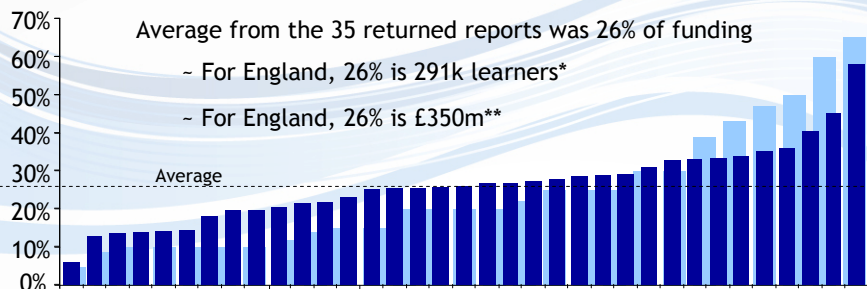


\* Source: 2010/11 BIS Skills Investment Strategy planned for 1.12m ALR learners

\*\* Source: SFA spreadsheet show 2010/11 ALR allocations currently total £1,346,807,291 with average contract £2.8m (largest £21m excluding £110m for UFI and smallest £3k). 24% of average contract is £645k

## Lsect research: inactive benefits part 2

I sent out a free tool, into which colleges imported their current ILR data and it tells them what percentage of their adult funding is for learners recorded as being on, or dependents of those on, inactive benefits.



\* Source: 2010/11 BIS Skills Investment Strategy planned for 1.12m ALR learners

\*\* Source: SFA spreadsheet show 2010/11 ALR allocations currently total £1,346,807,291 with average contract £2.8m (largest £21m excluding £110m for UFI and smallest £3k). 24% of average contract is £645k

On that basis it feels safe to suggest that approximately 25% of learners (300k) and funding (£350m) are currently coded as being on, dependents of those on, inactive benefits

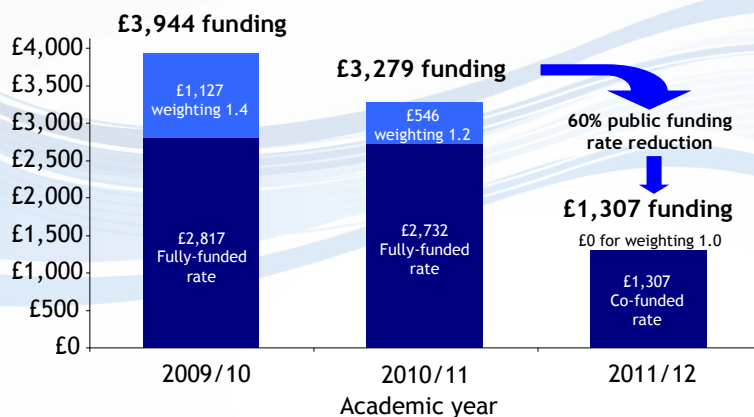
Top five Lsect ILR Utility reports (by funding volume)

College	Inactive benefit funding	Percentage of 19+ funding
A	£1,979,658	29%
B	£2,672,663	26%
C	£3,243,720	31%
D	£5,333,347	58%
E	£5,795,779	45%

Most responding to the Lsect survey believe learners will be unable to afford the assumed £2.90 per hour tuition fee

## And 60% funding rate reduction for much ESOL

Rate changes for ESOL learners on 'inactive benefits' for a 450 hour course\*



\* Learner-responsive funding rates in England (excluding non-Programme weightings)

## 19+ allocation summary

On 31<sup>st</sup> March 2011 colleges received their allocations, and the final allocation notes can be downloaded from:

<http://www.lsect.co.uk/updates/22-03-11-ALR.asp>

Many will have been surprised to be allocated more next year than this year. Final allocations greater than indicative as:

- Planned 3.4% allocation reduction (excl. Apprenticeships) scrapped
- Standard 19+ apprenticeship allocation +13.6% as opposed to +11.7%
- The Adult Additional Learning Support budget is now + 5.9% not - 2%
- The Formal First Step Learning no longer reduced by 2%

Afforded as 'money was being held back that was not needed'

Yet, what remains unchanged is that the national funding rate falls 4.3%, programme weighting for Skills for Life scrapped and many inactive-benefit learners will become co-funded

Many colleges will not be able to earn all their allocation owing to new policies, and the SFA is already in 'flexibility' talks

## 19+ concluding summary

More for less, and directed towards:

- Paying to get someone off benefits and into work (OIP) saves the Treasury. Could it become DWP funded as part of 'Skills Conditionality'?
- Paying to train people in work, mainly via 'high quality' Apprenticeships (Level 2 - 5) and with significant employer cash fee contribution. Need employer buy-in

Many colleges have a great distance to travel.  
How much funding will go unspent in 2011/12?

When colleges need help generating their allocation history suggests that risky sub-contracting (franchise) rises

**What does the new landscape look like?**



or



## **Lsect summer events across England**

- ~ Sub-contracting Funding Summit
- ~ Summer College Data Conference
- ~ Apprenticeship Funding Practiclass
- ~ Intro to funding for curriculum staff
- ~ Year-end data audit essentials
- ~ ESOL Funding Practiclass

**Find out more and book via [www.lsect.com](http://www.lsect.com)**



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