

Parliamentary briefing

Response to the 2021 Budget

March 2021



About AoC

The Association of Colleges (AoC) represents nearly 90 per cent of the 237 colleges in England incorporated under the Further and Higher Education Act 1992. English colleges educate over 2.2 million students every year and employ approximately 111,000 full time equivalent staff.

Budget moments relating to further education and skills:

- Reaffirmation of the **Plan for Jobs** - this includes the £2bn **Kickstart** scheme which aims to help young people at risk of long-term unemployment, and the £2.9bn **Restart** programme to provide intensive and tailored support to over 1 million unemployed people.
- An additional £126m in 2021-22 to triple the number of **traineeships**, targeted at 16 to 24-year-olds.
- An extension of the apprenticeship hiring incentive for businesses to September 2021, increasing the payment to £3,000 for each apprentice they hire, regardless of age.

Our response to the Budget

- We welcome the further investment in the apprenticeship and traineeship incentives, underpinning the Chancellor's commitment to investing in skills and education for the long term.
- It is crucial that unemployed young people and adults can gain new skills which will help them secure and retain good work. Young people leaving education this year will have missed out on their education during the last year and they will face tough times in the labour market.
- Further investment in education recovery in the coming weeks is vital in ensuring the nation can build back fairer as well as better.
- To address **lost learning**, an issue which will have affected every learner to some extent, a long-term plan with significant catch-up funding to support additional hours of teaching for continuing students is essential and must now be prioritised.
- The recently published **Skills for Jobs White Paper** is a vital moment for post-18 education and skills and a catalyst for the Government's aim to get people into secure jobs that meet the needs of a much-changed labour market.
- To achieve this, it is crucial that measures like Kickstart, bootcamps, traineeships and college programmes are **aligned and funding simplified**. The programmes currently do not work well together, are confusing to employers and will not work effectively for many unemployed people.
- The Government now needs to **join up** these jobs and skills initiatives to allow as many people as possible to benefit from them quickly.

Background Information

Spending review

- The Budget didn't change the Further Education budgets announced in the November 2020 spending review.
- The spending review included funds to pay for additional education places for 16-to-18 year olds, a National Skills Fund which is supporting an all-age level 3 entitlement from April 2021, a larger apprenticeship budget (funded by the levy), and capital budgets to improve the condition of college buildings and to support the introduction of more T-levels.

Further Education funding

- The numbers of young people in colleges is rising because there is a growing 16-to-18 population and because education offers a safe harbour in a recession. The number of 16 and 17-year-olds apprentices has fallen from 50,000 a year five years ago to 10,000 this year. The Department for Education secured funding for 20,000 extra places in colleges in the academic year starting in September 2021 but there will be no increase in funding rates so budgets will remain tight.
- Government has prioritised keeping education open in the last 12 months and continued to fund colleges for adult education in 2019-20. This helped colleges stay solvent but they have lost adult education enrolments, apprenticeships and commercial income in the pandemic so finances remain stretched. The one-off increase in the 16-18 budget in 2020-1 (£400 million in all, of which £280 million ended up with colleges) has been used to cover lost income, deal with extra students and manage Covid costs. A number of colleges will need to make redundancies in the second half of 2021 to keep their finances on track.
- Funding levels have fallen significantly over the past decade. Recent research from IPPR has found that if further education funding had kept up with demographic pressures and inflation over the last decade, we would be investing an **extra £2.1bn per year on adult skills and £2.7bn per year on 16-19 further education**.
- The result of this underfunding is that colleges have had to narrow their curriculum and reduce the broader support they offer to students – including across careers advice and mental health services.
- In addition, the current complexity of the approach to funding leads to planning uncertainties, burdensome data management and turbulence in cash flow.

Supporting a skills-led recovery

- The Government's recent **Skills for jobs White Paper** recognised that reforms are needed to encourage investment by colleges in high quality, sustainable and skills-focused provision. The current system focuses on short-term objectives and rewards courses which are popular not necessarily those that are necessary.
- The [English College of the Future](#) report, from the Independent Commission on the College of the Future chaired by Sir Ian Diamond, recommended a new three-year funding settlement for colleges, alongside a shift in approach away from the current restrictions toward a more integrated and streamlined offer.
- Every community in the UK has a thriving college that works with hundreds of local employers to develop their workforce and anticipate their future needs. That makes colleges perfectly placed to offer education and training in what business needs and to ensure a strong pipeline of nurses and care workers, construction workers, engineers, designers etc.
- The 2021 spending review is an opportunity for government to move forward on the objectives of the FE white paper and ensure that there are high quality, education and training opportunities for young people, and also retraining opportunities for adults and support for growing businesses.
- **Colleges are ready to deliver in every community across the country to ensure that nobody is left behind, and that we build back better through one of the best prepared future-ready work forces.**

For **further information** or to discuss these themes in more detail, please contact:
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