

September 2021

Autumn Budget and Spending Review submission

Association of Colleges

22 September 2021

HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

Dear Chancellor

I am pleased to offer this paper for consideration as part of your spending review on behalf of further education, sixth form and specialist colleges, their students and the employers they partner with.

If we have learnt one thing in this pandemic, it is that all of us need to be adaptable, resilient and willing to face up to new challenges. Your Government has broken all sorts of fiscal rules in order to make sure that the country, the economy and people could cope with and bounce back from the ravages of the pandemic. In so many ways your actions have worked and we now see the economy, employment and activity growing as well as changing.

So far so good, but you have said many times that we need to now look beyond the pandemic and plan for a better future. A future in which every person, every community and every business can flourish; in which people can maximise their talents and realise their potential. This spending review could not be tougher, given the enormous uncertainties about the virus itself and the path that the economy will take. You will have every part of the public sector crying out for funding and lots of tough decisions to make.

So this is one of so many letters you will receive asking for a boost in funding. I don't envy you and the choices that you will have to make, but I would ask you to view our asks as investments which will give you, the public finances, people and businesses returns which will help pay for other public services.

Your levelling up ambitions will need investment in infrastructure – railways, cycling, walking, science and innovation centres, town centres, colleges, schools, early years, wind and solar farms, retrofitting for net zero and so on – but without the investment in people, none of that will have the impact you want.

By investing in colleges, you can support young people and adults to have the skills to build that infrastructure. You can provide that levelling up opportunity to more people in our most disadvantaged communities. You can support SME businesses to innovate

and improve their productivity. You can ensure that lack of skills holds back no people and no places.

Your government has made the first step of recognising the need for investment in post-16 skills and education. It has called out the under-investment in colleges which has devastated the number of hours of teaching our young people benefit from and more than halved the number of adults able to improve their skills.

This year's further education white paper and skills bill both make bold and ambitious pledges such as the new lifetime skills guarantee, the lifetime loan entitlement and a new simpler strategic relationship with colleges. Great words which college leaders have welcomed and want to implement.

The problem is simple – without more investment, those words will remain just that. After a decade of neglect, the investment we are seeking is large with revenue budgets rising by £3.8 billion from £7.9 billion now (2021-2) to £11.8 billion in 2024-5. Large but with enormous impact and staged to ensure successful implementation. Getting back to the levels of investment last seen over a decade ago, but more targeted, with a clearer purpose and better outcomes than ever before.

The Prime Minister got it right in his speech at Exeter College in September 2020 when he said “So it is time for change, and for radical change. We need to invest in skills, and we need to invest in FE.”

Your own Plan for Jobs recognised the fundamental shifts in the labour market which require a more agile education and skills system. By investing in colleges I believe you can deliver on that and that the return will be for you, the government, people and communities all over the country and for the economy.

I look forward to your spending review speech where I hope to hear about the investment you will make in our future, a better future.

A handwritten signature in black ink that reads "David Hughes". The signature is written in a cursive, flowing style with a long horizontal stroke at the end.

David Hughes
Chief Executive
Association of Colleges

THE AUTUMN 2021 BUDGET AND SPENDING REVIEW

1. The autumn budget and spending review will set out plans for a three-year period from 2022 to 2025, The Chancellor of the Exchequer's letter to Secretaries of State sets out various aims for the review including making progress on five priorities, delivering reforms across the public sector, levelling up, capitalising on productivity gains made during the pandemic and providing a better service for the British public at lower cost.

Where colleges can contribute

2. Colleges have crucial roles in offering solutions across the range of big issues facing our society and economy. The spending review can build on their capacity to do more for people and companies in three broad areas:
 - ***Skills for Jobs*** - so that colleges can ensure people have skills for the growing parts of the economy, to meet immediate skills shortages and to support business growth in all parts of the country as set out in the January 2021 white paper.
 - ***Building back better in education*** - to improve education provision for the growing population of young people, particularly in technical subjects while also tackling the opportunity gaps that were both widened and revealed by the pandemic.
 - ***Climate action*** - to ensure that colleges help accelerate the development of green skills, support the transition of people from old to new sectors, develop carbon literacy among young adults and improve their own estates.

Building on recent decisions

3. The government made some helpful decisions in the last twelve months in the November and March fiscal announcements and in the January white paper:
 - The Skills for Jobs reform plans.
 - The start of several new programmes and budgets including the new National Skills Fund (£375 million) which supports an all-age Level 3 entitlement and skills bootcamps (since April 2021) alongside higher

technical education expansion (£110 million); a new Strategic Development Fund; and, a new Turing exchange scheme.

- A higher 16-to-18 budget for 2021-2 (£291 million) to provide extra places for a rising population, including, for the first time, a capital fund (£83 million) to support expansion.
- Capital funding to improve the condition of college buildings, to support the introduction of T-levels, to set up a few new Institutes of Technology and to promote wider regeneration (the Levelling up fund).
- Underpinning of college finances via the continuation of the Teacher Pension Scheme employer contribution grant for another sixteen months.
- Several short-term schemes including £3,000 employer incentives for new apprentices whatever their age and for the next six months and £126 million to triple traineeship numbers.

4. However, there are some problems with the current arrangements:

- The understandable decision last year to settle funding for only one year led to a profusion of short-term bids in 2021 for funding which has to be used by March 2022. This is proving to be an inefficient and confusing way to spend funding.
- The core funding systems have too many rules, ringfencing and reporting and are insufficiently focused on priorities and outcomes. This is inefficient and costly for colleges and for government.
- After a single year (2020/21) in which 16-18 funding rates increased by 4.7% and new subject premiums were introduced, government has reverted to ignoring inflation in setting 2021-2 funding rates across all areas. This means that funding rates per learner are inadequate for 16-18 and adult funding, after many years of failing to keep pace with inflation.
- Colleges have made tough decisions in recent years that were necessary to improve their financial position but the stagnant funding

rates have led to reduced hours of teaching, uncompetitive pay and ageing buildings and technology. Those challenges have been compounded by lack of access to finance and confusing and burdensome regulation. Together these all hold back too many colleges from investing and expanding.

- The ambitious agenda the Government has post-16 and for colleges will not be realised without sufficient investment, simpler systems and a new strategic relationship.
5. The spending review is an opportunity to build on the progress made in the last 12 months and to take determined action on skills and further education to meet the government's goals.

Proposals

6. In the rest of this paper we explain some ambitious proposals for improvement across the further education and skills system that would provide direct benefit to millions of people, families and companies each year and long-term benefits for the whole country. These proposals come at a substantial price tag. Relevant revenue budgets would rise by £3.8 billion from £7.9 billion now (2021-2) to £11.8 billion in 2024-5 with capital budgets rising from £0.2 billion to £0.8 billion. Much of this increase in capital spending was already put in place in the March 2020 budget. This is a substantial price tag but would pay for the following measures:
- Make a reality of the government's Skills for Jobs reforms by introducing a single Skills Fund with a rising budget that would ensure government underwrites the plans of employer-produced local skills improvement plans and significantly increase the supply of low carbon, health and digital skills.
 - Introduce a three-year funding deal for 16-to-18 year olds education to ensure that more of the rising population of young people take T-levels, catch-up from learning lost during the pandemic and benefit from longer teaching hours.
 - Ensure that colleges can support the government's climate action and levelling up plans by helping adults retrain for the green economy and by building capacity in disadvantaged towns and cities.

SKILLS FOR JOBS

7. There is a pressing need for action on skills to support growth sectors (for example health, construction, digital and the green economy), to help for those who have lost their jobs retrain, to fill urgent skills shortage jobs and to build a stronger technical education system. The government's Skills for Jobs white paper¹ has set out a number of reforms to address these issues which DfE is now taking forward. Work is underway to create Local Skills Improvement Plans², to overhaul of the funding system and improve accountability³. There are several reasons why government should move ahead with the reforms:
- **Local networks:** The aim is to empower colleges to work more constructively with each other and with employer representative bodies so that they can be responsive to need, rather than waiting for government permission and instructions.
 - **Simplification:** DfE's plan to merge seven different adult funding lines into a single Skills Fund will make it easier for colleges to respond to employer and student demand; make budget planning easier; focus attention on priorities and reduce administration costs. Government should go further and include the skills bootcamp and the skills element of the Shared Prosperity Fund in this Fund in the short-term to extend the simplification principle to other areas.
 - **New formulae:** DfE's plans for a needs-based formula to set devolved authority budgets and for new activity-based formulae would also improve and simplify the system but the pace of implementation depends on the funds available because otherwise this would be an unnecessarily disruptive change. Including a growth mechanism in the core formula will help government act quickly on priorities, reward innovation by covering upfront costs and reduce costs by using the existing accountability, audit and data systems rather than bolting on a new set of requirements.
 - **Accountability agreement:** The development of accountability agreements is an opportunity to reduce the volume and cost of

¹ DfE. Skills for Jobs, Lifelong Learning for opportunity and growth. January 2021

² DfE announced 9 LSIP trailblazers and 18 development fund partnerships in July 2021

³ DfE consultation on reforms to funding and accountability July 2021

existing requirements and allow colleges to agree individual objectives. In time these can be shaped by the new Skills Measure and the results of the reviews that college governing bodies will be required by the Skills Bill to carry out.

- **New approach to commissioning:** DfE proposes a more sophisticated approach to commission independent training providers (ITPs). This could support specialist and innovative provision and help focus efforts on individuals who might otherwise find it difficult to access mainstream provision. This could provide broader geographical opportunities than colleges alone can do.

8. These are positive steps but five areas require more attention:

- **National objectives:** The government should also develop a national strategy, in co-operation with the Skills and Productivity Board, colleges, employers, other providers, combined authorities, local government, unions and students. This would provide direction and prioritise funding and effort, for example by identifying the national needs in areas like green skills and NHS. The aim would be to balance local and national. Now that two-thirds of the adult education budget is devolved⁴ and county deals may be agreed⁵, DfE also needs to ensure the new system works coherently with Mayoral plans.
- **Overall funding:** The Skills for Jobs White Paper sets out a clear ambition for colleges to focus more on advanced technical and higher technical education while also supporting learners with wider or additional education needs. But it does not provide any sense of the scale of either. The objective that more adults will train at Level 3, 4 and 5 requires work to support people back into learning, to help them with their English, maths and digital skills and to ensure progression through Level 2. This implies additional demands on the budget at a time when the working-age population is growing and when the recovery from the pandemic, new migration rules, developments in technology and climate reduction all result in new and urgent skills needs. Overall spending on skills across all levels

⁴ DfE is funding continuing learners in West Yorkshire and South Yorkshire in the 2021-2 academic year but once these two combined authorities have full devolution in 2022-3, 2/3rd of funding will be devolved

⁵ Prime Minister speech on levelling up in July 2021 invited county deal proposals

needs to keep pace with these issues, to ensure people can engage and progress to the sorts of skills that will help them fill productive and secure jobs.

- **Apprenticeships:** The Skills for Jobs reforms will make better use of the £1.7 billion currently spent on the Adult Education Budget and other programmes in scope but do not touch the £2 billion apprenticeship budget which employers have chosen to focus on mostly on higher level standards taken by those already in work⁶. The number of apprentices who are labour market entrants developing skills for new careers has been in decline for four years and the pandemic has further hit numbers taking technical subjects. There is a case for Treasury, DfE and BEIS to develop and publish a statement setting out the purposes and priorities of apprenticeship funding and for this to guide decision making, for example reforms to degree apprenticeships, continuation of employer incentives in targeted sectors and progression arrangements (perhaps a bonus) for employers who recruit a kickstarter or trainee onto an apprenticeship. The funding formula could be weighted to aid the completion of practical apprenticeships or to support growth sectors.
- **Support with living costs:** Many adults will be unable to take up the new Lifelong Loan Entitlement (for qualifications at Level 4 and above) or the Lifetime Skills Guarantee (at Level 3) because there is no support for living costs and because those on Universal Credit are at risk of breaching benefit conditions. This restricts opportunities and reduces the number of people able to access training which helps them change careers or move into skills shortage and priority jobs.
- **College turnarounds:** The years since 2015 have shown that colleges have the capacity to improve their quality and turn around their finances despite all the challenges created by competition, real-terms funding cuts and rapid changes in rules. Government played a constructive role in turnarounds but the restructuring budget ended in 2019. 24 colleges have financial notices to improve⁷ but more

⁶ Edge Foundation and Gatsby Foundation “The benefits of hindsight; assessing the impact of apprenticeship reforms on employer behaviour” 2021

⁷ List of DfE notices to improve to colleges on gov.uk; Annex A to DfE College Oversight and Intervention lists nine financial intervention criteria/triggers

might join them because there are nine triggers for a notice and plenty of reasons why some might trip. DfE commissions five different types of review when colleges are in trouble but without clear funding these are sometimes just paperwork.

9. Treasury and DfE should agree some specific spending measures to implement its Skills for Jobs agenda:
 - **A single Skills Fund** which combines the elements described in the funding consultation plus the skills element of the Shared Prosperity Fund and that is adjusted in line with inflation plus the growth in the working-age population and the need to level up funding in areas with higher unemployment and lower skills levels. A 5% annual underlying increase in the budget over the next three years would address many of these issues.
 - **Growth funding** for the specific priority areas such as green skills, health/social care, digital, logistics.
 - **Apprenticeship spending:** Government should maintain the levy at its current level (0.5% of payroll) but introduce reforms to shift the balance of spending towards new labour market entrants developing skills for careers in growing sectors.
 - **Living costs:** DWP should amend the universal credit conditions and DfE should develop a system of loans and means-tested grants to target support on adult learners who could otherwise not afford to live while in necessary education and training. This could be restricted to only be available for the lifelong loan entitlement and lifetime skills guarantee.
 - **Extension of one-year programmes:** Budgets for new programmes introduced in 2021 (Turing Scheme, Strategic Development Fund) should be extended for the period of the spending review but with a mid-term review in 2023 to adjust budgets and rules.
 - **Restructuring funding:** A small budget to assist with debt restructuring and transition costs would help, perhaps carved out of the unused £1 billion university restructuring budget.

BUILDING BACK BETTER IN EDUCATION

10. The education system creates opportunities for young people, equips them with the knowledge and skills they need for adult life and has a role in social mobility (both positive and negative).
11. The pandemic has had a profound impact on young people, on adults wanting further education, on schools and on colleges. Two lengthy periods of closure have left many students behind where they should be. The government's updated education recovery package agreed in May 2021 will help but is not enough to deal with the scale of the challenge left by Covid. Choosing not to invest in the future of young people, at this crucial moment, will only lead to greater costs down the line. The UK cannot afford a lower skilled economy, worsening mental health or the social costs of early disengagement from education. There is growing evidence that the problem of "learning loss" is concentrated amongst those disadvantaged families who were already most at risk and in particular in those parts of the country most in need of levelling-up.
12. The pandemic exposed problems in the education system but, when it comes to 16-to-18 education, there were already several issues needing attention including:
 - **Catch-up:** Catch-up support is most urgent for young people near the end of statutory education who have the least time left in the formal education system. An AoC survey of colleges in summer 2021 found that this group of young people, especially those with lower prior attainment had been particularly badly hit by the pandemic. The data showed that 77% of colleges think 16-to-18-year-olds are performing below normal expectations and that 81% of colleges think students are on average one to six months behind where they should be⁸. The pupil premium stops at 16 (apart from a small pilot next year for looked after children and care leavers) but there is now a 16-18 tuition fund allowing colleges to offer small group tuition to disadvantaged students. AoC is working on a more detailed lost learning survey using in-class tests of students enrolled this September, the results of which will be available by the start of

⁸ AoC Catch up and remote education survey, April 2021

October. There is a strong case to target young people who are struggling the most but the funds available are insufficient for the task.

- **Course hours and choices:** Most 16-18 classes in England only run for 15 hours a week compared to more than 25 in high performing systems abroad⁹, though T-levels offer extended hours. Course choices have been reduced to stay within budgets which have been cut by 11% in real-terms over the last decade¹⁰. This has particularly hit science and languages. College teachers are paid an average of £7,000 a year less than their counterparts in schools¹¹ which contributes to higher vacancy rates¹² and particular challenges recruiting staff with engineering, construction, maths, and digital/IT specialisms. The underlying cause are the nine years from 2013-4 to 2021-2 in which there has only been one increase in funding rates (in 2020)¹³.
- **Achievement:** Too many young people do not achieve their potential. At a time when more and more jobs require education at Level 3 and above, only 60% of young people reach this level by age 19 and 15% don't even reach Level 2¹⁴. England's schools and colleges supply a strong flow of young people with the right qualifications to enter university, but their maths and foreign language skills fall short of those in our competitor countries. There is insufficient focus on digital skills.
- **Rising numbers of young people:** The numbers of 16-to-18-year-olds in England will rise steadily from the low point in 2019 for around ten years. The share of 16-and-17-year-olds in full-time education reached a historical high of 85% in 2020 and is likely to stay at a permanently higher level, partly because apprenticeships are now a minority option for this age group (just 2% of 16-year-olds start

⁹ Research quoted in the UK industrial strategy, 2017

¹⁰ IFS calculate the 11% real-terms cut in 16-18 spending over the 2010s

¹¹ Pay comparison between DfE School teacher review board report and ETF workforce data report

¹² Vacancy comparison between DfE School teacher review board report and AoC staff surveys

¹³ The government announced a 7% increase in the 16-to-18 education budget in the 2020-1 Spending Round as a first step to addressing the frozen funding rate. DfE has used these funds to increase the full-time base rate to £4,188 and to target money on high cost programmes, high value courses, English and maths resits and workforce development.

¹⁴ DfE Level 2 and 3 attainment by young people aged 19, 2021

one¹⁵). The government made £275 million available for extra student numbers in the 2020 spending review but this money was fully absorbed in covering 2020-1 growth¹⁶. IFS estimate that government needs to spend £570 million more in 2022-3 than in 2020-1 just to keep up with current population growth and costs¹⁷. Our estimate is that an extra £442 million¹⁸ will be needed in 2024-5 compared to 2021-2 to deal with an extra 85,000 young people (a 7.4% increase). The risk in not acting is that the young people with the worst GCSE performance (or no GCSEs at all) will not find education or training places at all. Given the long-term benefits of staying in education, this would be a self-defeating measure.

- **Technical education:** The first cohort of students took T-levels in 2020-1 in 46 colleges, schools and training providers. 2022-3 will be the third year and a total of 18 T-levels will be offered in 145 institutions. By 2024-5, there will be 25 T-levels on offer in more than 200 colleges and hundreds of other institutions. DfE plans to defund vocational Level 3 qualifications in subjects covered by T-levels in order to increase student numbers on the new programmes. 1,300 students enrolled on T-levels in 2020-1 but DfE plans imply that enrolments will escalate towards 100,000 by 2024-5. This will substantially increase the demand for industry placements. There will also be a funding implication because T-levels involve longer course hours and specialist equipment in many of the routes. AoC is working with the Gatsby Foundation to research the full costs of technical education, taking account of likely T-level groups sizes, staffing and equipment costs.
- **T-level Transition programme:** Students who are not ready for T-levels will be able to take the Transition programme in 2022-3. AoC is working with DfE and a small number of providers to pilot the programme now. It is too early to determine the funding implications of students taking these courses rather than those that they are taking now but DfE will need to factor this into their budgets. It would be perverse to limit the hours for these learners to 15 per week

¹⁵ DfE 16-18 participation statistics report just 11,000 apprentices aged 16

¹⁶ DfE used £61 million for in-year 2020-1 growth in 16-18 year olds and increased 2021-2 academic year allocations by around £300 million, two-thirds of which will be chargeable to the 2020-1 financial year

¹⁷ IFS Further education and sixth form spending in England, 2021

¹⁸ Estimate assumes no change to funding rates

teaching time, given the high hope the government has for them progressing onto T Levels which are funded for more hours.

- **Organisation of sixth forms:** At a time when resources in education are stretched, it is odd that DfE overlooks the fact that class sizes in school sixth forms average 11.5¹⁹ and that the student offer is so narrow in many because of the small size of the cohort. Secondary schools use their pre-16 funding and superior financial arrangements²⁰ to cross-subsidise these smaller classes which represents a subsidy towards students from better-off families. There are many excellent school sixth forms but it is extraordinary that Regional School Commissioners, ESFA and councils tolerate so many small ones. In London alone (a city with excellent public transport), the Post-16 area reviews reported 221 sixth forms with fewer than 200 students²¹ Half of 11-18 schools in the capital have non-viable sixth forms and hundreds more across the rest of England are using funds on small class sizes while limiting the educational offer²². Small sixth forms focus on the most popular A-levels and on lower cost BTECs. Fewer students take science, languages, engineering and digital courses than would be the case if there were fewer, larger sixth forms.
- **Capital funding:** DfE is in early stages of a five-year plan to help colleges upgrade their buildings but this sits alongside a one-year fund to support extra places for 16-to-18 year old demographic growth, a T-level upgrade programme, the second wave of Institutes of Technology, various regeneration programmes and a hotly contested decarbonisation fund. Colleges have had to submit multiple bids in 2021 with 100 still competing at stage 2 for condition funding²³ and a similar number waiting for outcomes of the demographic bids. This patchwork quilt of funding does not enable optimal estate strategies to be developed which meet the wide needs

¹⁹ Statistics provided to AoC by DfE officials in reply to a question about DfE's School Statistics which report class sizes for 11-18 schools, but which do not differentiate between pre and post 16 provision

²⁰ Schools can reclaim VAT (worth about 2% of income), can rely on DfE to cover business rates, copyright licences and the full costs of capital projects and have been promised compensation for the forthcoming National Insurance increase (worth 0.45% of income)

²¹ Figures reported in four different Post 16 area review reports for London

²² DfE does not require 11-18 schools to account for their 16+ provision separately but the higher pre-16 funding rates and higher average group sizes allow secondary schools with sixth forms to cover their central and overhead costs from the core pre-16 school leaving the sixth form operating on a marginal cost basis.

²³ DfE's deadline for the FE Capital Transformation Fund is 8 October 2021

of skills shortages, demographic growth, curriculum change and carbon net zero. Meanwhile there are question marks about the ability of colleges to provide match funding to supplement public grants because they have no property left to sell or cannot access loans because of the reluctance of incumbent lenders²⁴ and the barriers for new entrants²⁵.

13. Treasury and DfE should agree some specific spending measures to build back better in 16-18 education:

- **Education recovery funding:** DfE should introduce a three-year Post-16 Premium based around doubling the prior attainment block and incorporating the funds already allocated for the post-16 tuition fund. The cost of doubling “block 2” funding will depend on the exact numbers who do not achieve a grade 4 in English and maths but based on the numbers who received an additional payment in 2020 we estimate that this would cost £300m a year for three years, less the saving made by integrating the Post-16 tuition fund.
- **16-18 revenue budget:** Treasury and DfE should agree a three-year 16-18 budget which ensures there are sufficient places for the growing number of young people and a rising level of funding to cover the growth in T-levels, the introduction of the transition year, additional course hours and the extra costs associated with national insurance and the next Teacher Pension scheme contribution change which will take effect from September 2023. Colleges had hoped to use the additional 16-to-18 funds allocated in 2020 to improve pay but most of the money has been used on covering lost Covid income with the result that AoC could only recommend a 1% or £250 pay rise in 2020-1. Teacher pay in the sector could go backwards in the next couple of years as a result of the funding rate freeze, the national insurance rise and the priority given to raising low pay²⁶. A 5% annual increase in the 16-to-18 funding rate would take the national rate

²⁴ Three banks account for 95% of current bank loans; new loans typically require security exceeding the size of the loan which is hard for colleges in areas with low property prices

²⁵ Banks require some expertise to assess college prospects. There has been no new entrant to this market for 15 years. DfE pressure on colleges to repay restructuring fund loans is contributing to a reduction in overall lending at a time when interest rates are at historically low levels

²⁶ The government target to raise the national minimum wage to 2/3rds of median earnings by April 2024 implies a 15-20% increase over the next 3 years which, in turn, will require pay rises for the significant number of education employees in catering, cleaning and security roles outside the South East

from £4,188 in 2021-2 to £4,848 by 2024-5 and in addition the budget needs to deal with rising student numbers and the shift from existing Level 3 qualifications to T-levels.

- **Common all-age funding principles:** DfE should develop a policy-directed, cost-informed funding approach for setting budgets and funding rates across the age range with the aim also of removing some of the supplements and poor incentives in the current system.
- **Organisation of 16-18 provision:** DfE should maximise the value for the money spent on young people by providing capital funding for new places, by developing the IT infrastructure and by a targeted programme of reviews of small school sixth forms to remove uneconomic and lower quality provision.
- **Capital:** Treasury should add to the £1.5 billion capital budget allocated in 2020 to ensure that all college students get the benefit of upgraded buildings by 2026 and to ensure the sector contributes at an early stage to net zero building targets. There should be a shift away from bids towards funding college estate strategies and the development of the option of government loans to both academies and colleges as an alternative to 100% capital grants for the former and reliance on a vanishing commercial loan market for the latter.

CLIMATE ACTION

14. The Department for Education is working on a draft climate action plan that will cover the entire education system for consultation in November. Some of the measures needed have no financial or spending implication but others do. Colleges can make a substantial impact to the net zero agenda in three significant areas:

- **Low carbon technical skills:** The Green Skills taskforce identifies growing demand in existing environment sectors like offshore wind and electricity networks, in new sectors like electric vehicles and low carbon heating and in areas in transition. DfE should use existing policy levers²⁷ to move the system towards green skills but these will only work if it is able to deal with underlying financial issues. Development of capacity to deliver needs to come ahead of employer and student demand if we are not to get caught in a catch-22 where students are not seeking new skills until employers start demanding them. Funding needs to be made available for growth in activity, perhaps via the growth element in the new Skills Fund.
- **Centre of expertise:** Government should establish national centres of excellence in low carbon skills.
- **Tackling the building stock:** DfE should work with colleges to develop a green estates plan for colleges to retrofit existing stock, develop carbon neutral new build and to review the position of colleges in flood risk areas. This would work better if DfE moves away from bids towards funding plans, National or local surveys would help.

15. The first recommendation made by the government's green jobs taskforce is that a net zero strategy with policy measures over the next five to ten years would "create market demand, unlock public and private investment needed and open pathways to green skills, education and training"²⁸. Action by government could help stimulate demand and help colleges work in strategic partnerships with employers and respond in adequate time to close future skills supply gaps.

²⁷ Policy levers could include qualification approvals, directions to Local Skills Improvement Partnerships, accountability agreements and adjustments both to the Skills Fund and apprenticeship formula

²⁸ BEIS "Green Jobs Taskforce" report 2021

COSTS AND PUBLIC SPENDING IMPLICATIONS

16. We have costed the measures set out in this paper in the table below²⁹.

		2021-2 £mil	2022-3 £mil	2023-4 £mil	2024-5 £mil
Education recovery	Rev	102	300	306	312
16-18 budget	Rev	5,972	6,613	7,340	8,446
16-18 bursary	Rev	167	172	182	197
16-18 demographic capital	Cap	83	83	83	83
Single skills fund	Rev	1,722	1,974	2,335	2,836
Shared prosperity fund	Rev	0	100	100	100
Climate action (retrofit)	Cap	0	50	100	150
FE capital	Cap	125	280	450	580
Total revenue budgets		7,966	9,159	10,263	11,891
Total capital budgets		208	413	638	813

17. We have not yet costed the savings described in our paper, for example those possible from rationalising administration, assessment or A-level provision.

18. The table includes a number of estimates because the published information on post-16 education spending is inadequate:

- Information in budgets and financial statements is very high level.
- Key documents are late, eg 2020-1 DfE and ESFA accounts.
- Detailed allocation information cannot be reconciled to budgets.
- Pupil/student data is produced in age cohorts but financial information is reported by institution type.
- There is very little information about how apprenticeship funding is spent, apparently because of rules on taxpayer confidentiality.

²⁹ A spreadsheet underpinning this table is available on request

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