

**Coast to Capital Board Meeting No. 25
24 September 2015****Report Title: The Further Education Sector and Funding****Report by: Clive Behagg and Shelagh Legrave****Ref No.
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The purpose of this paper is to brief Board Members on the Further Education Sector and the latest Government policy around Area-Based Reviews.

1. Background

The Further Education Sector encompassing General Further Education Colleges (GFEs) and Sixth Form Colleges (SFCs) are key institutions in their local community with a remit to deliver skills for growth in jobs. There will always be a tension between the demands of young people for skills and training and thus the supply into the workplace and the demands of local businesses. The priority to upskill people for higher level jobs is a key agenda for both colleges and universities.

The Further Education Sector educates and trains around 100,000 people per annum over the age of 16 in the Coast to Capital region¹. Nationally a third of 16-18 year olds remain in school and the other two thirds go on to either a General Further Education or a Sixth Form College.

The Further Education Sector offers a mixture of A Levels and vocational qualifications including apprenticeships. Many of these qualifications are at level 3 and above (equivalent of A Level) but over 40% of school leavers aged 16 do not have a full level 2 qualification, 5 GCSEs at grade C or above including English and Maths. Therefore there is a significant provision of level 1 and level 2 courses in vocational subjects also being delivered.

Since 2015 all young people over the age of 16 have to remain in education or training until the age of 18.

Due to financial pressures and also to address the issue of productivity and economic growth, the Government has decided to introduce a national programme of area-based reviews with a view to expand the apprenticeship programme, ensure high quality professional and technical routes to employment and improve responsiveness to employer needs.

2. Qualifications

Most schools post-16 offer A Levels as a main qualification although the majority will also deliver a small amount of classroom based vocational qualifications such as Healthcare and Business.

The Further Education Sector Colleges offer A Levels (much of it delivered at Sixth Form Colleges) and Vocational qualifications which cover most industry sectors. As colleges in their community, each institution has some specialisms, reacting to local demand. An example of this is Aircraft Engineering at Northbrook College and

¹ List of institutions is at Annex A

Furniture Making at Chichester College. For 16-18 year olds, qualifications are delivered as part of a Study Programme which has to include a main course, Maths & English for those without GCSEs at C or above, work experience and enrichment. A key responsibility of both schools and colleges is to prepare young people for employment and part of the Study Programme will involve interaction with local employers. Many students leave with an Enterprise Passport which documents their training and competence in the seven CBI employability competencies.

Apprenticeships are offered by GFE Colleges and through private training providers. The contents of the Apprenticeship programme are changing with new standards being set by major sector employers. As well as a main vocational qualification, apprentices have to complete English, Maths and IT qualifications to level 2. Apprenticeships can be delivered in the workplace or one day a week at College depending on the nature of the apprenticeship and the employer's preference.

Quality Assurance is provided by Ofsted and all but two of the GFE and Sixth Form Colleges within the Coast to Capital Region are currently judged as Good or Outstanding for their quality of provision.

3. Further Education Sector Funding

The Further Education Sector is funded from two separate government departments.

The Skills Funding Agency, part of BIS, funds education for over 19 years olds as well as apprenticeships. It is the regulatory agency for GFEs. Funding at BIS has been significantly reduced as part of the national Budget Deficit cuts. The Education Funding Agency, part of the Department for Education, provides funding for 16-18 year olds and regulates Sixth Form colleges. Whilst most of the DfE budget has been ring-fenced against any government cuts, the 16-19 budget is unprotected.

Funding for colleges has fallen 8% in real terms nationally over the last five years. However within this figure masks a much larger cut in Adult funding.

For 16-18 year olds, the funding per student is 22% below that which schools receive for 11-16 year olds. It is around £4,000 plus additional funding of £460 for those students who have not achieved their grade C in Maths and English or both. In 2014 the rate for 18-19 year olds was cut by 15%, the Government rationale being that once students has been funded for two years after GCSEs they should be cheaper to teach for the third year. This cut affected Further Education colleges rather than schools.

For 19+ students, funding for qualifications other than apprenticeships has fallen by over 50% since 2009. In the Spring of this year, funding cuts of 24% were notified, effective from 1 August and a further 3.9% cut was added to this in June. Over the age of 25 the only funding for people wanting to retrain is through a student loan.

There is, in theory, unrestricted funding growth for apprenticeships, a Government priority for both the Coalition and now the Conservatives. The challenge is both finding students willing to go into apprenticeships at a time when A Levels are still considered the gold standard and finding businesses willing to provide apprenticeship training.

4. Effect of funding cuts

The Further Education Sector colleges in the Coast to Capital region vary in size from a turnover of £7m for Sixth Form Colleges to £50m for the largest college. These huge cuts in public funding have created enormous challenges:

- Uneconomic provision has been removed, even if the course delivers a specialism which is important for local businesses
- Bespoke re-training for those who are unemployed has been eliminated
- Numbers of Adults taking level 2 and level 3 qualifications has reduced significantly
- Colleges have made significant redundancies each year for the last 5 years
- Almost no college has awarded a cost of living pay increase in the last 2 years
- Two colleges in the Coast to Capital region are in significant financial difficulty and have Notices to Improve.
- Cash to match capital funding for skills allocated through the LEP is increasingly problematic.

5. Area based reviews

The Government recognises that the Further Education Sector is struggling to survive as a result of very harsh funding cuts. It is urging colleges to find alternative sources of income although at the same time imposing draconian rules for international student visas which has represented a good source of commercial income in the past.

At the start of the summer break it announced a programme of national Area Reviews of colleges to take place in the next 18 months to achieve greater economies of scale. The outcomes are expected to be:

- Fewer, often larger, more resilient and efficient providers
- Introduction of Institutes of Technology
- Greater specialisation; centres of expertise
- Excellence in teaching essential basic skills
- Maintaining broad universal access to high quality education and training from age 16

The details of how the reviews will be carried out have just been published. Colleges are independent corporations operating outside the public sector. In these area reviews Governors are expected 'to take the right action'. It is clear from two pilot reports already carried out that Steering Groups will be established formed of Chairs of Governors, FE and Sixth Form College Commissioners, local authorities, LEPs, BIS and DfE.

The reviews will start in September (wave 1) and continue until December 2016.

6. For Discussion

A meeting of college principals in the Coast to Capital region with Ron Crank has been arranged for 15 September to discuss the Area-Based Reviews.

Board members, reflecting the business community, may have views on the role which Coast to Capital LEP should take in these reviews and how it balances its involvement in achieving the economic growth needs of each of its sub-regions whilst ensuring the secure future of FE in the area and meeting the demands of learners of all abilities, ages and backgrounds.

Shelagh Legrave
September 2015

Appendix 1

General Further Education Colleges (GFEs) and Sixth Form Colleges (SFC) in the Coast to Capital Region

Name	Type	Turnover as at 31/07/2014 £m	Ofsted Grade
BHASVIC	SFC	£10.5	Outstanding
Central Sussex College	GFE	£27.3	Requires Improvement
City College Brighton	GFE	£24.0	Good
College of Richard Collyer	SFC	£8.3	Outstanding
Coulsdon College	SFC	£7.1	Good
Chichester College	GFE	£50.2	Outstanding
Croydon College	GFE	£27.0	Good
East Surrey College	GFE	£16.3	Good
John Ruskin College	SCF	£5.8	Outstanding
NESCOT	GFE	£25.3	Good
Northbrook College	GFE	£24.9	Good
Plumpton College	GFE	£15.7	Good
Sussex Downs College	GFE	£34.6	Good
Reigate College	SFC	£11.0	Outstanding
Vardeen College	SFC	£7.9	Good
Worthing College	GFE	£7.6	Requires Improvement
Total		£303.5	