



Department  
for Education

To all Chairs of FE and Sixth Form College Corporations,  
College Principals



Department  
for Business  
Innovation & Skills

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7 December 2015

Dear Colleague

I am writing to you following the spending review announcement to provide further information on the key areas of interest to colleges and which will be essential to supporting delivery of the Skills agenda over the course of the Parliament.

Many of you will already be aware of the headlines. As I said at the time of the Chancellor's announcement, this is a good settlement for the sector and one which recognises the importance of skills to achieving our ambitions for productivity and economic growth which we published earlier in the year. The settlement allows us to take forward an ambitious reform agenda for post-16 education and, through clear and high quality progression routes, grow the high value technical and professional skills we know businesses need.

First of all, the settlement recognises the crucial role that 16-19 education plays in supporting future economic growth. This is why we announced that we will protect the national base rate of £4,000 per student for the duration of the parliament. I am sure that you will welcome the stability that this will bring to the sector, and the vote of confidence in 16-19 education that it represents. That said, like the rest of the public sector, 16-19 education will be expected to play its part tackling the budget deficit, and will need to identify some further savings. We are aiming to set out the detail of savings in 2016/17 in December, and the detail of savings from 2017/18 as soon as possible. For now, I can confirm that from 2016/17 we will start to gradually remove Formula Protection Funding, ensuring sufficient lead-in time for providers to manage this reduction.

I am also pleased to confirm that we have been able to protect the core adult skills participation budget and I hope that this will provide a degree of stability for colleges. However, as you are aware, this budget is only part of the resource available to the sector. While many of you have responded well to the need to diversify and develop business models which place less reliance on government funding, colleges must do better in this respect if they are to remain sustainable into the future.

Sustainability also means making the most of the opportunities provided by the spending review, as we put more control over funding into the hands of employers and learners.

The apprenticeship levy is a key part of this and vital to funding the increase in quality apprenticeship training required to meet our commitment of 3 million apprenticeship starts by 2020. As I said at the AoC conference in November, only around a third of all funding for apprenticeships training will go to FE colleges in 2015/16, with the remainder taken up by private training providers. I would really like colleges to re-assert themselves here and commit to growing this to two-thirds of what will be a much larger pot by 2020. I am confident that you have the capability and entrepreneurial spirit to do it, working closely with employers and learning from those that are already successful.

We are also taking action to support apprenticeship growth - working with businesses to begin or expand their programmes, setting new expectations for public procurement and legislating to set targets for public sector bodies and to provide protection for the term 'apprenticeship' to prevent misuse. We have set out our plans for apprenticeship growth in *English Apprenticeships: Our 2020 Vision* (<https://www.gov.uk/government/publications/apprenticeships-in-england-vision-for-2020>). Further detail on the rate and scope of the apprenticeship levy is included in the annex to this letter.

Our plans to reform technical and professional education also require a clear and credible funding route to support learners. We are, therefore, expanding Advanced Learner Loans to 19 to 23 year olds at levels 3 and 4, and 19+ year olds at levels 5 and 6, which will benefit an estimated 40,000 students a year. We will also consult on introducing maintenance loans for people who attend specialist, higher-level providers, including National Colleges.

At the time of my previous letter I had just published a policy statement setting out our approach for restructuring post-16 education and training through a series of area reviews. While the spending review settlement is good, many colleges are and will continue to face financial difficulties. It is, therefore, vital that all colleges continue to engage fully in the area review process. The first wave of the reviews, covering seven areas and 25% of all colleges, is now underway and, recently, we announced details of the second wave beginning in January 2016 alongside an indicative timetable for the remaining areas. Details of the area reviews announced can be found at: <https://www.gov.uk/government/publications/reviewing-post-16-education-and-training-institutions-list-of-area-reviews>.

Already the reviews have identified that there are considerable differences in efficiency across the FE sector, and scope for further education to be delivered which is both higher quality and lower cost. Further details on what the settlement means for the FE sector will be set out in the Skills Funding Letter and letters to you from the funding agencies.

As on previous occasions, I attach a policy brief on recent progress in implementing the FE and Skills reform programme. I would be grateful if you would ensure this is disseminated to all your governors. Please forward any comments you have to the FE Governance mailbox at [fegovernance@bis.gsi.gov.uk](mailto:fegovernance@bis.gsi.gov.uk).



**NICK BOLES MP**