

31 October 2015

Prime Minister
Prime Minister's Office
10 Downing Street
London
SW1A 2AA

Dear Prime Minister

We, the undersigned, urge you to reconsider the impact of recent and planned changes in the funding of Further Education, including Sixth Form, colleges in the run-up to the Comprehensive Spending Review in November 2015. We believe that the sector is vital to the Government's economic strategy but unless the issues outlined below are understood and addressed, opportunities for many young people, adults and the nation's productivity will be significantly damaged, perhaps permanently.

The Further Education college sector delivers well over half the education and training of young people aged 16 to 18, and over half of all construction, engineering and manufacturing apprenticeships. It delivers training to 35 percent of all large employers in the country (compared to 32 percent for universities). In total we educate and train nearly three million people each year, with provision geared to improving employability, social cohesion, productivity and economic growth.

Colleges are repeatedly told by successive ministers and senior industry leaders that they are key to delivering the national skills agenda and indeed the wider government agenda. However, it is our view that our ability to support this agenda is seriously under threat given the recent and proposed funding changes. The National Audit Office study into the sector expressed concern about its financial health, and the Education Secretary has also said the sector is financially "fragile". Professor Alison Wolf, in her most recent research paper, commented that the sector was heading for the precipice in financial terms.

We are now in a situation where the college sector as a whole was in deficit in 2013-14 and likely to be more seriously in deficit in 2014-15 when the accounts are published. Increasing numbers of colleges face financial difficulties, with the number of colleges deemed financially inadequate rising exponentially. The FE Commissioner recently suggested that up to 200 colleges (over 55 percent) would be in difficulty by the end of next year. The college sector has not been afforded the protection offered to schools over the last six years and Universities have been able to charge fees up to £9000. This parlous financial state has been caused by the impact of an accumulation of funding changes that have uniquely hit colleges. There are five main factors:

1. Repeated year on year cuts to adult funding, now estimated to be around 40 percent in total, resulting in a very significant fall in the number of adults being able to access high quality employment-related training. Some of these funding cuts have been targeted at basic English courses that traditionally attract students for whom English is not their first language. This seems in direct contradiction to your understandable emphasis on preventing extremism and radicalisation. Colleges are major public assets with high fixed costs. Sudden large cuts in adult funding cannot be immediately mitigated in full, which means college costs cannot therefore be reduced by the full amount of the funding reduction. This has been a major factor in weakening college financial health, because we already operate on tiny financial margins.

2. Significant reduction of the rate of funding (17.5 percent) for students in colleges aged 18 (to £3,300) when universities are able to draw down up to £9000 for students of a similar age. While this reduction applies also to schools, the college sector is more deeply affected because we traditionally have many students who come to us with poor GCSE results and take longer to progress to advanced level qualifications. In addition, these students are taught alongside 16 and 17 year olds, so colleges cannot reduce costs to compensate for the funding reduction. The reduction simply flows to a college bottom line.

3. Late and unexpectedly large reductions in annual funding allocations which make it increasingly difficult to plan ahead with any certainty. Significant funding cuts for the 2015-16 academic year were announced in March 2015 with a further round of cuts announced in July. The cuts applied immediately from August 1st 2015. The uncertainty this creates means colleges cannot invest in their staff, effectively plan their curriculum, and meet the needs of the local economy and communities which they serve. It has become almost impossible to plan ahead and work meaningfully with other agencies and partners who rely on us to deliver their education, training and skills requirements.

4. We recognise that it is government policy to increase the number of new Academies, Free Schools and University Technical Colleges, many offering post-16 provision in competition with other schools and colleges. We have always welcomed competition and operated within the competitive marketplace, but many of the new institutions have low numbers and so can initially receive very high levels of funding per student making that competition unfair and destabilising. We are concerned that the post 16 area reviews recently announced by the government do not include such institutions, nor schools with sixth forms for that matter, and we believe this means we will be asked to compete in a deeply unfair environment.

5. The major requirement now placed on the sector to address the poor performance of young people in English and maths. Large numbers of young people leave secondary school after five or six years without achieving a good GCSE grade (C or better), and colleges are expected to achieve an improvement within a year and without additional funding. We agree that this is a national priority but to deliver this within a reducing funding envelope is a major additional financial pressure, not least because we need to adjust our staffing to bring in sufficient specialist teachers. For example a typical college might now have to teach GCSE Maths to 1,000 young people each year, perhaps a 10-fold increase.

Notwithstanding the above it should also be noted that the funding rates per student in real terms have not been maintained, our costs as an employer in respect of national insurance and pension contributions have increased, and there have been significant year on year workforce reductions as colleges seek to balance their books - which brings additional large one-off restructuring charges.

Whilst the sector is more vulnerable now than at any time since incorporation in 1992 the purpose of this letter is not to challenge government policy. Colleges have demonstrated their ability to deliver on various government agendas over the last two decades and have a proven track record of adaptability, flexibility and resilience. Its purpose is simply to demonstrate that the unique combination of funding decisions and planning cycle changes is not sustainable and that major policy initiatives around maths & English need extra resources.

Given our historically low operating margins and the fixed costs that come from being local public assets, further major funding reductions will jeopardise the ability of the sector to deliver its core services, whatever the size of individual colleges.

In summary, the FE college sector has been uniquely affected by recent funding decisions. There is a real fear that further funding cuts in the next CSR round will indeed tip us "over the precipice". Moreover, there is an even greater fear that this could happen by accident or a lack of detailed understanding of the impact of recent decisions. The CSR offers an opportunity to ensure colleges can help government deliver what it aims to achieve.

In the light of the above we ask five things:

1. No further reduction in the quantum of adult funding given the needs of the low skilled and vulnerable adults in our communities and the importance of integrating such students into our society such that they make a meaningful economic contribution.
2. Recognition that many young people do not achieve good GCSE grades at 16 years of age and some need longer to reach their potential. We need consistent and equitable funding for all 16-18 year olds who attend colleges. Ideally, the funding should be the same as that given to 14-16 year olds and there should certainly be no further cut in 16-18 funding. Any changes in funding should be at 19+, not at 18.
3. More certainty and predictability of funding over a reasonable period of time, ideally three years. This will enable planning and investment to occur with certainty and confidence, and provide time for colleges to adjust their fixed costs.
4. Re-examination of the current thinking relating to post 16 provision and for the recently announced Area Reviews to include all current and proposed post 16 providers and not simply colleges.
5. Recognition that effective delivery of the maths and English agenda requires new and adequate resources, sufficient funding and long-term support to help recruit qualified specialist staff, given that colleges are now the largest providers of maths and English in their locality.

Colleges have a vital role in helping your government achieve its ambitions with regard to social cohesion, social mobility and economic success. We are unique and responsive institutions that share these same ambitions and care deeply about our communities. We hope this letter clearly explains our fears and frustrations that we cannot do this as effectively as we would like and hope you will consider our concerns and our proposals which we believe will better deliver your Government's agenda.

Thank you.

Yours sincerely

College	Chair of Corporation
Abingdon and Witney College	Stephen Dexter
Accrington and Rossendale College	Brian Stephenson,
Activate Learning	Graham Blackburn
Askham Bryan College	Anthony Alton
Aylesbury College	Janice Trebble
Barnfield College	Robin Somerville
Barnsley College	Josie Thirkell
Basingstoke College of Technology	Lynne George
Bedford College	Kevin Bromboszcz.

Bexley College	Leeni Lear
Birmingham Met College	Steve Hollis
Bishop Auckland College	Pamela Petty.
Bournemouth and Poole College	James Hampton.
Bournville College	Ian Richards
Bracknell & Wokingham College.	Mr Robin Cox
Bradford College	Richard Wightman
Bristol College	Jo Matthews
Burnley College	David Meakin
Burton and South Derbyshire College	Mr Everton Burke
Buxton and Leek College	Olivia Dean
Calderdale College	Lynne Mackenzie.
Central Bedfordshire College	Prof James C Crabbe JP
Central Sussex College	Chris Maidment
Chesterfield College	Frank Smith
Chichester College	Sir Paul Haddacks
Cirencester Sixth Form College	Jill Laing
City College Plymouth	Nick Holman
City College Southampton	Mrs Sue Leamore
College of North West London	Jan Knight
Cornwall College	Philip Rees
Craven College	David Mabbitt
Darlington College	Pat Howarth
Dearne Valley College	Vivienne Martin
Derby College	Janet Morgan
Dudley College	Peter Davies
East Durham College	David Butler,
East Kent College	Mrs Beverley Aitken
East Riding College	Simon Wright
Epping Forest College	Ken Clarke
Fareham College	Mr Russell Kew
Grantham College	Mos Kalbassi
Great Yarmouth College	Rob Evans
Grimsby College	Jonathan Lovelle.
Hackney Community College	Tom Mautner, JP.
Harrow College	Nick Davies
Hartlepool FE College	Prof. Aidan Mullan
Hartlepool Sixth Form College	Jonathan Brash
Havering College	Stan Rose
Havering Sixth Form College	Ray Harris
Henley College, Coventry	Jill Baker
Hertford and Ludlow College	Val Ainsworth
Hertford Regional College	Mike Carver
Highbury College Portsmouth	Nicola Youern
Hopwood Hall College	Robert Clegg OBE
John Ruskin College	Alec Stow

Kensington and Chelsea College	Naraindra Maharaj
Kidderminster College	Matthew Terry
Kirklees College	Geoff Alvy
Knowsley College	Mark Flinn
Lambeth College	Mary McCormack
Lancaster and Morecombe College	Roy Thorpe
Leeds City College	Shaid Mahmood
Leeds College of Building	Andrew Iveson.
Leeds College of Music	Libby Raper
Leicester College	Jill Wells
Lewisham Southwark College	Chris Bilisland OBE
Manchester College	John Thornhill - GROUP CEO
Mid Cheshire College	Saundra Middleton
Mid Kent College	Sheila Potipher
Middlesbrough College	Rob Davies
Milton Keynes College	Fola Komolafe
Moulton College	Robin Thompson
Nelson and Colne College	Stephen Barnes
NESCOT College	Mark Hunt
New College Stamford	Alison Grant
New College Swindon	Charlotte Mannion
Newcastle College	Jamie Martin
Newcastle under Lyme College	George Stonier
Newham College	Parin Bhal
Newton Rigg College	Alan Bowe
North Lindsey College	Andy Tuscher
North West Kent College	Julian Parkes
Northampton College	Geraldine Schofield
Northern College	Bob Harrison and Clive McDonald
Oldham College	Shaid Mushtaq
Petroc College	Paul Petrides
Priestley College, Warrington	Reg Haslam
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Richmond upon Thames College	Cathy Bird
Rotherham College of Arts and Technology	Kenneth Barrass
Salford City College	Jackie Flynn
Selby College	Vernon Wells
ShIPLEY College	Joanne Beaumont
Solihull College	Helena Stockford.
South and City College, Birmingham	Clive Henderson
South Devon College	Lisa Stroud
South Staffordshire College	Ray Faulkner
South Tyneside College	Andrew Watts
South Worcestershire College	Bryan McGinity
Southport College	John Fell
St Helen's College	Roy Clarke

Stanmore College
Stockport College
Stoke Sixth Form College
Strode College
Suffolk New College
Sunderland College
Sussex Coast College
Sussex Downs College
The City of Liverpool College
The College of West Anglia
Thomas Rotherham College
Tower Hamlets College
Trafford College
Truro and Penwith College
Tyne Metropolitan College
Uxbridge College
Wakefield College
Warrington College
West Anglia College
West Cheshire College
West Lancashire College
West Thames College
WMC -The Camden College
Worcester Sixth Form College
Worthing College
York College

John Howard
Louise Richardson
Charles Freeman
Kate Lovell.
Roger Fern
Rob Lawson.
Tony Campbell
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Peter Grieve
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Prof Martin Earwicker
Graham Luccock
Ellen Winser
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Paul Campbell
Colin Daniels
Sharon Cambridge.
Christine Russell
Les Abernethy
John Bolt
Tom Schuller
Prof Ian Oakes
Julie Campbell
Shirley Collier