



ASSOCIATION  
OF COLLEGES

**REBUILD:**

# A SKILLS LED RECOVERY PLAN

## FORWARD

The COVID-19 crisis represents the biggest shock to the economy, to our society and to labour markets that any of us will have seen before.

The Government's response to provide substantial and unprecedented funding to employers to retain their staff through the Job Retention Scheme comes to an end in the autumn. Nobody knows how many of the 9 million people on furlough will retain their jobs and how many will be unemployed. With employment already 600,000 lower than it was in March, there is a high likelihood that unemployment will reach the highest levels seen since the Great Depression in the 1930s.

We know that young people and adults with lower qualifications always suffer worst in a recession and this one will be no different. In fact, it might be worse for those groups because of the particular difficulties facing sectors which recruit large numbers of young people, such as retail, hospitality and leisure.

Our plan is for a skills-led recovery, using the next 12 months to start rebuilding our labour markets and economy. A bold commitment from the Government, investing £3.6 billion would help 764,000 young people and adults to get the education and training they need to make their path into jobs smoother and easier.

We have set out detailed proposals to retain, relaunch and retrain through incentives to employers, support and advice to young people and flexible opportunities for adults. I am confident that this package of measures would enable colleges to do what they do best, providing hope, motivation and ultimately pathways to jobs for large numbers of people facing very difficult times.

We know that some sectors will bounce back quickly, particularly if the Government makes major infrastructure investments. Colleges are vital the supply chain for the next nursing professionals, designers, digital experts and construction engineers and they are ready to offer those courses, with the investment we are calling for.

Now is the time for bold and urgent decisions from the Government. Our plan provides the blueprint for the next year. Beyond that we look forward to discussing the longer-term issues with the Government in the Spending review and as it develops the FE white paper. Unprecedented times need bold actions. Our plan will deliver so much for 764,000 people.

**David Hughes,**  
Chief Executive,  
Association of Colleges

## **REBUILD – A skills led recovery**

The COVID-19 shock requires a bold plan for a skills led recovery. Colleges hold the key to the supply chain for the next nursing professionals, designers, digital experts and construction engineers among others.

While their current priority is ensuring staff and learners can safely resume face-to-face learning, colleges are also planning how best to meet the needs of the people and employers in their areas. This plan sets out the investment needed for them to be able to deliver that and ensure that the recovery is rapid, widespread and reaches those most affected.

Colleges cannot deliver this on their own. Their plans to deliver on economic recovery are part of a much wider ecosystem of key stakeholders; employers, students, parents/carers, local and combined authorities, elected mayors, LEPs, schools and universities and public transport providers.

Colleges will be able to call on their employer relationships to ensure that the funding reaches the most important parts of the economy, especially in priority keyworker and recoverable sectors.

## Four key areas of challenge

Participation in education and training which is focused on job outcomes will be vital to delivering this plan. We set out interventions which will mitigate the effect on labour market entrants; provide young people with better skills ready to be successful in the labour market, and offer intensive advice and training for adults facing redundancy as a result of Covid-19 as well as higher level opportunities for those able to fill technical and professional roles.

The economy will emerge from Covid-19 smaller than it was on entry. This will mean far fewer opportunities to enter or remain in work for at least the next 12 months. Many of those currently benefiting from the Job Retention Scheme face a greater chance of redundancy as the scheme finishes at the end of October, which is when the country is likely to see the real economic impact of Covid-19.

The four key challenges colleges are preparing to address:

- More young people (16 – 25) needing college places due to high unemployment and being crowded out of jobs;
- A large cohort of young people, particularly new college starters, needing support to 'catch up' in learning after several months of lockdown;
- Fewer apprenticeship places resulting in a large number of apprentice redundancies and a shortage of new places for aspiring apprentices; and
- Large numbers of adults requiring training to help them move from the sectors in most difficulties into those which might expand or recover more quickly, this may reach even greater numbers if furloughed workers then face redundancy.

In response there are five key asks of government that would support each of these groups in differing ways.

## Five key asks

This REBUILD plan will support 764,000 people, every community and thousands of employers through the recovery period and to minimise long term economic scarring:

**RETAIN:** every young person (16 to 18) has a confirmed high-quality education or training place, funded to meet their needs and the learning they have lost. Funding needs to be flexible enough to allow students to start throughout the year and to support colleges adapting to the 'new normal';

**RELAUNCH:** a suite of employment related skills based training programmes including extended traineeships and apprenticeships, that accommodate work experience and jobs, underpinned by a comprehensive bursary system and government incentives to employers;

**RETRAIN:** one, easy to access, funding pot to provide training for adults who have been made redundant, flexibly and from intense short courses all of the way to higher technical and professional qualifications.

### Underpinned by:

**RESOURCE:** release 20 per cent of current £1.5bn capital fund for IT equipment, software and building modification in Autumn 2020 and funding for transport and the additional staffing required;

**REVIEW:** simplification of the funding rates and rules colleges work to in order to have the flexibilities to meet demand.

Each of these 'asks' is expanded upon below.

## Recommendations:

### RETAIN

- A College-based national tutoring scheme, re-engagement and catch-up programme funded through a £375 premium per enrolment of students who have yet to achieve good grades in English and maths.
- A targeted one-off grant to support delayed assessments from summer 2020.
- One off grant funding for social distancing adaptations.
- Extending High Needs Funding for final year students by 5 percent.

## RELAUNCH

### Higher Level 3 to 5 classroom-based programmes for 18 & 19-year-olds:

- An up to 12-month pre/re-employment programme to upskill and reskill targeted at key worker and recoverable sectors under a single brand to ensure employer awareness, with clear links to apprenticeship opportunities as they become available and including an interview guarantee through national employer body partners. Allow for unitization, remove accountability penalties and provide a weekly allowance to learners through an enhanced bursary
- Investment in a range of 'employability' wrap around services to complement the pre/re-employment training offer including a funded information, advice and guidance (IAG) offer.
- Investment in high quality content from partners such as the Open University, Jisc and BLC (Blended Learning Consortium) at levels 3/4/5.

### Level 2 and 3 reformed traineeship programmes for up to 24-year-olds:

- Extend maximum length to up to 12 months and allow delivery of qualifications in priority sectors up to level 3.
- Allow the use of work simulation and realistic environments where access to work experience is not possible and reduce the minimum requirement of 100hrs.
- Remove existing funding cap for qualification aims and revise funding rates for work placement.

### Apprenticeships for all ages:

- Block release apprenticeships with employer incentives of up to £3,000 per apprentice, with an increase of non-levy funding allocations to match.
- Where needed, a front-loaded payment profile for colleges to allow for intensive up-front delivery.

## **RETRAIN**

- Enhance the Adult Education Budget together in one budget line with the National Retraining Scheme, the National Skills Fund, the Shared Prosperity Fund. If properly aligned, colleges would be funded once to deliver across all of these funds, cutting bureaucracy and making the system more understandable and accessible for colleges, employers and students.
- Urgently consider releasing a proportion of the National Skills Fund to support retraining and flexible learning at Levels 4/ 5 aimed at helping displaced adults to reskill and/or upskill in the short-term.
- Remove the accountability penalties which do not work in this crisis period for the learner and the provider.
- Fully fund 24+ adults to undertake subsequent level three programmes or units in priority sectors to respond to post furlough unemployment.

## **RESOURCE**

- Single capital budget line: Bring all capital funding lines into one to allow for the much-needed investment in resources.
- Invest in online delivery and infrastructure to enable more students to be able to access high quality online learning.
- Extend and promote Taking Teaching Further Promote Further Education as an employment opportunity for those who have valuable skills which currently can't be used in industry.

## **REVIEW**

- Implement a range of funding and rule changes to 16 to 18, traineeship, apprenticeship and adult offers to facilitate training opportunities for all those that need them.

## Indicative costs, 2020-1 academic year

	£ millions	Notes
<b>Retain</b>		
College based tutoring scheme	30	80,000 students
Re-engagement and catch-up	143	£375 per student
Delayed assessment support	3	10,000 students
Social distancing support	70	Capital. Survey evidence
Transport social distancing costs	50	
Additional devices	33	112,000 under 19s on FSM
High needs support	12	5% addition to funding
Education places for 16-18s	120	2% population growth
<b>Relaunch</b>		
18/19 year old programme	500	100,000 students, £5k
18/19 bursary	300	£3k for each student
Content	25	
12 month traineeships	150	30,000 places
Apprenticeship incentives	1,000	330,000 places, £3k
Apprenticeship training places	0	Use of existing budget
<b>Retrain</b>		
Skills programme (second Level 3)	540	100,000 places at £5.4k
National skills fund	500	Bring forward 2021-22 budget
<b>Resource</b>		
Single capital budget	150	Bring forward 2021-22 budget
Earlier grant payment	0	Govt borrowing at zero interest
<b>Review</b>		
Changes to rules and regulations	0	No specific cost
	3,626	764,000 people supported

**RETAIN - every young person (16 to 18) has a confirmed high-quality education or training place, funded to meet their needs and the learning they have lost. Funding needs to enable in year growth and the ability for colleges to adapt to the 'new normal';**

### **The challenge**

1. This autumn, more than ever, it will be vital to ensure that all 16 to 18-year-olds have a guaranteed place in education or training in order to prevent more young people from becoming NEET (not in employment, education or training). The population of 16 year-olds is now rising so, if nothing else changes, the number of Year 12s in colleges might be expected to rise by 2 percent. Furthermore, on average 6 percent of 16-year-olds take up an apprenticeship annually, with around 100,000 apprentices being under 19.
2. The numbers starting apprenticeships will fall because employers cannot offer places. This will particularly affect areas popular with young people like construction, sport and hairdressing. Colleges can provide alternative, but closely related, vocational training for these displaced young people, but greater flexibility in funding and accountability rules is needed to allow young people to move between in-work and out-of-work learning options more easily.
3. Colleges deliver a variety of programmes for 16 to 18-year-olds from A Levels and Vocational/Technical programmes at Level 3 to Entry Level and Apprenticeships at Levels 2 and 3. Students come from a wide range of backgrounds, but a number of factors need to be taken into consideration.
4. 16 percent of 16 to 18-year-old college students were on free school meals at Year 11 but higher numbers of those resetting English and maths qualifications come from disadvantaged backgrounds. Using the definitions from the funding formula, 70 percent count as disadvantaged. 23 percent have identified learning needs.
5. It is unclear what the impact of Covid-19 will be on the mental health of students. There will be many members of the college community severely impacted upon by anxiety, bereavement and grief.
6. Re-engagement in learning will be more challenging after a long break in teaching and learning both for new and continuing students on all programme types. Most students will have lost previously gained skills. Until a vaccine is available there will be continuing disruption to learning for all students, especially those with underlying health conditions, and potential staff shortages.

7. There are high needs students currently in their final year of either a supported internship or another college programme who could benefit greatly from a short extension to their course (potentially for a half term) in order to ensure they make a positive transition to their next placement whether this is employment, independent living, voluntary work or some form of community support. The government needs to act to ensure that no young person is left behind.
8. The first focus needs to be on ensuring all young people have a confirmed offer of a place in education or work with training for September 2020. Schools, colleges and independent training providers working together and taking collective local area responsibility should be able to ensure all 16-year-olds have at least a professional touch point to confirm that they have an education, training or work opportunity confirmed for the autumn. This triage approach can lead to a more targeted offer for those most vulnerable to becoming NEET. For young apprentices a collaborative effort will be required to attempt to encourage employers to take on/retain their young apprentices, to find alternative employers if this is not possible, or to identify an alternative route to vocational and academic progression that will allow a learner to continue on their chosen path.
9. Re-engagement goes beyond initial contact. Young people need opportunities to gradually rebuild social bonds and rejoin an education and training community. This will be harder for some and requires a range of skills and outreach activity. The professionals best placed to offer this will include youth workers, learning mentors and college tutors and the activities might include on-line engagement as well as social, cultural and sporting activity. Crossing the college threshold is only one step in the journey. Working in collaboration with organisations such as National Citizen Service (NCS) colleges can provide online and face-to face engagement opportunities for the most vulnerable.
10. Once engaged in learning the challenge doesn't stop there. To have the greatest impact on overall engagement, achievement, progression, social mobility and productivity at this challenging time activities such as, but not limited to, those detailed below will be required:
  - More comprehensive initial and diagnostic assessment.
  - Support for re-engagement, attendance and wellbeing.
  - Small group tutoring and mentoring.
  - Digital support in libraries and resource centres.

- Additional study skills support.
- Purchase of additional equipment for students unable to attend college.
- Support for classroom to work based learning transition.

11. In addition, colleges will need to adapt premises, review health and safety requirements, use agency staff and provide students with laptops. In many cases they will need to lay on additional transport to ensure social distancing.

**Recommendations:**

- A college-based national tutoring scheme, re-engagement and catch-up programme funded through a £375 premium per enrolment of students who have yet to achieve good grades in English and maths. Cost: £143m.
- A targeted one-off grant to support delayed assessments from summer 2020. Cost: £2.4m (£200 per student).
- One off grant funding for social distancing adaptations. Cost: £70m (£100 per student).
- Extending High Needs Funding for final year students.

**RELAUNCH – a suite of employment related training programmes including extended traineeships, that accommodate work experience and jobs, where available, focused on levels 3, 4 and 5 for 19 to 25-year-olds who want employment to prevent long term scarring. This should be underpinned by a comprehensive bursary system and government incentives to employers;**

### **The challenge**

12. Each summer, new cohorts emerge from further and higher education into the labour market. The Office for National Statistics (ONS) projects an 18-year-old cohort of 605,000 in 2020, some of whom will be going to university. A large number will be seeking work. The scale and suddenness of the economic crisis created by the lockdown and its potential immediate aftermath means that labour market demand is unlikely to absorb this otherwise-anticipated influx. Given that the cohort is set to increase 2-3 percent in each following year, there is an overwhelming need to mitigate the damage.
13. The emerging Covid-19 labour market greatly magnifies the potential benefits from sector selectivity in terms of any intervention for this age groups. Data on the details of labour market change is at present scarce given the speed with which the crisis has developed, but for this analysis we use two sources:
  - Job Posting Analytics supplied by Emsi UK, capturing newly posted online job advertising activity over the period 23 March (since lockdown) to 15 May, and the same period in 2019.
  - The ONS analysis, using ONET data, of proximity to others and exposure to disease by occupation, ONS (2020).
14. Both sources of data were mapped to technical education pathways using the SOC unit groups and categorised job roles into three broad groups:
  - **Key worker** groups contain roles in continuing high demand - those in health and care, education, agriculture, protective services, or transport and logistics;
  - **High risk** groups are those which have been completely disrupted by lockdown and will continue to be greatly disrupted by continuing lockdown measures, because of their need for physical proximity - catering, hospitality, retail, hair, beauty and aesthetics;
  - **Recoverable** are the other pathways, which have all seen some degree of disruption but are less dependent (to varying degrees) on physical proximity

and could have the potential to recover as lockdown conditions are eased. These include digital, construction, engineering and manufacturing.

15. Many young adults will have completed Level 2 and 3 courses in 2019/20 with a view to moving into employment and apprenticeships this summer. Many graduates are also completing their studies and trying to move into the labour market. And there will also be young adults who have been in employment or apprenticeships who now find themselves in a similar place to those seeking to enter employment for the first time. The pandemic and the shutdown means that there will be far fewer job opportunities in the short to mid-term, especially in areas such as retail, hospitality, catering and hair and beauty. These sectors are also areas where we see a predominance of 'work entry' jobs and thus a disproportionate number of younger employees.
16. At the same time, some key worker sectors have a demand for new recruits, particularly when the potential Brexit implications are taken into consideration. These include health, science and care, transport and logistics, agriculture, education and childcare and protective services.
17. A relaunch programme could focus on 19 to 25-year-olds and on courses in the key worker sectors and some of the areas in the 'recoverable' category. This subset could include the recoverable sectors reporting long terms skills gaps and shortages:
  - Engineering and Manufacturing.
  - Digital.
  - Construction.
  - Sales, Marketing and Procurement.
18. While each college and community will have its own priorities based on local economic need, we recommend the package below, with colleges, working closely with JCP and ESFA, acting as information, advice and guidance and job matching hubs. Colleges can also recommend and provide training and upskilling as appropriate. The driver for education and training intervention should be clearly focused on gaining employment or accessing higher levels of study in preparation for entering the workforce. Work will also need to be done to ensure that there is strong join up and knowledge of work opportunities. Local employers need to know of and ideally be contributing to all programmes to try and ensure a smooth transition into work when it becomes available.

## Recommendations:

Higher Level 3/4/5 classroom-based technician programmes for 18 and 19-year olds:

- A pre/re-employment programme to upskill and reskill targeted at key worker and recoverable sectors under a single brand to ensure employer awareness, with clear links to apprenticeship opportunities as they become available and including an interview guarantee through national employer body partners.  
Cost: £500m + bursary: £300m.
- Invest in high quality content from the Open University, Jisc and BLC at levels 3/4/5. Provide a range of 'employability' wrap around services to complement the pre/re-employment training offer including a funded information, advice and guidance (IAG) offer.
- Allow unitization / flexibility to combine adult training started out of work with transitions into short term and sustainable work without penalty for the learner or the provider.

Level 2 and 3 reformed traineeship programmes for all 16 to 24-year-olds:

- Extend maximum length to up to 12 months and allow delivery of qualifications in priority sectors up to level three.
- Allow the use of work simulation and realistic environments where access to work experience is not possible and reduce the minimum requirement of 100hrs.
- Remove existing funding cap and revise funding rates for the qualification aims and placement.

Apprenticeships for all ages:

- Block release apprenticeships with employer incentives of up to £3,000 per apprentice, with an increase of non-levy funding allocations to match.
- Where needed, a front-loaded payment profile for colleges to allow for intensive up-front delivery.
- Extend 12-week training period for redundant apprentices and apply the extension to all apprentices who lose their job due to Covid19 where there is a prospect of re-employment

**RETRAIN – a single line budget redundancy response for adults which goes up to higher level technical/professional training that allows easy transition into work, ideally with continued training;**

**The challenge**

19. The rise in unemployment in 2020 and the rapid change in economic activity has created a new need for retraining to help people shift to new jobs and to support growing businesses and public services. Without intervention this need will be met by an adult education and training system weakened through sustained lack of investment over the past decade.
20. Large numbers of adults, including redundant apprentices, will require training to help them move from sectors in most difficulty into those which might expand, including those employing key workers (such as, but not only, health and care). The government needs to consider how the adult education budget can assist.
21. There is likely to be further negative impact on the economy when the Job Retention Scheme is phased out in the autumn. Those currently furloughed could be at risk of being made redundant. Serious consideration should be given to their retraining needs.
22. In recent years participation in adult education and training has fallen at all qualification levels below degree level. The number of adults taking a funded non-apprenticeship course has fallen by two-thirds. Only one in three adults self-report any participation in learning (the lowest level in 22 years). Participation in basic English and maths provision is falling. There are also social class gaps. Those who do participate are far more likely to be well-educated and better off. The poorest adults with the lowest qualification levels are the least likely to access adult training despite being the group who might benefit most<sup>1</sup>.
23. The independent panel for the Post 18 Review of Education and Funding (May 2019) noted that the number of people studying higher and intermediate technical courses is half of the OECD average and is declining<sup>2</sup>. This level of study has been referred to as the 'missing middle' and although a major government-led review of Level 4-5 education has been underway to help improve the uptake of higher technical qualifications, such reform requires considerable investment in staffing and resources at FE colleges and raising awareness amongst students, parents and employers. Students either leave education at Level 3 or study for full degrees when many learners can benefit from employment-focused qualifications at levels 4-5.

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<sup>1</sup> Learning and Work Institute "Adult Participation in Learning Survey 2019"

<sup>2</sup> Independent panel report to the Review of Post-18 education and funding, Page 35

24. There has also been relative neglect of the adult education budget. Total spending on adult skills fell by 45 percent in real-terms between 2010 and 2018. The independent panel for the Post-18 review said this cut cannot be justified in terms of either economics or social equity<sup>3</sup>. As funding has been cut, provision has shrunk, and participation duly fallen. One of the consequences of this is that the UK has skills gaps in a number of areas, for example plumbing and social care. The introduction of Adult Learner Loans has also been a barrier to participation which will be exacerbated further as adults will be reluctant to take out a loan when their main concerns are unemployment, debt and supporting their families.
25. The budgets for adult education and skills are also fragmented. In addition to the £1.3 billion allocated to the adult education budget, there is £440 million in advanced learner loans, £200 million in European Social Funds, and £40 million in National Retraining Scheme spending deployed across three different projects. On top of this, there is £2.3 billion for apprentices from age 16 upwards.
26. In recent years, government's skills policy has focused on apprenticeships. The apprenticeship levy policy has given larger employers more control of spending to meet their needs. These changes have also shifted training funds being spent towards management and professional training. There is a lack of public information about apprenticeship training trends, but clear evidence of growth in high cost degree apprenticeships, in mid-career manager apprentices and in money being spent on professional roles located in the biggest cities. For example, accountancy apprenticeships at Level 7 represent 58.4 percent of all Level 7 apprenticeship delivery, up from zero two years ago. Growth in technical skill apprenticeships at Level 4-5 remains quite modest in comparison to Level 6-7.
27. Whilst it would be easy to see online learning as the solution to adult retraining, this is not a method that works for everyone. For many adult learners the opportunity to share ideas, learning and practice with others in a face to face environment is particularly important. It also motivates many to continue to be engaged in their learning. For others a physical place of learning can be a place of sanctuary from some of the issues they face. Online learning can supplement this, but it can't replace the important role face to face learning plays in adult education. This is particularly true where skills and behaviours are being learnt alongside knowledge.

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<sup>3</sup> Independent panel report to the Review of Post-18 education and funding, Page 119

## **Recommendations:**

- Bring the Adult Education Budget together in one budget line with the National Retraining Scheme, the National Skills Fund, the Shared Prosperity Fund. If properly aligned, colleges would be funded once to deliver all of them, cutting bureaucracy and making the system more understandable and accessible for colleges, employers and students.
- Urgently consider releasing a proportion of the National Skills Fund to support retraining and flexible learning at Levels 4/ 5 aimed at helping displaced adults to reskill and/or upskill in the short-term.

## **RESOURCE - DfE and ESFA action to maintain capacity in the next 12 months including changing payment arrangements and bringing forward money from the £1.5bn capital fund so that it can be used on IT equipment, software and building modification in Autumn 2020;**

### **The challenge**

28. There are 242 further education college corporations in England<sup>4</sup>. The sector as a whole was in a financially vulnerable position before the crisis started because of rising costs, fixed funding and recent policy changes. The college sector had a deficit of £70 million (1 percent of income)<sup>5</sup> in the last full year for which accounts are available. There has been a squeeze on both income and expenditure.
29. Colleges have been under pressure to increase pay to ensure they can recruit and retain teaching staff, to cover higher pension contributions and to keep up with the rising minimum wage (up 20 percent in the last four years). This pressure has pushed the average spending on staff costs to 69 percent - above the 65 percent benchmark set by DfE<sup>6</sup>.
30. On average, colleges obtain 80 percent of their income from the UK government from a number of different budgets<sup>7</sup>. DfE has not increased the funding rates that it pays colleges to take account of inflation. The core rate for a full-time 16- and-17-year-old student has been fixed at £4,000 for the last 7 years.
31. Recent government policy has also had a financial impact. Colleges have faced increasing competition for public funding from new entrants to the apprenticeship training market and from universities. At the same time the devolution of the adult education budgets in some areas to mayors has restricted funding for some colleges.
32. The Department for Education regulates colleges via an Education and Skills Funding Agency. In its most recent assessment of college finances, ESFA judged that 69 colleges (28 percent) had finances that were inadequate or that requires improvement<sup>8</sup>.
33. The financial impact of the shutdown on colleges has been severe. Ministers made some quick decisions to guarantee the largest parts of college funding but

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<sup>4</sup> Further education corporations established under the Further and Higher Education Act 1992

<sup>5</sup> Figures from the 2017-8 college accounts published by ESFA. Total income was £6.7 billion

<sup>6</sup> AoC calculations from 2017-8 college accounts.

<sup>7</sup> AoC calculations from 2017-8 college accounts

<sup>8</sup> Figures from an FE commissioner team presentation, January 2020

the English FE system is very complicated and the level of income protection varies widely between different colleges. Overall (on average) about 65 percent of college income is guaranteed in both 2019-20 and 2020-21 regardless of actual activity and around another 20 percent in public funding will continue to flow until 31 July 2020 as a result of the actions taken by government. Other income – ranging from fees charged for adult education or international students, catering, commercial contracts with employers and apprenticeship training – is less certain. AoC estimates a £150 million loss for colleges in the 2019-20 academic year (2 percent of income) and are budgeting for 2020-1 with a major sum at risk – as much as £2 billion (40 percent) for colleges<sup>9</sup>.

34. The crisis impacts some commercially focused colleges very hard and compounds financial issues for colleges who were already financially stretched, resulting in mounting problems for individual institutions in the run up to March 2021.
35. Colleges operate on very thin margins, incur fixed costs in advance to ensure quality with risks that income will not be forthcoming and have few places to turn for cashflow support. Colleges will set their 2020-21 budgets in the next few weeks and will make decisions about spending and staff. Each governing body has a duty to protect the solvency of their college, but individual decisions could add up in an unhelpful way for the sector as a whole.
36. Colleges employ many thousands of specialists whose skills they use to train the majority of engineering, construction and health apprentices. Individual colleges will act to protect their valuable capacity but there is a risk that some will be forced to target savings on areas where activity has reduced but which might be strategic priorities in the near future. Losing expertise and shutting down facilities might be the only options for colleges now to remain financially sound, but those losses will be costly and difficult to build back when demand and need grow again. This really requires a strategic funding solution from Treasury, DfE and IFATE to protect capacity.
37. Colleges will be making a financial return to ESFA in July 2020 that will summarise their budgets and plans. AoC plans to gather together this data to provide an updated picture for the sector but this is something that DfE also needs to lead and act upon. In the meantime, AoC has set out some proposals for possible action by ESFA<sup>10</sup> including:
  - Bringing forward payments in the 2020-21 academic year
  - Setting up a short-term loan scheme

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<sup>9</sup> AoC Covid-19 and colleges, May 2020

<sup>10</sup> Letter from AoC chief executive to ESFA chief executive, 8 June 2020

- Removing rules which currently disqualify colleges with weak finances from accessing bids.
- Considering action or statements that might assist colleges to fulfill bank loan covenants and to avoid going concern qualifications on their 2019-20 financial statements.
- Considering ways to retain skilled people in the system at the least cost to the public purse (eg by avoiding a situation in which individuals pick up a redundancy payment from one college and are then signed on at another – the preventative action is to reduce the redundancy flow).

## Capital funding

38. There are a number of capital funding lines for colleges. In the March 2020 budget the government allocated a £1.5 billion capital programme over the five years from 2021 to 2026. This has been directed to upgrading the college estate to an acceptable standard. The programme is necessary - colleges need suitable buildings and workshop space to run high quality academic and technical courses - but the money will be too late for the reconfiguration works needed in the rest of 2020.
39. There are also five other college-focused capital funding lines (local growth fund, Institutes of Technology, T Levels, higher education capital, sixth form college condition funds), the first three of which involve repeated bids. This money accounts for less than five percent of DfE's 2020-21 capital budget, the vast majority of which is allocated to school building.
40. If the capital funding lines were brought together they could offer one clear opportunity for much needed capital investment and reduce the administrative burden on both colleges and the Department.
41. The shift to online learning has refocused attention on technology. Colleges have struggled to maintain their IT infrastructure because of pressures on budgets.
42. This means that many colleges have old hardware and dated software. As social distancing continues colleges will need to continue to deliver high quality courses online. It is crucial to the success of online delivery that students have access to suitable devices and connectivity. Too many college students have neither. An injection of capital is needed to ensure that students have the best resources and up-to-date operating environments.

## Transport and digital

43. 66 percent of students travel an average of 2 to 6 miles to college. However, 17 percent travel over 8 miles. Students are reliant on both college bus services (particularly in more rural areas) and public transport. Social distancing requirements on both forms of transport mean that it will be very difficult for students to access buses and trains and therefore attend college, even though the college will be running face-to-face classes.
44. Recent decisions to remove free or subsidised travel for 16 to 18-year-olds in London will exacerbate the issue for many young people in the capital, including those from disadvantaged backgrounds.
45. The shift to online learning has refocused attention on technology. Colleges have struggled to maintain their IT infrastructure because of pressures on budgets. This means that many colleges have old hardware and dated software. As social distancing continues colleges will need to continue to deliver high quality courses online. It is crucial to the success of online delivery that students have access to suitable devices and connectivity. Too many college students have neither. An injection of capital is needed to ensure that students have the best resources and up-to-date operating environments.
46. To avoid excessive short-term transport costs we need to invest in digital now and for the long term as a more sustainable option.

## Staffing

47. In addition, the college sector, despite initiatives such as Taking Teaching Further, struggles to find staff in key sectors such as maths, engineering and construction. In order to meet the increase in demand for college places anticipated above, there needs to be a plan to fill current vacancies and even increase the current workforce. At the same time large companies, even in areas such as engineering are making redundancies. It would seem pragmatic to look at ways of promoting and harnessing this expertise to work within the college sector.

## Recommendations:

- Single capital budget line: Bring all capital funding lines into one to allow for the much-needed investment in resources.
- Invest in online delivery and infrastructure to enable more students to be able to access high quality online learning.

- Extend and promote Taking Teaching Further Promote Further Education as an employment opportunity for those who have valuable skills which currently can't be used in industry.

**REVIEW:** a thorough review of oversight arrangements, funding rates, rules to facilitate delivery and success.

### **The funding challenges**

48. It is hard to predict what will change in autumn 2020. In higher education, there are already signs that students may defer choices and consider options close to home. Demand for further education may also be volatile. Students may seek education in a tough labour market but may change their mind once they start. Recruitment may exceed or fall short of expectations.
49. Social distancing will also make changes to courses necessary.
50. The Ministerial plan for an FE white paper, combined with possible action on the sustainability of UK higher education, the response to the post-18 review and potential changes to apprenticeships implies a lot of change in 2021 and beyond. Combined with the uncertainties and disruption of the current COVID-19 crisis we would argue strongly that the priority in 2020-21 funding and oversight policy should be stabilisation pending wider reform.

### **16 to 18-year-old funding**

51. The first priority should be the 12,000 16 to 18-year-olds on highly technical programmes who will not complete their qualifications because online centre assessment (for example because the qualification acts as a licence to practise in a safety critical area). They will need to be funded to access learning and assessment in the 200/21 academic year.
52. A related issue arises for 18-year-olds who have missed out on some education because of the recent disruption. The current 16 to 18 funding system only allows for full funding for two years. 18-year-olds receive a 17.5 percent reduction impacting on those who work their way through levels from a low starting point from school and or those who may be looking to further their education at 18.
53. ESFA also needs to consider an amended process for exceptional 16-18 growth. The current threshold for colleges (200 students) is too high. Colleges also need flexibility to cater to 16 to 18-year-olds who would normally take apprenticeships but who, for one year only, are likely to take up 16 to 18 study programmes.
54. Changes should also be made to guided learning hour definitions and funding audit rules to accept that 2020-21 will be an abnormal year. ESFA needs to confirm that lower-than-normal recruitment or social distancing related cuts to

guided learning hours will not automatically result in a cut to 2021-22 or 2022-23 allocations via the normal operation of the funding formula.

## Adults

55. There are a number of flexibilities across the college offer which could facilitate greater education and training uptake.
56. The national adult base rate has not increased since 2011 when the Single Activity Matrix (SAM) was introduced. This rate has now fallen well behind that of funding for 16 to 19-year-olds despite the cost of delivery being comparable for both groups. Initial conclusions from recent AoC research into adult funding are that current funding levels in all the adult courses sampled were not viable in terms of covering full costs even at the maximum class size and act as a disincentive to run resource intensive programmes. These are often the courses that support key workers or the productive sectors.
57. Lack of flexibility within the Adult Education Budget (AEB) means that if providers exceed or undershoot their allocation by more than three percent there is no extra funding or they face clawback. There is pressure to fill courses early in the year, leaving little flexibility for longer term planning, to allow colleges to enter into multi-year arrangements with employers or to respond to the need for tailored training at short notice. Adults needing to retrain due to unemployment or risk of redundancy are currently unable to take a second funded level 3 qualification.
58. There is also pressure for qualification completion with no obvious opportunity to link learning to newly found work, or to allow training to continue once a learner has found a job, or sustainable employment. Funding should follow the learner and not be contingent upon their employment status.
59. There is a need to support adults to access upskilling and retraining in the form of modular or unitised learning at different points throughout their working life. There is currently a skills gap at levels 4 and 5 for which provision is largely modular or unitised in nature. Current ESFA Funding Rules state that loans cannot be used to fund only components of qualifications or to achieve a qualification on a unit by unit basis. We ask that these funding restrictions are lifted so adults can be supported to undertake standalone short courses at levels 4-5.

## **Apprenticeships**

60. In the current crisis there will be many redundancies; apprentices will not be exempt and like others will find it difficult to find new apprenticeship opportunities. The system needs to flex to allow alternatives to be created and delivered viably that support these learners whilst the economy catches up with their aspiration, or whilst they retrain for new opportunities.
61. Part of the solution to this is to provide programmes of learning, at all ages, which allow all learners to progress in the development of knowledge, skills and behaviours outside apprenticeships, but closely aligned to them. To provide opportunities to move into work-based training when employment opportunities arise. We believe that this bridge between in-work and out-of-work learning could be accommodated by flexing the existing Traineeship offer.
62. If apprentices are to shift to alternative programmes to allow continued progression, then some considerations must be given to how these programmes are designed and funded such as the 20 percent off the job element. It would also need employer commitment to support and signpost those whose apprenticeships have been terminated and reoffer apprenticeship opportunities as soon as possible.
63. Apprenticeship rates are already under review. IfATE has noted that the current rates do not cover 24 percent of the actual cost of high-quality delivery

## **Traineeship brand as the pre/re-employment programme of choice**

64. With temporary modification, the traineeship brand could be used to support individuals to progress whilst awaiting work opportunity. They are intended as a programme to support access into work with training and so are already focused in the right area.
65. Traineeships would need to be expanded to take on this broader remit:
  - Extend length to up to 12 months.
  - Extend scope to include all 16 to 25-year-olds.
  - Allow delivery of qualifications and learning up to level three.

- Allow the use of work simulation and realistic environments where access to work experience is not possible and reduce the minimum requirement of 100hrs.
- Allow for clear linkage of traineeship learning to off the job apprenticeship learning without financial penalty through discounting.
- Ensure all places are funded – the funding should follow the learner.
- Ensure impact on benefit claims for those undertaking the programme are minimized.
- Remove existing funding cap.
- Revise funding rates for the placement to 2020 levels (last revised in 2014).

## **International**

66. College commercial income has been impacted by Covid-19; planned contracts postponed or cancelled. Continued flexibility within the Home Office student visa rules would ensure that for those colleges that recruit international students, international fee income is not lost and the international student experience is protected. Concessions around visa extensions in-country, English language self-assessment and the ability to study in a blended learning model next academic year would all greatly assist colleges.

## **Recommendations:**

67. Relaxation of the following rules will enable greater synergy in terms of employer training demands and provide a flexible approach to delivery where employers may be reluctant to release employees from the workplace to participate in training but would be keen to slot it into the working day on site where appropriate.
68. These adjustments could also allow learning to continue regardless of employment status, to accommodate short bursts of employment (e.g. as offered through Job Centre), or more sustainable work opportunities;

## **16 to 18**

- Implement rate equity for 18-year-olds on study programmes (remove the existing 17.5 percent rate reduction for these learners) as well as new programmes;

- Fund students to complete qualifications: fund students to repeat a qualification they were enrolled on in 2019/20 and were unable to complete at a cost of £2m.
- Guarantee full in-year funding for actual growth in student numbers: Streamline the process of making a case for in-year funding to reflect growth in student numbers.

## **Adults**

- Implement rate equity for adult funding with 16 – 19 funding (not including Single Activity Matrix exceptions such as Functional Skills) and that a High Value Course Premium be implemented as per the 16-19 methodology;
- Allow those aged 19+ to take a second Level 3 qualification allowing many adults to retrain/reskill into areas where there is labour market demand;
- Funding should allow for modular learning at levels 4-5 and we ask that the funding restrictions on standalone short courses are lifted.
- That better arrangements are put in place to manage devolution to avoid the need for colleges with specialist or remote learning courses having to secure multiple contracts to serve local populations;

## **Apprenticeships:**

- Flexibility in classroom, traineeship and apprenticeship rules to enable smooth transition from one to the other when job opportunities arise.
- Targeted employer incentives to retain and take on apprentices with a level of accountability built in.
- Revise funding profiles for front loaded apprenticeships.
- Flexibilities in the delivery of off the job training aligned to apprenticeship content but delivered outside employment.
- That alterations to the ecosystem be made to ensure that all those in potential need of training support are identified and triaged at local and/or sectoral level with the support of appropriate agencies and organisations.

- That adjustments to the rules introduced at the time the apprenticeship levy started which prevent colleges from delivering education and training programmes to adults in the workplace be made.

### **International**

- A temporary concession should be made for international students in the 2020-21 academic year permitting colleges to self-assess student English language levels and to allow current students already in the UK to extend visas or to switch visa categories without returning to their home country.

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