



Skills Funding Agency

26 February 2015

To: Colleges, training organisations and employers providing apprenticeships and adult skills training.

Dear Colleague,

Allocations for the Funding Year 2015 to 2016

The Department for Business, Innovation and Skills (BIS) has now published the **Skills Funding letter 2015-16**. The letter is addressed to the Skills Funding Agency (SFA) and sets out our budget for the financial year April 2015 to March 2016. I wanted to write immediately to draw out the implications of the Skills Funding letter for the allocations of funding for providers in the skills sector and to confirm the timing of next steps.

The Skills Funding letter is an important document for colleges, training organisations, employers and stakeholders: it sets out the government's priorities and the funding for which the SFA will be responsible. It replaces the lengthier strategy document of previous years, recognising that government policy has remained broadly the same since 2010. Please share the Skills Funding letter and the further information in this letter with your management team and governing body, as appropriate.

The Skills Funding letter sets out the value of skills funding for the 2015 to 2016 financial year which has reduced by 11% compared to the figure published last year. Within this reduced funding envelope we will increase investment in apprenticeships

and protect funding for traineeships. At the same time, the funding available through 24+ advanced learning loans increases by 25%.

Now that our budget has been confirmed, we are finalising our work on modelling and calculating your funding allocation for the 2015 to 2016 funding year (August 2015 to July 2016). In doing so, we have to make assumptions about the likely level of funding available for the 2016 to 2017 financial year, and set aside the funds required for other government priorities, such as local growth deals and employer ownership.

For the 2015 to 2016 funding year, apprenticeships (16-18 and 19+), traineeships (16-18 and 19-24) and English and maths remain the key areas of focus for the SFA and the further education and skills sector. We will seek to recognise success where colleges and training organisations increase the number of young people and adults taking up apprenticeships and traineeships.

At headline level, our initial modelling suggests that the total skills budget that we have available for allocation for the 2015 to 2016 funding year will be around 17% less than in 2014 to 2015. Within this, the allocation budget for apprenticeships will initially be set at £770m and we will continue to work to ensure that every high quality apprenticeship opportunity can be funded. As a result of this continuing commitment to apprenticeships, the primary impact of the reduction is on the funds available for allocation as non-apprenticeship (other) adult skills which we estimate could reduce by around 24%.

The overall impact of our funding allocations will vary significantly between individual colleges and training organisations, depending on the mix of training provision delivered. Reductions will be higher where colleges and training organisations deliver low numbers of apprenticeships, traineeships, English and maths.

In mid-March, you will receive your own 2015 to 2016 funding statement for the budgets you are allocated. Your statement and its covering letter will show how we calculate your allocation. As last year, we will ring-fence your apprenticeship

allocation, and you will continue to have the same flexibility as this year to use your other adult skills budget funds to deliver against local priorities.

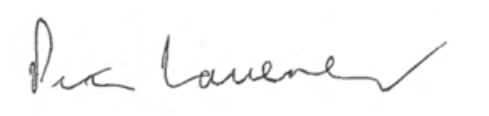
I know that colleges and other providers are already planning ahead for the 2015 to 2016 funding year. I am sure you will be considering the possible impact of funding reductions in the other adult skills budget in developing your plans.

It is also important that the Skills Funding Agency supports you by making the system as simple as we can for you to administer. I am committed to further simplifying the adult funding system and will work with Association of Colleges, the Association of Employment and Learning Providers and other partners over the coming months to design practical ways we can simplify arrangements for the 2015 to 2016 operating year and improve forward planning for subsequent years.

As in previous years, my teams in the Skills Funding Agency and the Education Funding Agency will be reviewing the combined impact of final allocations once these are issued in March 2015 and will be reviewing the financial forecasts returned by colleges in July 2015.

We will also contact those of you most affected by the reductions in the other adult skills budget to discuss the implications of this for your organisation. We are working as quickly as possible to issue the full detail of your individual allocations.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Peter Lauener', enclosed in a thin black rectangular border.

Peter Lauener
Chief Executive