



Skills Funding Agency

20 July 2015

Dear Colleague,

Funding Allocations 2015 to 2016

The purpose of this letter is to inform you of changes to funding allocations for 2015 to 2016 and to update you on a range of related topics.

Changes to funding allocations for 2015 to 2016

In February, I [wrote](#) to you about the context for funding allocations for 2015 to 2016. My letter focused on the reduction in the Adult Skills Budget (ASB) and the likely impact of this on your funding allocation.

Since I wrote that letter, a new government has been elected and, on 8 July, they set out their summer budget. This included details of the proposed savings within the 2015 to 2016 financial year across all government departments, including the Department for Business, Innovation and Skills (BIS). Naturally, as part of BIS, the Skills Funding Agency (SFA) has to contribute to the savings required.

Over recent weeks, BIS and the SFA have assessed options to make savings in such a way as to minimise their impact on the further education (FE) sector. Ministers have now agreed the options, which include savings from both non-participation and participation budgets.

On participation budgets, I can confirm that with immediate effect we will implement the following:

- Withdrawal of funding for ESOL Plus Mandation in full for the 2015 to 2016 funding year (August 2015 to July 2016).

- Reduced allocations for non-apprenticeship (other) ASB and Discretionary Learner Support by 3.9% for the 2015 to 2016 financial year (April 2015 to March 2016).

These changes affect most colleges and other training organisations. So that you can see what this means for you, we will issue updated funding statements through **the Hub** later this week. Your updated funding statement will include a covering letter clearly summarising any changes to your allocation.

It is important to note that in reducing allocations for non-apprenticeship (other) ASB and Discretionary Learner Support, we have not re-run the methodology used to calculate the allocation issued to you in March. Rather, we have taken your allocation as at March and applied the 3.9% reduction to it. Together with BIS and ministers, we agreed that this was the most simple and transparent approach to achieve the necessary savings and to mitigate any disproportionate impact on individual colleges and other training organisations.

Nevertheless, it goes without saying that some of you will find a further reduction in your funding difficult to manage. We will contact those of you most affected by these changes to help you review your circumstances.

Apprenticeships and traineeships

Apprenticeships remain the government's top skills priority: they are critical in ensuring people have a high quality training route in their chosen career. The new apprenticeship levy is evidence of the government's commitment to the programme and we are dedicated to achieving 3 million apprenticeship starts over the life of this parliament.

We continue to prioritise funding to support the demand for high quality apprenticeships. We can confirm that we will fund all 16-18 and adult apprenticeship delivery and credible growth cases for the 2014 to 2015 funding year. This means we will fund over-delivery against your period 1 to 8 contract value as well as credible growth cases submitted as part of performance management point 3.

On traineeships, where funding continues to be available, the Education Funding Agency has also agreed that we will continue to fund growth for 16-18 year olds in 2015 to 2016. We encourage providers intending to grow their offer of traineeships for adults to plan for this from within their updated non-apprenticeship (other) adult skills budget allocation.

Funding and performance management simplification

In my February letter, I set out a clear mission to simplify the funding system. In line with the government's ambition to devolve more power to local areas, I intend to start making the transition from a centralised commissioning model to a local one. This will start to become a reality for the 2016 to 2017 funding year and I will write to you with more details on this in the autumn.

More immediately we have streamlined our performance management arrangements for the new funding year. We will set out our simplified approach in the [Operational Performance Management Rules for 2015 to 2016](#), which we will publish shortly. We have introduced some key practical changes that aim to give greater financial predictability and stability for colleges and other training organisations:

- There will be two performance-management points (December and April).
- We will focus performance management on apprenticeship and traineeship provision only.
- There will be no reductions during the year to non-apprenticeship (other) ASB allocations for training organisations.

We have included a full summary of changes at the beginning of the document. Please take the time to understand the changes we have made, all of which were shaped by feedback from FE sector representatives.

ESOL Plus Mandation funding for 2014 to 2015

Please note that we will reconcile ESOL Plus Mandation funding at the end of this funding year. This is in line with our overall [Operational Performance Management Rules for 2014 to 2015](#) and in light of low levels of participation to date.

College financial plans

In accordance with our usual [business cycle](#), colleges are required to submit their financial plans to us by **31 July 2015**. However, in recognition of this year's unique circumstances, we will allow colleges to submit a further, updated plan by **30 September 2015**. Colleges only need to submit updated plans where they consider that there is a material impact on their financial position that is not reflected adequately in the submission made in July.

Contract documents

We are working to issue your contract documentation as soon as we can. Please sign and return the relevant documents at your earliest convenience. Naturally, we are making arrangements to ensure that we pay colleges and other training organisations in a timely manner.

I appreciate that this letter will give you a substantial amount of information to consider in the midst of a challenging time. Please contact your CDS Adviser if you have any immediate queries.

Yours faithfully,

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

Peter Lauener
Chief Executive