

2014/54

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Pocket Watch – Looking for funding stability

Introduction

Just over a month to go before the Chancellor's important Autumn Statement and the key message is let's have a bit of stability; that seems to be the word coming out of the latest funding announcements from each of the respective education sectors this week. It's the theme in the **letter** from the Education Funding Agency (EFA) on 2015/16 funding arrangements for young people, it features prominently in the **recommendations** on FE funding from the Association of Colleges (AoC) and it appears in HEFCE's latest **survey** of the financial health of the HE sector. Funding moves up a gear in the next few months. Not only is the Chancellor preparing to draw up his recommendations for the remainder of this Parliament but each of the Education Funding Agencies is hard at work preparing the allocations for next year which follow his Statement. And all this as the IMF pointed out last week at a time when growth is slowing in parts of the Eurozone. Difficult times but these are the headline messages so far.

Funding for young people 2015/16

The final rate won't be confirmed until early next year but the overall message from the EFA's letter is steady as she goes: *"we hope to provide stability in funding rates for 2015/16."* This means that formula protection will continue up to 2015/16, funding conditions for English and maths will also remain, and for 2015/16, will include those with a grade D in either subject but also that the funding cut for 18 year olds remains. Elsewhere, work continues on simplifying the arrangements for high needs funding, potentially through a lagged system and for applying an uplift for larger programmes while Ministers have accepted that only schools judged as good or outstanding will be able to apply to open a sixth form in future.

FE funding

The FE sector has faced a difficult time over the last few years and in its comprehensive submission to the Treasury ahead of December's Autumn Statement, the AoC has called for an end to funding cuts for both 16-19 learners and for adults. The argument is that skills training budgets need to be consolidated not cut if employers are to get the skilled staff they need and potential employees are to get the training they need. Elsewhere the AoC proposes a new innovation fund to support the implementation of new learning technology, supports further work on re-balancing the loan scheme and highlights concerns that the current vogue for devolving training budgets to regional partnerships could create a bureaucratic nightmare if not managed carefully. Decentralisation is one thing, fragmentation is another.

Financial health of the FE sector

As part of its remit, HEFCE carries out regular financial health checks of the sector, partly feeling the pulse but partly also checking that it's strong enough for future challenges. Its latest survey has just been published and concludes that things remain tight but stable: *"the short-term viability of institutions is not a concern presently."* Total income is expected to rise but increases in operating costs such as staff costs, pensions and infrastructure costs will put pressure on surpluses and cash flows. The big unknown at present is what's going to happen to future funding let alone future student numbers where the impact of the additional places this year has been variable and may be more so when the cap is lifted completely next year.



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