

Briefing: ONS reclassification of Sixth Form Colleges and Further Education Institutions

Introduction

This paper provides information on the Office for National Statistics' (ONS) reclassification of Sixth Form Colleges and Further Education Colleges as public sector institutions.

Context

The ONS announced its decision to reclassify FE and Sixth Form Colleges as public sector institutions in the UK national accounts in October 2010.

Ninety three Sixth Form Corporations created following the passage of the Apprentices, Skills and Learning Act 2009, have been classified as Local Government entities for the purposes of the national accounts.

Rationale of reclassification

In the course of reaching its decision, ONS reviewed the existing classification of further education institutions in England and Wales using Eurostat's Manual on Government Deficit and Debt, which has been published since the original classification decision was taken in the late 1990's.

The key factor in the decision is the public sector powers over the various institutions, in particular that Sixth Form Colleges and FE institutions require public sector approval for any borrowing they wish to undertake.

The Apprentices, Skills, Children and Learning Act 2009 provides the public sector with power over Sixth Form College corporations borrowing. Although a Sixth Form College can "borrow such sums as the corporation think fit" it cannot do so "without the consent of the responsible local education authority".

As a result of these public sector powers, especially those over borrowing, Sixth Form College corporations have been classified en bloc as Local Government entities, from their creation in 1 April 2010 and further education (FE) colleges as central government public sector entities.

Implications of reclassification

The reclassification will mean that colleges are treated differently for national accounts purposes. Although this was initially thought to be a merely technical issue the implication for Sixth Form Colleges is that their borrowing could be factored into government accounting procedures and therefore be subject to associated restraints.

The government has responded to the reclassification of FE and Sixth Form Colleges by seeking amendments to the Education Bill that would show that the colleges are

legally independent from government and should be treated as such by the ONS and NAO.

Introducing the government's amendments to the Education Bill at the 4th sitting of the Report Stage on 1 November, Lord Hill explained that the reclassification would impose heavy new administrative burdens on colleges, and could significantly affect their ability to make their own strategic and operational decisions.

“If FE colleges were exposed to the full rigours of the government expenditure regime, they would lose the flexibility they currently have to phase expenditure between different financial years; they would need to work within a financial year that does not line up with their academic year; and it is likely that the very freedoms we are introducing to enable them to borrow without seeking permission would need to be taken away from them, and even tighter constraints introduced. These and other controls would all act as barriers to colleges growing, innovating and developing as we would wish them to do.”