



Agenda Item No: 2.1

Adult Education Budget – Funding Allocations and proposed policy changes for 2022/23

To:	Skills Committee
Meeting Date:	16 March 2022
Public report:	Yes
Lead Member:	Councillor Lucy Nethsingha, Lead Member for Skills
From:	Parminder Singh Garcha, Senior Responsible Officer – Adult Education
Key decision:	Yes
Forward Plan ref:	2021/081
Recommendations:	<p>The Skills Committee is recommended to:</p> <ul style="list-style-type: none">a) Recommend the Combined Authority Board approve the funding allocations for the 2022/23 academic year, from the devolved Adult Education Budget (AEB) to the grant-holders, set out in Table A to the report.b) Recommend the Combined Authority Board approve the funding allocations for the 2022/23 academic year, from the delegated National Skills Fund, for level 3 courses, to the grant-holders, set out in Table A to the report.c) Delegate authority to the Interim Associate Director of Skills in consultation with Chief Finance Officer and Monitoring Officer, to enter into multi-year grant funding agreements, with the grant holders set out in Table A to the report, for a three-year period.d) Recommend the Combined Authority Board approve the funding policy changes and flexibilities for the 2022/23 academic year.
Voting arrangements:	A simple majority of all Members present and voting

1. Purpose

1.1 The purpose of this report is to seek authority to:

- Make the funding allocations to grant-holders, from the devolved Adult Education Budget of £11.9m for the academic year 2022/23, as set out in Table A below. Funding allocations total **£10,080,000**.
- Allocate a further **£745,000** to grant-holders, from the delegated National Skills Fund (NSF) of £0.9m for the academic year 2022/23, ring-fenced for the delivery of level 3 courses, as included in Table A below.
- Enter into grant funding agreements for a multi-year period for three academic years period: 2022/23, 2023/24 and 2024/25 as approved by the Combined Authority Board (November 2021). A further paper setting out the final allocations for the three-year period will be considered at the June Skills Committee.
- Implement further funding policy changes to increase participation in skills training among citizens, improving productivity, in-work progression and supporting the 'levelling up' of skills across the sub-region.

2. Background

- 2.1 The Combined Authority has received its annual Section 31 Funding Letter from the Department for Education (DfE) on 4 February 2022, for both AEB and the National Skills Fund – level 3 adult offer (NSF). Funding of **£11,977,722** is confirmed for the 2022/23 academic year for AEB and **£994,964** for level 3 courses. This equates to an adult education and skills settlement of **£12,972,691** for the academic year 2022/23, plus a forecast of circa **£2m of underspend** carried forward from previous years: **a budget of £15m**.
- 2.2 At the Skills Committee of 10 November 2021 and the Combined Authority Board of 24 November 2021, approval was given to enter into multi-year funding agreements with grant-holders. The process for determining the allocations for the 2023/24 and 2024/25 academic years is being co-designed with colleges and adult learning institutes.
- 2.3 The Combined Authority commissioned seven colleges and two local authority adult learning institutes in 2021/22 for £9.5m of AEB and NSF. A further eight Independent Training Providers (ITPs) are contracted to deliver £2.5m of AEB and NSF. Details of funding allocations to providers are published on the Combined Authority's website and were tabled at the November committee meetings. This report focuses on the **negotiated** funding allocations process for grant funded providers, which equates to 80 per cent of the Combined Authority's AEB funding.
- 2.4 The Combined Authority Board approved an open and competitive tendering process for ITPs at its November 2021 meeting. The Commissioning Cycle is underway, with £3.5m of AEB and £0.5m of NSF allocated. Once the commissioning process for ITPs has concluded, a further report will be tabled outlining the contract awards from this process.
- 2.5 There are two significant changes to our grant funded providers that the Committee should

note:

- For the current academic year and near future, Hills Road Sixth-Form College are withdrawing from AEB delivery. They have a small grant of £20,000 and have struggled to deliver during the pandemic. With the demographic growth in the 16-18 cohort, the college has taken the decision to focus on young people rather than adult education. We expect that unspent AEB funding of c£12,000 will be returned to the Combined Authority for recycling to other providers. To note that Hills Road is the only provider delivering AEB funded courses judged by Ofsted as 'outstanding.' The courses that they deliver are also offered by Cambridge Regional College.
- The Combined Authority is looking to provide a direct grant to the Workers Education Association (WEA), through the 'light-touch' procurement route for grants and contracts, for up to £633,540 (incl. VAT). The WEA are a national adult learning institute, with an existing delivery footprint in the sub-region through a sub-contract with Cambridgeshire Skills. This will help increase delivery capacity and engage with low-skilled citizens. It is expected that WEA will help to address AEB 'cold-spots' across the sub-region, continuing to plan jointly with Cambridgeshire Skills and City College Peterborough, to ensure duplication is avoided and build-up capacity for delivery of further devolved funds.

2.6 All grant funded colleges and adult education institutes received their baseline funding allocation for the 2022/23 academic year by the end of December 2021, in line with our published Business Cycle. During February, meetings with colleges and adult learning institutes have been held to discuss their plans for 2022/23 – 2024/25 and negotiating the funding allocations for 2022/23.

2.7 The process has resulted in the below funding allocations as set-out in **TABLE A** below:

Provider	Proposed AEB allocations for 2022/23	Proposed NSF allocations for 2022/23	TOTAL
Cambridge Regional College	£2,600,000.00	£105,000.00	£2,705,000.00
Cambridgeshire County Council	£2,000,000.00	£50,000.00	£2,050,000.00
Inspire Education Group	£2,300,000.00	£250,000.00	£2,452,000.00
City College Peterborough	£1,500,000.00	£105,000.00	£1,605,000.00
The College of West Anglia	£500,000.00	£50,000.00	£550,000.00
Bedford College	£200,000.00	£35,000.00	£235,000.00
West Suffolk College	£500,000.00	£150,000.00	£370,000.00
North Hertfordshire College	£100,000.00	£-	£100,000.00
Workers Education Association	£380,000.00	£-	£380,000.00
TOTAL	£10,080,000.00	£745,000.00	£10,825,000.00

2.8 Further discussions about years two and three are underway, with colleges and adult learning institutes, who are developing their plans. A further report is scheduled for the June

Skills Committee with approval for the final allocations for the multi-year period. In addition, the Skills Committee at its meeting on 10 November 2021 and the Combined Authority Board at its meeting on 24 November 2021 have approved £3.5m to be tendered through the next commissioning round with Independent Training Providers (ITPs). Assuming £3.5m is awarded to ITPs for the 2022/23 academic year, this takes **potential** grant allocations and contract awards to **£14,325,000** from a projected £15m budget (as in 2.1 above).

3. Funding Policy Changes

3.1 Under our 2016 devolution agreement, the Combined Authority has the power to set its own policies and funding rules, which may deviate from the national AEB funding rules determined by the Education and Skills Funding Agency (ESFA). Our policy intent is to better direct and align our local funding policies to deliver priorities in the Employment and Skills Strategy, which was approved by the Skills Committee and Combined Authority Board in January 2022. During the first three years of devolution, the Combined Authority has implemented a comprehensive package of funding policy changes and flexibilities to widen participation and encourage more citizens to access learning opportunities, including:

- Fully funding all first full level 2 qualifications regardless of age
- Fully funding all first level 3 qualifications regardless of age
- Fully funding second level 3 qualifications for the unemployed, to enable in-work progression or transition to a growth or foundational sector
- Fully funding English for Speakers of Other Languages (ESOL) qualifications
- Funding a premium for learners living in the 20% most deprived postcodes in the sub-region, based on the Index of Multiple Deprivation 2019
- Low Wage Scheme – raising the threshold from c£17K to £20K before fees become payable for adult learning courses
- Youth Offer – providing a premium (10 per cent funding rate uplift) for 19–24-year-olds who have not achieved level 3 to enhance the programme of study and support provided to them
- Funding for Level 4 qualifications in growth and foundational sectors
- Bursary of £1200 for Care Leavers aged 19-22, living independently to sustain and progress in learning.

3.2 For 2022/23, it is proposed to continue with the above funding flexibilities and implement the following enhancements:

- Implement further second level 3 flexibilities that respond to employer need and/or enable in-work progression or access to higher education
- Improve the ESOL offer, by allowing providers to deliver in the workplace
- Better define Community Learning to improve targeting and to enrich the offer with regards to wider outcomes of learning, such as health and wellbeing
- Increase the Low Wage Scheme – citizens can earn up to £21,000 before fees become payable (unless eligible for fee-remission from other flexibilities)
- Fund FE teacher training courses to build capacity (at level 5)
- Fund Carbon Literacy courses to improve public awareness of environmental sustainability issues
- Fund Bespoke Employer Programmes that provide greater flexibility (that could include modules rather than full qualifications and licences to practice)
- Expand support packages for Care Leavers aged 19-22

- Fully fund a training and support offer under the Armed Forces Covenant.

- 3.3 An open consultation seeking the views of stakeholders and the public on proposed funding flexibilities was launched on 16 February and runs until 15 March 2022. There are no additional financial liabilities to the Combined Authority for implementing these funding policy changes, as providers will manage their funding for implementing these flexibilities through their existing contract value.
- 3.4 The policy intention is to enable providers to target training courses to low-skilled, low-waged, and unemployed residents to increase their participation in the labour-market. This is in alignment with our Employment and Skills Strategy to reduce inequalities in the labour market and reduce skills deficits. We will review our funding policies as part of the planned AEB Annual Evaluation for the third year of devolution.

Significant Implications

4. Financial Implications

- 4.1 The DfE have confirmed the devolved Adult Education Budget funding for the academic year 2022/23 as set out in paragraph 2.1 above.
- 4.2 The MTFP (Medium Term Financial Plan) for 2022/23 financial year has been amended to reflect the funding confirmed by the DfE.
- 4.4 The DfE are consulting with Combined Authorities on the future funding formula for devolved AEB, NSF and Bootcamps (which will merge into a single 'Skills Fund'). The Combined Authority receives 0.9% of the national budget of c£133.6m. It is expected that the new formula will take deprivation and rurality into account and therefore result in a higher settlement in future years.

5. Legal Implications

- 5.1 The recommendations and activities outlined in this paper are to discharge the Combined Authorities' statutory duties under the Apprenticeships, Skills, Children and Learning Act 2009. Under the devolution agreement of 2016, specified adult education functions from the Secretary of State were transferred to the Combined Authority.
- 5.2 The Combined Authority discharges its devolved adult education functions in line with the DfE Statutory Guidance for Combined Authorities (July 2018).

6. Public Health implications

- 6.1 The report recommendations have positive implications for public health. Participation in adult learning improves the health and wellbeing of participants and wider society. In addition, the AEB funds skills training for professionals in the health care sector as well as short courses for adults on managing physical, mental health and wellbeing.

7. Environmental and Climate Change Implications

- 7.1 The report recommendations have positive implications for the environment. Environmental Conservation courses and Carbon literacy is one of the new courses that will be funded by AEB. In addition, training for retrofit occupations (in construction trades) and electric vehicle maintenance and charging are also funded by AEB.

8. Other Significant Implications

- 8.1 The recommendations in this report have due regard to the Combined Authority's Equalities duties under the Equality Act 2010 in implementing funding policies which seek to widen participation and make learning opportunities more accessible for all citizens including all protected characteristics.
- 8.2 Within their funding allocation, all colleges and adult learning institutes have Learner Support Funds to enable them to discharge their duties under the Equalities Act 2010. Funding is provided to enable reasonable adjustments and additional support to be provided for learners with learning difficulties and disabilities, to access and progress in learning.

9. Background Papers

- 9.1 None.