



**CAMBRIDGESHIRE
& PETERBOROUGH**
COMBINED AUTHORITY

Agenda Item No: 2.1

Adult Education Budget – Grant Funding Allocations and Policy Changes for 2023/24 Academic Year

To:	Skills Committee
Meeting Date:	6 March 2023
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:	2022/076
Recommendations:	<p>The Skills Committee is requested to:</p> <ul style="list-style-type: none">a) Recommend the Combined Authority Board, approve the Adult Education Budget and Free Courses for Jobs funding allocations to Learning Organisations for the 2023/24 and 2024/25 academic years as set out in Appendix A to this report.b) Recommend the Combined Authority Board approve the Multiply funding allocations to Learning Organisations for the 2023/24 and 2024/25 financial years as set out in Appendix A to this report.c) Recommend the Combined Authority Board delegate authority to the Interim Associate Director for Skills in consultation with Chief Finance Officer and Monitoring Officer to sign Grant Funding Agreements with the Learning Organisations set out in Appendix A to this report for the 2023/24 and 2024/25 academic years in respect of the Adult Education Budget and Free Courses for Jobs and the financial years 2023/24 and 2024/25 for Multiply.

- d) Delegate authority to the Interim Associate Director for Skills to vary grant funding agreements based on performance by up to 25 per cent of the value in 2023/24 and 2024/24 for AEB, FCFJ and Multiply.
- e) Recommend the Combined Authority Board approve the proposed devolved funding policy changes set out in Appendix C this report, for the 2023/24 academic year to increase funding for learning organisations and implements the national changes for 2024/25, as set out in Appendix B.
- f) Recommend the Combined Authority Board approve the increase to the AEB top slice from 3.4% to 5%.

Voting arrangements: A simple majority of all Members present and voting.

1. Purpose

1.1 This report aims to seek authority from the Combined Authority Board to:

- Approve funding allocations from the devolved Adult Education Budget totalling £10,300,000 and Free Courses for Jobs totalling £725,000 for each of the academic years 2023/24 and 2024/25.
- Approve funding allocations from Multiply totalling £1,100,000 for each of the financial years 2023/24 and 2024/25.
- Delegate authority to the Interim Associate Director for Skills to sign grant funding agreements with Learning Organisations set out in Appendix A and authority to vary, based on performance for up to 25 per cent of the value as required.
- Approve the adoption of the banded skills funding policy change being implemented by the Department for Education in 2024/25 and the local flexibilities in Appendix C.
- Approve the increase to the AEB top slice to 5%.

1.2 'Learning Organisations' is an umbrella term used in this report and the Combined Authority's Funding Rules to refer to the following organisation type: Further Education Colleges, Adult and Community Learning Services delivered by local councils and Specialist Designated Institutes.

2. Background

2.1 The Combined Authority has received its annual Section 31 Funding Letter from the Department for Education (DfE) on 9 February 2023, for both Adult Education Budget (AEB) and Free Courses for Jobs (FCFJ) the National Skills Fund – level 3 adult offer (NSF). Funding of **£12,054,361** (2022/12: £11,977,722) is confirmed for the 2023/24 academic year for AEB and **£851,550** for level 3 courses. This equates to an adult education settlement of **£12,905,911** (2022/23: £12,972,691), plus a forecast of c£2m of underspend carried forward from previous years: an available budget of £15m to allocate.

2.2 The positive news is that funding for AEB has increased by **£76,639.00** following DfE's decision to devolve funding for 19-24 Traineeships from 2023/24, to devolved authorities. Learning Organisations will submit proposals for 19-24 Traineeship delivery as part of the Annual Planning process. However, DfE have reduced the funding allocation for FCFJ by c£143K due to under-delivery. The final outturn for 2021/22 was £702,410 from an allocation of £833,622. DfE are committed to the FCFJ programme and eventually consolidating this into the new Skills Fund. Therefore, it is imperative that Learning Organisations grow this offer during 2023/24 to increase our overall funding for skills.

2.3 For the current academic year, 2023/24, the Combined Authority has commissioned six colleges, two local authority adult learning institutes and one specialist designated institute for £10m of AEB and £545,000 of FCFJ. A further 16 Independent Training Providers (ITPs) are contracted to deliver £4.25m of AEB and NSF. Details of funding allocations to providers are published on the Combined Authority's website and were tabled at the September 2022 committee and board meetings. This report focuses on the **negotiated**

funding allocations process for grant funded Learning Organisations, which equates to 80 per cent of the Combined Authority's AEB and FCFJ funding. The funding allocations for Independent Training Providers will be considered at the June 2023 committee.

- 2.3 All grant funded colleges and adult education institutes received their baseline funding allocation for the 2023-34 academic year by the end of December 2022, in line with our published Business Cycle. During February, meetings with Learning Organisations were held to discuss funding allocations for 2023/24.
- 2.4 Funding allocations for Multiply were made to Learning Organisations based on a funding formula and approved at the Combined Authority Board on 31 August 2022 up to the end of the financial year 2022/23. Learning Organisations have now mobilised delivery and the Year 2 delivery plan has been submitted to the DfE, it is proposed to make allocations for the remaining two financial years. This will ensure that Learning Organisations have surety of funding and the confidence to deliver at pace. These are set out in Appendix A and are subject to confirmation from DfE.

2.5 Funding Policy Changes

The Department for Education as part of its Accountability and Funding Reforms is seeking to introduce the following changes:

- Creation of a new Skills Fund (incorporating AEB, FCFJ and 19-24 Traineeships)
- Introduction of new adult skills funding rates and five funding bands for 2024 to 2025
- Changes to the definitions of Community Learning
- Accountability Agreements

Further detail of these proposals is set out in Appendix C. It is recommended that the Combined Authority adopts the changes to streamline the funding system and reduce administrative burden on Learning Organisations. It is proposed to work with local Learning Organisations to phase-in these changes to allow a smoother transition.

2.6 Local Flexibilities

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 our Employment and Skills Strategy, which was approved by the Skills Committee and Combined Authority Board in January 2022.

During the first four 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

Entitlement to fully funded first full level 2 qualification for citizens regardless of age
Fully funding eligible 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 sectors
Entitlement to fully funded English for Speakers of Other Languages (ESOL) qualifications plus delivery in the work-place

Funding uplift 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 £21K before fees become payable for adult learning courses (unless eligible for other fee-remission)
Youth Offer – providing funding for enrichment for 19–24-year-olds who have not achieved level 3 to enhance the programme of study and support for 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. Support for independent living skills, travel and meals.
Fund ESOL teacher training courses to build capacity (at level 5)
Fund Carbon Literacy courses to improve public awareness of environmental sustainability
Fund licences to practice (e.g., CSCS Card and HGV driver licences)
Fully fund courses for veterans and families under the Armed Forces Covenant.

College principals and the Association of Colleges have been lobbying nationally for an increase to funding rates to support the further education sector with inflationary pressures and real-terms reductions in funding since 2010. Other devolved authorities including GLA and WMCA have increased funding rates in response. Given the Combined Authority's flat annual settlement for AEB of c£12m, it would be challenging to implement a blanket increase in rates, given the introduction of the new DfE banded funding rates. The targets within the Combined Authority's Skills Strategy are predicated on increasing participation and increasing delivery of more expensive level 3 courses. A blanket increase in funding rates in 2023/24 will necessitate a decrease in participation and the potential removal of courses.

An alternative which seeks to provide some relief for learning organisations and additional funding in 2023/24, while the new banded funding system is introduced for 2024/25 is proposed. This approach continues with existing flexibilities and phased implementation of the national changes and additional funding that supports implementation of strategy:

- Increase funding rates for Essential Skills qualifications by 10 per cent (English, maths, and Essential Digital Skills - entitlements).
- Incentivise first full level two by providing a 10 per cent top-up to enhance the support to learners.
- Increase the targeting and support for residents in the relative most deprived areas of the sub-region, by doubling the local uplift from 4 per cent to 8 per cent.

2.7 Programme Management

Currently, 3.4 per cent of the annual devolved AEB is used as a 'top-slice' for programme management. This funds four FTE posts, corporate service functions, provider audits, data analysis services and non-pay costs. Given inflationary pressures, the Combined Authority's wider Improvement Plan and increasing demands from DfE and DHLUC for monitoring and reporting, it is proposed to increase to 5 per cent. This will enable inflationary pressures plus additional resourcing. In particular, the increased contract management, compliance, and assurance functions for the portfolio of 25 Learning Organisations and Training Providers that are now commissioned.

Significant Implications

3. Financial Implications

- 3.1 The DfE have confirmed the devolved Adult Education Budget and Free Courses for Jobs funding for the academic year 2023/24 as set out in paragraph 2.1 above. Funding for Multiply for 2023/24 and 2024/25 academic year have not been confirmed, but our Investment Plan has been accepted by DfE and an overall allocation of c£4m.
- 3.2 The Combined Authority's AEB Funding Rules expect 100% delivery of the grants. Therefore, unspent AEB is recovered at the end of the academic year following reconciliation and 'recycled' back for redistribution. This mitigates the risk of over-allocating funding at this stage, to Learning Organisations.

4. Legal Implications

- 4.1 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.
- 4.2 The Combined Authority discharges its devolved adult education functions in line with the DfE Statutory Guidance for Combined Authorities (July 2018).
- 4.3 An assessment of the risks and benefits of the Combined Authority adopting Accountability Agreements with Learning Organisation, in line with the DfE's national reforms requires further work.

5. Public Health implications

- 5.1 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.

6. Environmental and Climate Change Implications

- 6.1 The report recommendations have positive implications for the environment. Environmental Conservation courses and Carbon literacy are funded by AEB. In addition, training for retrofit occupations (in construction trades) and electric vehicle maintenance and charging are also funded by AEB and FCFJ.

7. Other Significant Implications

- 7.1 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.

- 7.2 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.

8. Appendices

- 8.1 Appendix A – Proposed Funding Allocations for AEB, FCFJ and Multiply
Appendix B – Funding Policy Changes
Appendix C - Local Funding Policy Changes

9. Background Papers

- 7.1 [DfE Policy Changes to Adult Skills Funding Rates](#)