



**CAMBRIDGESHIRE
& PETERBOROUGH**
COMBINED AUTHORITY

Agenda Item No: 2.1

Adult Education Budget (AEB) 2021-22 Funding Allocations and Policy Changes

To:	Skills Committee
Meeting Date:	14 June 2021
Public report:	Yes
Lead Member:	Councillor Lucy Nethsingha, Chair of the Skills Committee
From:	Parminder Singh Garcha, Senior Responsible Officer – Adult Education
Key decision:	Key Decision for Combined Authority Board on 30 th June 2021
Forward Plan ref:	2021/020
Recommendations:	<p>The Skills Committee is invited to:</p> <ul style="list-style-type: none">a) Recommend the Combined Authority Board approve the funding allocations for the 2021/22 academic year, from the devolved Adult Education Budget (AEB) to the providers, set out in Table A below.b) Recommend the Combined Authority Board grant authority to enter into contract for services, with Steadfast Training Ltd.c) Delegate authority to the Director of Business and Skills in consultation with Chief Finance Officer and Monitoring Officer, to enter into contract for services, with the providers set out in Table A, on behalf of the Combined Authority.d) Delegate authority to the Director of Business and Skills, in consultation with the Chief Finance Officer and Monitoring Officer to enter into Grant Funding Agreements, with the providers set out in Table A, on behalf of the Combined Authority.

e) Delegate authority to the Director of Business and Skills, in consultation with the Chief Finance Officer and Monitoring Officer to procure, award and enter into contract, with recommended new providers, as required within the devolved AEB Grant for 2021/22, set out in the AEB Commissioning Guiding Principles.

f) Approve implementation of the funding policy changes and funding flexibilities for the 2021/22 academic year, as set out in this paper.

Voting arrangements: A simple majority of all Members.

1. Purpose

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

- Make the funding allocations from the devolved Adult Education Budget of £11.9m for the academic year 2021/22 to the Providers, set out in **TABLE A** in this Paper. Funding allocations total £9.9m.
- Allocate a further £1m from the devolved AEB for current providers to make Growth Cases, demonstrating alignment with local skills needs.
- Issue Funding Agreements, based on performance during the academic year and recover under-spent funds.
- Procure using the Combined Authority's 'Light Touch' Commissioning approach to contract with new providers as required during the academic year, to meet gaps in provision.

1.2 Under our 2016 devolution agreement, the Combined Authority is at liberty to set its own policies and funding rules which can deviate from the national Adult Education Budget funding rules as set by the Education and Skills Funding Agency (ESFA), this helps to better direct and improve outcomes for citizens in our region. Therefore, authority is sought to implement the local funding policy changes and flexibilities set out in this paper, to increase participation in skills training among citizens, improving productivity and supporting 'levelling up' across the region.

2. Background

2.1 The Combined Authority received its annual Section 31 Funding Letter from the Department for Education (DfE) for the devolved Adult Education Budget grant, confirming funding of £11,959,794, in February 2021 for the 2021-22 academic year and therefore we are now able to allocate funding to our commissioned providers. This is the third year of devolution and the first opportunity to make changes to funding allocations based on previous performance.

2.2. The Combined Authority has commissioned eleven grant funded providers (these are colleges and local authorities) and four Independent Training Providers (ITPs), for the current 2020-21 academic year. For 2021-22 this will be reduced to nine grant funded providers as:

- Central Bedfordshire Council has returned their grant of £11,760 for the 2020/21 academic year and will discontinue provision in our region.

- Rutland County Council has a small grant of £2,186 and will no longer be directly funded by the Combined Authority due to its low value. A sub-contracting arrangement has been brokered with another provider.

We will continue to contract with the four ITPs for 2021/22 and will look to commission a further £1m of AEB provision with new providers under the 'light-touch' commissioning approach.

- 2.3 The AEB Commissioning Strategy for 2020-2025 set out our strategic intent to reposition our relationships with local providers from transactional to transformational. To ensure that the investment of AEB underpinned our Local Industrial Strategy, our Skills Strategy and to transition to a greater local accountability system that rewards outcomes for learners. The first two years of devolution have allowed a bedding-in period for providers to adjust to the Combined Authorities' processes and priorities.

2.4 Funding Allocation Process

This is the first year that previous performance has been considered when determining allocations for the following year. We are taking a two-step process in determining funding allocations:

- **Step One – Baseline Allocations**

All providers have been issued with an indicative base-line allocation which takes 2019/20 final delivery, current in-year delivery and forecast outturn for 2020/21, while being cognisant of the impact of the national lockdowns on enrolments. As can be seen in **Table A**, there is a moderate shift in baseline allocations, compared to the current year.

TABLE A: AEB Providers	Funding Agreement Type	2020/21 Final Allocation	2021/22 Baseline Allocation
Cambridge Regional College	Grant	£2,535,600	£2,200,000
Inspire Education Group	Grant	£2,099,365	£2,000,000
Cambridgeshire County Council	Grant	£2,115,500	£2,000,000
Peterborough City Council	Grant	£1,351,088	£1,400,000
The College of West Anglia	Grant	£415,339	£500,000
Steadfast Training Ltd	Contract	£537,765	£500,000
Back 2 Work Complete Training	Contract	£461,945	£462,000
The Skills Network	Contract	£398,798	£400,000
Bedford College	Grant	£191,318	£170,000
West Suffolk College	Grant	£118,889	£150,000
NACRO	Contract	£90,000	£100,000
North Hertfordshire College	Grant	£39,717	£38,000
Hills Road Sixth Form College	Grant	£20,000	£20,000
Rutland County Council	Grant	£2,186	
Total Allocations*		£10,377,510	£9,940,000
Total Devolved S31 Grant		£11,968,970	£11,959,794
Top Slice @3.4%		£406,945	£406,633
Retained fund for Growth			£1,000,000
Retained for Innovation Fund		£300,000	£600,000

*Excluding Central Bedfordshire Council

2.5 Step Two - Growth Cases

We have allocated £1m from our 2021/22 devolved budget towards Growth Cases for 2021/22. Growth Cases will allow providers to bid for growth on top of their baseline allocation. The criteria for Growth Cases are delivery of high-value and priority qualifications at Level 3 within the Combined Authority's Growth Sectors:

- Advanced Manufacturing and Materials
- Agri-Tech
- Life Sciences
- Digital and Artificial Intelligence

In addition, skills development at Level 2 and 3 that will support the region to transition to a green economy, which may include:

- Construction trades including Retrofit, heating and electrical technicians and installers for solar and heat-source pumps.
- Energy Assessors and co-ordinators
- Electric vehicle maintenance
- Other training enabling transition to net-zero.

Funding for approved **Growth Cases** will be confirmed to providers by the end of June.

2.6 Additional Level 3 Funding for 2021/22

As authorised at the March 2021 Skills Committee and the Combined Authority Board, Providers will be allocated additional funding for the Level 3 Adult Offer as part of the Lifetime Skills Guarantee. As previously reported, the Combined Authority has been delegated a further £833,000, for the 2021/22 academic year, in addition to the Devolved AEB grant, from the National Skills Fund, for delivery of free first Level 3 qualifications from the DfE's eligible qualification list.

2.7 Allocations for Future Years

To support providers with their forward planning, we will take the final funding claim (R14) for the 2020/21 academic year as the baseline funding allocation for 2022/23. We will therefore be able to confirm indicative baseline allocations in November/December 2021 and finalise allocations in the Spring term at the March 2022 Skills Committee.

2.8 New Providers

Our guiding principles for the Commissioning of new AEB providers was approved at the March 2021 Skills Committee and Combined Authority Board. This allows us to procure new training providers through a negotiation process due to the contracts being below the regulated threshold for Light Touch contracts and therefore governed by the Authority's constitution which allows this approach for contracts up to £200,000 in value. In total, we are allocating £1m for the procurement of new providers to deliver Level 2 and Level 3 qualifications. The funding for new commissioning will be from the Level 3 delegated budget

from the National Skills Fund and the in-year underspend from 2021/22, previously reported.

3. Funding Policy Changes

3.1 For 2020/21 the following funding policy changes were implemented:

- Fully funded ESOL qualifications (English for Speakers of Other Languages)
- Funding uplift for learners living in disadvantaged postcodes. A 4% funding rate uplift for most deprived postcodes, based on the Index of Multiple Deprivation data
- Extended Level 2 Entitlement - fully funding All First Full Level 2 qualifications regardless of age.
- Low Wage pilot – raising the threshold from £16,009.50 to £18,000 before fees become payable for adult learning courses.

We are continuing with these funding flexibilities into 2021/22 to monitor their impact over a longer period. They will be reviewed as part of the planned AEB Annual Evaluation for the second year of devolution.

3.2 For 2021/22 the following funding policy changes are proposed. An open consultation ran during March 2021, seeking the views of stakeholders and the public on proposed funding flexibilities. All the proposals were supported by respondents to the consultation. There are no additional financial liabilities to the CPCA, as Providers will manage their funding for implementing these flexibilities through their existing contract value. 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. The funding flexibilities are to:

- 1) Further increase the low-wage threshold, before fees become payable from £18K to £20K (in the national ESFA funding rules, the threshold is £17K).
- 2) Invest in a 10 per cent funding rate uplift for the Learner Entitlement for 19–23-year-olds to encourage take-up and incentivise providers to target this age group, given youth unemployment rates. The Entitlement is for young people who have not achieved a Level 2 or Level 3 qualification by age 23, including English and maths at Level 2.

Nationally, 82.8% and 60.2% of young people respectively achieve Level 2 and Level 3 by age 19. In Peterborough, it is below the national average: 75.34% for Level 2 and 49.93% for Level 3. (Source: DfE)

- 3) Extended Level 3 Offer for CPCA residents: Funding for second Level 3 qualifications for unemployed or low-waged citizens looking to upskill or reskill. A 'Green list' of qualifications eligible for second Level 3 funding is being developed in line with CPCA priority sectors.
- 4) Level 4 Pilot: Full or Co-funding for a small number of Level 4 qualifications in priority sectors to be piloted by two or three Colleges.
- 5) Care Leavers (19-22) Extended Support Package and Former Armed Forces Personnel Support Package - we are consulting with the sector for different approaches to these support packages for Care Leavers and Former Armed Services Personnel via

Discretionary Learner Support Funds to better understand gaps and barriers for these groups.

Appendix 1 provides further information about the post-code uplift. Appendix 2 summarises changes to AEB Funding Rules for 2021/22.

Significant Implications

4. Financial Implications

- 4.1 There are no financial implications for the CPCA as the funding allocations and policy changes will be managed within the CPCA's AEB Devolved Funding Grant.
- 4.2 As reported at the March meeting of the Skills Committee, a ring-fenced AEB Reserve Fund has been established to provide for contingent liabilities in funding for providers and additional commissioning in 2021/22.

5. Legal Implications

6. Other Significant Implications

7. Appendices

- 7.1 Appendix 1 – Levelling Up – CPCA Deprived Areas Funding Uplift
- 7.2 Appendix 2 – Summary of Changes to AEB Funding Rules

8. Background Papers

- 8.1 [Local Industrial Strategy](#)
- 8.2 CPCA [Skills Strategy](#)
- 8.3 AEB Funding [Rules](#)
- 8.4 [AEB Commissioning Strategy 2020 – 2025](#)
- 8.5 [Lifetime Skills Guarantee \(Level 3 Adult Offer\) Skills Committee Paper](#)