

Appendix B: National AEB Funding Policy Changes

1. National DfE Funding Changes

- 1.1 Following a second consultation during the Autumn, the DfE consulted on the reforms within 'Skills for jobs: [Implementing a new further education funding and accountability system](#)' and to date, have announced changes to the funding of adult skills:
- for academic year 2024/25, introduction of the Skills Fund (amalgamating AEB, FCFJ and 19-24 Traineeships)
 - for academic year 2023/24, introducing a new flexibility for funding 'innovative provision' into the adult education budget (AEB) funded by ESFA
 - for academic year 2024/25, introducing new 'banded' funding rates that will apply to the ESFA Skills fund which will encompass AEB
 - changes to Community Learning provision types, from four to eight.

These proposals are part of the further education (FE) funding and accountability reforms, aiming to maximise value for money by simplifying funding and focussing on employment outcomes that support better economic growth. The DfE expects that Learning Organisations will change their mix of provision to better meet skills needs and drive the economy. A formal response to the second DfE consultation is due in Spring 2023

1.2 The Skills Fund

The Combined Authority welcomes the introduction of the Skills Fund. We plan to rename and phase-out the name 'AEB' in our documents and reports over the 2023/24 academic year, in readiness for the new Skills Fund in 2024/25. We welcome the amalgamation of 19-24 Traineeships and will look to commission with existing learning organisations.

1.3 Flexibility for 3 per cent of AEB to be used for Innovative provision

Given the Combined Authority has already created a Local Innovation Fund (LIF) since the 2020/21 academic year, it is proposed **not** to adopt this policy, to allow up to three per cent of grant allocation for 'innovative' provision, in partnership with local employers, that meets emerging employer need. Existing arrangements for our LIF funding via the Skills Committee's governance, that align to our strategy will continue, with £500,000 allocated for the 2023/24 financial year.

1.4 Community Learning Objectives

Changes to the objectives for Community Learning will be implemented in 2024/25. We are continuing to work with Learning Organisations to improve the data collection for Community Learning via the Individualised Learner Record, for implementation in academic year 2023/24.

- 1.5 DfE propose to change the existing four provision types (Personal and Community Development Learning; Family English, Maths and Language; Wider Family Learning; and Neighbourhood Learning in Deprived Communities) and will instead collect data on the primary purpose of the provision. The seven new purpose types are based on the current Community Learning objectives, and are:

- Engaging and/or building confidence

- Preparation for further learning
- Preparation for employment
- Improving essential skills (English, ESOL, maths, digital)
- Equipping parents/carers to support children's learning
- Health and well-being
- Developing stronger communities

DfE will continue to identify family learning and a new field, 'Adult Family Learning', will capture this information. The Combined Authority supports the policy intent to improve reporting with clearer descriptors and the demonstration of impact of Community Learning.

We are in discussion with HOLEX and other Combined Authorities regarding the best approach to support our local Learning Organisations with the transition to the new system, which we support. We expect the new Community Learning descriptors and improved data capture, will improve reporting to the Skills Committee of the impact and benefit of Community Learning, but support for our learning organisations to implement this will be needed.

1.6 Banded funding rates

It is proposed to adopt the new banded funding rates for adult provision from 2024/25 when the Skills Fund is introduced. This will ensure that we are prepared for implementation by signalling our intentions to local Learning Organisations. The benefit of banded funding is to reduce administration and simplify the system for learning organisations, so they do not have to maintain separate funding systems.

1.7 There will be five new skills funding bands with sector subject areas (SSAs) at tier 2 level assigned to one of these bands. The [list of sector subject areas with the new skills funding bands and hourly rates](#), reproduced in Table 1 and 2 below, sets out the assignment for each SSA. Each of the skills funding bands will have its own hourly funding rate which will be used to calculate the funding for individual qualifications. DfE have set the new hourly funding rates so that the average base rate in the current system (that is the average funding before programme weighting is applied) through the new base rate of £6.00 per hour is maintained.

The SSAs in the higher funding bands are those in areas of greatest skills needs and/or with higher cost of delivery. DfE has modelled that the new funding rates will give these qualifications a significant funding boost.

Table 1: Skills funding rates by band

New skills funding band	Base	Low	Medium	High	Specialist
New hourly skills funding rate	£6.00	£7.20	£8.40	£9.60	£12.00

Table 2 - Sector subject areas with the new skills funding bands

SSA tier 2	SSA description	Skills funding band
1.1	Medicine and Dentistry	Medium
1.2	Nursing and Subjects and Vocations Allied to Medicine	Medium
1.3	Health and Social Care	Medium
1.4	Public Services	Low
1.5	Child Development and Well Being	Low
2.1	Science	Medium
2.2	Mathematics and Statistics	Low
3.1	Agriculture	Specialist/High
3.2	Horticulture and Forestry	Specialist/High
3.3	Animal Care and Veterinary Science	Specialist/High
3.4	Environmental Conservation	Medium
4.1	Engineering	High
4.2	Manufacturing Technologies	High
4.3	Transportation Operations and Maintenance	High
5.1	Architecture	Medium
5.2	Building and Construction	High
5.3	Urban, Rural and Regional Planning	Medium
6.1	ICT Practitioners	Medium
6.2	ICT for Users	Medium
7.1	Retailing and Wholesaling	Low
7.2	Warehousing and Distribution	Low
7.3	Service Enterprises	Low
7.4	Hospitality and Catering	Medium
8.1	Sport, Leisure, and Recreation	Low
8.2	Travel and Tourism	Base
9.1	Performing Arts	Low
9.2	Crafts, Creative Arts and Design	Medium
9.3	Media and Communication	Low
9.4	Publishing and Information Services	Low
10.1	History	Base
10.2	Archaeology and Archaeological Sciences	Low
10.3	Philosophy	Base
10.4	Theology and Religious Studies	Base
11.1	Geography	Low
11.2	Sociology and Social Policy	Base
11.3	Politics	Base
11.4	Economics	Base
11.5	Anthropology	Base
12.1	Languages, Literature and Culture of the British Isles	Base
12.2	Other Languages, Literature and Culture	Base
12.3	Linguistics	Base
13.1	Teaching and Lecturing	Low
13.2	Direct Learning Support	Low
14.1	Foundations for Learning and Life (excluding Functional Skills)	Base
14.2	Preparation for Work	Base
15.1	Accounting and Finance	Low
15.2	Administration	Base
15.3	Business Management	Low
15.4	Marketing and Sales	Base
15.5	Law and Legal Services	Base

Note: For Ofqual regulated individual qualifications, the funding rates can be determined by multiplying the hourly rate for the SSA, by the guided learning hours (GLH) the awarding organisation assigned to the qualification.

1.8 Policy Exceptions to the DfE Banded Funding:

The following exceptions will remain for some qualifications given their policy importance:

- English GCSE is included within the low funding band rather than the base funding rate band
- Functional skills in English entry level, level 1 and level 2, will continue to receive a current policy rate of £724
- Functional skills in maths entry level, which will be funded at the current policy rate of £941, and level 1 and level 2 at £724
- Functional skills in ICT currently have a policy rate of £336 which will end on 31 July 2023. We will treat the new digital qualification as if it is in the ICT for users SSA from 2024 to 2025, meaning the funding rate for the new digital functional skills qualifications will increase to £462.

Access to higher education will be funded in line with the new skills funding rates according to the SSAs the qualifications are in.