
Report to: Economic Scrutiny Committee

Date: 16 November 2022

Subject: **Adult Education Budget**

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1. Purpose of this Report

- 1.1. To provide an overview of the Adult Education Budget and outline the changes made through devolution.

2. Information

Devolution and the Adult Education Budget in West Yorkshire

- 2.1 West Yorkshire Mayoral Combined Authority has had devolved Adult Education Budgets (AEB) since August 2021. This was included as part of the 2020 devolution deal agreed between West Yorkshire Combined Authority (WYCA) and Government.
- 2.2 The Adult Education Budget is an underpinning fund in tackling low level adult skills and connecting people to employment. Longstanding skills shortages and mismatches remain a challenge for individuals, employers and the wider economy, including:
- More than a fifth of West Yorkshire's working age population have lower than GCSE equivalent skills
 - shortage of digital skills
 - aging workforce in manufacturing/engineering
 - projected job growth in predominantly in high skilled occupations while only 38% of working age people in WY have a qualification at level 4 or above
 - A lack of skills capability in the existing labour market to make the changes required to meet the CAs ambitions on net zero.
- 2.3 While it is an underpinning fund in upskilling adults, it is a component part of the wider skills infrastructure, and one that has seen disinvestment over the past decade. The wider adult skills infrastructure includes (but is not limited to): apprenticeship funding and levy, Higher Education loans, careers funding,

adult learner loans employer investment, individual investment, European Social Fund/UK Shared Prosperity Fund interventions, National Skills Fund interventions (e.g Free Courses for Jobs), and, for devolved areas, Gainshare funded interventions.

- 2.4 Devolution of AEB allows the region to set its own priorities for funding and allows WYCA to align spending on skills to the opportunities and needs in the local economy. This includes an annual £65million budget for West Yorkshire residents. It also includes direct management of training providers in West Yorkshire who deliver the funding provision.

What is the Adult Education Budget (AEB)?

- 2.5 The principal purpose of AEB is to engage adults and provide them with the skills needed for entering and sustaining work, an apprenticeship/traineeship, or other further learning and to achieve the equivalent of GCSE and A Level qualifications. The funding pays specifically for learning programmes (predominantly qualifications) and provides an element of learner support funding for those with learning difficulties and disabilities.

- 2.6 AEB supports the following legal entitlements to full funding for eligible learners:

- First Full Level 2 (equivalent to GCSE grade C/4)
- First Full Level 3 (equivalent to A level)
- English and Maths
- Digital

In the national system, there are age restrictions regarding these entitlements, however through devolution, and consolidation of funding streams, we have removed these barriers and simplified access for our residents.

- 2.7 Any adult over the age of 19 is eligible for support through AEB. In particular, the following people are entitled to access free training if they are:
- Unemployed and seeking work
 - Wanting to achieve Level 2 (GCSE grade C/4) in Maths or English for the first time
 - Earning a low wage (currently less than £21,255)
 - Wanting to achieve basic digital skills
 - wanting to achieve their first GCSE or A Level equivalent qualification

AEB Strategy

- 2.8 The West Yorkshire AEB Strategy ([Background Document A](#)) was developed as part of the preparation for and implementation of devolution. It highlights strengths, opportunities and challenges across the region and sets out key priorities for the devolved Adult Education Budget to ensure it supports the West Yorkshire Combined Authority's Strategic Vision.

2.9 The key priorities for the West Yorkshire Adult Education Budget are:

- Support the unemployed to gain and sustain employment
- Unlock progression opportunities and career adaptability through skills, particularly for those on low wages and with insecure work
- Make learning more inclusive to support disadvantaged residents
- Increase the supply of skills to support key sectors in West Yorkshire
- Improve West Yorkshire's resilience by identifying and delivering the skills needed for the future

AEB funding lines

2.10 AEB funding is made up of 4 components:

- Formula funding (approx £46 million of the overall West Yorkshire AEB pot)** – funding per learner, per qualification delivered. The funding rate achieved is based on the size/type of qualification and is weighted depending on a learner's status (eg unemployed) and based on areas of disadvantage. This funds sector specific vocational programmes, along with English, Maths, English for Speakers of Other Languages (ESOL), digital skills and employability programmes.

8.5
- Community learning (approx. £8.5 million of overall annual funds)** is a sub-set of the Adult Education Budget. It is exceptionally flexible and operates on an open book accounting basis, with providers able to set their own fee policy, based on a set of funding principles. The purpose of Community learning is to develop the skills, confidence, motivation, and resilience of adults of different ages and backgrounds. Only LAs and FE Colleges hold this funding.
- Learner support (approx. £4.2 million)** is available to provide financial support for residents with a specific financial hardship preventing them from taking part/ continuing in learning (i.e., travel, equipment, fee waivers).
- Learning support (approx. £4.1 million)** meets the cost of putting in place a reasonable adjustment, as set out in the Equality Act 2010, for learners who have an identified learning difficulty and/ or disability, to achieve their learning goal.

The Provider Base

2.11 Maintaining stability in the system was an important requirement from Department for Education in securing the devolution deal.

2.12 **Before devolution**, AEB funding was split between over 200 providers: including 'grant holders' (Local Authorities and Colleges), and independent training providers.

2.13 Commissioning of the AEB budget was divided in to three routes:

- a. **West Yorkshire grant providers:** Local Authorities and the West Yorkshire Colleges – these are our local place shapers and have a strategic delivery role in supporting West Yorkshire adults.
 - b. **Leeds City Region grant providers:** these neighbouring providers support learner choice and travel to learn/work patterns, thus reduced the need for cross-border agreements.
 - c. **Procured training providers.** The remaining allocations were procured through an open competitive tendering process to bring in specialist and targeted training provision for our residents and sectors of need.
- 2.14 **Following devolution**, we now have 38 providers who deliver AEB funding provision to West Yorkshire Residents. This has reduced administration costs and reduced subcontracting ensuring more money is available to support learners.
- 2.15 Since devolution of the AEB, subsequent delegated funds have been nested within this team: 'Free Courses for Jobs' and Multiply (part of UK Shared Prosperity Fund). This has ensured the teams working practices and expertise has been fully utilised, while minimising ongoing overheads.
- 2.16 Providers and their allocations can be found in Appendix 1.

Devolved Delivery – Year 1

- 2.17 In 2021/22 around 46,000 residents were supported through the Adult Education Budget: 63% of these individuals were not in work and 41% were from the top ten most deprived areas in West Yorkshire. Data for the full year's performance is currently being processed by the team and we anticipate releasing an End of Year 1 evaluation report in January 2023, which will report on progress to strategic priorities.
- 2.18 Appendix 2 provides more detail on the subject studied, type of qualification and the demographic information of the learners.
- 2.19 As mentioned in paragraph 2.2, devolution of AEB funds means that the Combined Authority has more freedom and control over how the money is spent to achieve the greatest impact on its West Yorkshire residents. While stability in the system is important, it is critical we shape the funding to better meet our residents' and economic needs.
- 2.20 As such, a number of improvements were made in year 1 of devolution, with more planned for the second year.
- 2.21 **Local Partnership Management**
Prior to devolution the Combined Authority would not have had visibility of delivery occurring in West Yorkshire until months after the year had ended. Through devolution we now obtain up front delivery plans from our providers, we have access to monthly data, and we meet regularly to discuss progress and challenges.

- 2.22 Regular meetings are held with Local Authorities, given their role as key place shapers in West Yorkshire. Data is analysed and shared regularly on a provider and area basis to help inform provision and steer partnership discussions, improving the targetting of the funding towards priority areas and groups.
- 2.23 Partnership meetings bring providers together to focus on a place-based approach. The team facilitates links to key providers in order to ensure AEB funds meet needs – this includes linking providers to NHS trusts to provide basic English and maths skills, linking providers to the WY Police service to provide recruitment training programmes.
- 2.24 Increasing the Focus of Funding on the Most Disadvantaged
In March 2022 the Combined Authority increased the low wage threshold from national living wage to real living wage. This means that anyone currently earning less than £21,255 has access to free training that can support in-work progression.
- 2.25 The Combined Authority approved the following flexibilities to adopt in Year 2. The flexibilities open up access to the funding, reducing complex eligibility criteria and investing funding in residents who most need support to upskill.
- a. Expanding the age of entitlement for a ‘first full level 2’ or GCSE grade C4 equivalent from 19-23 to 19 plus
 - b. Providing full funding for eligible asylum seekers
 - c. Increasing the number of courses 19-23s are entitled to
 - d. Waiving the ‘3 Year UK Residency’ status for full funding
- 2.17 Trialling New Programmes
A £4 million fund was retained for year 1 to respond to emerging economic problems. Through this funding we were able to offer contract growth to providers who were successful in engaging with residents and meeting their needs.
- 2.26 For 2022/23 the Combined Authority also approved the following flexibilities to trial new programmes:
- a. Expanding the digital entitlement – making more qualifications available for free to residents looking to increase their digital skills
 - b. Bridging Programmes - supporting residents to engage with and enrol on a level 3 programme: this may include refreshing skills, undertaking a taster to level 3, understanding the study skills required to succeed at level 3.
- 2.27 Two procurements were undertaken in year 1:
- a. To develop a Bus Driver Training scheme in collaboration with West Yorkshire bus operators.
 - b. To increase the delivery of Level 3 (or A Level equivalent) in West Yorkshire, including ‘bridging programmes’ that support learners in taking up this higher-level qualification. Successful providers are

delivering training programmes in e.g., Telecoms engineering, Health and Social Care, Coding and Cyber Security.

Current and Future Developments

- 2.28 Plans for the year 2 and 4 responsiveness pots are underway, with a focus on:
- Targetting 'cold spots' where participation is low in deprived areas
 - Respond to the needs of the Green Jobs Task Force
 - Respond to the needs of the digital skills plan
 - Skilled sector ('good jobs') with vacancies
 - Supporting ex-offenders
 - Supporting care leavers
 - Emerging economic needs
- 2.29 An external review of the Community Learning provision is underway. This is focussing on the impact of the funds which are invested in West Yorkshire, the effectiveness of progression and value for money the service brings. A report will be returned to the Employment and Skills Committee for discussion and recommendations
- 2.30 The latest Employment and Skills Committee meeting called for an options appraisal regarding increasing the AEB funding rate. This is being prepared for the next Combined Authority meeting.
- 2.31 Once end of year data is available, we will also review subcontracting practices. While we recognise a real positive in subcontracting allowing funds to flow to grassroot organisations who are key to engaging the most disadvantaged, we can see undesirable practice in the system which is losing unnecessary funds to management fees.

3. Tackling the Climate Emergency Implications

- 3.1. There are no climate emergency implications directly arising from this report, however there is a commitment through the responsiveness fund to increase the provision of green skills delivered through AEB.

4. Inclusive Growth Implications

- 4.1. The overall aim of AEB funded provision is to support those citizens who have a skills deficit and need to access learning opportunities to progress them towards further learning, employment or a better way of life.

5. Equality and Diversity Implications

- 5.1. This fund seeks to address inequality in skills acquisition. AEB is targeted towards individuals with low skills and who are unemployed.
- 5.2 The funds support social mobility through targetted engagement and training provision. Enrolment data demonstrates that 41% of participants are engaged

from the top 10% most deprived neighbourhoods as defined by the Index of Multiple Deprivation.

- 5.3 Analysis of available data demonstrates good uptake from protected characteristics, e.g.:
- 57% of participants are from a non-white ethnic minority, which far exceeds the WY demographic population.
 - 65% of participants are female. This is in line with need, as fewer females in WY have a level 2 qualification than males.

- 5.4 Engagement statistics are reported in Appendix 2, and this will be expanded to include achievements and impact in the End of Year 1 report.

6. Financial Implications

- 6.1. There are no financial implications directly arising from this report.

7. Legal Implications

- 7.1. There are no legal implications directly arising from this report.

8. Staffing Implications

- 8.1. There are no staffing implications directly arising from this report.

9. Recommendations

- 9.1. That the Committee notes the report and provides any comments.

10. Background Documents

- A) [AEB Strategy](#)
- B) [AEB Funding Rules](#)

11. Appendices

Appendix 1 – AEB Providers and allocations
Exempt Appendix 2 – AEB Year 1 performance data