

**Report to:** Employment & Skills Committee

**Date:** 23 January 2023

**Subject:** **Adult Education Budget**

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Is this a key decision?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Is the decision eligible for call-in by Scrutiny?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Does the report contain confidential or exempt information or appendices?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
If relevant, state paragraph number of Schedule 12A, Local Government Act 1972, Part 1:	
Are there implications for equality and diversity?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

## 1. Purpose of this Report

- 1.1 To update the Committee on progress with devolved Adult Education Budget (AEB).
- 1.2 To provide an update on the AEB end of year report, including key facts and stats from the first year of delivery, based on provisional figures.
- 1.3 To provide an update on DfE's announcement regarding Traineeship funding.
- 1.4 To seek a recommendation for approval for an increase to the AEB Funding Rate at the Combined Authority on the 3 February 2023.

## 2. Information

- 2.1 The devolved Adult Education Budget (AEB) is targeted towards individuals who have low level skills and/or are unemployed or on a low wage. The fund is £66.4 million for academic year 2022/23. It supports learners through a range of programmes and access points, supporting them to increase their skills, and connecting them to further learning and employment opportunities.
- 2.2 The delegated Free Courses for Jobs funding (£5.5 million in academic year 2022/23) is managed alongside AEB, given the significant alignment. This

funding supports level 3 (A level equivalent) courses only, with courses approved centrally by the Department for Education.

#### Impact of WY AEB in 2021/2022

- 2.3 Through the devolution of funds, the Combined Authority aims to continuously improve the impact of the investment of funding. This includes focussing the funds on disadvantaged areas and individuals most in need of support, i.e., with low or no qualifications, unemployed, on low wages. The aim is to make incremental improvements to the impact that the fund has on West Yorkshire residents and the economy.
- 2.4 The West Yorkshire devolved AEB programme supported 46,000 learners (43,000 individual residents) during the academic year. This is an increase in the number of individual residents engaged of 7% on the previous year.
- 2.5 The number of providers delivering AEB in West Yorkshire was reduced from 260 to 38 allowing for a closer and more strategic relationship.
- 2.6 West Yorkshire's learner profile was more diverse than nationally – 52% of learners were from a non-white ethnic minority in West Yorkshire compared with 34% nationally for the same period.
- 2.7 West Yorkshire's learner profile was also more diverse compared with the previous year: the proportion of non-white ethnic minority learners increased from 43% to 52%. The proportion of learners with a learning difficulty / disability /health problem also increased slightly from 16% to 17%.
- 2.8 There was a stronger focus on digital skills – the number of enrolments on digital courses grew by 79% in 2021/22 compared with the previous academic year, to almost 4,000.
- 2.9 There was a strong focus on disadvantage:
  - 6,600 enrolments funded through AEB (12% of the total) were for people on a low wage
  - the proportion of learners who were out of work increased from 59% to 64%
  - The proportion of learners from the most acutely deprived neighbourhoods increased from 37% to 41%.
- 2.10 There was an increased targeting of people with no qualifications or existing skills and qualifications at the lowest level and also focus on promoting progression:
  - Enrolments on basic skills courses increased by 33% year on year with a 57% increase for ESOL enrolments

- The proportion of learners with no qualifications or qualified at Entry level only increased from 47% to 55%
- For 44% of learners their course offered progression i.e. they undertook a course with a level higher than their prior attainment.
- 11% of Community Learning learners progressed to an Adult Skills course during the academic year.

2.11 A success rate of 86% was achieved for formal Adult Skills courses.

2.12 Destination data is not as plentiful as participation data, however the available information show positive progression:

- 1,662 learners who were unemployed at the start of learning had a destination of paid employment
- 3,577 unemployed learners had a destination of part-time FE
- 264 inactive learners had a paid employment destination whilst 1,867 had an education destination

2.13 A full End of Year report and reflection on the impact of the first year of devolution will be published in the Spring. A workshop will be held for Committee members to present the data and facilitate challenge.

2.14 As part of the analysis of year 1, a provider survey was undertaken. Responses were overall positive about the changes and initial impact seen through devolution, albeit noting that we are at an early stage of the journey. Helpful feedback was provided on ways in which management of AEB could be improved. Details of the feedback can be found in [Appendix 1](#).

#### Delivery update 2022/2023

2.15 We have seen a positive uptake in delivery at the start of 2022/23. The impact of the pandemic on learner confidence and enrolments seems to be reducing, with most providers ahead of their delivery profiles. Appendix 2 outlines the current performance data.

2.16 The Employment and Skills Committee report in October signalled that Growth in 2022/23 would be more targeted and linked to WY AEB flexibilities and strategic priorities. The December (R04) growth opportunity will therefore support increases to the following provision:

- Digital entitlement
- Maths (up to L2)
- English (up to L2)
- First Full Level 2 (all ages)
- People on low wages
- ESOL
- Bridging programmes

- 2.17 Eighteen providers qualified for Growth based on the published criteria as per the [Performance Management Framework 22-23](#).
- 2.18 CA officers are working with providers to improve the visibility and accessibility of AEB provision, and information available to residents. An interactive map is under development, which will be hosted on the FutureGoals site to be used by front line staff to help potential learners understand and navigate the offer available to them.
- 2.19 In the first instance, the map will include all locations that AEB funded courses take place in 22/23, both those that are planned and those that have started and completed. Data collected shows that AEB can currently be accessed at 460 different delivery locations across West Yorkshire. Future developments of the map aim to provide the ability to filter by subject, geography and provider.
- 2.20 Feedback from providers on the initial impact and uptake on the new flexibilities is positive, although more will be seen as they 'bed in'. Early signs of positive intervention can be seen in the data, e.g. the digital entitlement was accessed by 716 people in the whole of 2021/22, however 500 learners have already enrolled in the only the first quarter of 2022/23. We will continue to monitor and analyse the impact of the range flexibilities.
- 2.21 The Free Courses for Jobs delegated fund remains challenging to deliver, and additional procurement is likely in the new year to maximise utilisation. There has, however, been an increase in uptake. Current activity is already forecast to exceed the funding value utilised in 2021/22, taking into account the enrolment from only the first 4 months of 2022/23.
- 2.22 The Community Learning Review is now complete and aims to provide a report in Spring 2023. The findings of the report will be brought to the next Employment and Skills Committee.

### Traineeships

- 2.23 On 12 December 2022 DfE announced the decision that Traineeship provision will be 'integrated into the Departments general post-16 provision from 1 August 2023. The announcement was made simultaneously to the sector and MCAs with devolved budgets.
- 2.24 This means that from the 1 August 2023 learners who may previously have undertaken a Traineeship will access provision that is funded through either 16-19 study programmes or the AEB.
- 2.25 This change will mean that when the national programme ends, the ringfenced funding for 19+ Traineeships will be un-ringfenced and returned back into the AEB with effect from 1 August 2023. The funding will be included as part of our West Yorkshire devolved AEB budget for the 2023/24 academic year.

- 2.26 As part of ongoing strategic dialogue with the sector and broader stakeholders, the Combined Authority is keen to understand the gaps in the offer for 19-24 year olds and/or for pre-apprenticeship provision.

#### AEB Funding Rate Increase

- 2.27 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. While much national reporting focuses on learner numbers and participation, devolution presents an opportunity to focus more on the impact that learning interventions have, and how they support residents to maximise their potential and move forward in life. This is a clear ambition of the WY AEB Strategy, and the Combined Authority will need to work with providers to improve data collection in order to support this.
- 2.28 As seen in the impact stated in 2.11 to 2.22, the Combined Authority has been proactive in targeting funding on residents most in need, and in prioritising funding on our economic priorities (digital skills, increasing level 3 skills, tackling acute skills shortages).
- 2.29 In the October Employment and Skills Committee Meeting, a request to increase the AEB funding rate was discussed. Representatives of the education and training sector pressed the concerns that the low funding rates were impacting on the quality of provision that learners received. Organisations are struggling to recruit suitably qualified staff to deliver programmes, given the stagnation in funding rates over many years. Cost of delivery increases will exacerbate this if the lack of investment is not addressed. Officers were tasked with modelling impact and proposing a way forward.
- 2.30 Rationale for rate increase:
- That the AEB funding rate has not increased in ten years, and the budget overall has fallen
  - That the current economic situation is dramatically increasing operating costs, and this is affecting quality.
- This is impacting on the quality of learning that providers are able to deliver.
- 2.31 Similar approaches and considerations have been made by other MCAs. To date, the following positions are being considered:
- Greater London Authority has approved a 13.5% increase to all learning at GCSE level and below, linked to quality improvement
  - Greater Manchester is considering a one-off payment for cost of delivery increases
  - West Midlands had agreed a 5% uplift to all aims, and recently announced an increase to 10%
  - Cambridge and Peterborough MCA is considering a 10% increase to priority aims only

- 2.32 A range of options have been explored and considered:
- A. Continue only with national lobbying
  - B. Provide a 5% overall rate increase with higher weighting for strategic priorities
  - C. Provide a 10% increase
  - D. Provide growth alongside a rate increase to combat any pause in learners
- 2.33 Several considerations have been taken into account throughout consultation on these options:
- a. The WY AEB pot is finite. A rate increase for providers means that the same value of funding spreads across fewer learners. We cannot afford to increase provider allocation in line with the rate increase. Decisions need to be taken in the full knowledge that the WY AEB is unlikely to see an increase in the immediate future – although this is a national lobbying issue for the mayor, particularly as chair of the M10 group.
  - b. A considerable concern regarding the rate increase centres around the potential to impact on residents' ability to access courses. As above, any increase in the funding rate will reduce the number of learners who can be supported through the fund. Currently AEB supports around 46,000 people per annum, this is in the context of iro 70,000 West Yorkshire residents per annum who receive skills and employment support through Combined Authority led programmes.
  - c. It is difficult to forecast the exact impact on learner numbers a rate increase would have. A crude estimation is that a 10% increase would reduce learners by 10%, therefore iro 4,600 per annum. This does not, however, recognise that Community Learning numbers will be unaltered, given the different funding methodology. Learner numbers are also affected just as easily by the length of the programmes undertaken (and therefore higher in value), or the number of programmes a single learner undertakes. It is therefore sensible to focus less on participation itself, and more on the impact of learning on residents, alongside the opportunities available for residents to access learning.
  - d. The Combined Authority has already taken demonstrable steps to target and increase funding available for learners on priority aims (e.g., all age level 2 entitlement, digital entitlement, full funding for refugees, increasing the low wage threshold). These changes have, in effect, doubled the funding per learner to undertake these qualifications.
  - e. In West Yorkshire we have been clear on the need to focus the funds on the most disadvantaged residents. Providers have responded to this, as can be seen in paragraphs 2.11 - 2.22. In addition to this, the introduction of a range of DWP programmes in recent years has changed the make-up of the Adult Education Budget cohort. Providers

are supporting more individuals with complex needs, and many who are further from the job market.

- f. Given the timing, and the fact providers are already ahead of their delivery plans, any decision to increase the funding rate is likely to result in providers 'running out' of AEB towards the end of Spring, unless they pause/reduce recruitment throughout the year.
- g. Applying a rate increase at the point of decision-making (as opposed to back-dating it to cover the full academic year 2022/23), may impact unfavourably on providers that are providing longer, substantial programmes (e.g. vocational programmes that build career pathways). A substantial proportion of AEB enrolments have already been undertaken for the year.
- h. We are becoming increasingly aware of cost-cutting measure being undertaken by some providers, e.g. to considerably reduce teaching hours relating to qualifications (e.g. in the most severe cases delivering content in 10% of recommended hours). It is imperative we address this trend and support quality learning opportunities for our residents.
- i. Providing an increase to Level 3 programmes provides a complexity and disparity in the market, as the Combined Authority does not have the autonomy to change the rate of the Free Courses for Jobs funding.

2.34 Option A recognises that AEB is a finite pot, and this is a national issue, not a West Yorkshire specific one. However, it is considered that where we can take local action, we should make full use of the levers that we have due to the devolution of adult skills funding.

2.35 Option B is considered to not to fully address the concerns regarding affordability of quality of provision for all learners. The Combined Authority has already taken measures to prioritise strategic aims (e.g. digital training, first level 2s, sector specific training), and continues to do so through the Responsiveness fund. A rate increase should address the 10 year stagnation of funding rates and disinvestment in the adult skills system. A rate increase should therefore ensure sufficient wrap around support for **all** learners, supporting their retention on programme, achievement of their course and ultimately, an impact on their life prospects.

2.36 The recommendation is to combine Options A, C and D:

- a. Provide a rate increase of 10% applied retrospectively to all enrolments at level 2 and below for 2022/23 (formula funded only)
- b. Provide an increase to all providers who are performing, which aims to reduce the impact on their recruitment plans, as stated in paragraph 2.33f.
- c. Continue to lobby nationally for an increase in devolved adult skills funding
- d. Strengthen the AEB funding rules to address 'cost-cutting' tactics employed by some providers and ensure that the rate increase is

aligned to improved impact for learners, including wrap around support and achievement rate increases.

- 2.37 The rate increase outlined in 2.36a should be reviewed in the event of any future changes that the DfE may make to AEB funding rates, in line with their Skills Fund consultation.
- 2.38 As noted in 2.36b, there is an opportunity to provide an increase to providers who are performing, which aims to reduce the impact on their recruitment plans. A 5% allocation growth to all providers would utilise an estimated £3 million of the available responsiveness and growth pot. This would significantly limit any growth process planned for R07 (outlined in the Performance Management rules), but would mitigate the concern that provision may cease and be closed to residents. Funding will be retained for responsiveness to tackle upcoming economic challenges.
- 2.39 Ultimately the Combined Authority must continue to improve data collection and analysis in order to change the measure of funding performance to the impact on residents, and not simply participation. The team will work with the provider base to mitigate the change that the any funding rate increase makes on course availability and ensure that opportunities remain open for residents to access high quality, impactful training throughout the year.
- 2.40 The Employment and Skills Committee is asked to review the proposal and rationale, recommending the way forward to be approved at the next Combined Authority meeting on the 3<sup>rd</sup> February.

### **3. Tackling the Climate Emergency Implications**

- 3.1 There are no climate emergency implications directly arising from this report. However, in the plans to support “green skills” through the responsiveness pot, there is an opportunity to grow the skills base required in order to tackle the climate emergency.

### **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 AEB is targeted towards individuals with low skills and who are unemployed. The funds frequently support underrepresented groups through training provision.
- 5.2 An Equality Impact Assessment is being undertaken on the proposal to increase the AEB rate. The rate increase itself should not disproportionately affect protected or underrepresented groups, and is designed to ensure each



individual has adequate support and resource afforded to them when undertaking their programme.

- 5.3 The impact of reduced places through AEB, and limitation of service however, does have the potential to affect particular providers and communities. Proportionate uptake amongst demographics will be monitored closely if this is implemented, and responsiveness funds will be targetted to address any imbalance, should this be seen.

## **6. Financial Implications**

- 6.1 The proposed rate increase does not affect the overall expenditure of the AEB funding, it will be afforded from the existing budget.
- 6.2 Any recommendation regarding a funding increase could affect the impact that the AEB funds are able to make on WY Residents. The devolved WY AEB fund is a finite pot and increase to rates made locally would result in a reduced number of residents supported.

## **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. External Consultees**

- 9.1 No external consultations have been undertaken.

## **10. Recommendations**

- 10.1 The Committee is asked to note and comment on the progress of the devolved Adult Education Budget.
- 10.2 The committee is asked to provide comment on any gaps in the Adult Skills offer in terms of pre-apprenticeship training and support for 19-24 year olds.
- 10.3 The Committee is asked to review and comment on the proposal for an AEB rate increase, and recommend approval at the Combined Authority on 3 February 2023.

## **11. Background Documents**

[Employment & Skills Committee Paper October 2022](#)

## **12. Appendices**

Appendix 1 – Provider Feedback Survey

Appendix 2 – AEB delivery data report - December 2022 (EXEMPT)