



Skills Funding
Agency

Adult Education Budget

Changing Context and Arrangements for
2016 to 2017

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Introduction

1. Following the publication of the Skills Funding letter last year we have summarised the changes we plan to make to the Adult Education Budget (AEB). We have worked with a group of stakeholders to ensure our funding rules provide the foundations for a simpler, more responsive adult education system.
2. This is an executive summary of the changes that we plan to make as part of the transition to full skills devolution starting from 2018/19. We will update on progress as our discussions with stakeholders progress and devolution arrangements become clearer.

Changing Context

3. The government is seeking to transfer control of the AEB to local government areas through devolution agreements. At the time of writing there are five devolution deals that include adult skills. We expect the number of deals to increase over the life of this parliament.
4. Transferring the AEB will enable local areas and colleges and other training organisations to reshape their local adult education provision. The offer should align with other local arrangements and tackle the economic priorities and productivity challenges a high-performing skills system should meet.
5. We define 'local area' as those local government authorities with devolution deals. We are working with these authorities to develop and implement arrangements that support the transition

to skills commissioning and full devolution starting, subject to readiness conditions, from 2018/19. For all other locations 'local area' refers to local stakeholders, including Local Enterprise Partnerships (LEPs) and local authorities. Colleges and training organisations should consult and work closely with local stakeholders to determine their contribution to local skills outcomes.

6. In advance of funding devolution we are making changes from 1 August 2016. We have focused on the aspects that will enable the establishment of flexible commissioning before the transfer of responsibilities to local areas. This is so that they can create the funding systems they need to drive local growth. In doing so we have sought, in the transitional period prior to full devolution, to retain the benefits of maintaining an efficient system. However, it will have much greater flexibility in how colleges and other training organisations focus on responding to local economic priorities and outcomes.

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7. The AEB combines all SFA participation and support funding (not including European Social Fund, Advanced Learner Loans and apprenticeships). Its principal purpose is to engage adults and provide the skills and learning they need to equip them for work, an apprenticeship or further learning. It also enables more tailored programmes of learning to be made available, which do not need to include a qualification, to help those furthest from learning or the workplace.

Adult Education Budget-funded Activity

8. Currently the Adult Skills Budget (ASB) primarily funds the delivery of qualifications. Qualifications are valuable to learners and employers as indicators of knowledge and skills, and this will continue. However, this approach has created some qualifications with limited value and restricted the ability of colleges and other training organisations to respond swiftly to local skills needs.
9. Embracing Community Learning objectives within the AEB means we need to fund broader types of learning activities. This will help disadvantaged and hard-to-reach learners re-engage in learning, build confidence, and enhance their well-being. This learning may lead towards progression into further learning or employment rather than achievement of a qualification.
10. Consequently, we will give colleges and other training organisations more flexibility to respond to the needs of their local area. This will enable the funding of programmes that really make a difference by including locally designed learning activity alongside qualifications, or instead of them. Outside of legal entitlements, where the government has specified that qualifications must be delivered to learners exercising those entitlements, local areas should decide the outcomes they want and, over time, commission colleges and other training organisations to deliver these.

Local Flexibility

11. In clarifying their skills priorities, local areas

can influence the pattern and nature of provision for those learners that need support to engage and progress in learning to reach a full Level 2 or 3. Colleges and other training organisations will be able to respond to local area needs and contribute to local outcomes by delivering a range of local provision that may include:

- bespoke, locally designed or tailored training provision (for example, employability skills and confidence-building), and/or
 - eligible qualifications and/or their components from the Regulated Qualification Framework (RQF)
12. Locally designed training provision must be high quality. Therefore, where applicable, we plan to retain the use of Recognising and Recording Progress and Achievement (RARPA).
 13. Where colleges and other training organisations choose to use qualifications as part of their local offer there will be a broad range from which to select. We will add these to [the Hub](#). For these qualifications the eligibility rules will be minimal; we will publish them for awarding organisations in February. This will help awarding organisations ensure that colleges and other training organisations take advantage of the local freedoms on offer.

Legal Entitlements

14. When a learner is exercising their first full Level 2 or Level 3 entitlement and/or their English and maths entitlement (including as part of a traineeship) we intend to align the qualifications they follow with those available to learners aged 16

to 18. We wish to arrive at a single 16 to 23 vocational and general qualification offer and a single English and maths qualification offer but not a single funding approach. Therefore, from 1 August 2016 these entitlements will include the following:

- a streamlined national qualification offer for learners aged 16 to 23 with technical and professional qualifications at its core
- a single list of English and maths 'stepping stone' qualifications to support progression for all adults to GCSE or English and maths

Functional Skills. (Here 'stepping stone' qualifications refer to RQF English and maths qualifications).

15. We recognise that streamlining the vocational and general qualification 19 to 23 offer to move towards a single 16 to 23 offer could reduce the number of qualifications available. Consequently, we will make available a limited number of additional qualifications outside of the technical and professional 'core' to support the transition. This may include qualifications we need to continue supporting because employers value them highly or they serve the needs of a distinct group of learners.

In summary, for the 2016 to 2017 funding year the entitlement offer will be:

Qualifications required for the legal entitlements:	
Vocational and general qualifications	English and maths
16 to 23 core offer* – Tech Levels, Applied General, A-levels, AS-levels, Access to HE, Technical Certificates, GCSEs.	English and maths core offer – GCSE English and maths, functional skills in English and maths.
In addition, a limited number of other technical or professional qualifications from the Regulated Qualifications Framework (RQF).	In addition, a limited number of other 'stepping stone' English and maths qualifications from the RQF.

* The SFA is only responsible for delivering this offer to learners aged 19 and over.

16. We will publish more information in early February on the defined offer alongside the qualification eligibility rules for awarding organisations before finalising the offer in March 2016. We will also take full account of any concerns that colleges, other training organisations and awarding organisations raise as a result of moving towards a single offer.

Department for Education and the Education Funding Agency to arrive at a single process and a single set of rules around qualifications. As the reform of technical and professional education takes place we will need to ensure that the offer aligns with the agreed routes. We anticipate saying more about this in the spring.

17. We will continue to work with the

18. A learner may exercise their entitlement

while at the same time undertaking an individual programme of learning which may include one learning aim or a mixture of flexible locally designed learning activity and a qualification. The funding changes we set out later in this document support this more flexible approach to locally designed learning programmes.

19. Young people aged 19 to 23 are a priority group. As such, up to the age of 24, they have access to traineeships. There they can undertake a programme of activity to support their progression into an apprenticeship or other type of employment.

Learners Eligible for Adult Education Budget Funding and Funding Entitlements

20. Having reviewed and confirmed the activity

that the AEB funds, we have simplified the AEB eligibility rules and requirements. We also clarify those circumstances when you must deliver the national offer. We have removed some of the complexity by:

- categorising three groups of learners (19 to 23, 24+ unemployed, and 24+ other)
- removing vocational and workplace co-funding and focusing funding on apprenticeships
- removing categories now superseded by Advanced Learner Loans

21. We have also considered removing or better incorporating as many funding 'exceptions' as possible from the eligibility rules. For example, Level 4 courses, which increased the complexity of the funding system and benefited very few learners. We have included these changes in the 'eligibility framework', as set out below:

Provision	19- to 23-year-olds	24+ Unemployed	24+ Other
English and maths up to and including Level 2	Fully funded*	Fully funded*	Fully funded*
Level 2	Fully-funded* (first and full)	Fully funded	Co-funded
Provision to progress to Level 2	Fully funded	Fully funded	Co-funded
Level 3	Fully funded* (first and full)	Loan-funded	Loan-funded
Traineeship**	Fully funded (including 24-year-olds)	N/A	N/A
English for Speakers of Other Languages (ESOL) learning up to and including Level 2	Co-funded	Fully funded	Co-funded
	Fully funded – unemployed		
Learning aims up to and including Level 2, where the learner has already achieved at Level 2 or above	Co-funded	Fully funded	Co-funded
	Fully funded – unemployed		

* Must be delivered as one of the qualifications required for the legal entitlement.

** Excludes flexible element where funding depends on age and level.

22. We have updated the definition of 'unemployed' in line with the Department of Work and Pensions' benefit changes. We will continue to keep colleges' and other training organisations' discretion to waive fees. This is for individuals who are unemployed and on a state benefit not directly related to their employment status but want to secure employment by gaining new skills or other employability activity. This is set out in the [Adult education budget funding rules 2016 to 2017](#).
23. The continuation of co-funding reinforces the government's commitment to public investment in adult education. To align government policy so that the cost of learning is shared with the employer, the individual or government, as appropriate, we will not co-fund workplace provision from August 2016. Employers should fund vocational qualifications delivered in the workplace, with apprenticeships the first choice for developing skills in the workplace.
24. The extension of Advanced Learner Loans to those aged 19 to 23 also removes some other co-funding categories. Taken together, these two changes will release funding within the AEB, which commissioners, colleges and other training organisations can use to help provide training to higher-priority learners.
25. We have combined SFA participation and support funding into the AEB. By doing so we are bringing together a range of 'formula-funded' (based on a formula underpinned by information on the ILR) and 'non-formula-funded' (based on funding claims during the year and year-end) budgets into a single budget line. In most cases we will continue to fund AEB participation and learning support using a formula-based approach, based on information provided in the ILR to calculate colleges' and other training organisations' earnings.
26. Some activity previously funded as Community Learning, and Learner Support funding, will continue to be 'non-formula' funded. Colleges and other training organisations offering Community Learning may use part of their AEB allocation to continue to deliver their existing Community Learning activity. We have written separately to those colleges and other training organisations offering Community Learning to confirm the arrangements for the funding year 2016 to 2017. We will also work with them, and relevant sector representatives, to agree how best we integrate former Community Learning within the AEB.
27. We are making some changes to our formula funding arrangements from 1 August 2016 to simplify the system and make it more accessible. We have sought to balance the benefits of simplicity against the risks of introducing instability at provider level. We have also considered the costs to the sector of implementing change in advance of further change as skills funding is devolved to areas with devolution deals from 2018.
28. Currently there are two funding matrices in place for qualifications (including rates) and for non-regulated provision (including banded hours). We are merging these into a Single Activity Matrix (SAM). We will use this to set rates for qualifications that we did not fund in the 2015 to 2016

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funding year, based on the regulated guided learning hours recorded on Ofqual's system. The activity matrix will also enable colleges and other training organisations to claim funding for other learning activity that is not qualification based. To maintain short-term stability for the further education sector we plan to retain existing rates for the learning aims we funded in the 2015 to 2016 funding year. We will include further information in the document 'Funding and Rates Calculations for 2016 to 2017'.

29. We have introduced 'activity hours' bandings in the SAM for very small provision. This is intended to allow any college and other training organisations receiving the AEB to respond to the needs of their learners and communities in the context of the wider purpose of the AEB. All colleges and other training organisations may offer community based engagement/taster or learning activity in the 2016 to 2017 funding year, using the AEB 'formula funded' approach.
30. We will calculate funding using the same principles and methodology as we used in the 2015 to 2016 funding year.

Support Funding

31. Learner and learning support funding will give commissioners, colleges and other training organisations the flexibility to meet learners' support needs and cover the cost of reasonable adjustments as part of the Equality Act 2010. Therefore we expect colleges and other training organisations and local commissioners to include support arrangements as part of local planning discussions.
32. We are keeping the current earnings

method for both Learner and Learning Support.

33. From 1 August 2016 you cannot use the AEB to support learners receiving Advanced Learner Loans.

Providers that the Adult Education Budget can Fund

34. The AEB will continue to fund colleges and local authorities through a grant arrangement and independent training providers (ITPs) through a contract for services.

Grant-funded Providers

35. We are focusing on providing a 'block grant' to grant-funded providers (that is, colleges and local authorities), since it is clear how and where geographically they deliver training to their communities. We will not 'ring fence' the 'block grant' (that is restrict the use of funds to one particular purpose). Providers can decide with their local areas how best to deploy this to meet local needs. However, the need to agree appropriate plans with those authorities that have secured a skills devolution deal for 2018/19 will be particularly important. More information on the transition to commissioning arrangements will follow as devolution arrangements become clearer.
36. As well as providing funding directly to 'lead' providers, you can continue to use the AEB to subcontract provision. However, as we move towards more locally defined provision directly influenced by local commissioners, grant-funded

providers will want to consider with local commissioners if using subcontractors remains strategically important for them.

37. We will continue to carry out compliance checks against subcontracting funding rules and funding agreement clauses. Where providers are unable to demonstrate compliance we will take decisive action, such as suspending payments or revoking permission to subcontract.

Independent Training Providers

38. We recognise that many ITPs funded through a service contract have effective local relationships. However, implementing local commissioning arrangements for these providers is likely to be more complex, because they often deliver training across a dispersed geographical area.
39. We will continue to allocate the AEB to those ITPs with a contract for services. Contracts will continue to set out individual funding values for participation and learning support funding (combined) and separately Learner Support and, where applicable, Community Learning. There will be no 'virement' between lines, which means funding must not exceed the individual allocations provided.
40. Current ASB contracts for services (those with ITPs) end on 31 July 2017. For the 2016 to 2017 funding year, contracts will continue in line with the arrangements set out here. In advance of the funding year 2017 to 2018, changes to EU procurement regulations will require us to procure the adult budget provided to ITPs. This means

that the AEB will be subject to competition as part of a procurement process. We are working through the detail of this, including taking advice from our group of stakeholders and we will provide further information later in the year.

Next Steps

41. We have published the 'Funding Rules and the Funding Rates and Calculations 2016 to 2017'. In early February we will publish the following information:
- initial list of qualifications which are part of the national entitlement
 - eligibility rules for awarding organisations
 - ILR specification
42. Collectively, these documents will set out the technical detail and requirements that support the changes set out above.



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