

Annex A: LGA note: New Adult Education Budget reclaim threshold– implications for councils, 8 April 2021

LGA ask: The Government reconsider its 90 percent Adult Education Budget (AEB) reconciliation rate. Instead it should apply a threshold closer to 2019/2020 (68 per cent) and / or base it on real time data from June returns as the closest indicator of final outturn.

The issue

On 22 March, DfE [announced](#) a policy change for AEB funding rules for academic year 2020/2021. It means that any provider, including a local authority (plus FE colleges and independent training providers), which delivers less than the new threshold of **90 percent of their annual AEB target** will see their remaining allocations – paid on profile – reclaimed by the Education and Skills Funding Agency (ESFA).

DfE believes that the new threshold is accurate based on provider projections of adult learner numbers taken in February 2021. Reclaim calculations are based on the total Adult Education Budget provider allocation – taking accredited and non-accredited values together (see below). The amount reclaimed from the provider is the shortfall difference between the 90 percent and the actual level of contract achievement. **DfE will make final reconciliations in November and expect payment between Jan – March 2022.**

Covid-19 part affected the 2019/20 academic year, so DfE relaxed the threshold to 68 percent, recognising learner numbers reduced but costs remained. The 2020/21 academic year has been equally, if not more exceptional, with the autumn and spring terms severely affected by national restrictions, as will most of the summer term. The change does not take adequate account of the **continued** impact of lockdown on learning, local variations, set up costs for socially distanced learning in classroom settings and online learning, or reluctance of learners to engage online. **It is not logical to revise this year's threshold closer to pre-pandemic years than to 2019/20.** NB a normal year reconciliation threshold is 97 per cent.

Implications for councils

Councils' adult and community learning (ACL) services deliver a mix of **accredited** and **non-accredited** courses, the majority of which is funded by DfE's Adult Education Budget (AEB). Across England, AEB is managed by mayoral combined authorities in devolved areas and by the Education Skills Funding Agency (ESFA) for the rest of England.

During the pandemic, they followed Government advice to keep adult learning centres open despite lower learner numbers, reduced referrals from DWP etc. They incurred costs setting up social distanced learning in classrooms which resulting in lower class sizes, and costs for online learning. Unlike other providers, they had no recourse to emergency funds, loans, reserves and because of national rules, were unable to furlough staff. Alongside the day job, they pivoted services to support the community during the pandemic (PPE, meals etc). **They remained open because Government told them to, with no suggestion money would be reclaimed. The new threshold is unfair and unexpected. If they knew this was to happen, many would have been forced to close, or reduce services.**

A recent survey of ACL providers – mainly councils – by Holesx (the representative body), revealed that **81 percent would not reach the 90 percent target.** Of those, 43 percent are

likely to reach 70-75 percent at best. The LGA spoke to several councils about the expected financial implications. Councils with a higher proportion of accredited learning (adult skills) that is paid on profile i.e. needs to be 'earned', as compared to non-accredited learning (community learning) which is grant funded, are more likely to have allocations reclaimed.

- One county council is likely to deliver 70 per cent of its target, which could require 'returning' a 20 per cent shortfall of c.£70,000. A north west unitary council forecasts it will meet 75 per cent, requiring it to make up a 15 per cent shortfall of £165,000. Both are proactively exploring how the shortfall will be funded internally and with DfE. We know of at least five other councils that expect significant reclaim of funds that they do not have. Figures not yet available.
- Those councils with a higher proportion on non-accredited grant funding are in a better position. One of the largest recipients – a county council – has an AEB allocation which is two thirds non-accredited (community learning) compared to one third accredited (adult skills), so is expected to meet their threshold through a combination of non-accredited learning and short accredited courses.
- NB There are a handful of councils that novated their AEB provision to colleges some time ago so no longer have contractual agreements with the ESFA.

Councils do not have 'unspent' AEB funds. If the threshold decision is not reviewed, they will need to find money from somewhere. If this is from the ACL service, it will affect adult learners in the coming year. If they cannot find ACL savings, they will need to seek funds from the council, so there are implications for wider council budgets.

AEB is devolved to Mayoral Combined Authorities. All are approaching this differently, but are putting in place arrangements which serve not to destabilise the provider market. Liverpool City Region has stuck to the 68 per cent threshold applied nationally last year. **Now is not the time to take money away from council ACL front line services. This change will be a real term cut that will harm services and impede local and national recovery.** The end of furlough in September will lead to a further wave of unemployment. This will likely increase demand for adult learning which councils are well placed to support. In addition, DWP's Restart programme for the long term unemployed starts this summer, and we anticipate its provider base will engage ACL services to support with rapid training to go alongside employment support. Council ACL services have played a critical role during the pandemic to support residents and employers including supporting those affected by redundancy. **This activity should continue and grow rather than have to make cuts.**

Council ACL services consistently perform well and support a client base often hard to engage. **Ofsted** judged 92 percent of ACL services as good or outstanding, making them the best performing part of the FE sector. Last year, the **Education Committee's** adult skills and lifelong learning inquiry singled out ACL as the cornerstone of adult learning, and recommended its services are expanded. The **FE White Paper** (Jan 2021) provides a real opportunity to develop a joined-up place-based local provider base. Councils ACL services are critical to this, providing a stepping stone into further learning and work. **The LGA would welcome a conversation with HMG about the added value of councils' ACL functions and we continue to call for place-based jobs and skills solutions through Work Local.**

What changes we need: **The Government should reconsider its 90 percent AEB reconciliation rate, and instead apply a threshold closer to 2019/2020 (68 percent) and / or base it on real time data from June returns as the closest indicator of final outturn.**