



BRIEFING PAPER

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Devolution of the Adult Education Budget

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Summary

The majority of public funding for non-apprenticeship adult (19+) further education in England is provided by the Education and Skills Funding Agency (ESFA) through its Adult Education Budget (AEB). The AEB has been held constant in cash terms at £1.5 billion between 2016-17 and 2019-20.

The AEB supports a wide range of provision, including the statutory entitlements to full funding for some adult learners (for example, for learners aged 19-23 studying for their first full level 2 qualification). Whether a learner is eligible for AEB funding outside of the statutory entitlements depends on their personal circumstances, with funding generally focused on lower skill levels, younger adults, and the unemployed.

Control over the AEB will be transferred to six Mayoral Combined Authorities (MCAs) and the Greater London Authority (GLA) from the 2019-20 academic year, a year later than originally planned. The devolved authorities are:

- Cambridgeshire and Peterborough
- Greater Manchester
- Greater London
- Liverpool City Region
- Tees Valley
- West Midlands
- West of England

Once control over the AEB has been transferred, the devolved authorities will be responsible for commissioning and funding AEB provision for learners resident in their areas. This includes responsibility for fully funding the statutory entitlements. In exercising their adult education functions, the devolved areas must have regard to [statutory guidance](#) issued by the Secretary of State.

The ESFA will continue to be responsible for funding provision for residents of non-devolved areas.

The 2019-20 AEB funding allocations for the MCAs and the GLA were published on 27 March 2019. The allocations are based on providers' delivery in 2017-18 to learners resident in the devolved areas. Overall, 49% of the AEB participation budget will be devolved; 51% of the AEB will continue to be administered by the ESFA.

The Government has argued that devolution of the AEB will ensure that the devolved areas are able to shape adult education provision in their area in a way that best suits the needs of their residents and the local economy. However, some potential issues have been raised regarding the policy, including that:

- A substantial part of the devolved funding will have to be used to fund the statutory entitlements, limiting the scope that areas will have to shape the allocation of funding.
- With devolved authorities responsible for funding learners resident in their areas irrespective of where they wish to study, there may be the potential for a 'postcode lottery, with learners' access to certain provision depending on where they live.

It has also been suggested by some that other areas of further education funding, including 16-18 provision and Advanced Learner Loans, should be devolved in addition to the AEB.

1. Introduction: the Adult Education Budget

The majority of public funding for non-apprenticeship adult (19+) further education in England is provided by the Education and Skills Funding Agency (ESFA) through its Adult Education Budget (AEB). In particular, the AEB supports the statutory entitlements to full funding for certain adult learners. These entitlements, set out in the *Apprenticeships, Skills and Children's Learning Act 2009* (as amended by the *Education Act 2011*), enable eligible learners to be fully funded for the following qualifications:

- English and maths, up to and including level 2 (see box below), for individuals aged 19 and over, who have not previously attained a GCSE grade A* to C or grade 4, or higher, and/or
- first full qualification at level 2 for individuals aged 19 to 23, and/or
- first full qualification at level 3 for individuals aged 19 to 23.

The Government has additionally announced that an entitlement to free basic digital skills will begin from the 2020-21 academic year.¹

Box 1: Qualification levels

Most qualifications have a difficulty level – the higher the level the more difficult the qualification is. Qualifications at the same level may, however, cover different amounts of the same subject and so may be different lengths.

In England, Wales and Northern Ireland there are 9 qualification levels, ranging from entry level (which has three sub-levels) to level 8. A list of the qualifications at each level is available on Gov.uk at [What qualification levels mean](#). Some examples are:

- Entry Level – Skills for Life.
- Level 1 – GCSE grades 3-1 or D-G.
- Level 2 – GCSE grades 9-4 or A*-C.
- Level 3 – A Levels; AS Levels; tech levels.
- Level 4 – Higher National Certification (HNC); Certificate of Higher Education (CertHE).
- Level 5 – Higher National Diploma (HND); Level 5 Diploma; Foundation Degree.
- Level 6 – Undergraduate Degree.
- Level 7 – Master's Degree; Postgraduate Diploma; Postgraduate Certificate in Education (PGCE).
- Level 8 – Doctorate.

The AEB also supports a wide range of provision in addition to the statutory entitlements. Whether adult learners are able to have their course fees paid from the AEB depends on a number of factors, including their age, their employment status, their past educational attainment and the course they are studying. Those who are eligible for funding either have all of their course fees paid (fully-funded) or the ESFA pays some of the fees and the learner or the college are responsible for paying the remainder (co-funding).

Details of eligibility for AEB funding for learners studying at different levels in 2018-19 is provided in the ESFA's [funding rules guidance](#) (see the table

¹ [Plans launched to boost digital skills for adults](#), Department for Education, 23 April 2019.

on page 23). Broadly, grant funding is focused on lower skill levels, younger adults (23 and under), and learners who are unemployed.

Under the Spending Review 2015 settlement the AEB is set to be held constant in cash terms at £1.5 billion from 2016-17 to 2019-20. Further information on funding levels is provided in Library Briefing 7708, [Adult further education funding in England since 2010](#).

Learners who are not eligible for funding from the AEB may be able to fund their studies through an Advanced Learner Loan. Since the 2016-17 academic year, Advanced Learner Loans have been available for learners aged 19 and over studying at levels 3, 4, 5 and 6. Between 2013-14 and 2016-17 loans were only available for learners aged 24 and over studying at levels 3 and 4.²

² [Advanced Learner Loan](#), Gov.uk, last accessed 26 April 2019.

2. Devolution of the AEB

2.1 Introduction

Since 2014 the Government has agreed a series of devolution deals with local areas, covering a range of areas. Further information on the deals is available in Library Briefing 7029, [Devolution to local government in England](#), last updated 4 May 2018.

A number of the deals include plans to transfer certain adult education functions, which are funded by the AEB. The Government originally aimed for the areas concerned to have full control of their AEB from 2018-19 subject to local readiness.³ This timetable has since been delayed by a year.⁴

Under current plans, the Department for Education will transfer control over the AEB to six Mayoral Combined Authorities and the Mayor of London (hereafter referred to as the “devolved authorities”) from the 2019-20 academic year. The seven devolved authorities are:

- Cambridgeshire and Peterborough
- Greater Manchester
- Greater London
- Liverpool City Region
- Tees Valley
- West Midlands
- West of England

The Government is working with two further Mayoral Combined Authorities, North of Tyne and Sheffield City Region, to allow them to take control of the AEB from 2020-21.⁵

Once control over the AEB has been transferred to MCAs and the GLA, they will be responsible for commissioning and funding AEB provision for learners resident in their areas. The ESFA will continue to be responsible for funding provision for residents of non-devolved areas.

As devolution of the AEB will be based on the residency of the learner, all providers who deliver provision to individuals living in the devolved areas will be affected, irrespective of where the provider is geographically located. For two years following devolution (2019-20 and 2020-21), certain providers delivering residential provision will, however, continue to be funded nationally by the ESFA.⁶

³ NAO, [English devolution deals](#), 20 April 2016, p47.

⁴ HM Government, [Industrial Strategy: Building a Britain fit for the future](#), November 2017, p114; [Industrial strategy confirms delay to adult education budget devolution](#), *FE Week*, 27 November 2017

⁵ Education and Skills Funding Agency, [Adult education budget \(AEB\) devolution](#), last updated 27 March 2019.

⁶ For more information, see “Providers exempt from devolution arrangements” at [Adult education budget \(AEB\) devolution](#), Education and Skills Funding Agency, last updated 27 March 2019.

Further information on devolution of the AEB is available in a [core brief](#), agreed nationally between the MCAs/GLA, ESFA and the Department for Education. The brief was last updated in October 2018. The Association of Colleges also has a [page on its website](#) with further information.

2.2 Legislative basis

[Orders](#) transferring certain adult education functions under the *Apprenticeships, Skills, Children and Learning Act 2009* to the six MCAs from 1 August 2019 were made by the Government in November 2018. The Orders were considered by Commons Delegated Legislative Committee on [15 October](#) (Greater Manchester and West Midlands), [16 October](#) (Liverpool and Tees Valley), and [23 October](#) (West of England and Cambridgeshire and Peterborough). They were considered in [Lords Grand Committee](#) on 24 October 2018.⁷

The functions were [delegated](#) to the Mayor of London using powers in the *Greater London Authority Act 1999*.

2.3 What powers will be devolved?

The Orders and delegation letter provide for the devolved authorities to determine adult education provision in their areas from 2019-20 and to manage the associated AEB.

The devolved authorities will be responsible for commissioning and contracting AEB provision in their local areas. They will:

- manage and be accountable for the budget transferred to them
- allocate the funds transferred to them determining their own procurement requirements (and compliance with the appropriate legal regulations)
- have the freedom to set their own priorities (strategic skills plans)
- determine their own funding and performance management rules
- set their own contracting and conditions of funding arrangements
- set and put in place their own funding rates and payments arrangements
- publish their own funding and performance management rules; and
- manage providers with whom they have a contract/funding agreement.⁸

The devolved authorities will take on responsibility for fully funding the statutory entitlements for adults in their areas to access education at certain levels without having to pay a fee. The ESFA will continue to provide funding for the statutory entitlements for learners in England outside the

⁷ [HL Deb 24 October 2018, c77GC-86GC](#).

⁸ Education and Skills Funding Agency, [Adult education budget \(AEB\) devolution](#), last updated 27 March 2019.

devolved areas. The Department for Education will retain the power to specify which qualifications are part of the statutory entitlements.⁹

Outside of the statutory entitlements, the devolved authorities will be responsible for ensuring access to appropriate adult education provision to meet the needs of their area.

The transfer of responsibilities does not include:

- Apprenticeships taken by adults and young people
- Traineeships for 19-24 year olds
- Offender learning
- Education and training for 16 to 18 year olds
- Higher education
- Financial oversight. The Association of Colleges explains that the devolved authorities will not bear the exceptional costs of any insolvency measure instituted in case of financial failure in an FE college.¹⁰

2.4 Statutory guidance and memoranda of understanding

In exercising their adult education functions the devolved areas must have regard to [statutory guidance](#) issued by the Secretary of State. The guidance for the MCAs was published in July 2018 (similar guidance for the Mayor of London is being developed).¹¹

Among other things, the guidance states that:

- The authorities must have regard to best value for the public purse and securing the best outcomes for students.
- That it is important that authorities make sure that arrangements for securing and funding provision are fair and reasonable, and that demands made of providers are clear, transparent and timely.
- The authorities should consult with representative providers on their approach to funding and performance management rules, funding rates and formula.
- The authorities should publish conditions of funding against which providers should deliver before the start of the funding year.

In February 2019, the Department for Education published [Memoranda of Understanding](#) with the devolved authorities setting out agreed ways of working to support the devolution of the adult education functions.¹²

⁹ Department for Education, [Devolution of adult education functions, from Academic Year 2019/20, Memorandum of Understanding](#), January 2019, pp5-6.

¹⁰ [Skills Devolution](#), Association of Colleges, last accessed 24 April 2019.

¹¹ Department for Education, [The exercise of devolved adult education functions Statutory guidance for Combined Authorities](#), July 2018.

¹² Department for Education, [Devolution of adult education functions: MoUs](#), February 2019.

2.5 Funding allocations

The Government provided implementation funding to MCAs and the GLA in 2017-18 and 2018-19 to “support preparation for devolution of the adult education budget.” £914,000 was paid to the seven authorities in 2017-18, with a further £5 million planned across 2018-19 and 2019-20.¹³

The actual 2019-20 AEB funding allocations for MCAs and the GLA were published on 27 March 2019. The allocations are based on providers’ delivery in 2017-18 to learners resident in the devolved areas. This is different to how AEB allocations have been determined in the past, which has been on the basis of the previous years’ allocation.¹⁴

49% of the AEB participation budget will be devolved to MCAs and the GLA; 51% of the AEB will be administered by the ESFA. The funding allocations represent the baseline percentage for what areas’ allocations will be in future years.¹⁵

The funding will be transferred to the 6 MCAs using a Section 31 non ring-fenced transfer under the *Local Government Act 2003*. The grant to the Mayor of London is made under section 39A of the *Greater London Authority Act 1999*.

£632 million will be allocated to the devolved authorities in total:

- [Cambridgeshire and Peterborough Combined Authority](#): £11.5 million.
- [Greater London Authority](#): £306.4 million
- [Greater Manchester Combined Authority](#): £92.6 million
- [Liverpool City Region](#): £51.4 million.
- [Tees Valley Combined Authority](#): £29.4 million.
- [West of England Combined Authority](#): £14.7 million.
- [West Midlands Combined Authority](#): £125.6 million.¹⁶

2.6 Local implementation

As set out above, following the transfer of functions, it will be for the devolved authorities to secure appropriate adult education provision for their area. The Association of Colleges has argued that the devolved authorities will wish to align their adult education funding towards meeting the needs of their wider economic strategies. It adds that all devolved areas are also “likely to want to reduce the number of organisations they contract with.”¹⁷

¹³ Department for Education, [Implementation funding: S31 grant determination letters](#), 6 March 2018; Department for Education. [Implementation funding: S31 grant letters 2018 to 2019](#), 28 September 2018.

¹⁴ Education and Skills Funding Agency, [Funding for academic year 2019 to 2020 for people aged over 16](#), December 2018, p9.

¹⁵ [PQ 240068](#), 8 April 2019.

¹⁶ Department for Education, [Adult education budget: S31 grant determination letters](#), 27 March 2019.

¹⁷ [Skills Devolution](#), Association of Colleges, last accessed 26 April 2019.

Below are links to information about the AEB for each of the devolved areas:

- [Cambridge and Peterborough](#)
- [Greater London](#)
- [Greater Manchester](#)
- [Liverpool City Region](#)
- [Tees Valley](#)
- [West of England](#)
- [West Midlands](#)

Box 2: Greater London's AEB

As set out above, just under half of the devolved AEB will be allocated to the Greater London Authority. In November 2018, the Mayor of London published a [Skills for Londoners Framework](#), which set out how City Hall aims to achieve the priorities set out in the [Skills for Londoners Strategy](#), published in June 2018. It proposes making a number of changes to the national programme for the delivery of the AEB budget in London. This includes the following eight priorities for reform, in addition to some further areas, outside of the delivery of the statutory entitlements:

- **Eligibility for full-funding for people in low-paid work:** continue and extend the ESFA's [low-pay trial](#) so that from 2019-20 providers will be able to fully fund learners who are employed and earning less than the London Living Wage.
- **Basic English and Maths:** commission research to help develop a package of support (planned to be available from 2020-21) to assist the delivery of English and maths courses. Also support adults to gain basic English and maths skills, up to level 2, within specific vocations where these qualifications are typically required for progression.
- **English for Speakers of Other Languages (ESOL):** conduct a review on the quality and delivery of ESOL provision in London. In addition, to deliver a series of ESOL Plus pilots focused on meeting identified gaps in ESOL provision for learners with particular needs, such as those with childcare responsibilities. Findings from the pilots will help inform future AEB decisions.
- **Basic Digital Skills:** ensure that the basic digital skills entitlement is best suited to the needs of Londoners.
- **Adult Community Learning (ACL):** review ACL funding to ensure that there is a "fairer spread of ACL provision across the capital."
- **Support for Disadvantaged Learners:** seek to widen the availability of learner support and base the disadvantage uplift in funding allocations on a learner's personal characteristics rather than their postcode.
- **Support for learners with special educational needs and disabilities:** use the [post-16 SEND review](#) as a starting point to develop "a more inclusive adult education and skills system for learners with SEND." Additionally, from 2019-20 to look to fund any learner aged 19+ whose first or preferred language is British Sign Language (BSL) to study for their first qualification in BSL up to and including level 2.
- **Addressing London's sectoral and occupational skills needs:** incentivise better occupational targeting of provision through the introduction of outcome-based commissioning. Also seek to explore options to increase flexibility for providers in the devolved AEB, including widening the definition of funded provision beyond currently funded qualifications.¹⁸

The Framework notes the importance of maintaining stability during the transition to the devolved AEB. As a result, it states that many of the changes will not occur in the first year of devolution but will be "phased in over future years following engagement with providers and other key stakeholders." It adds that "any

¹⁸ Mayor of London, [Skills for Londoners Framework](#), November 2018, pp8-21.

changes in the 2019-20 academic year will be minimal.”¹⁹ A [consultation](#) on proposed changes to the AEB in 2020-21 was published by the Mayor of London in April 2019.

Further detail on the AEB funding system in London from 2019-20 is available in draft documents published by the Mayor of London:

- Mayor of London, [GLA Adult Education Budget 2019-23](#), October 2018.
- Mayor of London, [GLA Adult Education Budget 2019-23: Funding and Performance Management Rules for Grant-funded Providers](#), December 2018.

Details of the providers who have been awarded contracts with the GLA to deliver AEB provision were announced in May 2019.²⁰

¹⁹ Mayor of London, [Skills for Londoners Framework](#), November 2018, pp6 & 9.

²⁰ [Revealed: The 30 winners of the Greater London Authority AEB tender](#), *FE Week*, 22 May 2019.

3. Issues

This section briefly outlines some potential issues that have been raised regarding the devolution of the AEB.

3.1 Scope for innovation

In response to a parliamentary question in March 2019 the Skills Minister stated that devolution of the AEB would ensure that the devolved areas “will be in position to shape adult education and skills provision in a way that best fits the needs of their residents and the economy.”²¹

As mentioned, however, devolved areas will have to continue to fund the statutory entitlements for eligible learners, which from 2020-21 will additionally include funding for basic digital skills. This will comprise a substantial part of the funding available to the devolved areas, limiting the funding over which local areas have flexibility. For example, the Mayor of London’s Skills for Londoners Framework estimates that the share of the AEB devoted to the digital entitlement “will fall in the region of seven to nine percent of the overall budget to London.”²²

In its January 2018 report, [Skills for the North: Devolving technical education to cities](#), IPPR North stated that the devolution of the AEB offered new opportunities. It additionally noted, however, that “the vast majority” of this “relatively small funding stream” must be spent on the statutory entitlements meaning that local areas have “very limited scope to shape its allocation.”²³

3.2 Avoiding fragmentation

It has been emphasised that the devolution of the AEB must not lead to a fragmented adult skills system. For example, giving evidence to the House of Lords Economic Affairs Committee in February 2018 the FE Commissioner, Richard Atkins, stated that while strong local and regional stakeholding was needed, “you do not need lots of different systems all over England for qualifications, funding, inspection and intervention.” “A whole load of issues would need to remain national”, he said, and “in a global marketplace we could not have entirely different systems operating all over England”.²⁴

There will be no reciprocal arrangements between the ESFA and any of the devolved areas to fund residents who travel to learn across boundaries from devolved areas to non-devolved areas and vice versa. ESFA or the devolved authorities, can, however, choose to contract with providers ‘out of their areas’ to meet the needs of these learners.²⁵ This has led some to

²¹ [PQ 229181](#), 11 March 2019.

²² Mayor of London, [Skills for Londoners Framework](#), November 2018, p9.

²³ Institute for Public Policy Research, [Skills for the North: Devolving Technical Education to Cities](#), January 2018, pp3 & 9.

²⁴ House of Lords Committee on Economic Affairs, [Corrected oral evidence: The Economics of Higher, Further and Technical Education](#), 6 February 2018, Q132; [FE commissioner’s warning over adult education devolution plans](#), *TES*, 6 February 2018.

²⁵ [MCA/GLA Core Brief: Devolution of the Adult Education Budget, 2019-20](#), October 2018.

raise concerns of a possible 'postcode lottery', with providers required to check postcodes of learners on enrolment and turn away out-of-area learners. These concerns have been covered in more detail in articles in *FE Week* and the *TES*:

- [London mayor seeks special treatment amid AEB devolution 'postcode lottery' concerns](#), *FE Week*, 30 November 2018.
- ['Adult education devolution is creating a postcode lottery'](#), *TES*, 28 March 2019.

The needs of learners who want to learn out of area was also touched on in an April 2019 article by Susan Pember of Hoxex on lessons from the devolution of the AEB:

Devolution hasn't considered student needs or travel patterns, and originally made no provision for those who wanted to learn out of area. In this group of learners, there are some of the most vulnerable young adults who need specialist support, and others who are trying to get away from the gang culture of their local area. Arrangements for managing boundaries need to be sorted before devolution is even granted.²⁶

3.3 Further devolution?

There have been suggestions that other areas of further education funding should be devolved in addition to the AEB.

In its January 2018 report, [Skills for the North: devolving technical education to cities](#), IPPR North recommended that in the medium term skills devolution should include the devolution of the Advanced Learner Loans Facility, "with powers to vary the terms of loans and repayments to facilitate and incentivise take-up of loans which will help to meet regional skills needs...".²⁷

In a July 2017 report, [Bridging the Skills Gap](#), the All Party Parliamentary Group for London recommended a number of areas that should be included in a skills devolution deal specific to London, including all 16-18 provision.²⁸ The Northern Powerhouse Partnership Group also recommended devolving 16-18 vocational education funding to northern mayors in its February 2018 report, [Educating the North: Driving Ambition Across the Powerhouse](#).²⁹

The Association of Colleges has, however, urged caution over the devolution of the rest of the post-16 budget, arguing, among other things, that combined authority devolution is untested and it would be sensible to

²⁶ Susan Pember, *Devolving Post-16 Funding: Lessons from the Adult Education Budget*, in [Post-16 Education and Apprenticeship Levy Funding Next steps for English Devolution](#), April 2019, p21.

²⁷ Institute for Public Policy Research, [Skills for the North: Devolving Technical Education to Cities](#), January 2018, p36.

²⁸ APPG for London, [Bridging the Skills Gap](#), July 2017, p5. A [Commons debate](#) on the report was held on 23 January 2018.

²⁹ Northern Powerhouse Partnership, [Educating the North: Driving Ambition Across the Powerhouse](#), February 2018, p7.

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“learn from experience first before making a firm decision about next steps.”³⁰

In response to a parliamentary question in February 2018 the Minister, Anne Milton, stated that “the department has no further plans to devolve other areas of skills provision other than the devolution of the adult education budget in 2019/20.”³¹

In April 2019, NCFE and Campaign for Learning published a [collection of essays](#) considering the next steps for the devolution of post-16 education and apprenticeship funding, a number of which explore the areas mentioned above in more detail.³²

³⁰ [Skills Devolution](#), Association of Colleges.

³¹ [PQ126033](#), 5 February 2018.

³² NCFE and Campaign for Learning, [Post-16 Education and Apprenticeship Levy Funding: Next steps for English Devolution](#), April 2019.

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