



Department  
for Education

# **Adult Skills Fund: Funding Framework**

**Part 2 – Guidance on operating a  
devolved portion**

**October 2024**

# Contents

Summary	3
Who this publication is for	3
Devolved Adult Skills Fund	4
Cross Border Funding	5
Where Cross-Border issues may arise	5
How to identify where cross-border issues may occur.	6
Types of arrangements to consider.	6
For a larger number of learners	6
For a lower number of learners	6
Where to go for support	7
Further education adult skills funding rates	8
Provider experience	8
Base Rate	8
Funding bands	9
Policy Exceptions	9
Disadvantage uplift	10
Area cost uplift	10
Specialist Funding Bands	10
Funding anomalies	11
Guided Learning Hours	11
Financial contributions	11
Other useful links	12
Devolved Authority ASF Allocations	13
How the allocations are calculated	13
Methods of Funding learning organisations	15
Grant funded provision	15
Grant funding strengths and weaknesses	16
Procured provision	16
Procurement funding strengths and weaknesses	18
Learner Support and Learning Support	19

## Summary

This publication provides non-statutory guidance from the Department for Education. It has been produced to help devolved/delegated areas, currently including Mayoral Combined Authorities and the Greater London authority, navigate the devolved education system.

Part 1 of this framework contains detailed explanation of key changes we have made to eligibility criteria and the introduction of Tailored Learning which may be of use to you.

Where this document refers to 'You' it is in relation to all devolved areas and the Greater London Authority unless otherwise stated.

Where this document refers to ESFA this will mean DfE once ESFA duties have transferred into the department by March 2025.

## Who this publication is for

This guidance is for:

All current and future devolved areas.

This guidance may also be of interest to:

Grant-funded public bodies – General Further Education Colleges, Sixth Form Colleges, Local Authority Adult Education Services and Centres, Institutes of Adult Learning (Specialist Designated Institutions) receiving non-devolved skills funding.

Contract-funded private or charitable organisations receiving non-devolved skills funding.

## Devolved Adult Skills Fund

The government's "[Change](#)" manifesto made the commitment that the government "will deepen devolution settlements for existing combined authorities and widen devolution to more areas, encouraging local authorities to come together and take on new powers"

Under these devolution deals the Adult Education Budget (AEB) – and now the Adult Skills Fund (ASF) – has increasingly moved away from central government to devolved (or delegated in the case of the Greater London Authority) areas. Six Mayoral Combined Authorities and the Greater London Authority took control of their budgets in 2019 with that increasing to the ten areas currently in place. More areas will continue to come online as devolution deepens.

Devolution allows participant areas to shape adult education in their area to support local needs including skills gaps and priorities and provide a 'bespoke' service to their residents based on local knowledge.

However, complexity is an inevitable by-product of devolution due to providers receiving budgets for adult skills from more than one commissioner and having to navigate rules which can vary between individual devolved and non-devolved areas.

We would like to support devolved areas in their commissioning role and minimise the complexity for providers. We believe this can be achieved through encouraging and facilitating a common funding approach where devolved areas can focus on what they commission and where they need to flex their approach where needed to meet local circumstances. This part of the guidance seeks to support you in how you administer your funding and provide an explanation of some of the decisions we have made for the ESFA-funded areas.

The intention is not to dictate to any devolved area as to how you should approach these situations, but rather to offer potential solutions which may be of use and could lead to a more unified approach across all areas leading to a less complex landscape for providers and ultimately learners.

We have developed this content in conversation with newly devolved areas and have taken account of subjects that some areas have stated they would appreciate further support-advice on.

## Cross Border Funding

This section seeks to provide examples of good practice to support you in implementing arrangements to support learners and providers whose education pathway crosses borders between two devolved areas and/or a devolved area and a non-devolved area.

As devolution of the ASF expands, there will be an increased likelihood of cross-border issues affecting the devolved areas, providers, employers and learners. This can be complex for employers who have to navigate multiple different training systems and for learners in understanding what they might be entitled to.

While cross-border arrangements need to be in place, this does not diminish the primacy of the learner's home postcode. However, as the adult education system is designed for providers and learners, decisions should take account of what is best for the learner.

The examples and suggestions within this document offer several models which may be applied, building on good local practice. Which of these, if any, are adopted is at the discretion of the individual devolved/delegated area. Discussion between you and providers is encouraged to identify approaches which are of most benefit to learners and employers.

## Where Cross-Border issues may arise

There are several reasons why a learner may need to access education outside of their geographical areas. This gives rise to the considerations you need to make to allow those learners to access the education which is right for them.

A non-exhaustive list of examples includes:

- employment location – many potential learners, particularly those who live in areas surrounding cities, will travel into the city for work. This can mean that their most convenient location for learning, especially if it is attached to their employment, is in the neighbouring city rather than the area in which they reside.
- specialist provision – some learners will want to access courses that may not be available in their local area and will need to travel to access that opportunity. Examples of this include Trade Union education or sector-specific learning, which may be provided in a neighbouring area due to labour market need but not in the area in which the learner resides.
- accessible provision – learners with SEND or disabilities may have additional requirements which require travel to training outside of their residential area.
- home address – while a potential learner may live in one area, their location close to the border, could mean that their nearest provider is in a neighbouring area.
- provider location – a provider has a catchment area that is across more than one DA and/or serves both devolved and non-devolved areas.

## How to identify where cross-border issues may occur.

The best way to identify learners is to work with local providers, and use some or all the suggestions below which have been taken from existing practice in devolved areas:

- analyse the catchment area of providers prior to devolution, to establish which providers outside of the area offer a service to your residents and which providers within the area provide services to those travelling in.
- identify large employers in neighbouring areas who draw workers across the border and commuting trends including residents travelling to cities for work irrespective of size of employer.
- establish which colleges/providers outside of the geographical area have provision not otherwise available in the devolved/delegated locality, for example specialised provision.
- identify grant-funded providers who have a base in your area but may have locations in neighbouring areas.

## Types of arrangements to consider.

Solutions to cross-border funding situations will vary based on the situation faced and preference of the area(s) affected. The following suggestions are illustrative of processed used with the devolved landscape and are not an exhaustive list.

### For a larger number of learners

You can consider:

- formal arrangements with 'buffer zone' colleges around the devolved/delegated area., these would likely be colleges which you have identified as:
  - providing an existing service to residents of your area,
  - having a base in your area, and or,
  - providing specialised education not currently available in your area.A 'buffer zone' arrangement could involve providing grant funding to those colleges via an allocation for your residents, which can only be spent on those residents with any underspend to be returned at an agreed point.
- reciprocal agreements with a neighbouring devolved/delegated area to allow residents to undertake training in either location depending on their needs such as employment location. This could involve an agreed budget for funding the education of neighbouring area residents which would need to be the result of an agreement between the neighbouring areas.

### For a lower number of learners

You can consider:

- travel cost support, for example, where a learner may live closer to a provider in a neighbouring area, but the provision is available within the devolved area and travel costs may be a barrier or where specialist provision, such as those for SEND, mean a neighbouring provider is the suitable choice for the learner and again travel costs may be a barrier.
- informal case by case arrangements with providers based on learner need/preference. These would be requested by the learner or provider depending on local arrangements and could be decided upon in line with local arrangements, such as, cost considerations, accessibility requirements, and alternative provision in the area.

## **Where to go for support**

Existing devolved areas have experience of deciding upon policy to support cross-border learners in a devolved landscape and can be an excellent source of support and advice for any area seeking to implement their own policy.

We can put you in touch with other areas who have experience in this subject where you would like to us to do so. The areas we seek to arrange contact with will depend on the types of arrangements you may want to consider.

## Further education adult skills funding rates

Devolved areas will need to consider how they want funding to flow to their providers (e.g. grant funding with reconciliation or paying on actual delivery). This will be covered later in this document. However, given the breadth of fundable provision within the Adult Skills Fund, Devolved areas will need to consider how they cost everything they are willing to fund.

Devolved areas are welcome to use the ESFA non-devolved ASF funding rates and are encouraged to do so where possible as this will reduce complexity for providers and prevent the potential of funding variance between learners on the same course. Within such an approach, individual courses or areas could be funded differently where there is a local need.

However, it is recognised that devolved areas have the autonomy to decide their own funding rates, so we have produced this information based on our experience of setting funding rates to support DAs in understanding some of the factors that may need to be considered when making funding rate decisions.

When reviewing this information, it is important to note that it does not commit the department or any devolved area to use these methods either now or in the future.

## Provider experience

The institutions who provide the education you are funding will likely have useful input on the relative cost of that delivery based on their experience of providing adult education across several sector subject areas (SSAs).

Gathering information across a sample of different subjects on data such as class sizes, proportion of practical lessons needed and course running costs for delivering will provide useful evidence to support your decision-making process.

In September 2022, the department published [FE funding for high cost and high value provision](#). This report sets out the findings of a DfE survey about the cost weightings used in FE Funding to support the delivery of high cost education and training along with more detail about how DfE have used this method to calculate relative cost. .

## Base Rate

ESFA funding rates, which are used to dictate the rate of funding for formula funded provision, are informed by a current (academic year 2024-25) base rate of £6.00 per hour. This rate forms the basis of all our unweighted funding rates calculations with the



base rate being multiplied by guided learning hours (GLH) to arrive at the 'rate' for the individual course.

To decide your own base rate, if choosing to deviate from the ESFA rate, you will need to consider the affordability of the rate you set. While a higher rate will seem more attractive to providers it will also mean that your ASF budget would cover less learners and therefore have the potential to reduce the reach of the offer in your area.

## Funding bands

Different courses have different needs and therefore should not all be funded at the same rate. Doing so would mean some courses would become unaffordable for providers to deliver due to cost implications.

When deciding upon your rates, you will need to consider how you will meet the cost of more expensive courses or how you will incentivise providers to deliver priority area courses .

To achieve this you may want to consider:

- what your local skills needs are
- what the priority sectors are in your area
- what the national priorities are along with understanding the relative importance of the individual qualifications.

To allow for the varied rates that this work may identify, you could consider introducing funding bands which allow some courses to be funded at a rate higher than your base rate. Using sector subject areas (SSAs) could help you to organise and manage qualifications across different fields including differentiating between qualifications based on cost of delivery or importance of the qualification.

Alongside this, you may also want to establish the relative importance of individual qualifications and how the funding of these can be designed to encourage delivery where required.

The ESFA rates and funding bands are described here:

[ESFA funded adult skills fund: funding rates and formula 2024 to 2025](#)

## Policy Exceptions

There are some courses which do not naturally fit into funding bands or due to the importance of the course, you may want to pay more for it (for example, basic skills). In these circumstances, you will need to consider how you want to fund these courses and

what kind of different funding rate you may want to apply to meet your policy intent for delivery.

However, for ease of use for providers, you may wish to consider limiting these exceptions.

## **Disadvantage uplift**

To support disadvantaged learners, you may need to explore providing extra funding for this cohort. An uplift of this nature would recognise that recruiting these learners can be more costly for providers.

Understanding and addressing disadvantage involves recognising the diverse needs of learners and ensuring that appropriate support is provided to help them fulfil their potential.

The method ESFA use to identify and calculate disadvantage factors is described in the funding rates and formula document.

## **Area cost uplift**

Area cost uplifts can be used to recognise the higher cost of delivering training in some parts of the country. You may want to consider if this would apply to any areas for which you are responsible and then decide whether you would want to apply an uplift.

ESFA have an area cost uplift process in place, which is also described in the funding rates and formula document.

## **Specialist Funding Bands**

In adult provision, 3 SSAs include land-based qualifications, these are:

- agriculture (SSA T2 3.1)
- horticulture and forestry (SSA T2 3.2)
- animal care and veterinary science (SSA T2 3.3)

Applying the specialist band allows for the additional costs which come with delivering eligible provision.

The [ESFA funded adult skills fund: funding rates and formula](#) explains when the specialist funding band can be applied to this provision in non-devolved areas.

There are 3 criteria which must be met for non-devolved provision before that provision can be deemed as specialist. One of those criteria is the requirement for the provider to have 'specialist status' as set out in annex C of [ESFA funding guidance for young people](#).

Devolved areas can follow the ESFA rates, but where you choose to deviate, we recommend that you ensure your rates reflect the specialist nature of these qualifications.

## **Funding anomalies**

Occasionally similar courses are placed in different funding bands. Where they are broadly similar in content, and where there are no additional costs in one course due to specialist equipment for example, you may want to consider placing both courses in the same funding band.

This will ensure that providers are able to place learners on the course that is most appropriate for their needs without there being a financial detriment to the provider for doing so.

## **Guided Learning Hours**

When using GLH as part of your rates calculation for formula funded provision, you will need to be aware that the GLH for the course is set by awarding organisations. These organisations can – and sometimes do – amend the GLH for a course during an academic year.

As part of any decision making on funding rates, you will need to decide whether you would want to reflect these changes in 'real time' and therefore amend the rate for a course during the year or maintain the GLH set at the outset of the year and therefore retain a consistent rate of funding throughout the academic year.

## **Financial contributions**

Where a learner (or their employer) may be required to co-fund their learning, you will need to decide the level of contribution that will be required.

When making these decisions, you may want to consider potential barrier this could cause for learners who want to access more expensive provision, such as those with higher operational and delivery costs.

The funding rates and formula document explains the ESFA approach to these contributions.

## Other useful links

[Skills for jobs: implementing a new further education funding and accountability system consultation response.](#)

# Devolved Authority ASF Allocations

## How the allocations are calculated

To provide each devolved area's share of the budget to maintain their adult education offer, we calculate a defined percentage of AEB/ASF and FCFJ budgets using the share of the AEB budget spent on learners resident in each area during the 2017 to 2018 academic year (i.e., prior to devolution).

### Example

If the percentage a devolved/delegated area attracted based on 2017 to 2018 delivery was 2% and the total AEB budget was £1bn, that area would receive an allocation of £20m.

While this is the methodology currently used it is not an assurance that this is how allocations will always be calculated, nor does it commit to the amount allocated always being the same.

There are occasions where we will make a deduction from your allocation for specific and agreed purposes. Historically these have included:

- holding back funds for the ESFA to cover continuing learners in the newly devolved areas for the first year of devolution. This is because the ESFA remain responsible for funding any learner who started their qualification(s) prior to the commencement of the devolved area taking on devolved powers
- a budget transfer between the AEB/ASF and FCFJ budgets to accommodate learners aged 19 to 23 being funded via the AEB budget to undertake FCFJ qualifications
- a deduction for FCFJ underspends rather than these surplus funds being returned. The FCFJ budget is ring-fenced which means devolved areas must return any FCFJ underspend to the department

### Example

If a devolved area underspent on their FCFJ allocation by £1m, and their subsequent FCFJ allocation is £4m, we would pay that area £3m as there is still £1m remaining from their previous allocation.

The department conducts an annual exercise each autumn/winter which asks you to confirm your spend in the previous academic year, to calculate any underspend.

To assist with the provision of this information we supply you with a template containing data on FCFJ from the ILR and ask you to amend and/or confirm the data.

You are generally given a few weeks to a month to respond to this request. It is important that you provide your response in a timely manner to ensure, as far as is reasonably practicable, that allocations can be made on time.

## Methods of Funding learning organisations

The Department for Education/ESFA funds adult skills via a mix of grant funded provision and procured provision. This section explains the different types of funding, explores the strengths and weaknesses of each funding method, and highlights the benefits of a mixed approach to funding.

### Grant funded provision

Grant-funded provision enables the building of more flexible trusted relationships over time and gives providers certainty over their funding, and the rules applied to that funding, to ensure long-term delivery of adult skills provision without the need for those providers to bid for funding year-on-year.

This method of funding allows providers to receive funding on a regular basis rather than having to wait until after delivery. The ESFA generally calculates allocations, based on delivery in recent years. It generally looks at performance over 2 years, and builds certain buffers into the changes it makes to offer providers some protection when particular circumstances have affected delivery in a given year. There are detailed explanations of how allocations have been calculated available within the annual technical guidance which is published here: [19+ funding allocations](#).

To ensure the accountability and effective use of public funds when grant-funding providers, you will need to decide how you will reconcile allocated funds with actual provider earnings. This can be achieved by reconciling provider spend against their allocated budget at the end of the funding period and having processes in place to recover unspent funds or allow additional funding (subject to maximum percentage) to cover the additional costs of overspend. The Department sets a tolerance at 97% (i.e. if you earn between 97-100% of your allocation you are not subject to reconciliation) and pays for over delivery up to 110%.

When grant-funding adult education, there are several key considerations which you may want to address. These could include:

- Ensuring that the funding, and the associated rules, aligns with your priorities and any central government priorities you may need to meet.
- Which types of providers you want to allow access to grant-funding and the eligibility criteria for receiving that funding, such as, being a registered educational organisation and/or meeting specified operational standards.
- The percentage of your overall adult skills allocation which you want to spend on grant-funded contracts and how individual provider funding amounts will be decided i.e. based on expected learner numbers.

- How funds will be paid to providers and what mechanisms – if any – you will have in place for recovery of underspend or increased funding to account for over-delivery.
- How the impact of the funded programmes will be measured and how you will use accountability processes to ensure funds are being used appropriately.
- How you will ensure that all funded programmes are compliant with relevant regulations and standards.
- Whether you will allow grant-funded providers to sub-contract some of their provision and how you will ensure that this does not result in a drop of delivery standard and learner experience.
- When making these decisions, you will need to be aware of the legal framework of public sector organisations, such as local authorities and colleges being unable to borrow to cover shortfall if funding is paused, which is why ESFA use end-of-year reconciliation processes to reclaim funds.

## Grant funding strengths and weaknesses

### Strengths

- Enables slightly more flexible arrangements with a trusted group of (usually) public sector learning organisations. .
- Gives learning organisations certainty over their funding, and the rules we apply to that funding, to ensure long-term delivery of adult skills provision.
- Avoids administrative burden of learning organisations needing to bid for funding year-on-year.

### Weaknesses

- Limits access to the market for private-sector Independent Training Providers.
- It can be more difficult to address gaps in provision that may arise compared to using the procurement method of funding.

## Procured provision

Procurement enables a purchaser to clearly articulate what it needs to buy from the market as well as setting the standard it expects from providers who are expected to bid



for this funding as part of a competitive tendering process. Bidding as part of this process does not guarantee any provider access to this funding.

Procured provision relies on expertise that understands local needs which can be sought via engagement with relevant stakeholders and by examining historical data and using that to forecast potential future need in the local area.

For providers the Department procures, providers who are successful in their bids will only be paid on delivery in arrears up to their allocation. Unlike grant funded providers any unspent funds are not recovered by the department (as no payments are made up front), but these providers are still able to claim up to the delivery threshold of 10%.

The government has produced a [Sourcing Playbook](#) which is designed to guide Commercial/Procurement, Finance, Project Delivery, Policy, and any professionals across the public sector who are responsible for the planning and delivery of insourcing an outsourcing services. It sets out how we make sourcing decisions and deliver public services in partnership with the private and third sectors.

If you decide to procure services, then there are a wide range of considerations you need to consider when designing our procurement. You can conduct market engagement to help shape your procurement exercise to help you understand what the market can deliver. In developing your procurement, you need to consider:

- specifying what you want to buy (e.g. is it particular courses at particular levels, support for learners to access courses, and/or a more flexible arrangement with suppliers to deliver a broad range of provision through the lifecycle of a contract)
- setting out how you are going to pay for services (e.g. upfront, on delivery, paying per learner, paying per course put on, a fixed total fee for delivery)
- how you are going to hold your provider to account (e.g. are you going to have KPIs and what will they be, what rights do you want to have is service delivery slips below acceptable levels)
- what are your core requirements that your contractor must deliver (e.g. health & safety, safeguarding, insurance, uploading appropriate data etc.)
- your route to market (e.g. are you going to use an open procedure, draw down off a framework, or competitive dialogue)
- making the most of your chosen route to market to choose excellent suppliers (e.g. what questions are you going to ask, how are you going to award scores, what is the weighting between quality and price, how are you going to ensure your suppliers are financially secure enough to contract with you, what minimum and maximum contract size do you want to ensure risk is managed appropriately)

We would expect that all Devolved Authorities will have embedded commercial specialists who will be experts in public procurement. Skills policy leads will need to work with these Commercial experts to effectively run a procurement. The Association of Employment and Learning Providers (AELP), HOLEX, and the Association of Colleges

(AoC) are national membership bodies representing organisations that deliver training and vocational learning. They can provide sound advice on the deliverability of requirements and will be able to reflect on experience by the sector of previous public sector procurement exercises.

## **Procurement funding strengths and weaknesses**

### Strengths

- Allows the funding body to greater specify the needs of learners.
- Can help the funding body be more targeted regarding local skills need (particularly where good local intelligence exists).
- Depending on how the procurement is set up, it can allow flexibility for meeting emerging needs as they arise.

### Weaknesses

- Can take a significant amount of time to resource and deliver.
- Repercussions can be significant as awarding contracts to new suppliers can come with uncertainty around delivery.

## Learner Support and Learning Support

Learner Support and Learning Support are crucial elements of funding which allow learning organisations and their funding bodies to support disadvantaged learners by providing a means via which they can overcome complex needs and barriers to accessing education.

Learner Support and Learning Support are comprehensively explained within the ASF funding rules. You can check the ESFA ASF Funding rules if you would like to know more.

### Learner Support

When providing learner support funding, you will need to have procedures in place to guarantee accurate and effective use of these funds for the learners who need it most. This can be achieved by ensuring providers:

- have criteria in place for how they will administer and distribute funds
- assess and record learner's needs and record/retain this information
- report the appropriate reason codes in the ILR
- complete funding claims throughout the year as per your funding claims guidance if on a grant-funded contract or record delivery via the earning adjustment statement if on a contract for services
- consider the availability of alternative support for learners, for example from Jobcentre Plus
- make learners aware that it is their responsibility to tell the Department for Work and Pensions about any learner support received if they are receiving state benefits as these could be affected.
- Use either ASF or loans bursary to support specific provision funded by either ASF or ALL where a learner is on 2 courses at the same time.

### Learning Support

When providing Learning Support, you will need to have procedures in place to guarantee accurate and effective use of these funds for the learners who need it most. This can be achieved by ensuring providers:

- carry out and document a thorough assessment to identify the learner's learning difficulty and/or disability
- agree and record the assessment and outcome of their assessment in the evidence pack
- record details of the reasonable required and how support will be planned and delivered.

- record and retain appropriate evidence to demonstrate that the planned support has been delivered
- confirm the continuing necessity and appropriateness of these reasonable adjustments on a monthly basis

**To note: these examples are based on current ESFA rules and are subject to change. For up-to-date rules, you should always check the ESFA ASF Funding Rules.**



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