



Rt Hon Gavin Williamson MP
Education Secretary
Department for Education
20 Great Smith Street
London SW1P 3BT

14 April 2021

Dear Education Secretary,

RE: AEB reconciliation announcement

The announcement last week that a 90 per cent threshold for delivery on the adult education budget (AEB) will be introduced will have a disproportionate impact on many colleges given the other funding hits they have endured in the last 12 months.

Last year, the threshold for AEB delivery was set at 68 per cent – as a recognition of how difficult it is to deliver adult education in a lockdown. Demand for adult education has been similarly impacted this academic year – as a result of national and local lockdown measures, reduced JSA referrals and many adult learners being unable to study online, whether because they are undertaking practical courses or because they suffer from digital exclusion. I attach as an appendix a set of case studies which show the different contexts that made delivery of adult education particularly challenging this year, and the impacts the uniform approach risks having.

Colleges have been asking since last summer for a decision to be made on the threshold ahead of the current year. The announcement so late on in the year to introduce a threshold of 90 per cent is a major challenge, both in failing to reflect these challenges colleges have faced and in undermining the ability of colleges to reduce costs already incurred.

The clawback of funding will reduce the financial strength of colleges, move a large number into financial intervention, and force colleges to reduce capacity for adult education, just as demand will be increasing. As the roadmap opens up our economy, more people will want and need to retrain and reskill. Colleges will be in the forefront of that but will be hampered by this AEB clawback.

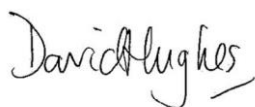
A simple solution would be for DfE to take a business case approach, as it did successfully last year, allowing colleges to set out where and why they haven't been able to deliver 90 per cent of their AEB provision, and for concessions to be made on a case-by-case basis. I very much hope that this can be pursued.

The AEB problems are a good example of why the longer-term systems reform are needed that you have championed in the Skills for Jobs white paper. It is clear that the FE system as it stands is overly complex, lacks trust, drives significant inefficiencies, is focussed on

process rather than outcomes and presents far too many obstacles to colleges. In short it hampers colleges from delivering what is needed and drives compliance with arcane funding and audit rules and regulations. The White Paper very positively describes the need for stronger accountability measures (such as learner progression and outcomes, meeting local need and supporting key labour market priorities) and simpler funding and regulation. We are very keen to support you in implementing those changes.

I would be very pleased to discuss these matters in more detail and AoC and college leaders stand ready to work with you and your officials to co-create a system which helps deliver the ambitious technical education plans you have.

Yours sincerely,



David Hughes
Chief Executive, Association of Colleges

cc. Rt Hon Boris Johnson MP, Prime Minister

Appendix: the impact of the AEB clawback - case studies

Furness College

Furness College has seen a striking reduction in adult participation in further education for the following reasons:

- The vast majority of our adult provision is in technical training, such as welding, electrical engineering and construction skills. Clearly, it was impossible to deliver these courses during the lockdown period when the college was closed.
- Adults showed significant reluctance to participate in further education from September choosing to defer their starts until September 2021. This led to more than a 50 per cent decline in September adult enrolments.
- There have been very limited opportunities to reskill the adult workforce as there have been fewer redundancies in Furness compared to the national average, reflecting the Engineering and Advanced Manufacturing dominance of local industry, including supply chains. Whilst this is obviously very good news for the area, the college has not been able to engage adult for reskilling as have other colleges.
- The college furloughed a very low number of employees during both lockdown periods – solely staff whose salaries were funded by commercial income. Had the college been aware that they would not be funded for half of our adult provision this year, they would have furloughed a much larger number of tutors and student support workers leading to additional income in the region of £236,000.

The College acted with integrity in this regard and we have now been penalised, having to pay these salaries from their limited reserves, which ultimately will impact on the resources they can invest in facilities for students. This decision risks hitting college finances at an

already extremely damaging time. In particular, it will cause colleges across England to reduce capacity for adult skills which is entirely at odds with the country's longer-term needs as we nationally seek to recover from the impact of the pandemic. Furness College is currently forecasting delivery at only 50 per cent of its full Adult Education Budget allocation for the reasons already highlighted. This will result in the College facing a clawback of £640,000 which would result in the College returning a budget deficit at the end of July. This is a devastating outcome which is particularly hard to understand given the huge amount of work the college has done have done throughout the year, particularly during the January to March lockdown. For example, the college set up a mass testing centre for its staff and students with no external support or funding (unlike schools), resulting in over 4000 tests being undertaken.

This is naturally in addition to maintaining high-quality education and skills training to 1500 young people, 750 apprentices, 850 adult students and 500 degree students. Discussing this, Furness College CEO/ Principal Andrew Wren said: 'I cannot stress enough how devastating this decision will be for both the College and the area it serves. It will inevitably necessitate a review for operational efficiencies over the summer. However, it is my duty as Chief Executive to sustain the college as a going concern for future years. It is regretful that, should this decision not be revisited, the college will not be able to offer the same volume of training in future years.'

Leicester College

For Leicester College, the government's decision to reconcile 20/ 21 Adult Education Budget grant contracts at 90 per cent means that they will have to pay back around £4 million. In 2019/ 20, there was a recognition of the challenges faced by colleges and threshold was set much lower at 68 per cent; however, 2020/ 21 has been an infinitely more difficult year, especially for Leicester, because of the multiple lockdowns and restrictions and yet the Government has decided that colleges like Leicester College should not be supported.

Leicester College has been in continuous lockdown with the rest of the city since March 2020. Leicester is also among the top 20 per cent most deprived areas of the country and the extended lockdown has only exacerbated this problem, particularly within the city's black, Asian and minority ethnic communities, who were specifically advised that there were at higher risk from Covid-19 and to stay at home, as well as lower-income households.

Returning such a significant sum will have significant implications for education in Leicester. It is clear that there will be consequences for college cashflow to which the college must respond prudently. Likely impacts will likely be to capital programmes and future plans for 2021/ 22, including for new T Level accommodation and facilities, and for expanded student numbers, which are all now at risk.

Gateshead College

As the North East region has been under a variety of Covid-19 restrictions for the whole academic year (entering Tier 3 restrictions from December and lockdown from January) the ability of Gateshead College (likewise with others in the region) to deliver its adult education allocation has been severely curtailed.

Gateshead College's adult education programmes are focused specifically on providing opportunities for individuals to gain training to move directly into jobs or providing additional skills, such as English for Speakers of Other Languages (ESOL), to help prepare individuals for the world of work. Their sector-based work academies in the rail, manufacturing and health sectors have enabled the college to support thousands of unemployed individuals into jobs over the last few years. They are designed to be responsive to employer needs and therefore, by their very nature, start and finish throughout the year on a rolling basis and do not all begin in September.

The college's programmes in these sectors are delivered through face-to-face learning to provide the hands-on technical skills and the behaviours needed to succeed in work. In ESOL delivery, learners are taught communication skills such as reading, writing, speaking and listening and lockdown measures has impacted on the college's ability to provide the learning experience required.

The college has been unable to deliver an entire term for ESOL learners; enrolments were down by 824 for the period November 2020 - March 2021 compared to the same time the previous year.

In addition, the procured North of Tyne contract requires eligible candidates to be employed, and with the number of businesses closed, workers furloughed and the restrictions in place since September 2020 in the North East, the impact of Covid-19 has been more severe.

All of the above has had a particular impact on the adult education programmes provided by Gateshead College and has therefore disrupted our ability to meet this year's targets as illustrated below.

Allocations for 2020/2021	Mid-year estimate	Predicted performance to July 2021
AEB (non-devolved) - £5,675m.	AEB (non-devolved) 56%	AEB (non-devolved) £3,342k (59%)
AEB (Tees Valley) £976k	No mid-year estimate provided to Tees Valley	AEB (Devolved – Tees Valley) £531k to £941k (54% to 96%)
AEB (London) £561k	AEB (London) 100%	AEB (Devolved – London) £574k (102%)
AEB (North of Tyne)	AEB (North of Tyne) grant 100%	AEB (Devolved – North of Tyne Grant) £643k (100%)

£1,140k – of which grant allocation £643k and procured £497k	AEB (North of Tyne) procured – 28%	AEB (Devolved – North of Tyne procured) £139k (28%)
--	------------------------------------	---