

Written evidence submitted by the Association of Colleges

AoC response to House of Commons Education Select Committee – Adult Skills and Lifelong Learning Inquiry

The Association of Colleges (AoC) represents nearly 93% of the 266 colleges in England incorporated under the Further and Higher Education Act 1992.

AoC would welcome the opportunity to present further evidence as a witness to the committee if the opportunity arises.

1. From the perspective of the providers you represent, what have been the consequences of cuts to the Adult Education Budget?

Participation in adult education and training has fallen at all qualification levels (below degree level). The number of adults taking a funded non-apprenticeship course has fallen by two-thirds. Only one in three adults self-report any participation in learning (the lowest level in 22 years). Participation in basic English and maths provision is fallingⁱ. Meanwhile the number studying higher and intermediate technical courses is lower than desirable given current skills shortages and those that can be predicted given economic change. Those who do participate are far more likely to be well-educated and better off. The poorest adults with the lowest qualification levels are the least likely to access adult training despite being the group who might benefit most.

In recent years, skills policy has focused on apprenticeships. This has brought disruptive change and has put larger employers much more in control of how public funds are used. More employers are engaged but have tended to do what they have always done – spend the largest share of training funds on managers and professionals. There is a lack of public information about apprenticeship training trends but clear evidence of growth in high cost degree apprenticeships, in mid-career manager apprentices and in money being spent on professional roles located in the biggest cities (for example accountancy apprenticeshipsⁱⁱ). Obligations previously covered by tuition fees have been shifted onto the apprenticeship budget.

The government was elected on a manifesto with an ambitious agenda to make Britain the best place to start and grow a business, to foster innovation, to support working families, to revive our towns, to support rural life and coastal communities, to fix the immigration system, strengthen the NHS, make the country safer, deliver the housing people need and fight climate change. Improving skills is a common element to the plans in all these areas. For the government to achieve these different aims, businesses and public services across the economy will need more people with the right skills. The government also wants to level up skills in every part of the country. The National Skills Fund announced in the March 2020 budget could be a helpful start.

Meanwhile there has been relative neglect of the adult education budget. Funding was cut by 40% in the first half of the decade and has been fixed in cash terms since then. As funding has been cut,

provision has shrunk, and participation duly fallen. One of the consequences of this is that the UK's has skills gaps in a number of areas, for example plumbing and social care.¹

AoC is currently carrying out research into adult funding per student. Our initial conclusions are that current funding levels in all the adult courses sampled were not viable in terms of covering full costs.

There is also a long-standing problem in the way that the current funding rules focus on full qualifications and on people taking them for the first time. This does not reflect the needs of adults in a rapidly evolving labour market with changing technology. There needs to be a flexibility to provide a modular/unitised approach to adult learning allowing adults to access the learning they need to progress within their current job roles or to help them move to other jobs throughout their working lives. This may include retraining into a new sector and therefore taking a second qualification at Level 2 or 3.

There are 2.2 million full and part-time students receiving £2.3 billion of public funding compared to over £8 billion committed in student loan write-offs and teaching grant to support 1.2 million undergraduate studentsⁱⁱⁱ. Annual public funding per university student averages £6,600 compared to £1,050 for adults in further education The Independent Panel for the Post-18 review described this as a large under-investment in skills given the sector's importance for the country's future economic success.

The budgets for adult education and skills are also fragmented. In addition to the £1.3 billion allocated to the adult education budget, there is £440 million in advanced learner loans^{iv}, £200 million in European Social Funds^v, and £40 million in National Retraining Scheme spending deployed across three different projects. On top of this, there is £2.3 billion for apprentices from age 16 upwards.

The current crisis is causing a big shake-up in the jobs market and a rise in unemployment. Large numbers of adults requiring training to help them move from sectors in most difficulty into those which might expand, including those employing key workers (such as, but not only, health and care). The government needs to consider how the adult education budget can assist.

2. Does the Adult Education Budget provide enough support for community learning, particularly regarding support for vulnerable and disadvantaged individuals?

There is an issue around the purpose of adult education in terms of its social versus economic purpose. The case for government funding and support from the Treasury focuses around the economic purpose in terms of preparing people for the labour market or enabling upskilling/retraining. However, there are many barriers to people initially taking up this education offer, for example time away from education, lack of confidence, lack of time, and caring responsibilities.

Funding for community learning and some of the 'leisure' courses has been cut significantly when these courses can be a first step back into education for many adults and give them confidence in participating and progressing onto further learning and/or work. There are numerous research studies which illustrate that adult learning is linked to improving the health and social well-being of individuals and contributes to social cohesion.

There needs to also be a wider discussion about the benefits of community learning to mental health and their potential role as part of social prescriptions.

1. Why are providers underspending their Adult Education Budget allocation, and what flexibilities would be helpful?

The government made substantial cuts to the adult education budget in the mid 2010s (for example a 24% cut in 2015-6) and has frozen it in cash terms for the last four years despite inflation, pending the devolution of funds to Mayoral Combined Authorities in parts of the country. Disinvestment, neglect and planning blight have contributed to underspend though it is worth adding that the Treasury penalises departmental overspending so there is always an incentive to undershoot. In the last couple of years, DfE has anticipated underspend and re-used money in productive ways, including the strategic college investment fund.

Funding rates for adults are not equitable with those for 16-19 although the cost of delivery is comparable for both groups. For many colleges the introduction of fees and loans for a range of 19+ students has reduced the demand for places.

The operation of the funding system is also a problem. If providers exceed or undershoot their allocation by more than 3% there is no extra funding or clawback. There is pressure to fill courses early in the year, leaving little flexibility for longer term planning or to allow colleges to enter into multi-year arrangements with employers or to respond to the need for tailored training at short notice.

Some reforms of the rules would be helpful, including:

- Better arrangements to manage devolution to avoid the need for colleges with specialist or distance learning courses having to secure multiple contracts to serve local populations.
- Adjustments to the rules prioritising first and full qualifications so that adults can retrain in a different industry in order to improve their employment chances.
- Adjustments to the rules introduced at the time the apprenticeship levy started which prevent colleges from delivering education and training programmes to adults in the workplace. Relaxation of these rules would enable greater synergy in terms of employer training demands and provide a flexible approach to delivery where employers may be reluctant to release employees from the workplace to participate in training but would be keen to slot it into the working day on site where appropriate.
- allowing over 24s to take a second Level 3 qualification it will allow many adults to retrain/reskill into areas where there is labour market demand.

2. AoC's written evidence called for a one-off increase in the Adult Education Budget to be announced in the next spending round. How much should it be increased by?

We believe that the first step should be to develop a coherent budget. In addition to the £1.3 billion allocated to the adult education budget, there is £440 million in advanced learner loans^{vi}, £200 million in European Social Funds^{vii}, and £40 million in National Retraining Scheme spending deployed across three different projects. On top of this, there is £2.3 billion for apprentices from age 16 upwards. The adult education budget, national skills fund (due to start in 2021), national retraining scheme and shared prosperity fund should be brought together into a coherent, easily managed and understandable post-18 fund that works for adults in every situation and in every community enabling colleges to meet need and make best use of the budget.

The second step should be to devise a formula to ensure that the adult education budget is increased annually in line with education costs and the size of the adult working population.

The third step should be to ensure that new entitlements – for example the digital skills entitlement – are only introduced if there is also an additional budget.

The fourth step should be to make an estimate of the impact of the new points-based system starting in 2021, the likely reduction in apprenticeship places and the rise in unemployment on demand.

AoC has not carried out a detailed costing of these steps but we believe that an increase of £1 billion in 2021-2 is the minimum necessary to meet anticipated need. Ideally some of this spending should be allocated earlier, in 2020-1.

3. What proportion of AEB funding for providers currently goes into delivering statutory entitlements?

DFE spends £1.3 billion, of which around £850 million is spent in colleges. ESFA staff calculated in 2015 that spending split broadly three ways:

- Statutory entitlements
- Those who are unemployed
- Co-funded learning

4. Do you have concerns about the introduction of the digital skills entitlement in 2020/21?

We support the digital entitlement which covers skills that are more necessary than ever but we have concerns that this passed into law without a proper budget.

There have been delays in getting information out to the sector regarding the funding and curriculum offer. The current qualification approval process relies on individual awarding organisations making submissions to Ofqual. The current crisis may be adding to delays but colleges start their planning for the next academic year in January/February and this information was not available to them.

5. Has the low wage trial been successful in raising participation among learners who would otherwise been unable to afford the fees?

Colleges have welcomed the opportunity to focus on people in low paid work and to assist them in expanding their existing skills but there are side effects in the funding system. Where a college increases numbers of low paid learners, it foregoes fee income and may also find it faces increased demand for learner support. The low wage fee remission rules have helped some colleges avoid underspends but has left others feeling penalised because their funding is fixed.

It is difficult to ascertain whether or not the trial has been successful in raising participation among learners who might otherwise have been unable to afford the fees. There are potential reasons for this. Firstly, colleges have not been carrying out much marketing or promotion of the trial as it is potentially time-limited and might not roll out longer term. Secondly, and in part due to the lack of marketing, those learners that benefit are those that would have turned up to a college already having decided to sign up for a course and are therefore, not necessarily, the learners this scheme would ideally be targeted at.

Most colleges report that the low wage threshold supports progression with learners progressing from community learning onto accredited learning pathways. However, others say that completion rates were lower as learners had not personally invested in their learning.

What we understand to be the overall view is that whilst broadly welcomed as a good thing, this should not be rolled out as a policy without the additional funding, otherwise it risks penalising successful, high quality providers and rewarding lower quality, new provider entrants who might see it as a quick way to generate income.

6. Is the National Careers Service working effectively as centralised source of information, advice and guidance for informing adults about learning opportunities and funding sources?

The National Careers Service is one of several options for adults wanting to identify potential education and training, however our members feel that this does not replace the need for properly supported pre-course assessment, linked with well-resourced Information, Advice & Guidance carried out face-to-face. The NCS also excludes a number of hard to reach potential learners who might lack the ability, knowledge and/or resources to engage with the service.

7. What do you expect the longer-term impacts of the COVID19 pandemic consequences on adult education providers to be?

The economic impact of tackling the coronavirus pandemic will likely be short but particularly sharp, and the labour market will take some time to heal. In the meantime, many workers are likely to be displaced, and those leaving education will find it hard to find jobs in the labour market.

During 2020 and 2021 there is already and will continue to be an elevated labour market demand around many 'key worker' roles in health and social care, cleaning, food production and distribution, and so what can be done to enable the rapid redeployment of displaced workers to these roles?

As the contraction ends and the economy finds its new path - possibly to be changed significantly by the legacy of coronavirus as well as new patterns of trade and investment as the UK leaves the Brexit transition period - there will be further challenges, with a potential shift in industry structure. This will be an important area to monitor, to consider how to enable the change in business models and job design, and to support workers to adapt to the new path.

We therefore believe that any adult education response to post-COVID19 recovery needs to consider a flexible restart programme for 19-25 years olds with an opportunity to stay in or come back into education gaining additional learning with the option of modular/unitised accreditation rather than being fixed on full qualifications. Bursary, rather than loan, support should be made available to support this cohort.

Additionally, adults displaced due to redundancy or whose jobs are at risk due to the impact of COVID19 could be served better by repurposing existing funds for adult education into one coherent, easily managed and understandable fund that is flexible and works for adults in every situation and in every community. This would bring into one funding line the Adult Education Budget, National Retraining Scheme, National Skills Fund and the Shared Prosperity Fund making it more flexible and less administratively burdensome.

8. What further funding or non-financial support should the government provide?

FE Innovation Fund - Colleges could better support business development of SMEs in their local communities, acknowledging the role they play as ‘anchor institutions’ within their locality. We would be interested to see if part of the National Skills Fund could be used to support the development of a FE Innovation Fund. Some colleges already operate unfunded innovation hubs on a small scale working with local businesses to help them develop and innovate. The current rewards to colleges are ‘in kind’ through the opportunity to provide upskilling and training to staff as local business support but colleges are keen that there is more formal funding to support this innovation development.

The primary aim with a Further Education Innovation Fund is not to deliver qualifications, but to provide support to businesses through:

- Increasing SME awareness of the FE sector’s capacity to assist with applied research;
- Increasing applied research capacity at colleges where needed;
- Improving and increasing the involvement of colleges with key companies and industry clusters within their local area.

It is hoped that some of the other benefits to this greater collaboration at a local level will be an increased willingness of local businesses to provide apprenticeships and T-Level placements leading to an increased uptake of these training routes for young people in the local area and also an increased interest and take up of qualifications at level 4 and 5 which would feed into the future employment pool allowing SMEs to grow.

Maintenance grants for adults – Numbers of those accessing Advanced Learner Loans have risen only slightly after a year-on-year fall for the previous three years and are a barrier to adults accessing education and training.² After COVID-19 this situation is likely to deteriorate as adults will be more concerned about unemployment, debt and providing for their families. Having the option for maintenance grants for adults should increase participation.

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For further information please contact
Lauren Conceicao, Public Affairs Manager
Public_affairs@aoc.co.uk

www.aoc.co.uk

ⁱ Learning and Work Institute “Adult participation” 2019

ⁱⁱ It is plausible that the vast majority of the 20,000 chartered accountancy students will shift towards the apprenticeship route to offset the levy payments made by their employers, including the big 4 firms

ⁱⁱⁱ The Independent Panel for the Review of Post 18 Education and Funding, Page 5

^{iv} ESFA sets a budget for advanced learner loans which means that there are effectively number controls on this part of the DFE loan book

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