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12 March 2018

Michelle Cuomo-Boorer
Greater London Authority
City Hall, The Queen's Walk
More London
London
SE1 2AA

Dear Michelle Cuomo-Boorer

Re: Adult Education Budget (AEB) Devolution: Implementation Funding April 2018 to July 2019 and Funding for Operational Costs Following Devolution

I am writing to update you on the arrangements for implementation funding to support your preparations for devolution of the AEB and to provide clarity on funding for operational costs associated with administering and managing the AEB once responsibility has been delegated to the Greater London Authority (GLA).

Implementation Funding April 2018 to July 2019

We are committed to funding implementation costs for the period April 2018 to July 2019 to support your preparation for delegation of the AEB. As in 2017-18, this will be a collaborative approach between DfE and the GLA, whereby both parties contribute funding.

We have considered the business case you kindly submitted and consulted on it with Ministers. Recognising that the costs you may incur are difficult to predict, we will provide what we see as an appropriate amount of funding towards new implementation costs, matching the level of funding expended by the GLA, once you have incurred these expenses.

Eligible funding

We carried out due diligence on the business cases, and considered specifically whether the GLA had adequately identified appropriate costs to be funded, in line with the criteria we set (new, necessary costs to support their preparation to take on devolution - see implementation guidance note sent by David Takyi on 15 December 2017). Where costs were ineligible when assessed against this criteria we have deducted them from the proposed implementation funding allocation.

In the case of the GLA's business case we are unable to support the costs you identified for research/market warming (£95,000) and communications (£100,000). We also note that you requested implementation funding of £1,089,500 for IT costs associated with developing a new IT system. We will discuss cost effective options for GLA developing an IT system to meet its requirements separately.

Matched funding

We also assessed the level of confirmed matched funding. As the funding process is a collaborative approach, GLA must have demonstrated that they propose to fund at least 50% of their implementation costs themselves in advance of DfE providing implementation funding.

Implementation Funding Allocation

The table below details GLA's maximum funding allocations that will be provided for both financial periods 2018-19 (April 2018-March 2019) and 2019-20 (April 2019-July 2019).

	Max allocation		
	18-19FY	19-20FY	Total
Greater London Authority	£1,441,767	£478,287	£1,920,054

Payment Process

In order for us to make payments, we will need you to agree to a Memorandum of Understanding (MOU), which we will issue during April 2018. We will transfer funds to GLA through a Section 31 demand led grant following us being satisfied that you have funded an equivalent amount of appropriate costs.

We will make the implementation funding payments to you in three instalments – October 2018, April 2019 and August 2019. In order for funding to be paid by the Department, you will need to inform us by the dates indicated below of GLA's actual spend for the relevant periods:

Period	GLA accounting officer declaration of matched spend directly by the GLA sent to DfE by	DfE section 31 demand led grant payment made by
1 April to 30 September 2018	12 October 2018	26 October 2018
1 October to 31 March 2019	12 April 2019	26 April 2019
1 April 2019 to 31 July 2019	9 August 2019	30 August 2019

We will issue a template to which you can opt to use for this purpose prior to 30 September 2018.

Funding for Operational Costs for Administration of the AEB following Devolution

We appreciate how important it is to update you on this matter to aid your planning for full delegation. We have listened to your views, and consulted with Ministers on this, and the approach outlined below reflects their decisions.

There will be no separate funding made available by DfE to the GLA for operational costs associated with administering and managing the AEB from the start of AY 2019/20 (1 August 2019) onwards.

I appreciate this may be disappointing news. However, when the AEB is delegated from AY 2019/20 the GLA will have flexibility to:

- utilise GLA funding, including the AEB, to fund the administrative/operational costs associated with managing the AEB
- retain any underspends generated within the AEB

In this context, it may be useful for you to know that historically the AEB has been underspent year on year (on average between 2-3%). This is because the AEB is allocated to providers, and learner demand can be variable, which means allocations are not always fully utilised.

We appreciate that once the GLA has responsibility for the AEB there may be a different level of underspend than in previous years. However, the figure of 2-3% may be a useful indicator of the possible level of underspend to aid your budgetary planning.

I hope the information contained here helps your preparations for delegation of the AEB.

Yours sincerely

A handwritten signature in black ink, appearing to read "D Hastings", is centered on a light gray, textured rectangular background.

Dominic Hastings

Deputy Director, Further Education Funding