



Education & Skills  
Funding Agency

# **ESFA Adult Education Budget 2020 to 2021 Reconciliation Business Case**

**Policy document**

**September 2021**

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## Summary

1. In March 2021, we announced that due to the impact of COVID-19 controls, we would lower the usual reconciliation rate threshold from 97% to 90% for ESFA grant funded Adult Education Budget (AEB) adult skills in the 2020 to 2021 funding year.
2. We recognise that in many instances grant funded organisations have changed their delivery models during the pandemic to ensure that they have been able to utilise at least 90% of their AEB allocation whilst continuing to support adults to acquire new skills.
3. We have however listened to feedback from the sector and recognise that the year-end claims submissions indicate that there are a small number of cases where under-delivery of AEB may cause financial difficulties or local circumstances have made it impossible for grant funded organisations to deliver at the 90% level.
4. As a result, the recovery of funds based on the 90% threshold may, for some organisations, mean the costs of AEB delivery in 2020 to 2021 are not covered by their actual earnings as reported in the Individualised Learner Record (ILR) R14 return or final funding claim.
5. We therefore want to moderate the impact of these financial and local circumstances by offering eligible organisations the opportunity to put a business case forward to retain proportionate funds that would be otherwise reconciled and repaid.
6. This will enable eligible organisations to maintain capacity to deliver ESFA grant funded AEB provision, thereby supporting the economic recovery by ensuring adults can access skills provision so they can enter and / or progress in work and learning.
7. The outcome of a business case, if approved, may result in the retention of funds due to be repaid, which cover proportionate costs. Where financial impact only applies, if approved and subject to affordability, the outcome may include a mix of retained funds and / or an extension to the terms of any recovery of funds. Additional conditions may apply when support is provided for business cases submitted under financial impact.
8. Any outcome will depend on an evaluation of the evidence outlined in the business case. However, to minimise the burden on eligible organisations we expect that the information you will need to supply will be readily available to you.

## Expiry or review date

9. This document will be updated to reflect any changes that are made to this policy and will be withdrawn on 30 November 2021. If you have this document in a saved, offline, or hard copy format, you are advised to check on GOV.UK to ensure you are using the most up to date version.

## Who is this publication for?

10. This document is primarily aimed at senior leaders of further education colleges, institutes for adult learning, local authorities and other types of organisations who received ESFA grant funded AEB in the 2020 to 2021 funding year and have not delivered at least 90% of their AEB allocation.

## Key points

11. The main features of this policy are:
12. Eligible organisations can submit a business case where local circumstances mean that it was impossible for them to meet the 90% reconciliation threshold applied by the ESFA for grant funded AEB in 2020 to 2021.
13. In addition, a business case can also be submitted where there is a financial impact caused by the recovery of funds where the reconciliation threshold has not been met.
14. Where the reconciliation of funds means that the costs of delivering AEB in 2020 to 2021 are not covered by claims made through the ILR or final funding claim; eligible organisations can submit a business case, based on the categories set out below to retain some proportionate funding, so that the actual costs of delivery are met.
15. Business cases can be submitted under either or both categories,
  - (1) local circumstances – for example, where local restrictions not affecting the whole of England or higher than average infection rates have made it impossible for an organisation to meet the 90% threshold
  - (2) financial impact – where the consequences of any recovery following reconciliation of ESFA grant funded AEB would cause difficulties for the organisation
16. In cases where an eligible organisation submits a business case under both categories, we will consider the local circumstances first and will only consider the financial impact if we do not approve a business case under local circumstances or if the proposed retention of funds does not eradicate the risk of financial difficulties.
17. We will consider the evidence relevant to each eligible organisation presented in the business case. However, the submission of a business case does not mean it will be approved.
18. The amount of any funds to be retained or repaid over an extended period will be assessed by reference to the proportion of ESFA grant funded AEB claimed through the ILR and final funding claim for 2020 to 2021 and the total costs of delivery as indicated in your business case. Where the business case applies to financial impact, we will also consider your track record of meeting the ESFA reconciliation thresholds for grant funded AEB in previous funding years.
19. Eligible organisations who submit a business case must retain all evidence of spend on ESFA grant funded AEB during the academic year 2020 to 2021 and provide 'open book' access to accounting records, upon which their business case is based, at

the time of the business case application and into the future, including after an outcome on the business case is decided.

## Key dates

- the business case template is published on 8 September 2021
- the deadline for the submission of business cases is 23:59 on 7 October 2021
- ESFA decisions will be confirmed to eligible organisations who submit a business case by 15 November 2021

20. We intend to maintain the final claim dates set out in the [claim's guidance](#).



## Terminology

21. Where this document refers to 'we' this should be taken to mean the ESFA.
22. Where we refer to AEB allocation this includes the ESFA grant funded Adult Education Budget (AEB) and Community Learning (CL). No other funding lines are in scope for support under this business case process and normal reconciliation rules will apply.
23. Use of the term 'organisation' in this document should be taken to mean any provider type, who delivers ESFA grant funded AEB and / or Community Learning that is eligible to benefit from a business case as set out in this policy document.
24. Where we refer to local circumstances, we mean the reasons applied to your organisation that impacted your ability to deliver its ESFA grant funded AEB.

## Scheme eligibility

25. To be eligible to submit a business case your organisation:

- was in receipt of granted funded AEB from the ESFA during 2020 to 2021 funding year
- delivered less than 90% of your 2020 to 2021 AEB allocation and are subject to a recovery of funds

26. Only organisations who meet the eligibility criteria will be allowed to apply. If an organisation receives support because of submitting a business case for financial impact but no longer meets the criteria or conditions of the scheme, they will cease to be eligible, and any funds that are retained may be recovered.

## Conditions of the scheme

27. Eligible organisations will need to meet several conditions to be able to request support through a business case, under the terms of both the application and the associated funding agreement they must:

- meet **all** the scheme eligibility criteria
- have continued to offer some ESFA grant funded AEB provision throughout 2020 to 2021 funding year
- provide evidence in your business case to demonstrate that local circumstances, outside of your control meant you were unable to deliver at least 90% of your ESFA grant funded AEB
- include as part of a business case, a schedule of costs, which is supported by information submitted in your July 2021 [College Financial Forecasting Return \(CFFR\)](#), where applicable. If required, an updated CFFR can be submitted to support your business case, where the category of financial impact applies. This will relate to the delivery of ESFA grant funded AEB and which demonstrates a shortfall in funds claimed through the ILR compared to the costs of delivering ESFA grant funded AEB
- submit an accurate R14 ILR return and / or final ESFA funding claim in line with our published rules and timelines
- not received funding from other government sources including the Coronavirus Job Retention Scheme for costs included in your business case
- continued to pay subcontractors and awarding organisations in accordance with their obligations under the funding agreement and funding rules
- agree to open book accounting and acknowledge that its business case and supporting documentation will be subject to compliance checks and may be subject to post scheme audit at the time of the business case application, and into the future, including after an outcome on the business case is decided
- business cases must be submitted with the authority of the relevant Accounting Officer by 23:59 on 7 October 2021
- any overpayment of the support provided shall be repaid by the organisation
- the business case submitted is final and no further evidence after submission will be allowed. However, we may seek clarifications from you if required
- we will provide feedback on unsuccessful business cases
- eligible organisations will be able to appeal the outcome of the business case where it is not successful
- eligible organisations can make a complaint about the ESFA where they feel the process has not been followed
- we reserve the right to apply additional conditions to your funding agreement where financial support is provided

## Further information

28. We will publish further information about the business case process in the supporting guidance document and business case template.



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