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the appendices to this report are not for publication.**

AGENDA ITEM 11

**REPORT TO THE TEES VALLEY
COMBINED AUTHORITY CABINET**

22 JULY 2022

REPORT OF HEAD OF EDUCATION, EMPLOYMENT AND SKILLS

EDUCATION, EMPLOYMENT AND SKILLS

INVESTMENT FOR ADULT SKILLS INCLUDING ADULT EDUCATION BUDGET

SUMMARY

This report recommends, for approval, the process for awarding skills funding to providers, up to and including the 2024/25 academic year, including the Adult Education Budget, the Level 3 Adult Offer (Free Courses for Jobs) and Wave 3 Skills bootcamps.

The report also provides cabinet members with an update on the key policy changes to be implemented from 2022/23 academic year and the rationale behind these changes.

Previously, the Cabinet resolved the following related actions:

- i. Approved the application of a 90% reconciliation threshold to all TVCA Adult Education Budget funded providers for the 2020/21 academic year against their core allocations.
- ii. Agreed to base the decision on the (R14) end of year performance data that was received by TVCA and analysed during December.
- iii. Agreed to delegate the implementation of this recommendation, to the Chief Executive in consultation with the elected mayor and cabinet portfolio holder in line with existing decision-making approvals and receive a further exempt report highlighting the action taken and impact on each provider from this recommendation.

RECOMMENDATIONS

It is recommended that the Combined Authority Cabinet:

- i. Approves the allocations to be made to providers for the 2022/23 academic year for the Adult Education Budget, Level 3 Adult Offer (Free Courses for Jobs) and Skills Bootcamps as set out in **Appendix 1**.
- ii. Approves the process for awarding future adult skills funding to providers up to and including the 2024/25 academic year for all existing and future Adult Skills funding as described [paragraphs 17 - 21 below].

- iii. Notes the summary of policy changes to be implemented from the 2022/23 academic year, as set out in **Appendix 2**.
- iv. Agrees to continue to delegate the operational management to the Chief Executive in consultation with the Elected Mayor and Cabinet Portfolio holder in line with existing decision-making approvals, including any changes to the payment model and any additional in year funding awards.
- v. Agrees to receive further reports on an annual basis to approve provider skills funding allocations in relation to the annual devolved adult skills budget.

DETAIL

1. The Department for Education (DfE) has confirmed the devolved Adult Education Budget and grant allocations for Adult Skills for the 2022/23 academic year as follows:

Item	Value	Detail
Adult Education Budget	£30,575,078	Devolved, delivery plan led
Level 3 Adult offer	£2,539,819	Granted, ringfenced and procured
Skills Bootcamps	£3,285,438	Granted, ringfenced and procured
Total	£36,400,335	

2. In addition to the budget above there remains £6.7m unallocated from previous years Adult Education Budget. This funding will be allocated for Skills activity within the 2022-29 Investment Plan period.
3. Due to the differences between grant and devolved funding processes to TVCA, separate procurement exercises are required and are being undertaken for both Level 3 and Skills Bootcamp delivery.
4. The Level 3 Adult Offer (Free Courses for Jobs) is a ring-fenced budget and is fully reconciled by the Department for Education. This funding provides free Level 3 training and qualifications for adults without a Level 3 qualification or wishing to retrain in a new area that requires this level of qualification.
5. The Skills Bootcamp funding has been granted to TVCA to deliver employer led training at Level 3 and above.

Funding allocations 2022/23

6. 31 delivery plans from the previously approved providers for Adult Education Budget have been appraised and the proposed allocations for cabinet approval are listed in Appendix 1.
7. Following the procurement exercises for Level 3 and Skills Bootcamps, that has included call off arrangements from the previously approved Skills Framework providers the allocations for these funding streams are also included in Appendix 1.
8. To note is that the funding allocations made to providers for the Adult Education Budget for the 2022/23 academic year will continue to be subject to their performance at the end of the current academic year (2021/22) and therefore could change.

Policy Changes from 2022/23 academic year

9. The publication of the Skills Bill, the planned implementation of Skills Funding and Accountability reform and the move from 2024/25 to further devolve the National Skills Fund to MCA's will increase the opportunity for MCA's to respond to local skills needs.
10. As we move towards the 2024/25 arrangements, as set out in the Government's White Paper; Skills for Jobs, and once the details are known, further reports will be provided to Cabinet to ensure that they are sighted on the strategic direction, and further opportunities for the Tees Valley.
11. The initial devolution of skills in the Tees Valley commenced on 1 August 2019 with the strategic intention that this would be the start of a progressive transition period over several years.
12. The strategic approach agreed included the following underlying principles:
 - maximising the amount of funding that reaches the learner
 - developing collaborative and strategic working relationships with providers to benefit Tees Valley residents and employers
 - prioritising delivery that is strategically and economically advantageous to Tees Valley
 - developing and supporting a sustainable skills base in Tees Valley
 - establishing better measurement and evidencing of positive outcomes to demonstrate how providers are meeting the needs of learners and employers across Tees Valley
 - providing skills provision linked to employer needs across Tees Valley
 - actively managing quality by introducing a provider performance management framework
13. As we approach the 2022/23 academic year, the data analysis and evidence that we have gathered from our providers suggests that there could be more of a focus on creating more strategic relationships with our high-quality providers to support them to have greater flexibility to be more responsive to learner and employer demands.
14. Whilst there is a wide and good quality general training offer provided, more training provision is required to be directly aligned to the skills gaps and emerging new industries in the Tees valley, including clean energy and digital requirements.
15. Therefore, TVCA has undertaken are a full review of the required policies with the aim of
 - delivering more focussed on training that leads to learner employment outcomes
 - enabling more flexibility and accountability to providers to quickly respond to learner and employer demand
 - providing more flexible in funding and performance models that respond directly to employer demand
 - creating more focussed on improving strategic relationships with high performing providers
 - utilising the national Individual Learner Record for monitoring delivery and performance against outcomes being achieved rather than purely for financial transactional management
 - improving the range and quality of outcome data from providers
16. A summary of the policy changes is attached at Appendix 2.

2022/23 academic year

17. From 2022/23 we will move towards a more defined delivery model that encourages providers to deliver more training that addresses business' skills needs and the changing

labour market in Tees Valley, whilst also supporting those most distant from the labour market to gain skills relevant to the labour market.

18. Community Learning will be re-defined in the Tees Valley from the 2022/23 academic year as “Learning for Inclusion” and will be specifically focused at addressing the concerns of those adults who are most disadvantaged and vulnerable across our region.
19. First level formal skills training for residents linked to employment will now be provided through a “Foundation Skills” offer, which will offer progression to next level skills learning and will be integrated into the skills element of AEB (Adult Education Budget).
20. From Academic year 2022/23 TVCA has set out the following expectations to providers which include:
 - i. Increasing the number of adults accessing statutory entitlement learning (English, maths, digital, first Level 2 and 3)
 - ii. Training that better meets the skills needs of employers and leads to:
 - greater levels of learners moving into employment
 - progression in work for those already employed
 - second chance opportunities for those adults who are seeking a career change into a job in a high demand/high growth and priority sector and who require a second level 2 or level 3 qualification
 - iii. Clear upward progression to next level learning
 - iv. Increased access to learning for adults through new delivery models including online learning, work based and evening/weekend provision (particularly for those adults who are looking to change careers).
21. Through these changes we will aim to stop:
 - Merry go round/repeat learning with limited purpose
 - Learning that has no upward progression or job output
 - Standalone employability training
 - Vocational training that is not linked to employer demand.

Community Learning – “Learning for Inclusion”

22. It is intended that the “Learning for Inclusion” provision will provide:
 - learning for personal development aimed at addressing the specific needs of adults within a Local Authority area, including isolation, social exclusion, mental health, and well-being
 - learning that aims to improve and develop stronger community engagement
 - learning that supports sub-contracting to local Voluntary, Community and Social Enterprise sector organisations to deliver learning opportunities for adults in disadvantaged neighbourhoods.
23. In line with previous delivery there will be a ring-fenced budget of £3m for “Learning for Inclusion” that will enable the Local Authority providers to commission provision that addresses their local community’s needs.

Future Adult Skills Funding, up to and including 2024/25 academic year

24. The move to a single devolved funding stream to MCAs that incorporates all elements of the National Skills Fund will increase the opportunity to respond to local skills needs. Timely communication with training providers will be essential to ensure they can respond to this increased devolution of skills and that they can make the required changes to their curriculum offer in time for the next academic year.

25. In 2021 the TVCA established a Skills Framework of providers to deliver adult skills funded programmes for up to four academic years (from 2021/22 to 2024/25), with the intention to implement light touch procurement exercises, call-off arrangements and direct awards as required in response to additional skills funding that is awarded to the Combined Authority.
26. These arrangements have worked well for the multiple skills funding streams awarded to, managed by TVCA. It is anticipated that as future additional funding is confirmed by DfE, TVCA will continue to secure future delivery of provision through these light touch “call off” arrangements from the Skills Framework of providers, where appropriate.
27. The devolved Adult Education Budget process will continue to communicate indicative allocations to existing providers and request annual delivery plans.
28. To enable providers to seamlessly plan and deliver their adult skills provision across the academic years it is proposed to inform providers of their indicative allocations for the following academic year by 1st March each year, subject to having received the allocation from the Department of Education.
29. Indicative allocations will be based on but not limited to:
 - allocations awarded to providers as of the previous year or less if the provider has had a reduction in that allocation
 - satisfactory performance against the previous year’s delivery plan
 - continued Quality (Ofsted rating of Good or Outstanding)
 - an increase in allocation where the provider has previously performed more than the agreed outputs and outcomes, and funding is available
 - provider compliance against TVCA skills policies, including outcomes of audit and assurance activities
30. Annual allocations for devolved Adult Education Budget will be approved by Cabinet each year. A report will be presented to the Cabinet meeting as close to March as possible. The provider annual Delivery Plan will continue to be approved by TVCA officers.

Future Payment Model

31. It is the intention to move to a provider payment model that will provide better in year financial certainty for providers and is based upon actual delivery instead of the previous variable and uncertain tolerance levels used.
32. We will remove the previous performance management tolerance points that resulted in the cessation of funding, funding uncertainty and significant claw back scenarios at the end of the year.
33. As a result, from the 2022/23 academic year, we will aim to develop and implement a payment model that is designed to avoid significant end of year clawback and rewards providers for actual delivery.
34. Several scenarios have been considered to ensure that there are no unintended consequences. A potential model suggests continuing the existing regular monthly payment profile to December 2022 and aim to move to an actual payment model from January 2023.
35. Further consultation will now be undertaken with providers to further test this model prior to implementation to consider any unintended consequences.

FINANCIAL IMPLICATIONS

36. The devolved AEB for the academic year 2022/23 has been confirmed by the Department for Education as £30,575,078.36.
37. The grant ring-fenced funding for Level 3 Adult Offer for the academic year 2022/23 has been confirmed by the Department for Education and is £2,535,819.

38. The grant funding awarded for the Wave 3 Skills Bootcamps from Department for Education has been confirmed as £3,285,438. Initial procurement has concluded the award of funding as set out in appendix 1. Additional awards within the available budget will be made in year following further procurement.
39. The recommended provider funding awards for AEB, Level 3 and Skills Bootcamps for 2022/23 are set out in Appendix 1.
40. As per previous years arrangements a small value of funding is allocated more than the budget for the Level 3 Adult Offer. If required, this will be supported from the unallocated element of the Adult Education Budget. As per current performance It is unlikely that this will be required.
41. The proposals for a future payment model are set out in the body of this report alongside the proposed benefits. The proposals are designed to focus on delivery and to provide certainty to providers, within the available budgets.
42. Any consideration of future year allocations and proposals will be managed within the overall funding envelope devolved or awarded from government.

LEGAL IMPLICATIONS

43. The legal implications for this funding stream and the proposed funding allocations are in line with the procurement and contracting rules of TVCA.

RISK ASSESSMENT

44. A project risk register is in place for the implementation of all Adult Skills Funding is regularly reviewed and updated.

CONSULTATION AND COMMUNICATION

45. Continued communication and consultation have been undertaken that has included the Tees Valley Management Group, Tees Valley Local Authority Chief Executives, Education Employment and Skills Advisory Group, Education, Employment and Skills Portfolio Lead, and skills providers.
46. Further consultation with providers in relation to the proposed payment model will be undertaken prior to implementation.

EQUALITY & DIVERSITY

47. The equality and diversity impact of the specific skills programmes funded through this budget are recorded and are embedded into the individual provider programmes. All training funded by AEB is open to all Tees Valley residents aged over 19 regardless of special characteristics.
48. The proposed changes to Community Learning widen the opportunity for those with special characteristics and those facing significant barriers to access learning and employment.

LOCAL ENTERPRISE PARTNERSHIP

49. This item has been considered at the LEP (Local Enterprise Partnership) meeting in advance of it coming forward to Cabinet.

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