

**Appendix 1 to this report is not for publication by virtue of paragraphs 3 of schedule 12A of the Local Government Act 1972**

**AGENDA ITEM 11****REPORT TO THE TEES VALLEY  
COMBINED AUTHORITY CABINET****24 JULY 2020****REPORT OF HEAD OF SERVICE  
EDUCATION, EMPLOYMENT AND SKILLS****ADULT EDUCATION BUDGET (AEB)****SUMMARY**

This paper provides detail regarding the approach to be agreed by cabinet to make funding allocations for the devolved Adult Education Budget for academic year 2020/21. This funding provides adult skills training for the unemployed and those on low wages delivered by 31 Training providers, including Further Education and Sixth Form Colleges, Independent Training providers and the five Councils in the Tees Valley.

**RECOMMENDATIONS**

It is recommended that the Combined Authority Cabinet:

- i. Approves the presented provider funding allocations of £25.6m, plus uplift and any additional carry over learning values (estimated at £200k) for the 2020/21 Academic Year;
- ii. Approves the approach considering further in-year funding allocations for 2020/21 once the impact of Covid19 is clearer and the carry over funding is confirmed;
- iii. Agrees to delegate the operational management including any in-year additional funding allocations to the Chief Executive in consultation with the elected mayor and portfolio holder in line with existing decision-making approvals.
- iv. Approves the implementation of a revised, linear payment profile;
- v. Agrees to receive a further report in 2021 summarising the outcome of an external evaluation of AEB for the 2019/20 Academic Year

**DETAIL****Purpose of AEB**

1. The devolved Adult Education Budget for the 2020/21 Academic Year has now been confirmed by the Department for Education as **£30,612,605**. This is based on the

agreed calculation and percentage of the national AEB budget with DfE, and includes an element of funding for:

- those adult learners who have started their learning in the 2019/20 Academic Year and will continue into the 2020/21 Academic Year;
  - roll out of the National Retraining Scheme in Tees Valley; and
  - a proportion of the unutilised Traineeship funding at a national level.
2. As a reminder, a condition of the devolution arrangement is a requirement of the Tees Valley Combined Authority to continue to fund the current legal Entitlements for Tees Valley residents to access fully funded skills provision, which includes:
    - Adult Basic Skills - English and Maths for those who have not previously achieved a GCSE Grade A\*- C or grade 4 or higher
    - First full level 2 qualifications (19-23-year olds)
    - First full level 3 qualifications (19-23-year olds)
  3. From the 1 August 2020 there will also be a legal Entitlement for learners to access fully funded Digital training.
  4. Also, from the 1 August 2020 there will be 31 providers, as Profound Services Ltd will formally merge with the Learning Curve Group.

### **Proposed Approach to Awarding the Funding for the 2020/21 Academic Year**

5. It is recommended that all existing 31 providers are awarded an allocation for the 2020/21 Academic Year which is based on the same levels as their allocations for the 2019/20 Academic Year.
6. In addition to the above providers have been invited to submit requests for an uplift in funding for the 2020/21 Academic Year.
7. Funding uplift requests have been received from 23 of the 31 providers to the total value of £10.2m which far exceeds the funding available.
8. The funding available was a combination of underspend from the 2019/20 Academic Year and the remaining funding from the 2020/21 Academic Year budget.
9. The approach that has been taken is to:
  - prioritise the funding to those providers who, at the R08 (end of March 2020) performance management review point were in line with the -10% tolerance level;
  - award a maximum increase of 20% against the provider's indicative allocation for 2020/21 Academic Year, or the full uplift request if less than this; and
10. In order to ensure that provision remains distributed across the Tees Valley, in this instance, no more than 20% of the initial uplift allocation will be awarded to any one provider.
11. In the Tees Valley, we regard the five FE colleges as separate providers.
12. This approach has resulted in 15 of the 23 providers meeting the performance criteria, to a total sum of £2,641,181.

13. The total allocations to the providers for 2020/21 Academic Year (excluding the carry in learning) is £28,266,628. These recommendations are set out in Appendix 1.
14. There is a total remaining budget of £4.4m, set out in Table 1.
15. Additional in year allocations will also be considered, see point 16 below, as the position post COVID-19 becomes clearer.
16. It is also recommended that once the 2019/20 full year performance data (R14 – December), has been received and analysed, a further funding allocation is made to those providers to support those “continuing learners” who have started an education/skills course between 1 August 2019 and 31 July 2020, and who have a planned end date of beyond 31 July 2020.
17. This is estimated to be circa. £200k, and the final value will be based upon actual value at the end of this academic year.
18. If the recommended allocations for 2020/21 Academic Year will not fully utilise the £30.6m budget, this remaining funding will enable additional in-year allocations to be awarded to providers in 2020/21 Academic Year.
19. All providers will be required to submit a revised Delivery Plan for 2020/21 Academic Year. The Delivery Plans will need to be able to be deliverable regardless of any further impact from COVID19. The expectation is that these will be employer responsive, and reflect the changing needs of the Tees Valley, for both employers and learners, Providers will also be expected to integrate appropriate employer demand led pilot skills programmes into their mainstream delivery.

### **Approach to awarding additional in year funding allocations**

20. A process for additional allocations for 2020/21 Academic Year will be developed to manage the remaining £4.4m funding from both the 2019/20 Academic Year and 2020/21 Academic Year. This will include an additional funding opportunity to be made available to all existing 31 providers and their sub-contractors from January 2021. The priorities will include:
  - new learning and skills provision that providers can evidence employer demand;
  - increased demand for existing provision that is leading to progression into appropriate further learning or employment;
  - provision that responds to future growth/high sector demand; and
  - provision directly linked to changing local labour market needs as a result of COVID19.
21. All requests for additional allocations will be assessed and appraised, and priority will be given to those providers where:
  - the provider’s performance in 2019/20 Academic Year was acceptable
  - performance against their 2020/21 Academic Year Delivery Plan continues to be on profile and provides high quality provision;
  - provision demonstrates effective links to the local labour market needs; and

- delivery continues to meet the strategic and economic priorities of the Tees Valley.

22. In addition to this, the process will also consider COVID19 and any likelihood that a second wave of the pandemic might have on a further lockdown.

### **2019/20 Delivery Summary**

23. Throughout this first year of the devolved adult education budget, effective working relationships have been developed with all providers, at the same time a robust approach has been taken to implementing a localised Performance Management Framework that has resulted in decisions been taken to cease payments to some providers due to their underperformance at the performance review points (prior to COVID19).
24. In this first year, we have seen one provider (Total Training Group) ceasing to deliver for the Tees valley, as a result of an inadequate Ofsted inspection.
25. At the request of the provider, the remaining budget (£98k) of their funding agreement for this provider was agreed to be novated to another existing AEB provider (Learning Curve Group), to ensure that the provision was maintained, and the jobs of the provider staff were secured.
26. In the 2019/20 Academic Year, the Combined Authority adopted and adapted many of the existing ESFA funding policies, including the national payment profile.
27. Feedback from providers throughout the year is that the implementation of the national payment profile, has had a negative impact on their ability to meet the required tolerance levels set out in the Performance Management Framework. Therefore, a linear payment profile will be introduced in 2020/21 Academic Year.
28. The Performance Management Framework has proven effective in managing performance therefore the performance review points, and tolerance levels will remain un-changed. There will be a greater expectation for providers to improve how they plan and deliver their provision in 2020/21 Academic Year, in line with the Performance Management Framework.

### **Adult Education Budget – Impact of COVID19**

29. As an immediate response to supporting providers the Tees Valley Combined Authority made an early commitment to continue to pay all 32 providers, their planned profile payments from April – 31 July 2020.
30. The Combined Authority's AEB Team has undertaken a risk assessment of all 32 providers and is continuing to maintain communications with them to review their situation on a weekly basis. Formal regular communications regarding future planning have also been circulated.
31. 31 of the existing 32 Tees Valley funded providers have made every effort to continue to deliver as much provision as they can via on-line learning. However, one Independent Training Provider based in the Tees Valley (Health and Safety Training), due to the nature of the provision that they offer, cannot move to on-line

learning, and have therefore had no other option but to close their business until current restrictions have been lifted and they are able to reinstate their delivery, which is expected in the next academic year. In the meantime, they have furloughed staff.

32. A national Independent Training Provider (People Plus) has also furloughed staff in the Tees Valley but is continuing to manage their operations with nationally based staff.
33. Two providers (Learning Curve Group and Group Horizon) have seen an increased demand for on-line learning and have been allocated additional funding to the total amount of £498,850 to support this. These providers have been informed that their additional funds will be fully reconciled at R14 (December) and any underspend will be clawed back.
34. In addition to maintaining communication at a local level, the Combined Authority is also in weekly contact with DfE to receive up-dates on the support and guidance that they are offering to providers, and fortnightly meetings with the ESFA Territorial Teams to share intelligence and to understand what impact there may be for Tees Valley funded AEB providers.
35. The nine Combined Authorities expressed its concern to DfE and ESFA colleagues about the financial stability of the provider sector for all providers, including Further Education Colleges, Local Authorities and the Independent Training Providers (ITPs), since the onset of the Covid19 pandemic.
36. DfE has responded to these requests and has begun to provide some interim financial assurances to providers through its Provider Relief Scheme as an example.
37. In the meantime, all parties are continuing to monitor the impact at provider level and managing any potential risk and will continue to share any relevant information to support all parties risk assessment processes.

#### **Approach to Year End Reconciliation 20219/20 Academic Year**

38. There has clearly been an impact on the volume of skills delivery during the COVID19 lockdown and providers have kept the Combined Authority informed as best they can. The 2019/20 full year performance data will be released to the Combined Authority in December 2020, end of year data has been received and analysed.
39. The Combined Authority has confirmed that under the given circumstances there will not be an automatic claw back of funding for under delivery in 2019/20. However, there will be some exceptions to this for those providers whose performance at February 2020 had already demonstrated significant under-delivery. The recommendation is to review and confirm any claw back once reconciliation has taken place. The providers affected who are affected by this have been notified in their May quarterly performance review meetings.

## **AEB Policy Review and Key Messages**

40. We will continue to review and up-date existing policies and re-issue these in August 2020 for implementation during 2020/21 Academic Year. Policies will continue to drive forward the key messages for the delivery of a strategic approach to adult skills that include:
- further integrating demand led provision into mainstream delivery;
  - implementing changes to employer led training, as per skills demand research recommendations to be confirmed late 2020;
  - further maximising funding to learners by moving subcontractors to direct funded providers where they currently have the status of both;
  - consider requests for subcontractors to become direct funded providers;
  - the recommendations following a full review of Community Learning;
  - recognising and rewarding learner progression and employment outcomes; and
  - any recommendations from the year 1 evaluation of AEB devolution

## **AEB Evaluation 2019/20**

41. The Combined Authority will commission an external evaluation of the 2019/20 Adult Education Budget, which is intended to be undertaken in two stages:
- Interim Stage using the R10 (June 2020) ILR Data
  - Final Stage once the end of year R14 (December 2020) provider ILR data has been received and processed
42. A final evaluation report will be presented to Cabinet early in 2021.

## **FINANCIAL IMPLICATIONS**

43. The funding allocation to the Tees Valley Combined Authority is awarded on an annual basis and is a percentage of the overall budget available in England as part of the Autumn Statement.
- a. All management costs and operational costs will be covered from the annual devolved funding allocation.
  - b. no binding funding obligation is entered into until such time as the devolved budget from the Department for Education is confirmed.
  - c. Grants and contracts will be awarded within the annual budget envelope and there is no scope for over profiling.
44. External Audit arrangements are secured to provide assurance of legal compliance.
45. An overview of the 2019/20 Academic Year expenditure and the proposed 2020/21 Academic Year allocations is set out in table 1 below.

**Table 1.**

	<b>2019/20 Academic Year</b>	<b>2020/21 Academic Year</b>
<b>DfE Confirmed Adult Education Budget</b>	<b>£29,446,518</b>	<b>£30,612,605</b>
Provider Allocations	£25,844,904	£25,625,447
Additional Provider Allocations	£498,850	£2,641,181
Carry In Learning	£0	£200,000
Top slicing/Resourcing	£400,000	£400,000
<b>Remaining Budget</b>	<b>£2,702,764</b>	<b>£1,745,977</b>

46. This leaves a remaining budget of £4.4m to be allocated.

#### **LEGAL IMPLICATIONS**

47. An appropriate funding agreement has been prepared in order to ensure that the funding is used for the purposes specified by the providers and that all risks in relation to this funding are managed as effectively as possible. Grant funds will be released only following completion of the relevant funding agreement.
48. Providers have been notified of their indicative allocation in early May. The grant process is not subject to the public procurement regulations and formal challenge under those regulations is not therefore possible.

#### **RISK ASSESSMENT**

49. A project risk register is in place for the implementation of the AEB and is regularly submitted and considered by the Audit and Governance Committee. The register will continue to be updated and submitted to the Committee for further consideration on a regular basis.

#### **CONSULTATION & COMMUNICATION**

50. Throughout this first year of the devolved Adult Education Budget, the Adult Education Team has continued to maintain communication with all 32 funded AEB providers, informally and formally through the Performance Management process.
51. Three provider engagement events have been held throughout the year to up-date the providers on the AEB planned delivery and performance as a region, and to consult on the strategic direction of AEB.
52. Communication and consultation have also continued to take place with the Tees Valley Management Group, Audit and Governance Committee, the Business LEP members, Tees Valley Chief Executives and Council Leaders, Education,

Employment and Skills Officer Group, Education and the Employment and Skills Partnership Board, and the Workstream Groups.

53. Regular joint meetings have been held with all 6 devolved Mayoral led Combined Authorities, the Greater London Authority, ESFA and the Department for Education to compare approaches, learn from each other and both support and challenge our individual approaches.
54. More recently, weekly meetings have been held with DfE in response to the Covid19 pandemic to review, discuss and the impact on the education and skills sector, and to respond with policy changes accordingly to support the sector.

## **EQUALITY & DIVERSITY**

55. An equality and diversity impact assessment has been carried out and is regularly reviewed.
56. As part of the commissioning process all Training Providers receiving funding must have a published Equality and Diversity policy.
57. As the devolution of this budget is focussed upon increasing access to learning and the labour market. The characteristics of the learners are recorded and reported as part of the monitoring arrangements and are assessed as an integral part of the national Ofsted Common Inspection Framework for training providers.

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