

AGENDA ITEM 9**REPORT TO THE TEES VALLEY
COMBINED AUTHORITY CABINET****17 DECEMBER 2021****REPORT OF HEAD OF SERVICE FOR
EDUCATION, EMPLOYMENT AND SKILLS****EDUCATION, EMPLOYMENT AND SKILLS****ADULT EDUCATION BUDGET (AEB)****SUMMARY**

This report requests approval to implement a reconciliation process for the devolved Adult Education Budget for Academic year 2020/21. The impact of Covid 19 has been significant on training providers ability to deliver training and Tees Valley residents to access it. The performance of our providers has been less than anticipated. To ensure effective use of public spending reconciliation is considered necessary.

Previously, the Cabinet resolved the following related actions:

- i. Approved the Provider funding awards for 2020/21 academic year.
- ii. Agreed to continue 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
- iii. Approved no reconciliation for 2019/20 academic year.

RECOMMENDATIONS

It is recommended that the Combined Authority Cabinet:

- i. Approves 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. Agrees to base the decisions on the (R14) end of year performance data that has now been received by TVCA and will be analysed during December,
- iii. Agrees 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.

DETAIL

1. In 2020/21 academic year, funding was allocated to 31 training providers to the value of £28,665,264. Performance is measured by calculating earned income related to the training type and numbers delivered.
2. The 2019/20 academic year was the first year of implementing the devolved Adult Education Budget in the Tees Valley. This was an unprecedented year due to Covid19 and many providers found it challenging to move to online learning and to attract the expected number of learners.
3. Underperformance was anticipated in 2019/20 and it was accepted that, in line with our devolution agreement consideration needed to be made as to the stability of our training providers.
4. As set out in the report presented to Cabinet in July 2020, Cabinet agreed to enable providers to retain any “unearned” income and not reconcile. This enabled providers to utilise awarded funding to improve the online training offer and to engage more learners.
5. This approach was mirrored in all devolved areas to varying degrees. The 31 training providers were appreciative of cabinet making this commitment to stabilising the provider infrastructure.
6. As the impact of Covid19 on learning has continued performance has significantly improved but continued to be lower than anticipated. All 31 training providers have moved to online learning or a blended model with occasional face to face teaching and have developed a good offer for Tees valley residents.
7. At July 2021 provider performance ranges from 25% to 107%, with an average of 87%. (These figures will increase as final performance and qualification achievements are being submitted.)
8. The delivery, performance and funding allocations of all providers have continued to be managed in line with the existing Performance Management Framework throughout the 2020/21 academic year. Performance tolerance levels were relaxed at each of the agreed management review points and appropriate action taken with providers where necessary. This has included developing improvement plans, pausing payments and where overperformance was evident additional allocations made. 8 providers were awarded additional funding.
9. During the year, 11 providers have had their payments paused. Where a provider’s performance has improved to be in line with the expected delivery, planned payments have been re-instated from that point. This has applied to 7 of the 11 providers.
10. The Combined Authority’s policy which is set out within the Performance Management Framework states that end of year reconciliation will be undertaken and that TVCA reserves the right to recover any underspend in full against a provider’s allocation.

11. The Education Skills Funding Agency (ESFA) is responsible for funding and performance in non-devolved areas and has taken the approach in 2019/20 not to reconcile grant funded providers. For 2020/21 they have implemented a 90% reconciliation threshold.
12. This means that where a provider has not achieved 90% of their funding allocation, the difference will be clawed back up to 90%.

Proposal

13. In line with the published policies of TVCA and effectively managing the devolved funding it is proposed to apply the 90% tolerance level for all 31 providers.
14. This proposal will implement a nationally accepted tolerance level, demonstrate effective and robust financial management of public funding, retain any recovered funding for future delivery and demonstrate to providers that a high level of performance is expected.
15. Given that the performance of the 31 providers is 87% most providers will not be adversely affected. Where performance is significantly lower than 90%, clawback may have significant impact on that provider.
16. It is proposed to apply the 90% tolerance for all providers. Where a provider can make a case for exceptional circumstances a process of submitting a case for consideration will be implemented and assessed by TVCA senior leadership team.

FINANCIAL IMPLICATIONS

17. The exact financial implications are to be confirmed once end of year performance data is analysed. This will be complete by early January. Estimates from July data suggests that in the region of £1.4m will be clawed back from providers.
18. Any clawed back funding will be retained by TVCA for future allocation to providers.
19. There may be financial implications for any training provider having funding reconciled. TVCA will consider this on a case-by-case basis in line with the exceptional circumstances process.
20. In line with the January deadline, all providers will be issued with a final reconciliation statement. These statements will form part of the college financial returns to the ESFA.
21. Any additional growth funding awarded during the academic year is 100% reconciled, in line with the existing funding agreement.

LEGAL IMPLICATIONS

22. The legal implications for this funding stream and the proposed funding allocations are in line with the devolution agreement, procurement rules and published policies of TVCA.

23. It is not anticipated that there are any further legal implications from this recommendation.

RISK ASSESSMENT

24. There is risk to a small number of providers that could face financial consequences because of this decision. The exceptional circumstances process will consider this and aim to reduce the risk to those providers.
25. A project risk register is in place for the implementation of the AEB and has been submitted and considered by the Audit and Governance Committee. The register includes this risk.

CONSULTATION & COMMUNICATION

26. Through the performance management processes that have continued to be implemented in the 2020/21 academic year, all providers have been encouraged and supported to continue to deliver 100% of their planned delivery.
27. Providers have been regularly informed that the Combined Authority will consider applying a reconciliation threshold.
28. All providers who have received additional in year allocations, have done so on the understanding that any underspend would be fully reconciled and clawed back. This was set out in the variation to Funding Agreements issued.
29. Regular performance updates have been provided to TVCA Directors, Management Group, Cabinet portfolio Lead and the Education, Employment and Skills Advisory Group.

EQUALITY & DIVERSITY

30. 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.

LOCAL ENTERPRISE PARTNERSHIP

31. This item has been considered at the LEP meeting in advance of it coming forward to Cabinet.

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