

**AGENDA ITEM 11**

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

**30 NOVEMBER 2018**

**REPORT OF THE HEAD OF  
EDUCATION, EMPLOYMENT AND SKILLS**

**PORTFOLIO: EDUCATION, EMPLOYMENT AND SKILLS**

**ADULT EDUCATION BUDGET**

**SUMMARY**

**Background**

As part of the Devolution deal agreed with Government in 2016 the Tees Valley Combined Authority will assume responsibility for the Adult Education Budget (AEB) from 2019/20.

The Adult Education Budget for the Tees Valley will be transferred to the Tees Valley Combined Authority for implementation from 1 August 2019. An indicative budget has been provided from the Department of Education to aid planning, this is £30.5m for one academic year. This budget will be devolved to provide training for Tees Valley residents only.

Cabinet resolved at the September 2018 Cabinet meeting that:-

- i. the strategic approach that is planned for implementation of the devolved Adult Education Budget be approved;
- ii. the operational management, including the funding award administration and the resourcing required for delivery be delegated to the Tees Valley Combined Authority Managing Director in consultation with the portfolio lead, and the elected Mayor;
- iv. A further report would be received in May 2019 to approve final funding awards to providers.

It was also requested that a further paper would be submitted to Cabinet to provide the details of the governance operating model, for agreement. This paper provides a summary of the governance operating model, information relating to the commissioning process and a web link to the relevant commissioning and technical documents.

**RECOMMENDATIONS**

It is recommended that the Combined Authority Cabinet:

- i. Approves the governance operating model.
- ii. Approves the list of related policies and the approach for amendments made as presented at Appendix 1.
- iii. Notes the timings of further papers to Cabinet.

## **Background**

1. In September 2018 cabinet received information relating to the implementation of the devolved Adult Education Budget that will enable the Tees Valley Combined Authority to plan and influence skills and training provision to ensure Tees Valley residents have access to skills and training from Entry level to Level 3 (approx. A-Level) qualifications. Eligibility criteria will continue to apply to provide this at no cost to the learner.
2. It is intended to maximise funding to the learner by creating a system that focuses upon measuring and delivering better outcomes for all learners. In time this will provide a progressive offer that creates lifelong pathways of learning to identifiable outcomes, including career pathways. This is particularly important for learners who may begin their journey with community level learning or access retraining later in their lives.
3. Whilst implementation in 2019/20 will aim to minimise the disruption to existing strategic and economically significant providers to stabilise provision, devolution will, in time provide an opportunity to flex eligibility criteria and provide simpler pathways to progressive learning directly linked to employer demand.
4. During 2019/20 stronger relationships will be built between the Combined Authority and providers to provide better and timely data regarding funding utilisation and delivery via a performance management framework. 2019/20 will establish and stabilise the provider base for Tees Valley residents, review performance, quality of delivery, sub-contracting arrangements and payment models and the demand for distance learning.
5. This performance information will inform future changes to commissioning, outcome payment models and directing skills provision more related to employer demand. Due to the scale and complexity of data reporting, commissioning timetables and curriculum planning the most significant changes will be made for delivery in academic year 2021/22.

## **The Governance Operating Model**

6. The Tees Valley Combined Authority seeks to establish "Grant Funded" agreements, through an open commissioning process, in line with the timeline agreed at the September 2018 Cabinet meeting, and invite those organisations who wish to deliver adult skills provision to Tees Valley residents, based on a minimum contract level of £50k.
7. A dedicated on-line portal will be made available to providers that will support the management of the commissioning process, and will also give providers the opportunity to access key information and documentation about the devolved Tees Valley Adult Education Budget.
8. In support of the agreed approach of supporting the sustainability of current provision, relevant documents and policies have been adopted and adapted from the existing Education Skills Funding Agency (ESFA) key policies. These have been amended to remove any reference to ESFA and the national programmes that will not be funded

via the devolved Adult Education Budget in Tees Valley, such as Apprenticeships and Traineeships and relevant changes inserted where required. A list of the documents, a summary of the changes made and the new policies required are set out in Appendix 1. Cabinet is requested to approve this list and the approach taken.

9. In addition to the ESFA policies and documents, the Tees Valley Combined Authority has developed additional supporting documents and templates to make funding awards to providers. The documents include the Delivery Plan as a template to request funding, the Delivery Plan Technical Guidance, the Delivery Plan Appraisal Process Summary and the Performance Management Framework.
10. As part of the process, all providers will be invited to attend one of two engagement events, where they will be provided with further guidance on how to complete the Delivery Plan, be offered technical support and will be given the opportunity to ask any questions.
11. Frequently asked questions thereafter will also be published on the Adult Education Budget dedicated on-line portal.

### **Delivery Plan**

12. All providers seeking to secure a funding award from the Tees Valley Combined Authority's Adult Education Budget, to deliver adults skills provision to Tees Valley residents from 2019/20 will be required to submit a Delivery Plan as the document to be assessed to award funding.
13. The Delivery Plan will inform the Tees Valley Combined Authority of the Provider's objectives and how the provider intends to meet the needs of the Tees Valley learners; what they are intending to deliver in line with the legal entitlements, sector areas for focus, qualification levels, and whether the provision will be directly delivered and/or subcontracted. The Adult Education Team have undertaken consultation and feedback throughout the development of this document.
14. The Delivery Plan will continue to be used as the basis for performance management for providers that receive funding in 2019/20.
15. The Tees Valley Combined Authority will reserve the right to reconcile any significant underperformance against their own Delivery Plan objectives throughout the year and adjust provider payment profiles. In addition the ability to stop payment will be retained if any inappropriate, illegal or unsatisfactory delivery is undertaken.

### **The Appraisal Process**

16. The appraisal process will seek to ensure that the Tees Valley Combined Authority awards grant funding agreements to those providers who can demonstrate high quality provision. The appraisal process will take into consideration such information as the provider's recent Ofsted inspection outcomes, financial health assessment, self-assessment grades, learner achievement rates and any notices to improve issued by ESFA.
17. Priority will be given to those Delivery Plans that will deliver the most economic and strategic benefit to Tees Valley. This will include supporting the sustainability of quality learning, sustaining jobs and supporting wider economic growth.

18. In line with the Combined Authority's approach to assessing all applications for investment support, Delivery Plans shall be appraised using a Treasury Green Book approach, then an internal Investment Panel will collate and report the outcome of the appraisal process for consideration of the existing governance arrangements of the Combined Authority and the Cabinet, including the agreed delegation at Cabinet in September 2018.
19. It is proposed that further papers will be submitted to Cabinet in March 2019 that will provide a summary of the outcomes of the appraisal process and the proposed indicative funding awards. An additional paper will be presented to Cabinet in May 2019 that lists the final provider funding awards.

### **Performance Management Framework**

20. In order to ensure that the Tees Valley Combined Authority is awarding funding agreements to those providers who will deliver high quality provision and outcomes to Tees Valley residents, a Performance Management Framework has been developed in consultation with stakeholders.
21. The framework sets out the approach that the Tees Valley Combined Authority will take in monitoring and managing the performance against the submitted and agreed Delivery Plan. The performance management function will recognise and take into account any changes to actual delivery and the learner outcomes achieved.
22. The approach for performance management will be significantly different from the previous transactional approach taken by the ESFA. The approach to be implemented will be more provider relationship based with a focus on learner experience and outcomes achieved.
23. A significant emphasis will be placed on demonstrating positive progression into further learning or employment, qualification achievement, overall success rates, sub-contracted delivery and outcomes of any Ofsted inspections.
24. In addition learner and employer feedback will be taken into consideration when measuring performance.

### **Further papers to be submitted to Cabinet**

25. It is proposed that further papers will be submitted to Cabinet in March 2019 that will provide a summary of the outcomes of the evaluation and the proposed indicative funding awards and then another in May 2019 that lists the final provider funding awards.

### **FINANCIAL IMPLICATIONS**

26. The funding allocation to the Tees Valley Combined Authority will be awarded on an annual basis and is subject to the annual Autumn Statement. The initial allocation for 2019/20 will be made using the existing formula provided by the Department of Education based on 2017/18 actual delivery to Tees Valley residents.
27. In future years the allocation will be made upon the percentage allocation made in 2019/20 against the overall budget available in England as part of the Autumn Statement. This percentage will then be used as the baseline for the calculation of budgets from the 2020/21 Academic Year onwards.

28. The decision making timeline will ensure that no funding awards will be entered into until the devolved budget from Department of Education is received.
29. Grants will be awarded within the annual budget envelope and there will be no scope for over profiling.
30. External Audit arrangements will be secured to provide assurance of compliance.

## **LEGAL IMPLICATIONS**

31. The Tees Valley Combined Authority has sought advice from external procurement law specialists and also from a leading procurement QC with regard to the proposed commissioning process. This advice has confirmed that the distinction between a grant (to which the Public Contract Regulations 2015 (PCR 2015) do not apply) and a services contract (to which they do) is often a difficult, but they both agree that the reasoning behind our classification of the agreements as a grant in this case is sound. On this basis, both agree that our commissioning process falls outside of the remit of PCR 2015 and that a procurement process is therefore not required.
32. DfE previously adopted a two tier commissioning process, whereby it grant funded providers who were essentially public in nature and procured independent training providers. Most other Combined Authorities are continuing the DfE approach, with the exception of Tees Valley and West of England Combined Authorities. Our legal advice, however, will assist with any required response to challenge regarding our commissioning process that could emerge in response to the varying approaches to devolution of this budget across the seven devolved areas.
33. The Combined Authority is required by the Department of Education to publish a Conflict of Interest policy related to the devolution of Adult Education Budget. The main purpose of the policy is to demonstrate how the Combined Authority will manage any potential risk of unfair bias to any organisation that is part of the policy development and the funding award process.
34. This policy will be published on the Combined Authorities website when finalised.

## **RISK ASSESSMENT**

35. A project risk register is in place for the implementation of the Adult Education Budget and has been submitted and considered by the Audit and Governance Committee. The register will be up-dated and submitted to this group for further consideration on a regular basis.

## **CONSULTATION & COMMUNICATION**

36. The Education, Employment and Skills Team has undertaken extensive consultation during the last 12 months 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.
37. An AEB Strategic Steering Group of key stakeholders (Local Authority, FE Colleges, Association of Colleges and ESFA) was established and consulted to shape this process.

38. Two open provider engagement events were also hosted in 2018 to test the strategy and approach to be implemented.

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