

**Appendix 1 to this report is not for publication by virtue of paragraphs 3 of schedule 12A of the Local Government Act 1972**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

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

**28 JUNE 2019**

**REPORT OF HEAD OF SERVICE FOR  
EDUCATION, EMPLOYMENT AND SKILLS**

**EDUCATION, EMPLOYMENT AND SKILLS**

## **ADULT EDUCATION BUDGET (AEB)**

### **SUMMARY**

This report recommends, for approval, the funding awards to be granted to successful Training Providers following the recent commissioning process. The report summarises the commissioning process undertaken, the analysis undertaken to consider impact of the recommendations and suggested next steps for future grant awards. The grants suggested will be awarded for delivery of skills training for academic year 2019/20, commencing 1 August 2019.

### **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 from 1 August 2019.

The devolved budget for academic year 2019/20 has been confirmed by the Department of Education as £29.5m. The budget is to provide education and skills training for Tees Valley residents aged 19 and over only.

Previously, the Cabinet resolved to:

- i. Approve the governance operating model;
- ii. Approve the related policies and the approach for any required amendments;
- iii. Approve the strategic approach for implementation;
- iv. Approve the operational management, including the funding award administration and the resourcing required to be delegated to the Chief Executive in consultation with the portfolio lead and the elected Mayor;
- v. Note the proposed timings of further papers to Cabinet, including receipt of this report to approve the Training Provider funding awards.

## RECOMMENDATIONS

It is recommended that the Combined Authority Cabinet:

1. Approves the Training Provider funding awards of £25.8m as presented;
2. Notes the intention to provide management resourcing of no more than £400k annually, and;
3. Approves the proposed approach to allocating the remaining budget of £3.3m.

## DETAIL

1. The devolved budget of £29.5m represents the earned income in academic year 2017/18.
2. The Combined Authority has also received data that provides the subcontracting arrangements for 2017/18. This data shows that in that year there were 80 providers who were acting as subcontractors to the 193 main providers.
3. All providers will have the opportunity to continue to receive funding from the ESFA for learners outside of the Tees Valley and an opportunity to request funding for learners from the other devolved areas of the country.

## Commissioning

4. In line with the funding award administration agreed by Cabinet in September 2018, the grant commissioning appraisal process included:
  - satisfying financial due diligence;
  - earned income in 2017/18 being greater than £50k, either directly or as a subcontractor;
  - the basis for funding awards was to be earned income in 2017/18 as this was the basis of the devolved budget; and
  - appropriate subcontracting would be eligible, subject to no other provider duplicating the funding requested.
5. On 30 November 2018, the Tees Valley Combined Authority launched the commissioning process. All providers who were seeking to secure a funding award were required to submit a Delivery Plan via an online portal.
6. 52 Delivery Plans were received, and a total of £42m was requested by providers within their Delivery Plans, that far exceeded the available budget of £29.5m.
7. Analysis was undertaken to consider the impact on delivery for those main and subcontracted providers who were eligible but did not submit a Delivery Plan. The conclusion was that the training affected was generic and that there would be no negative impact on delivery as a result of eligible providers not submitting a funding request. The majority of these providers were geographically based a long way from Tees Valley and provided on-line web based learning. The reasons given to us by providers for not submitting a Delivery Plan included:
  - The provider subcontracted all/most of their provision to a provider who has now applied for a direct funding award;

- The provider has remained as a subcontractor in 2019/20;
  - The provider has entered into an arrangement with another provider who has applied for their funding;
  - The provider has merged with another provider; and
  - The provider has chosen not to apply for reasons unknown but their delivery was insignificant in terms of value or type.
8. There were nine Delivery Plans submitted by providers who failed the financial due diligence or did not earn over £50k in 2017/18. These are not being recommended for a funding award. These providers are set out in Table 1 in Annex 1.
9. The remaining 43 Delivery Plans progressed to a formal, scored appraisal.

### **Delivery Plan appraisal**

10. The devolved funding does not include the funding that relates to growth delivered in academic year 2018/19 (current year). This is normally awarded in year or delivered at risk by the training provider. This is estimated to amount to approximately £2.7m.
11. The Combined Authority has written to the Department of Education to request the additional funding that relates to the 2018/19 growth for the Tees Valley to be devolved to the Combined Authority. The value of this delivery is expected to be verified in November and we have not yet had a response from DfE as to whether this budget will be devolved. If it is not, we will see a real terms drop in funding for Tees Valley learners from 2018/19 of approximately £2.7m.
12. Providers had been guided to request funding related to their earned income in 2017/18. This part of the Delivery Plan and the funding requested that directly related to this was appraised as a first priority.
13. The strategic and economic fit with our Strategic Economic Plan was then considered as the key criteria for awarding funding. Priority was given to providers where they could:
- demonstrate a track record of delivering high quality training and good progression for learners, and would
  - deliver training that supports the growth of our priority and high demand business sectors.
14. There was then an assessment of the impact on jobs in the Tees Valley if the provider was not allocated funding.
15. Subcontracting arrangements were also appraised to assess appropriateness and to ensure that where subcontracting is intended, there would be no instances of double funding. There were some requests for funding from providers that did indicate double funding if both providers were awarded their requests (based on their 2017/18 earnings). These instances have now been resolved with the providers requesting the funding.

## **Appraisal Process outcome**

16. The outcome of the appraisal process is that a further 10 providers are not being recommended for a funding award. This is based upon their score being less than 40 out of a possible 100 marks. The providers affected by this are as set out in Table 2 Annex 1 (Nos. 43-52).
17. An impact assessment has been undertaken to consider the implications of not funding these 10 providers and has concluded that there is no significant impact on the availability of training to Tees Valley learners. The provision described in these Delivery Plans was generic, duplicated provision that would be available from alternative providers being recommended for funding. It did not provide any niche or specialist provision.
18. A financial impact assessment against turnover for each provider affected has also been undertaken and the results show that it is unlikely that provider stability will be significantly affected from this proposal.

## **Provider Funding Allocation summary**

19. It is therefore, proposed to make a final funding allocation to 33 training providers, based upon their 2017/18 earnings.
20. It is also proposed to provide a 2% inflationary rise on this allocation to support providers with the increased costs of resourcing skills training from 2017/18. Where a provider requested less than their earnings, this lower value will be awarded. This provides a total allocation of £25.8m. A complete summary of the recommended provider funding awards is listed in Table 2 Annex 1.
21. Of the 33 providers being recommended for a final funding award, 12 of these providers have indicated in their Delivery Plans that they are intending to subcontract to a total of 33 other providers.

## **Provider Communication**

22. Prior to devolution, grant funded providers received an annual indicative funding award in the spring, to enable curriculum planning to be undertaken and to aid the production of their prospectuses, to attract students prior to the summer break.
23. It was highlighted in the September 2018 AEB Cabinet Report that communication of indicative awards would be made as soon as possible to assist this preparation. These would be heavily caveated that they are subject to Cabinet approval.
24. All 52 providers were notified, in early May 2019, of the outcome of the commissioning process, and indicative funding awards were made to 33 successful providers which were heavily caveated that they were subject to Cabinet approval.

## **Further in-year allocations**

25. If the suggested funding awards are approved this would result in releasing £3.3m for further allocation within the 2019/20 academic year.

26. The recommended approach awards grants to 33 strategic and economically significant training providers that will enable a more manageable, collaborative approach based upon building strong relationships and partnership working to be strengthened.
27. This will enable a joint approach to be developed with these providers as our long-term strategic partners. This strengthened partnership working will enable improved planning to better align training provision that supports learner progression and addresses businesses' skills needs.
28. In order to achieve this, it is proposed to work closely with the 33 providers to direct the additional allocation of this funding to those providers that deliver a quality training offer alongside achieving their projected number of learners and courses as stated in their delivery plan and demonstrate the capacity to grow their delivery in areas that are considered to be a priority to meet business needs.
29. Where required provision is not available from existing providers, specialist providers will be encouraged to enter into sub-contracting arrangements with existing providers for the coming academic year with consideration being given to direct funding agreements in future years.
30. Approval of these additional funding allocations will be completed via the agreed delegation process to the Chief Executive, in consultation with the Cabinet Portfolio holder.

## **FINANCIAL IMPLICATIONS**

31. The devolved AEB for the academic year 2017/18 has been confirmed by the Department for Education and is £29.5m. This is 2.29% of the national available Adult Education Budget. In future years the devolved funding to the Combined Authority will be equivalent to 2.29% of the national available budget which is subject to the annual Autumn Statement.
32. The indicative provider funding awards for 2019/20 are set out in Table 2 annex 1 and currently total £25.8m.
33. Grants will be awarded within the annual budget envelope and there will be no scope for over profiling.
34. External audit arrangements will be agreed with the Education Skills Funding Agency or externally secured to provide assurance of compliance and may have an additional funding requirement.
35. The funding allocated to this item is highlighted in the Investment Plan 2019-29.

## **LEGAL IMPLICATIONS**

36. 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.

37. Providers have been notified of their indicative allocation in early May and there appears to be no indication that any provider is seeking to formally challenge the level of their allocation. If such a challenge did occur it would need to be by way of the judicial review process and the Combined Authority is able to defend such a challenge on the basis that the funding was allocated rationally following a fair and transparent process. The grant process is not subject to the public procurement regulations and formal challenge under those regulations is not therefore possible.

## **RISK ASSESSMENT**

38. 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 will be updated and submitted to the Committee for further consideration on a regular basis.

## **CONSULTATION & COMMUNICATION**

39. 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.
40. An AEB Strategic Steering Group of key stakeholders (Local Authority, Further Education Colleges, Association of Colleges and the Education, Skills Funding Agency) was established and consulted to shape this process.
41. Two open provider engagement events were also hosted in 2018 to test the strategy and approach to be implemented.
42. The commissioning process was launched on the 30 November 2018 and was supported with two provider information events. In addition to this providers were able to communicate via the commissioning portal, and all relevant questions received were recorded on the Frequently Asked Questions section and made available for all prospective providers to view, to ensure openness, transparency and fairness.

## **EQUALITY & DIVERSITY**

43. An equality and diversity impact assessment has been carried out and submitted for consideration by the Department of Education as part of the required devolution readiness conditions.
44. As part of the commissioning process all Training providers receiving funding must have a published Equality and Diversity policy.

45. As the devolution of this budget is focussed upon increasing access to learning and the labour market groups 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.

**Name of Contact Officer:** Shona Duncan

**Post Title:** Head of Education, Employment and Skills

**Telephone Number:** 01642 528832

**Email Address:** shona.duncan@teesvalley-ca.gov.uk