

Appendices 2, 3 and 4 to this report are not for publication by virtue of paragraphs 3 of schedule 12A of the Local Government Act 1972

AGENDA ITEM 13**REPORT TO THE TEES VALLEY
COMBINED AUTHORITY CABINET****2nd JULY 2021****REPORT OF HEAD OF SERVICE FOR
EDUCATION, EMPLOYMENT AND SKILLS****ADULT EDUCATION BUDGET (AEB)****SUMMARY**

This report recommends, for approval, the funding awards to be awarded to the successful Training Providers following the recent procurement process. The report summarises the procurement and appraisal process undertaken and the recommendations to awarding the funding for the delivery of skills training for the 2021/22 academic year, commencing 1 August 2021. The report also provides cabinet members with an update on policy changes and evaluation outcomes.

BACKGROUND

The Combined Authority is approaching the third academic year of implementing the devolved Adult Education Budget in the Tees Valley.

The devolved budget for academic year 2021/22 has been confirmed by the Department of Education as £31,091,395. The budget is to provide education and skills training for Tees Valley residents aged 19 and over only.

In addition to the devolved Adult Education Budget, the Combined Authority has also been allocated an additional £2,127,957 to support the implementation of the Lifetime Skills Guarantee Level 3 Adult Offer from 1 August 2021. This is a ringfenced budget which is subject to reconciliation and claw back from DfE.

Previously, the Cabinet resolved to:

- i. Approve 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. Approve 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. Agree 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. Approve the implementation of a revised, linear payment profile.
- v. Agree to receive a further report in 2021 summarising the outcome of an external evaluation of AEB for the 2019/20 Academic Year.

RECOMMENDATIONS

It is recommended that the Combined Authority Cabinet:

- i. Notes the outcomes of the AEB evaluation for 2019/20 academic year, a summary of which is attached at **Appendix 1**.
- ii. Notes the outcome of the Adult Skills Framework process as listed at **Appendix 2**,
- iii. Approves the Provider funding awards for as presented at **Appendix 3**.
- iv. Approves the Provider funding awards for the Level 3 Adult Offer as presented in **Appendix 4**.
- v. Agrees 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,
- vi. Agrees to the management costs of £600k per annum for continued operational management of AEB this budget, which equates to 1.8% of the 2021/22 budget; and
- vii. Notes the revised policies for implementation from 2021/22 academic year as listed at **Appendix 5**.

DETAIL

1. The 2021/22 academic year devolved Adult Education Budget of £31,091,395 includes £45,754 to support those adults aged 19-23 as an uplift to access the new qualifications that have been made available through the Level 3 Adult Offer.
2. Taking 2021/22 commitment and anticipated end of year financial performance, we expect a carryover amount of approximately £2m into the 2021/22 academic year.
3. The Lifetime Skills Guarantee Level 3 Adult Offer was announced by the Prime Minister in September 2020 to enable adults aged 24+ who do not already have a level 3 qualification or equivalent i.e., equivalent to 2 A Levels to access L3 training at no cost. £2,127,957 has also been devolved to the Combined Authority to support the Tees Valley residents aged 24+.

Procurement Process

4. In April 2021, the Combined Authority launched an opportunity through an open process via the NEPO (North East Procurement Organisation) portal to establish a Skills Framework of high-quality providers that the Combined Authority can either “direct award” or “call-off” to deliver skills provision in Tees Valley over a period of up to 4 years from 1 August 2021.
5. At the same time as the Skills Framework was launched a “call-off” opportunity was also launched for the Adult Education Budget and Level 3 Adult Offer for delivery commencing in the 2021/22 academic year.

6. In line with the previously agreed strategic approach the Combined Authority continues to seek to fund those providers who can demonstrate:
 - high quality and performance
 - a track record of successfully delivering adult skills
 - an adult-skills offer that meets the needs of the labour market in the Tees Valley and is aligned to its strategic priorities
 - a strong economic contribution to the Tees Valley; and
 - demonstrates financial viability.
7. To secure a funding award all potential providers were required to submit a Delivery Plan that was appraised as part of the procurement process.
8. Providers must be successful in securing a place on the Skills Framework for their applications for AEB and Level 3 funding to be considered.
9. The funding awards are for three years, with funding levels confirmed annually. Future funding is subject to satisfactory delivery performance and the availability of devolved funding.
10. All providers will be subject to on-going performance management through the published Performance Management Framework.

Appraisal Process

11. The procurement process closed to providers at 12 noon on the 10th of May 2021.
12. The Combined Authority has undertaken formal appraisal of the submissions received and a panel of appraisers has had representatives from across several teams including Procurement, Finance and Education, Employment and Skills.
13. Where the applications and requests for funding exceed the budget, the Combined Authority has implemented a scoring and ranking system and has applied this to both budgets available.
14. A total number of 76 applications were received for the Skills Framework. 3 were non-compliant, 6 failed the financial assessment and 13 were unsuccessful as did not reach the minimum threshold score of 60. 54 applicants have been successful, as listed in **Appendix 2** and have been placed on the framework.
15. The total requested funding for AEB provision was £44.8m, this exceeds the available budget. Therefore, not all providers could be funded nor at the level requested.
16. The funding breakdown is detailed in **Appendix 3**. Future funding allocations will be dependent on the AEB funding allocation from DfE to TVCA and satisfactory performance by each provider.
17. The final funding allocations will be subject to further detailed scrutiny of the Delivery Plans with the providers, however, the allocations will be no more than those listed in **Appendix 3**.

18. For existing AEB providers who have been unsuccessful in securing a funding allocation, a “wind down” contract will be agreed to support learners who have already commenced their skills programmes and are not due to complete until the 2021/22 academic year. This will be funded using underspend in the 20/21 AEB budget.
19. The total requested funding to deliver the Level 3 Adult Offer was £5.3m, against a DfE L3 budget allocated to TVCA of £2,127,957. Therefore, not all providers could be funded nor at the level requested. Details of the funding allocated is given in **Appendix 4**.

Further in-year allocations

20. Subject to funding availability it is recommended that further allocations are made to providers in year which will be subject to performance and quality in line with the Performance Management Framework and will be considered at R06 (February) at the earliest.

Policy Review

21. A review of all existing AEB policies has been undertaken and these have been issued as part of the procurement process.
22. Feedback from providers has been taken into consideration as well as any changes to national policy and areas for continuous improvement that have been identified within TVCA.
23. An overview of these is set out in **Appendix 5**.

FINANCIAL IMPLICATIONS

24. The devolved AEB for the academic year 2021/22 has been confirmed by the Department for Education and is £31,091,395.
25. The devolved Level 3 Adult Offer for the academic year 2021/22 has been confirmed by the Department for Education and is £2,127,957.
26. There is approximately £2.5m unallocated AEB funding from previous years, this will be rolled over to academic year 21/22. This value may increase once reconciliation of academic year 2020/21 is complete.
27. Funding to providers will be awarded within the annual budget envelope and paid on an agreed monthly profile.
28. End of year reconciliation will take place in line with the Funding Agreement and Performance Management Framework policy and will claw back of any unused funds where applicable.
29. The recommended provider funding awards for 2021/22 are set out in **Appendix 3**.
30. The recommended funding awards for the Level 3 Adult Offer are set out in **Appendix 4**.

31. External audit arrangements have been externally secured with RSM to provide assurance and compliance of the AEB funding from 2020 – 2023. Management fee is proposed to be £600k to take into consideration the additional resources required to manage the AEB and the level 3 adult offer. This equates to 1.8% of the total budget for AEB and Level 3 Adult Offer and covers external audit costs.

LEGAL IMPLICATIONS

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

RISK ASSESSMENT

33. 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 regularly reviewed and updated.

CONSULTATION & COMMUNICATION

34. The external evaluation of 2019/20 delivery has engaged with all existing training providers and the recommendations have been considered and incorporated as appropriate.
35. Tees Valley Management Group, Chief Executive's and Leaders have been consulted prior to the launching of the procurement process.
36. All providers have been able to seek clarification through the NEPO portal up until the 29th of April 2021.

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Appendix 1 AEB year 1, 2019/20 evaluation summary

1. An external evaluation of the Adult Education Budget was commissioned on behalf of TVCA for the 2019/20 academic year.
2. Due to the impact of Covid 19 the evaluation focussed upon provider feedback and research into AEB funding models that could be considered for future use in the Tees Valley.
3. The report acknowledged the first year of a devolved Adult Education Budget (AEB) to the Combined Authority did not anticipate any significant changes being made in the first year but that this would be the beginning of a journey to implementing change in future years.
4. The report also recognised that impact that COVID-19 had a significant impact on progressing the change required and potentially any notable change would only be made after year 3.
5. Covid 19 also had a significant impact on the planned delivery, many providers experienced a huge drop in demand from learners. Many providers did move to online and remote learning models, but the anticipated levels of delivery remain lower than anticipated. The lockdowns also delayed implementation of the local flexibilities and employer led skills pilot programmes from March 2020, however these have now been progressed where demand is emerging.
6. Several recommendations have been made because of direct feedback from providers which have been taken into consideration for 2021/22 academic year.
7. The evaluation summary is published on the Combined Authorities website and a summary of the recommendations from the evaluation and actions taken is as follows:

Evaluation summary

| Recommendation | Progress |
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| <p>1. Give greater flexibility to providers to be able to respond to employer's needs - Provider feedback is that the Delivery Plan and the Change Request process is too bureaucratic</p> | <p>For 2021/22 we have introduced parameters that providers can work within, without having to agree a "Change" in delivery.</p> <p>This process enables providers to work within sector priority areas within their agreed delivery plan. However, if they want to move provision into non-priority areas, they must continue to seek approval.</p> |
| <p>2. Reduce duplication and perceived overlap of processes, including manual processes replicating data returns, and asking for information already available</p> | <p>2021/22 Data Collection templates for:</p> <ul style="list-style-type: none"> - Learner progression including employment outcomes - Barriers to Learning funded via the learning and learner support |

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| <p>elsewhere to be presented again in a certain format for TVCA.</p> | <ul style="list-style-type: none"> - Community Learning have been reviewed to ensure that data collected cannot already be collected through alternative means. <p>The request for a provider Annual Review report has been removed and required information will be incorporated into the provider annual Self-Assessment Report</p> |
| <p>3. Give greater clarity of expected outputs and outcomes - Providers to report better evidence of outcomes and impact</p> | <p>Further training will be given to providers at the start of 2021/22 academic year to ensure that they are reporting on the progression of learners as outcomes.</p> |
| <p>4. Provide equal access to learner support funding to all providers</p> | <p>The procurement process for 21/22 enables all providers to seek a Learner Support allocation.</p> |
| <p>5. Increase accountability of providers through audit assurance/contract compliance rather than performance management</p> | <p>2021/22 Performance Management Framework policy has been reviewed and revised to give greater accountability and responsibility to the providers:</p> <ul style="list-style-type: none"> - Formal review points have reduced to three times a year i.e., R06 Jan, R12July and R14 Sept - Actions/interventions in relation to under-performance remain e.g., Delivery Assurance Plan, suspension of payments etc; but will continue to be reviewed and simplified where possible. - In line with national requirements the monthly ILR data return remains and will be reviewed against profile and Delivery Plans. - Provider review meetings will take place based upon a risk management process - In line with national requirements and the devolution deal with the Department of Education, external audit and assurance processes will be implemented from summer term 2021 |
| <p>6. TVCA is recommended to consider how the AEB funding rules could be strengthened to better take account of both concurrent and sequential</p> | <p>The 2021/22 Funding Rules Policy now requires providers to undertake robust Initial Assessment in consultation with the national</p> |

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| <p>overlapping learning aims and ensure better value for money.</p> | <p>Provider Learner Record (PLR) system which details a learner's prior learning.</p> <p>Providers must record this as evidence of prior learning and must not enrol a learner onto learning already undertaken.</p> |
| <p>7. Ensure Community Learning facilitates progression better, with defined outputs and acceptable measures of progression. Ensure that funding per learner is adequate to support required activity and accessible to all learners.</p> | <p>The 2021/22 Performance Management Framework Policy will begin to introduce improved reporting of Community Learning outcomes.</p> <p>This is an area for further research and evaluation linked to future funding models. The Combined Authority will work with Community learning providers to develop a more robust but manageable recording process is in place.</p> |
| <p>8. Set out a clear timetable for all business and investment processes and decisions, including when outcomes of processes will be communicated. Also, provide greater clarity and transparency on the decision-making process e.g., share information on who makes decisions, when and timescales.</p> | <p>2021/22 Performance Management Framework Policy and business cycle has taken this into consideration.</p> <p>Further work will be undertaken to ensure clarity of the decision-making process and the communication of decisions made.</p> |
| <p>9. Over time, develop the relationship with providers to one that is more of a collaborative partnership model. Build on the strong relationships between the Relationship Officers and providers to enable this and include more strategic dialogue as part of such an approach.</p> | <p>COVID-19 has delayed this as an original intention for year 2. It has also had an impact on the ability of the Relationship Officers to get out to provider premises to get to know them better, their facilities, delivery models as well as future direction.</p> <p>Whilst there has been some excellent feedback from providers about the relationships with the TVCA AEB staff, this will be taken on board for the future.</p> <p>Review meetings however do flag that many providers continue to find the forward planning and responding to changes in employer demand a challenge. Further support will be put in place to assist in developing a satisfactory solution.</p> |
| <p>10. If TVCA retain a plan led approach, and in light of the Covid-19 pandemic, it is</p> | <p>2021/22 process for awarding AEB has taken COVID-19 into account and enables providers</p> |

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| <p>recommended that as TVCA update the 2019/20 AEB Strategic Skills Plan (SSP) to reflect the most up to date position to take account of the current economic climate and the impact of the COVID-19 pandemic.</p> | <p>to be responsive to the emerging needs when requesting funding and submitting their Delivery Plan.</p> <p>The next iteration of the Skills Plan will reflect the impact of Covid 19 and the changing labour market.</p> |
| <p>11. Clarify the role and responsibility of TVCA regarding the management of the AEB. Ensure that all providers, their staff and TVCA staff have a good and thorough understanding of all parties' roles and responsibilities. Ensure that all activities in support of the approach are clearly and openly explained to all involved, and if necessary, reaffirm this on a regular basis.</p> | <p>2021/22 Performance Management Framework Policy has been reviewed to strengthen the roles and responsibilities as well as the processes for decision making. Regular communication statements and training will be implemented as appropriate.</p> |
| <p>12. It is also recommended that alongside the Strategic Skills Plan, TVCA should publish an Annual Delivery Plan in partnership with providers, providing clarity regarding the expected outputs and outcomes to be delivered. This will support providers to collaboratively plan with others, and together better meet the needs of Tees Valley residents and employers.</p> | <p>The new Skills Strategy will take account of the devolved AEB and expected outcomes and impact.</p> <p>Further work will be undertaken during 2021/22 to better define the skills required to be delivered by AEB and associated devolved budgets.</p> |

Appendix 5

Adult Education Budget (AEB)2021/22

2021/22 AEB Policy Changes

| Policy Document | Change |
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| TVCA Adult Education Budget: Funding and Performance Rules 2021/22 | <ul style="list-style-type: none"> • Includes new Lifetime Skills Guarantee L3 Adult Offer. • Includes new Level 4 Offer and eligibility criteria. • Impartial Information, Advice and Guidance wording has been revised to include requirement to reflect the local labour market. • All providers will be required to consult and reflect the new national Personalised Learner System to record prior learning and reflect this in the Individual Learning Record. • Removal of High Value Learners as per national policy change. |
| TVCA Sub-Contracting | <ul style="list-style-type: none"> • Introduction of a value cap - provider can sub-contract no more than 40% of AEB • A provider cannot be both a sub-contractor and hold a direct contract. • No new sub-contracting without prior agreement. • Cap of management fees for sub-contracting to be charged at 20%. • A provider can only sub-contract to one provider and not multiple providers. • Sub-contracting will be included in audit process. |
| TVCA Adult Education Budget Funding and Formula Rates 2021/22 | <ul style="list-style-type: none"> • Includes a new section for TVCA Employer led funding flexibilities and values. |
| TVCA Funding Claims and Reconciliation Guide 2021/22 | <ul style="list-style-type: none"> • Updated to include Mid and End of Year Reconciliation Process for AEB and Level 3 Adult Offer. |
| TVCA Performance Management Framework 2021/22 | <ul style="list-style-type: none"> • Policy and process to give greater flexibility but accountability and responsibility to the provider. • Reduce the Performance Review Points to include review mid-year (R06), end of year (R12) and end year (R14). |

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| | <ul style="list-style-type: none"> • Revised Business Cycle and requirements of providers to include clarity about in-year funding growth requests. • Payment date for all providers from 14th to 20th considering bank holidays and the data returns. • To include new Contract Compliance requirements, including on-site visits. • Changes to performance monitoring that will now be undertaken on a risk assessment basis. • Removed requirement for providers to submit an annual review. • Reinforced the requirements of providers to submit timely and accurate data via the Individual Learner Record. • Include more robust performance management of Community Learning to include the requirement for providers to submit a delivery profile. • Introduced more streamlined process for requests for delivery plan changes. |
| 2021/22 TVCA Conditions of Funding Agreement – All Providers (FE (Further Education) Colleges, Authorities, Sixth Forms and Independent Training Providers) | <ul style="list-style-type: none"> • To include Social Value obligations as part of funding agreement. |
| Intervention and Accountability 2021/22 | <ul style="list-style-type: none"> • Sets out Provider Risk Assessment Criteria |
| Individual Learner Record Guides and Templates and Individualised Learner Record Specification 2021/22 | <ul style="list-style-type: none"> • Includes a new section for TVCA Employer led funding flexibilities and values. • Includes any new TVCA Learner Delivery and Monitoring Codes. |
| Provider Support Manual 2021/22 | <ul style="list-style-type: none"> • ESFA 2021/22 Support Manual is available on Gov.Uk website, TVCA flexibilities now included. |

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| TVCA Delivery Plan | <ul style="list-style-type: none">• Includes Level 3 Adult Offer and qualifications section.• Includes Learner Support option for all providers. |