

Report to Sheffield City Region Overview and Scrutiny Committee

Date of Meeting:	25 March 2021
Subject:	Devolved Adult Education Budget Commissioning
Purpose of the Report:	To provide an overview of the Adult Education Budget and the context in which the Authority is commissioning delivery of the devolved budget from August 2021.
Recommendation(s):	Committee members are asked to note this update on Adult Education Budget (AEB) commissioning.
Category of Report:	Open

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Summary:

The Authority will assume responsibility for the devolved Adult Education Budget (AEB) from 1 August 2021. This paper provides an overview of the context in which that funding has been devolved and of the approach the Authority is taking to commission provision. The paper explains the budgets, the provider landscape, the nature of provision and how that relates to learner needs.

1. Introduction/Context

- 1.1 Under the terms of Sheffield City Region Devolution Deal, the Authority will assume responsibility for the devolved Adult Education Budget (AEB) and for ensuring provision is in place for learners aged 19+ from 1 August 2021.
- 1.2 The AEB is the main funding stream for adult learning in England. Nationally, the budget for AEB will be £1.34 bn in 2021/22. After a top slice for traineeships, the remaining budget is commissioned either by the Education and Skills Funding Agency (ESFA) for non-devolved areas or by MCAs who receive a share of AEB in proportion to their % share of adult residents. The South Yorkshire share is 3% of the national budget, minus funding for learners who are already on programme and who will be continuing their learning in the 2021/22 academic year.
- 1.3 Under the devolution deal, certain responsibilities will transfer to the MCA from the Secretary of State for Education. These include statutory responsibilities in relation to delivery of certain types of learning (para 2.14 below and Annex 2) and an administrative agreement to ensure a smooth transfer to new arrangements without destabilising FE Colleges.
- 1.4 The AEB has historically funded lower level learning, giving adults a second chance to secure qualifications they may not have achieved through formal education and to secure important skills before progression into or within employment. Devolution of AEB to the MCA will ensure that in future the budget will better support residents through learning that is more relevant to the needs of the local labour market.
- 1.5 AEB should not be seen in isolation as the only source of funding for skills. AEB funded learning has a specific role to play alongside other programmes, including the 16-18 Study Programme, Apprenticeships and National Skills Fund programmes and employment programmes such as Kickstart and Restart. While the Authority does not hold other budgets, it

has a leadership role through coherent messaging and relationship building to ensure AEB is used alongside other funding streams to achieve greater impact.

2. Matters for Consideration

2.1 Budgets involved

The Authority received confirmation from DfE at the end of January that its AEB allocation for the academic year 2021-22 will be c£39.3m. AEB itself funds multiple things:

- Funding for Community Learning;
- Adult Learner / Learning Support: support for learners who need additional help;
- Funding for statutory 'entitlement' learning – basic English, maths and digital learning for which the Authority will assume statutory responsibility;
- Other adult learning to help people secure the skills needed for life and work.

2.2 DfE has also provided the Authority with implementation funding on a matched basis to support implementation/transition costs, including all legal, financial and procurement advice, and to ensure resources are in place in the MCA in advance of the 1 August 2021.

2.3 The Authority will also receive a devolved pot of £2.79m Adult Skills Offer funding for 2021-22. This funding is from the National Skills Fund is ringfenced for Level 3 (A level equivalent) learning for adults leading to qualifications on a restricted list of 'higher value' qualifications.

2.4 South Yorkshire provider base

Data for 2018/19 shows **347** distinct organisations delivering AEB in South Yorkshire:

- 9 South Yorkshire providers receive a grant from the ESFA for AEB. These are local colleges, the Local Authorities and a Sixth Form College;
- 143 providers based outside the region receive an ESFA grant for delivery to South Yorkshire residents, again typically local authorities and Colleges;
- 86 Independent Training Providers (ITPs) deliver AEB to SCR residents;
- Allocations to providers varying from £40 to £7m+;
- 75% provision is direct delivery, with 25% subcontracted.

2.5 To prepare the ground for devolved AEB, the Authority has been working to address challenges inherent in the provider market as described above. Those challenges include:

- A need for a clearer line of accountability between the local provider base and the needs and priorities of local residents and impact on the South Yorkshire economy;
- Reducing overall the number of providers so that budgets are not spread so thinly to help the resilience of the local provider base;
- Addressing the 'long tail' of providers currently delivering to very small numbers of South Yorkshire learners. Sheffield College has a grant of £7m+; in comparison, 184 providers have contracts for £50k or less. This is inefficient in terms of access and duplication of offer, and not sustainable MCA to administer.
- Reducing administrative costs by removing providers who are only able to deliver in South Yorkshire by subcontracting which increases the risk of top-sliced budgets.

2.6 A smaller provider base with fewer subcontractors will enable more AEB to be spent on delivery rather than admin costs so rationalising our approach to the provider landscape is an important priority. Alongside this, the Authority is preparing to invest significantly in new strategic high trust relationships with providers and to communicate and collaborate enabling shared ownership of the priorities that will support our recovery and growth ambitions.

2.7 Approach to commissioning

In June 2020 the Employment and Skills Board agreed that grant allocations should be made to each of the 9 existing South Yorkshire based ESFA grant funded providers. This includes the 4 General FE Colleges (Barnsley, DN College Group, RNN and Sheffield), 3 local authority providers (Barnsley, Doncaster and Sheffield) plus Longley Park Sixth Form.

- 2.8 As part of the agreement with DfE, the Authority committed to support grant funded providers through transition to new devolved arrangements by guaranteeing core funding. We are proposing to allocate core AEB grant funding at 2018/19 levels based on analysis of ESFA data. In addition, the Authority proposes to allocate growth funding for provision which supports the Authority's priorities. The total to be paid through grants is expected to be **£27.8m**, subject to MCA Board approval. [NB figures tbc after the MCA Board on 22 March]
- 2.9 The Board also agreed to run a procurement exercise to provide a Framework and a set of call-off contracts giving us the capability to address specific skills issues. The indicative value of the procurement exercise is £10.2m and we anticipate that the total number of providers delivering devolved AEB provision to South Yorkshire residents will be around 50.
- 2.10 A procurement exercise is underway against Lots with an indicative value of £10.2m. Details of each Lot are set out at Annex 1. 190 tenders were received against these four Lots from 120 different bidders. Although the timeline for assessment of bids has stretched, we are on schedule to on-board providers from early June.
- 2.11 **Delivery priorities**
In setting priorities for AEB, the Authority has considered the current mix and balance of provision, statutory obligations arising from the devolution of AEB, learner requirements and the Authority's own priorities to support recovery and growth.
- 2.12 In 2018/19, there were around 25k learners enrolled on 46,500 learning aims across South Yorkshire. The current offer includes Community Learning, 'entitlement' learning (basic skills and some Level 2 provision) and short course provision at Levels 1 and 2 and below. Around £5m was spent across South Yorkshire on Community Learning in 2018/19.
- 2.13 The Authority is increasing the focus on entitlement learning including a shift to Full Level 2 qualifications (equivalent to 5 good GCSEs) from short course provision. In 2018/19, only 94 first Full level 2 qualifications were delivered with delivery of Level 3 only slightly higher.
- 2.14 Details of the statutory responsibilities that will transfer from Secretary of State to the MCA under devolution are set out in Annex 2. The Authority must ensure that there is sufficient provision for learners seeking to improve basic English, maths and digital skills and for young people aged 19-23 to enrol on Full Level 2 and Level 3 programmes. This has been a core element of the discussions with grant funded providers in developing their 3-year delivery plans and it is also embedded within each of the procurement Lots.
- 2.15 AEB will help address key labour market and skills challenges in the region including low aspiration, higher than average unemployment rates, comparatively low productivity and people trapped in low paid, low skilled work. AEB will contribute to recovery and growth by helping residents progress into good jobs with better pay in sectors with growth opportunities. Annex 3 sets out the current and proposed sector focus for delivery.

3 IMPLICATIONS

a Financial

There are no new financial implications arising from the content of this paper.

b Legal

Legal advice has been provided to the Authority throughout the AEB commissioning process.

c Risk Management

No new risks arise from this update report. The Authority is managing the following risks:

- Delays to the commissioning process either grant funded or procurement;
- Future challenges by learners to the MCA on delivery of entitlement provision;

d **Environmental**

Questions on social value have been built into the AEB procurement exercise; bidders are asked about the social value of their proposal, which may include environmental impact.

e **Equality Impact Assessment**

AEB funding supports learning at lower levels including programmes that help overcome barriers to learning and support inclusive growth.

f **Performance Management/Measuring Outcomes**

The Authority will manage the performance of AEB Providers. Grant funded providers will be paid on profile against their 3-year plans and subject to regular reconciliation. Contract for service providers will be managed against deliverables in their contract awards. All providers will be subject to the same Funding and Performance Management Rules.

Providers will report delivery through the ESFA's Individualised Learner Record, which will be made available to the Authority allowing payments to be made to providers. They will continue to claim funding where appropriate through the Earnings Adjustment Statement.

The Authority will use ILR data and other information to review performance at key points during the year, with an option to reallocate funding where there is under-performance.

Although grant funded providers have developed 3-year plans, we will have an option to review progress before confirming our allocations for 2022-23. Similarly, procured contracts will have a break clause within each contract, should we need to re-negotiate their contract.

3 **Consideration of alternative approaches:**

This section is not applicable for this update paper.

4 **Issues the Overview and Scrutiny Committee may wish to consider ...**

Committee Members are invited to give their views on what for them would demonstrate successful landing of devolved AEB.

5 **Recommendations**

Committee to note progress with devolution of the AEB and the decisions taken to date.

6 **Appendices/Annexes**

Annex 1 – AEB procurement Lots

Annex 2 – Responsibilities under devolution

Annex 3 – Analysis of delivery by sector subject area and MCA priorities

The following section is a legal requirement:

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Other sources and references: Data sources: ESFA data cube under data sharing agreement.	