

Appendix A

Approach to Reconciliation of AEB Grants

Background

The purpose of the paper is to discuss and settle on a process for setting the threshold for Grant Reconciliation for this academic year (2021/22). The paper does not seek to set the threshold at this point, the paper will agree a process for setting the threshold later in the year. This should give AEB Grant Holders early visibility of a decision which could have significant impact on their organisation.

A grant reconciliation would happen if a AEB Grant provider delivers less than the set threshold (currently set at 100%). SYMCA would recover the difference between their actual delivery and the percentage threshold set. For example, if the threshold was set at 90% and the Grant provider delivered 85% of their allocation this would result in a recovery of 5% of a provider's allocation.

This change would only be for this year, the reconciliation threshold would revert to its normal level of 100% for next academic year (2022/23).

As with the National AEB rules our Grant Reconciliation sets a grant provider's final delivery value against their SYMCA allocation value to calculate the final delivery percentage on which reconciliation is based. Currently in South Yorkshire Grant Reconciliation is set at 100% by our Local Funding and Performance and Management Rules. <https://southyorkshire-ca.gov.uk/getmedia/8c8179bb-7719-4991-8099-dda5d6983ec8/Schedule-3-Funding-and-Performance-Management-Rules.pdf>.

Covid impact could create a need to review these arrangements. Particularly where under-delivery of SYMCA grant funded AEB may cause financial difficulties or local circumstances make it impossible for grant funded organisations to deliver at the 100% level.

Changes to the SYMCA Grant Reconciliation process would impact all of our AEB Grant Holders. For reference the nine Grant Holders are: -

1. Barnsley College
2. Barnsley Metropolitan Borough Council
3. DN College Group
4. Doncaster Metropolitan Borough Council
5. Longley Park Sixth Form College
6. Northern College
7. RNN
8. Sheffield City Council
9. The Sheffield College

Key Issues

At this point in the academic year where the SYMCA has received only three months of AEB delivery data, it is too early to judge what overall performance of our appointed Grant providers will look like if the delivery environment were to stay as it currently is.

There is a chance that an increase in Covid cases could lead to another period of tightening of Covid restrictions. This would have a knock on impact on providers ability to deliver AEB provision.

Contracted providers are paid on actual delivery so arguably it does create a further imbalance between our contracted and grant providers if the MCA were to set a reconciliation point lower than 100% and we were not to provide some sort of financial support to contracted providers.

This is an established practice both in other devolved areas and in non-devolved AEB delivery. For example, last year (2020/21) in non-devolved AEB delivery DfE originally set their reconciliation point at 90%. This threshold was based on aggregate information that providers had submitted at the mid-year point. It became clear as the year went on that a greater percentage of providers than expected would not reach the 90% threshold and were therefore subject to a recovery of funds.

Rather than reduce the threshold DfE/ESFA allowed any Grant Provider which did not reach the threshold to submit a business case setting out why their Grant Allocation should not be reconciled for under delivery¹. In 2019/20 the non-devolved threshold for Grant reconciliation was set at 68%.

Example Approaches taken by other MCAs for 2020/21:

Cambridge and Peterborough CA and Tees Valley CA implemented a 90% threshold for 2020/21.

Greater London Authority implemented a 90% threshold for 2020/21.²

North of Tyne CA allowed providers to carry-forward their underspend from 2020–21 into 2021-22, so potentially a provider may have a carry-over contract and a 2021-22 contract.

Greater Manchester CA set a threshold of 67% for 2020/21³.

Liverpool City Region CA set a threshold of 68% for 2020/21⁴.

Options Considered and Recommended Proposal

Option 1 - Mirror Nationally set reconciliation levels

The DfE/ESFA will decide whether they will set a reconciliation threshold later in the year after the mid-year performance review.

Under this option SYMCA will agree to the principle of mirroring the national position.

¹ <https://www.gov.uk/government/publications/esfa-grant-funded-adult-education-budget-reconciliation-business-case-process>

² https://www.london.gov.uk/sites/default/files/final_aeb_grant_funding_rules_2020-21_v2_2.pdf

³ <https://greatermanchester-ca.gov.uk/media/4379/gmca-aeb-fpmr-covid-response-2021.pdf>

⁴ <https://www.liverpoolcityregion-ca.gov.uk/wp-content/uploads/LCRCA-AEB-Funding-Rules-2020-21-Final-Version-6-May-2021.pdf>

Benefits –

Thresholds likely to be reasonable / sensible.

Adopting the national processes makes it straightforward for providers with devolved and non-devolved provision.

The process is likely not to be controversial, however there were some complaints last time incl from our colleges.

This option is likely to be the least resource intensive approach for the MCA.

Risks

A national process will not reflect local circumstances, this could be significant if Covid conditions in South Yorkshire do not reflect the national picture

It is difficult for the MCA to commit to this course of action until the ESFA publish the detail of their reconciliation process for 21/22.

This is arguably not in the spirit of devolution.

Option 2 – Create a local process which runs like a local version of the ESFA one.

The national ESFA process combines current provider performance information with forecast information from providers about how much of their allocation they think would deliver by the end of the academic year. This information has then been used to set the threshold in the last two years that have been impacted by Covid-19. SYMCA could replicate this locally.

Benefits

This approach would be sensitive to local conditions.

This option would be entirely within SYMCAs control.

Risks

Grant holders face conflicting priorities in forecasting the final position of their delivery.

There are only 9 grant holders in South Yorkshire which really limits the sample size. This creates a risk that the sample could be too sensitive to provider performance rather than issues created by Covid.

This has the potential to be a politically divisive decision. Some Grant Providers are likely to feel unhappy at the outcome of this process. There is strong possibility that our Grant Providers would challenge our approach.

Option 3 – Do Nothing

At this stage of the academic year it is not clear whether the grant reconciliation process will need be adapted to reflect issues caused by Covid. The MCA could decide to do nothing at this stage thereby keeping the reconciliation threshold as it is in the Funding and Performance Management Rules, at 100%. The MCA would commit to keeping this under review and would need to revisit this discussion at a later date if circumstances change.

Recommended Proposal

Option 1 -Confirm that it is SYMCAs intention to follow the national ESFA position.

Timetable and Accountability for Implementing this Decision

Next Steps

If agreed by the board the MCA would circulate a note to Grant Providers outlining the decision taken.

This section in the FPMRs will be updated to reflect these changes.