



Skills & Employment Committee		Agenda Item
4 March 2024		5
Title:	Improving Efficiency and Effectiveness (Adult Education Budget)	
Report of:	Jaki Bradley, Head of Adult Education Budget	
Lead Member:	Cllr Lucy Nethsingha	
Public Report:	Yes	
Key Decision:	KD2024/012	
Voting Arrangements:	Vote required	

Recommendations:	
A	To note and scrutinise actions that will improve the efficiency and effectiveness of how the CPCA utilises its devolved Adult Education Budget funding.
B	To recommend that the Combined Authority Board approves: a) the in-year amendments for existing providers which include growth requests for high performing providers and reprofiling of funding where providers have under-performed b) the establishment of a flexible Innovation Fund, allowing us to respond to regional activities that underpin the priorities identified within the Employment and Skills strategy.
C	To delegate authority to the Assistant Director for Skills, in consultation with the Chief Finance Officer and Monitoring Officer to: a) enter into grant funding agreements and/or service contracts with training providers to deliver Innovation Fund project activity. This can either be with new (following a procurement exercise) or existing providers b) extend and /or vary contracts with existing providers where appropriate.
These actions are aligned with the recommendations of the recent three-year impact evaluation of the Adult Education Budget (Appendix 1) which was shared with members at Skills Committee in January 2024.	

Strategic Objective(s):	
The proposals within this report fit under the following strategic objective(s):	
✓	Achieving ambitious skills and employment opportunities
✓	Achieving good growth
	Increased connectivity
✓	Enabling resilient communities
The Combined Authority's devolution agreement and commissioning of skills programmes contributes to the above strategic objectives, aligned to the pillars within the Employment and Skills Strategy (2022):	

- **Pre-work learning and formal education:** improving learning and experiences of work, including quality careers information, advice, and guidance, during formal education; providing a strong foundation for labour market entry and future working lives.
- **Employer access to talent:** developing priority skills that support sustainable growth, improving employers' engagement with education and improving job quality
- **Life-wide and lifelong learning:** improving access to life wide careers guidance and a rich learning and skills offer to upskill and reskill residents through their life-course
- **Support into and between work:** Supporting the unemployed residents to transition into training and then employment and support to disadvantaged groups to access the labour market.

1. Purpose

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| 1.1 | <p>This paper proposes a number of actions that will improve the efficiency and effectiveness of how we utilise our devolved Adult Education Budget funding. Specifically:</p> <ul style="list-style-type: none"> • A more agile and simplified approach to commissioning decisions and funding allocation; enabling us to be more responsive to changing market conditions and learner/ employer needs • A new approach to managing our Innovation Fund which provides us with greater flexibility to test new ideas at pace • An outline of how we plan to review Community Learning provision in order to improve its effectiveness in supporting the most disadvantaged communities and individuals. – and pilot how we improve impact assessment • An update on ESFA funding rate changes to the Adult Education Budget and the likely impact on the AEB performance. |
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2. Agile Commissioning

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| 2.1 | A more agile and simplified approach to commissioning decisions and funding allocation; enabling us to be more responsive to changing market conditions and learner/ employer needs. |
| 2.2 | The current approach to commissioning providers and allocating funding is predicated on formal approval of specific annual allocations which cannot be amended in-year. This lack of flexibility is a problem given the changing demands for skills requirements from employers and wider stakeholders. |
| 2.3 | To enable the operational flexibility needed for a more agile response to demand, it is necessary for officers to reallocate funding in-year away from providers who have not performed and to move the available funding to providers that have the capacity to meet that demand. |
| 2.4 | In order to do this, it requires prior approval from the Skills Committee to undertake these in-year amendments for existing providers which include growth requests for high performing providers and reprofiling of funding where providers have under-performed. |
| 2.5 | Much of the commissioning of new skills requirements has been organised around an Academic Year however, new skills demand occurs at any time within the year, therefore we need to move to a more agile approach where provision can be contracted to meet specialist demand, as it is identified. |
| 2.6 | We propose to make this process more flexible and agile by introducing a Dynamic Purchasing System (DPS) which will be utilised for procurement across the CPCA Skills system including Bootcamps |
| 2.7 | This will be used to develop a provider base that has completed pre-qualification questions (PQQ) so that they are ready to respond to mini procurement competitions as demand is identified. Effectively, this gives us a pre-selected supplier base to enable a more agile and responsive procurement and commissioning process. The DPS is bound by procurement legislation which ensures the appropriate utilisation of public funding. |

3. Flexible Innovation Fund

3.1	A new approach to managing our Innovation Fund which provides us with greater flexibility to test new ideas at pace
3.2	<p>Since the 2020/21 academic year, the Combined Authority has made provision for an Innovation Fund, taken as a 'top slice' from the main devolved Adult Education Budget allocation. In the Medium-Term Financial Plan for the 2024/25 financial year, £500,000 is allocated to the Innovation Fund. In addition £740,500 will rollover from last year, £340,500 for ongoing projects and £400,000 which will be repurposed to fund activities to support skills priorities that align to the Employment and Skills strategy such as:</p> <ul style="list-style-type: none">• Community Learning review and outcomes framework development• Sector Talent Pipeline pilots• Good Work Charter training needs• Skills Planning Partnerships in each of the three sub-regions
3.3	<p>To date, spend has been allocated to specific projects in advance – many with very small funding allocations – and there has been little flexibility to reallocate money when circumstances change. For example, a number of activities were approved at Skills and Employment Committee on 5 July 2023 and were then delayed due to late approval/changed circumstances, and then the speed of internal processes required to move from approval to contract award has prevented the projects being started 'in-year'.</p>
3.4	<p>As a result, whilst the Innovation Fund's purpose is to test innovation and support new ideas as they arise, the rigid process around allocating funding is preventing us realising the fund's purpose and true potential.</p>
3.5	<p>In future, we want to build in more operational flexibility to ensure that the Innovation Fund can be mobilised to meet demands that arise throughout the year</p> <p>We propose, therefore, that the funding is allocated to themes that meet the purpose of the fund – i.e. to provide discretionary funding to learning and other local organisations to build capacity and infrastructure, pilot new approaches, strengthen partnership working and provide leverage of additional funding. Current themes include: Community Learning Review, Sector Talent Pipelines and Good Work Charter as described in this and recent Skills Committee meetings as well as support for Planning Partnerships and Community Hubs in cold spots such as East Cambridgeshire and St Neots. As themes develop we will bring them to the Skills Committee for consideration. The services will be provided by either existing or new providers.</p>
3.6	<p>In practice, this means that we no longer allocate funding to specific projects at the beginning of the cycle which can't then be reallocated if circumstances / demand changes.</p>
3.7	<p>With this greater operational flexibility, there would be a requirement to report to the Employment and Skills Committee on the outcomes of the Fund as part of the Skills Annual Performance Review.</p>

4. Community Learning Review and Impact Assessment

4.1	An outline of how we plan to review Community Learning provision in order to improve its effectiveness in supporting the most disadvantaged communities and individuals. – and pilot how we improve outcomes.
4.2	<p>The recent three-year impact evaluation of the CPCA's devolved Adult Education Budget (Appendix 1) highlighted that, at the outset of devolution, Community Learning provision was disrupted due to the strategic decision to focus on formal technical skills, resulting in a significant reduction in funding allocated to Community Learning.</p>
4.3	<p>In subsequent years, a strategic decision was taken to reallocate Community Learning funding to a level of 20% of the overall budget. This has enabled providers to reinstate provision.</p>

4.4	The next step is to ensure that the funding is utilised most effectively by reaching into the most disadvantaged communities and breaking down barriers which traditionally make it difficult for residents to engage with the skill system.
4.5	Therefore, we are undertaking a review of Community Learning in order to: <ul style="list-style-type: none"> • Understand more fully the impact of the funding and provision in order to champion its use • Identify and amplify areas of best practice • Introduce additional guidance and more consistent approaches to funding in order to improve impact across the region.
4.6	A critical element of evidencing learning impact is an outcomes framework. The Combined Authority has commissioned initial research into the use outcomes frameworks nationally and how they can inform the development of the CPCA's local outcomes framework. Full findings and analysis from desk based evidence of existing models, frameworks and approaches and interviews with different stakeholder groups will report recommendations in early March.

5. ESFA funding rate changes to the Adult Education Budget

5.1	An update on ESFA funding rate changes to the Adult Education Budget and the likely impact on the AEB performance.
5.2	The Education and Skills Funding Agency (ESFA) has undertaken a consultation on the implementation of a new FE funding and accountability system. A summary of the responses can be found below (Appendix 3). One outcome of the consultation is a new methodology for Adult Education Budget funding.
5.3	These changes will be implemented by the ESFA for the start of the Academic Year 2024/25.
5.4	Despite the AEB being devolved, the CPCA will be required to adopt some of the ESFA's changes due to our reliance on the Individualised Learner Record (ILR – the ESFA's electronic data return system).
5.5	The main changes include: <ul style="list-style-type: none"> • Renaming the current funding streams. The new funding streams will become Adult Skills (which will include Free Courses For Jobs (FCFJ) and Tailored Learning which will include Community Learning and non-regulated learning). • Moving to a funding methodology that is linked to the Guided Learning Hours (GLH) of a qualification rather than an amount for a Learning Aim. The effect of this will be to increase the funding per learner. • Tailored Learning (Community Learning) will continue to be grant funded. There are now 7 outcomes that must be evidenced on the ILR by providers.
5.6	The new ESFA funding rates and rules will be published shortly (expected at the end of March) which will, in turn, inform the CPCA funding rates and rules for 2024/25.
5.7	The DfE has consulted with MCAs to ensure that the changes can accommodate the funding flexibilities that devolution of the Adult Education Budget has enabled.
5.8	The most significant impact of the changes is that the number of learning aims, and therefore the number of people supported by Adult Education Budget funding, will reduce due to the higher rates of funding for each aim. Effectively, the funding per learner will increase as a result.
5.9	Whilst this increase is welcome in terms of quality, and providing more funding for providers, it means the CPCA will not be able to fund as many learners with its fixed funding. This will require us to become even more effective at choosing what we commission for maximum impact against our strategic priorities.
5.10	Colleagues within the CPCA's AEB team are working with providers to assess the impact on individual providers and the collective impact across the region. This will be reflected in future performance reports.

6. Appendices	
6.1	<i>Appendix A. AEB Impact evaluation</i>
6.2	<i>Appendix B. Skills Committee 9 Jan 2023 - Alignment of Procurement and Contracting</i>
6.3	<i>Appendix C. FE funding and accountability system consultation summary of responses</i>

7. Implications	
Financial Implications	
7.1	The impact of the new funding rates and formula on the devolved Adult Education Budget funds and the need to potentially draw down from reserves to serve the same number of individuals going forward in the event of the flat settlement of c£12m not being sufficient in the short term.
Legal Implications	
7.2	The recommendations and activities outlined in this paper are to discharge the Combined Authorities' statutory duties under the Apprenticeships, Skills, Children and Learning Act 2009. Under the devolution agreement of 2016, specified adult education functions from the Secretary of State were transferred to the Combined Authority.
7.3	Legal and finance will undertake due diligence on providers of services before issuing contracts. The Dynamic Purchasing System will be used to publish mini competitions as required before contracts for services are awarded to the successful organisations following completion of due diligence and subsidy control.
Public Health Implications	
7.4	The report recommendations have positive implications for public health. Participation in adult learning improves the health and wellbeing of participants and wider society. Being able to measure the wider outcomes of learning will provide evidence of the most effective approaches which will inform future planning and joint work with public health colleagues.
Environmental & Climate Change Implications	
7.5	The report recommendations have positive implications for the environment. Environmental Conservation courses and Carbon literacy are funded by AEB. In addition, training for retrofit occupations (in construction trades) and electric vehicle maintenance and charging and digital skills are also funded by AEB, FCFJ and Skills Bootcamps.
Other Significant Implications	
7.6	The recommendations in this report have due regard to the Combined Authority's Equalities duties under the Equality Act 2010 in implementing funding policies which seek to widen participation and make learning opportunities more accessible for all citizens including all protected characteristics.
7.7	Within their funding allocation, all Learning Organisations have Learner Support Funds to enable them to discharge their duties under the Equalities Act 2010. Funding is provided to enable reasonable adjustments and additional support to be provided for learners with learning difficulties and disabilities, to access and progress in learning.
Background Papers	
7.8	Employment and Skills Strategy 2022