



SKILLS COMMITTEE	AGENDA ITEM No: 3.3
14 SEPTEMBER 2020	PUBLIC REPORT

ADULT EDUCATION BUDGET – INNOVATION FUND AND THE TOP SLICE

1.0 PURPOSE

- 1.1 The purpose of this report is to provide progress on the establishment and distribution of the AEB Innovation Fund and the £170,000 available from the reduction in the AEB administration budget from 4.9% to 3.4%.

<u>DECISION REQUIRED</u>	
Lead Member:	Councillor John Holdich
Lead Officer:	John T Hill - Director of Business and Skills
Forward Plan Ref: N/A	Key Decision: No
The Skills Committee is recommended to: note the recommended approach of how the Innovation Fund will be managed	Voting arrangements Simple majority of all Members

2.0 BACKGROUND

AEB Innovation Fund

- 2.1 The AEB Innovation Fund supports Providers to deliver education and training that addresses the AEB Commissioning Strategy priorities that reduces skills and employment gaps of CPCA learners disproportionately underrepresented in the labour market. These groups include the unemployed, ESOL, health volunteers, special educational needs and disabilities (SEND) learners and ex-offenders.
- 2.2 It will be managed for funded delivery during the 2020/21 academic year. The Fund supports all CPCA grant funded provision and contract services providers to apply for additional funding to deliver innovative provision that meets the CPCA priorities for skills and training. It will give special priority to the COVID-

19 pandemic and the impact it is having on the delivery of learning for residents.

- 2.3 The CPCA will enable both grant-funded and procured AEB providers delivering to learners in Cambridgeshire & Peterborough to apply for additional funding during the 2020/21 academic year.
- 2.4 This process will allow for further data gathering and analysis from fully funded pilot provision to ensure an evidenced based approach to change.
- 2.5 Funding allocated will be additional to the amount already allocated to grant providers and contract service providers delivering to Cambridgeshire & Peterborough learners in 2020/21.
- 2.6 Flexibilities and any pilots trialled, are intended to help providers develop different methodologies that can be mainstreamed in the longer-term. These will be dependent upon successful outcomes being realised that go beyond the delivery of qualifications for residents, with a stronger emphasis on outcomes or progression to further learning, employment or progression at work.
- 2.7 In future academic years, the Combined Authority will test further areas of innovation and embed earlier piloted delivery and reporting mechanisms within the AEB funding and performance management rules if any pilots are successful.
- 2.8 The Fund will only support applications that demonstrate innovation in the delivery of adult education providers.

The Fund will support both

- (a) The testing of new approaches through piloting
 - (b) The scaleup of previously small-scale projects which are not eligible to be funded through the current AEB funded rules
- Applicants will need to identify the learning, employment and/or social outcomes their proposed activity will deliver for residents, communities and employers within Cambridgeshire & Peterborough
 - Providers will be expected to deliver at least one learner outcome and one employment and skills outcome.

Providers will be required to set out

- (c) The priorities their proposed activity addresses (from the AEB Commissioning Strategy and the Skills Strategy)
 - (d) A convincing account of how the proposed activity will address the challenges identified under the relevant priorities
 - (e) The innovation they believe their proposed activity demonstrates
 - (f) The learning, employment and/or social outcomes their proposed activity will deliver
- 2.9 In November 2018 the CPCA Board approved a top slice of 4.9% of the Adult Education Budget provided to the CPCA by the Department for Education

(DfE) for the implementation, management, administration, systems and process for the authority to effectively deliver Adult Education locally.

- 2.10 In comparison the 4.9% represented one of the highest percentage slices of all the Mayoral Combined Authorities devolving and delivering AEB. However, the CPCA grant was the lowest allocation in the UK at £11.53m in 2019/20.
- 2.11 A reduction to the top slice was agreed at the April Skills Committee from CPCA in 2020/21 and onwards. That reduction was from 4.9% to 3.4%, allowing £170k to be utilised for the provision of AEB locally. The paper sets out what we intend to do with the additional funding.

3.0 PROGRESS AND CONTEXT

Grant providers

- 3.1 In the months following the Skills Committee approval of the AEB Innovation Fund in April 2020, the CPCA agreed to not reconcile any of the AEB grant provider allocations for 2019/20 in accordance with the Procurement Policy Note (PPN) 04/20 (attached) which means that the 11 grant providers will keep their funding allocation irrespective of performance nor will there be any extra funding for providers that potentially over perform. This was issued by the DfE in response to the COVID-19 situation.
- 3.2 In addition, in April 2020 we also agreed to give the same allocation in 2020/21 as the initial grant allocation in 2019/20 to provide financial surety and stability at a time of unprecedented uncertainty regardless of in year performance. It was a decision that was in line with other MCAs and welcomed by the sector. We responded and mobilised quickly. It meant that some providers expecting further funding from increased performance did not receive it either. The sector understood the unique circumstance and collaborated to conform with the allocations for 2020/21. Again, this was in response to the COVID-19 pandemic.
- 3.3 For grant providers, we gave an initial total allocation of £8.9m for the academic year 2019/20 (August to July) and we have spent, up to period 11 of 12, £4.95m or 55% of the allocation. Up to the end of February 2020, and six months into the newly devolved AEB budget we were on profile to spend the annual grant allocation and as a direct result of COVID-19 the FE sector has experienced a substantial reduction in participation from mid-March 2020. This is not across the board however, as a few providers, particularly local authorities, will likely meet or spend their allocation.
- 3.4 In our first year of operation, it is unwise to predict with certainty the final spend for the academic year. The last period historically has further learner and learning support spend requests but the scale of the underspend is not in dispute.

Contract for services

- 3.5 For the 5 contract service providers who were successful in the procurement process, we gave an initial allocation of £2.053m in 2019/20 and we have spent up to period 11 of 12, £1.25m or 60% of the allocation. Contract service providers are paid on the actual performance of the previous month.
- 3.6 In accordance with PPN 04/20, the CPCA agreed to provide financial assistance to two providers who were significantly affected by COVID-19 and supported hard to reach, disaffected and disadvantaged learners. The other 3 providers were paid according to their actual performance. We predict an overall spend of £1.4m or 70% of the allocation. One of the providers who are highly experienced in delivering on-line and blended learning will meet their allocation.

AEB overall

- 3.7 In light of COVID-19, the cost per learner to all our providers has exponentially increased. COVID-19 restrictions including keeping learners 2m apart and the cost of extra equipment; transporting learners; the nature and increased levels of learner support to retain learners and ensure completion of a course; the procedures for staff to follow and the fear of initiating a further spread of the virus has meant that the normal funding analysis is hard to justify.
- 3.8 There is a vast increase in learning on-line and all the positives and disadvantages that that displays are prevalent; some provision is at the learning establishment and some is blended learning or a mixture of the two.
- 3.9 Funding is primarily paid on starts, learners on programme and then achieving the qualification against a set rate according to a perceived cost from experience agreed within a national framework. If that cost increases from an unforeseen shock such as COVID-19, then for the same amount of funding fewer participants are inevitable or there is a need for more funding to meet the expected level of participation.
- 3.10 Therefore although the normal funding model is used in our analysis to show “spend” or “underspend”, most providers have had increased costs so the actual underspend for contract service and grant providers is less and it is difficult to scientifically agree how much less. Following discussions with all 15 providers in the last few months, many ascertain that costs have wiped out their allocation even though participation is significantly below the expected annual level of delivery at the start of 2019/20. This is in line with the PPN 04/20 guidance from the DfE.

4.0 CONCLUSION

- 4.1 Due to the time it has taken to perform a full analysis, and the impact of COVID-19, we have not yet allocated any monies from the Innovation Fund.

- 4.2 We consulted with the AEB providers and they understand the delays, even though they are keen to access the Innovation Fund. The process for starting the project invitations commenced on 1 September and the closing date will be 25 September.
- 4.3 Many potential bidders have mentioned that their understanding of the impact of COVID-19 is more insightful due to the delays, and consequently the potential projects will be more sophisticated and developed than they would have been in early May or June. We are encouraging more collaborative proposals and the sharing of best practice across all the providers.
- 4.4 In the meantime, to assist we have given providers funding flexibility to use the learning support fund in the main funding agreement to facilitate short term needs to access extra equipment and connectivity for disadvantaged learners.
- 4.5 In 2020/21, all the AEB funding from the DfE was not allocated. The CPCA received £11.77m and allocated £10.5m to the providers matching the 2019/20 allocation; an extra £350,000 will be put into the innovation fund and, if the administration budget of 3.4% (or £400,000) is included, it leaves a further £520,000 to allocate for 2020/21.
- 4.6 The intention is to consider redistributing £520,000 to the existing AEB suppliers once the first quarter review of 2020/21 is completed in December 2020 and the impact of COVID-19 is fully understood. It is a useful reserve if there is a second wave of the COVID-19 pandemic and we need to direct resources where it is most needed. The other alternative is to procure any available resources. We will come forward to the Skills Committee with a new set of proposals in late Autumn on how to allocate this money.

SIGNIFICANT IMPLICATIONS

5.0 FINANCIAL IMPLICATIONS

- 5.1 There are no direct financial implications as all the proposed expenditure is already within existing CPCA budget lines.

6.0 LEGAL IMPLICATIONS

- 6.1 CPCA is empowered to endorse the recommendations in this report by way of Part 2 of Articles 3 and 4 of the Cambridgeshire & Peterborough Combined Authority (Adult Education Function) Order 2018
- 6.2 This Skills Committee meeting shall be conducted in accordance with parts 2 and 3 of the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings)(England and Wales Regulations 2020 (SI 2020 No.392)

7.0 OTHER SIGNIFICANT IMPLICATIONS

7.1 There are no other significant implications

8.0 APPENDICES

- Appendix 1 Procurement Policy Note 04/20

<https://www.gov.uk/government/publications/procurement-policy-note-0420-recovery-and-transition-from-covid-19>