

ITEM: 13

REPORT TO: WEST OF ENGLAND COMBINED AUTHORITY

DATE: 28 SEPTEMBER 2018

**REPORT TITLE: ADULT EDUCATION BUDGET – INTERIM RESOURCES
AND INDICATIVE BUDGET**

AUTHOR: DR JON HUNT, DIRECTOR OF BUSINESS AND SKILLS

Purpose of Report

1. To seek approval for the indicative 2019/20 budget for the devolved Adult Education Budget.

Background

2. The devolution of funding to address the provision of adult skills (currently known as Adult Education Budget) from government along with relevant Statutory Duties was part of the West of England Devolution deal.
3. There are a number of potential advantages for West of England residents and learners to devolving control of AEB from central government including:
 - Improved coordination of adult learning outcomes with wider local priorities and the specific needs of local public and private sector employers;
 - Introduction of new flexible funding rules based on agreed local outcomes and enabling improved responsiveness such as multiple year funding agreements;
 - Potential enhanced value for money locally via rationalisation, reduced duplication and greater transparency leading to improved economies of scale in the provider base and a more rigorous measurement of local outcomes; and
 - Ability to retain any underspend from the allocation. This is typically 2-3% of the budget which on a £17.6m budget would equate to £352k-£528k which is estimated to be enough to cover predicted management and administration costs.
4. On the 11th June 2018 DfE confirmed that they stand by WECA's assessment that the combined authority will be ready for the 2019/20 academic year and that undertaking the functions we will realise benefits to our residents. DfE are satisfied that the tests to meet Secretary of State and Accounting Officer obligations will be met and advised Ministers of this. Therefore, WECA has met the readiness conditions.
5. The AEB Devolution Order to pass the necessary duties to WECA was laid before Parliament before the 2018 summer recess and coming into force from the start of the academic year 2019/20. Funding is likely to arrive as a section 31 grant on a financial year basis. Our indicative funding budget is £17.6m and will be recalculated after the 2017/18 academic year; the indicative budget

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is in line with expectations.

6. WECA has successfully secured development funding of £280,000 from DfE to cover the period April 2018 to July 2019. This funding will support the Combined Authority to prepare properly for the 2019/20 academic year.

Issues for Consideration

7. For all staffing resource the budget can be found in Appendix 1. The detailed explanation behind the need for the resource, underpinning assumptions and subsequent staffing structure is contained in Appendix 2.
8. It should be noted that devolution of AEB is a complex undertaking that must be delivered in a manner which is compliant with WECA's new powers, and associated responsibilities and mitigates any risk to WECA and our constituent Local Authorities. Understaffing (in terms of team size, skills and experience) would result in unmanageably high risks of failure and challenge which presents clear and evident legal, operational and reputational risks to both WECA and the Local Authorities.
9. In the period up until 31st July 2019 WECA will be undertaking significant work which is required prior to assuming full control of devolved AEB from the 1st August 2019. This period is termed by WECA as the implementation period.
 - 9.1. This work is scheduled, requires specific resource to be put in place, and includes:
 - Development and finalisation of systems and practices
 - Recruitment of required staffing resources
 - Provider engagement
 - Provider allocations and contracting
 - Provider On-Boarding
 - 9.2. In order to deliver the work required ahead of the 2019/20 and fulfil the WECA Skills Advisory Board's no-change recommendation for 2019/20 WECA officers consider the staffing resource required comprises eight individuals. Detail of this resource and underpinning rationale can be found in Appendix 2.
 - 9.3. To reflect the order of priorities recruitment for these staffing posts can be staggered which also helps maximise financial resources.
 - 9.4. Funding for the resources required during this implementation period is provided by the implementation funding (referenced in point seven above).
10. From the 1st August 2019 onwards WECA will assume full management and administration of AEB funded provision being delivered to WECA residents.
 - 10.1. This work has been mapped out, requires specific resources to deliver it, and includes:
 - Grants/Contracting and Payments
 - Any necessary procurement
 - Data Analysis
 - Provider Liaison and Performance Management
 - Audit and joint intervention work where applicable
 - Liaison with stakeholders and other CA's/GLA.
 - 10.2. In order to deliver the work required for the 2019/20 academic year and fulfil the WECA Skills Advisory Board's no-change recommendation (for the 2019/20 academic year) WECA officers consider that the resource required comprises eight individuals. Detail for this resource and the underpinning rationale can be found in Appendix 2. These staff will be a continuation of the individuals that delivered the implementation period and will be recruited during that time.
 - 10.3. Funding for the resources required to manage and administer devolved AEB will be provided through top slicing of the Adult Education Budget allocation (as confirmed in

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previous papers including the report dated 2nd July 2018 relating to the AEB order). This allocation will be confirmed in early 2019.

11. It should be noted that for both the implementation period and the 2019/20 academic year if the size and scale of the WECA AEB provider base was rationalised then the staffing requirement (and associated costings) would also subsequently alter.

Consultation:

12. WECA officers have liaised and worked closely with the WECA Skills Advisory Board and officers from the WECA Local Authorities in developing plans for devolved Adult Education Budget. Officers have also undertaken significant engagement with both providers and the DfE/ESFA.

Other Options Considered:

13. As part of WECA's AEB development work WECA officers have considered different approaches to the staffing resources required to deliver devolved AEB. The proposed approach enables WECA to deliver this function in a manner which offers value for money and reduces any related risks to WECA and the Local Authorities.

Risk Management/Assessment:

14. There are risks related to the implementation of AEB and these are being fully considered by officers developing implementation plans. These include: operational risks, legal risks, financial risks and reputational risks. A risk register was submitted to DfE as part of the readiness conditions process.

Public Sector Equality Duties:

15. There are no direct equalities implications arising in relation to this report and these would be set out in the relevant investment decisions at the time.

Finance Implications:

16. There are no financial implications arising directly for WECA relating to the interim resource required as this is funded through the DfE provided Implementation Funding.
17. The indicative budget for the 2019/20 academic year is £524k.

17.1. The funding for this resource will be sourced through top slicing of the AEB allocation.

17.2. Predicted costs for 2019/20 equates to 3% of the overall illustrative AEB budget for that year. This figure is within the historical AEB year on year underspend which is averaged at 2% - 3% by the ESFA. It should be noted that this figure also compares very favorably to national government practice for programme management costs (5% of the budget) and the EU (7% of the budget). Through utilising the traditional underspend WECA officers anticipate being able to spend the whole budgetary allocation for 2019/20 (covering both delivery and management/administration costs).

17.3. The costs have been benchmarked against the current known scale of the work (assumptions laid out in section 11 and appendix two below). WECA Officers have determined that if the size of the provider base was rationalised from its current size then the required staffing resource (and associated cost) could be reduced. Recent analysis of the latest full year data (2016/17) shows that of the 16,100 WECA resident who were

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AEB learners 85% were studying with just 8 providers. At the same time 102 of the 150 AEB providers had 10 or less AEB learners. Notwithstanding niche provision this provides evidence of the potential to rationalise the provider base.

- 17.4. To facilitate accurate and proper exercising of the devolved Adult Learning powers and minimise risks to learners, providers, employers and the Combined Authority officers consider that the management/administration function should be established within WECA itself. This also removes the likelihood of any potential conflicts of interest. To achieve any potential cost savings WECA officers will continue to look at how best to staff this function including through use of secondments.

Legal Implications:

18. There are no legal implications arising from this report.

Recommendations:

19. The Committee is asked to:
- 19.1. Note the required AEB implementation resource
 - 19.2. Approve the indicative budget for the 2019/20 academic year.

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Any person seeking background information relating to this item should seek the assistance of the contact officer for the meeting who is Tim Milgate, who is available by telephoning 0117 428 6210, emailing democratic.services@westofengland-ca.gov.uk or by writing to West of England Combined Authority, 3 Rivergate, Temple Way, Bristol BS1 6ER.

Appendix 1 – Indicative Budget:

AEB Budget	Academic Year			
	ESFA	ESFA	WECA	WECA
	15/16	16/17	19/20	20/21
	£m	£m	£m	£m
Staff - Direct costs	NA	NA	0.349	0.365
Staff - Indirect costs	NA	NA	0.017	0.017
Overheads	NA	NA	0.105	0.105
Supplies & Services	NA	NA	0.054	0.054
Service Provision - Courses	17.260	17.260	17.128	17.121
Total Expenditure	17.260	17.260	17.653	17.662
Grant/funding	-17.600	-17.600	-17.600	-17.600
Interest			-0.053	-0.062
Other				
Total Income	-17.600	-17.600	-17.653	-17.662
Net (+ Overspend / - Underspend)	-0.340	-0.340	0.000	0.000

- £17.260m is AEB delivery to Learners resident in the Combined Authority in 2015/16 from the ILR data (slide 5 of DfE Information Pack).

- £17.600m funding in 15/16 and 16/17 is derived from applying historic 2-3% underspend indicated by EFSA to the delivery figure (used 2% to be prudent).

- Interest calculated on 0.6-0.7% rate, assuming funding paid up front at start of AY with straight-line expenditure.

- Forecast 2% Pay awards and incremental progression included in staffing costs, overheads may decrease if WECA staffing expands in this period and fixed costs are absorbed.

Appendix 2 – WECA AEB Staffing Structure:

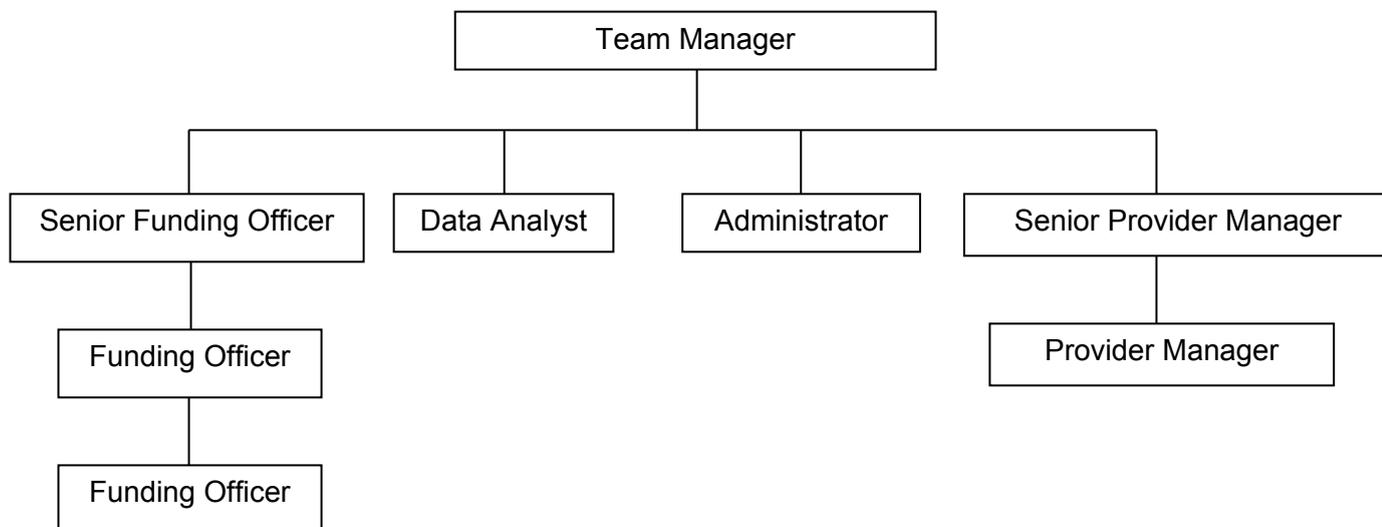
Staffing Requirements:

20. Devolution of AEB will entail WECA assuming the management and administration of the AEB budget which is spent on WECA residents and for the purpose of AEB WECA will become a funding body which commissions this delivery across the combined authority area. This is a complex undertaking that must be delivered in a manner which is compliant with WECA's new powers, and associated responsibilities and mitigates any risk to WECA and our constituent Local Authorities.
21. Understaffing (in terms of team size, skills and experience) would result in unmanageably high risks of failure and challenge which presents clear and evident legal, operational and reputational risks to both WECA and the Local Authorities.
22. When considering the optimum method of addressing staffing needs WECA Officers used the following design principles in relation to the roles and structure:
 - Enables the maximum local flexibility and responsiveness
 - Ensuring that WECA is meeting its legal responsibilities
 - Ensuring the system runs smoothly and does not destabilise learners and providers
 - Managing conflict of interest
 - Offers value for money to the public purse
 - Reduces risk of mismanagement
23. Overall WECA officers conclude that the management and administration of this devolved budget will require a specific team to be put in place to deliver the associated functions including: contract and grant awards, provider funding allocations, delivery of any procurement processes, data analysis of AEB learner data relating to WECA residents (underpinning provider payments, performance management and monitoring), provider performance management and liaison with key partners and stakeholders (including the DfE and the ESFA).

WECA AEB Team - Proposed Staffing Structure 2019/20:

24. This 2019/20 AEB Team staffing structure is based on utilisation of a £17.6m annual AEB budget and working with approximately 150 AEB providers. The key issue underpinning the 2019/20 staffing structure is delivery of the recommendation made by members of the Skills Advisory Board. This involves maintaining the provider base and funding delivery in line with the national AEB funding rules. It also involves a key scrutiny role alongside baselining through monitoring and evaluation. This is nominally titled the 'No Change' option and it enables a managed transition to devolved arrangements for the provider base. Descriptions of the roles and the underpinning assumptions can be found below.
25. Due to current commitments across the WECA staffing structure and the specific and specialist needs of AEB this staffing structure assumes all posts are new roles.

26. The proposed staffing structure is as follows:



WECA AEB Team - Proposed Staffing Structure 2019/20 - Costings:

27. The overall draft staffing and resource budget required for 2019/20 currently stands at £524k. This includes all on costs, overheads, finance contributions and additional operational expenses.

WECA AEB Team – Illustrative Staffing Structure 2020/21:

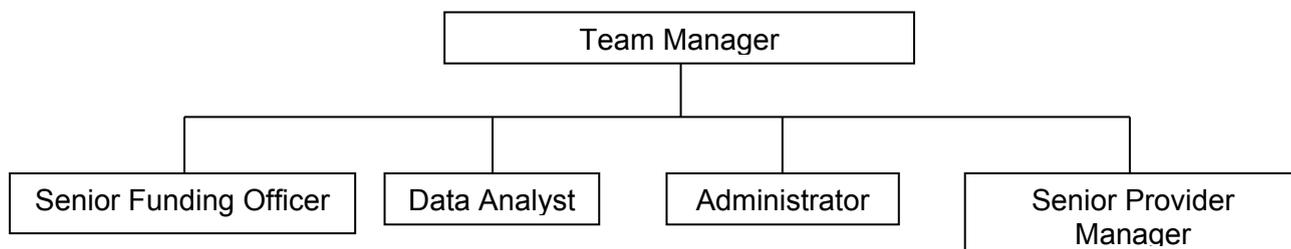
28. The 2019/20 structure is based on a no change option for delivery of devolved AEB. However, WECA officers believe there is a persuasive case for reduction in the overall number of funded providers (from both a provision and financial/value for money perspective) based on the latest full year’s available data (2016/17 academic year). In summary this data shows that:

- Out of 150 providers 85% of learners are engaged with eight providers only.
- That 102 providers worked with 10 learners or less.
- The clear majority of the current AEB providers are based outside of the WECA area. Whilst some such as SGS College and Weston College have as significant relationship with, and operational footprint in, the WECA area most of these providers have little engagement with our local area.

Notwithstanding instances of unreplaceable niche provision there is considerable scope for rationalisation of the AEB provider base in the WECA area.

29. Overall devolution of AEB offers the opportunity to formulate a WECA AEB provider base which has a strong understanding of, and is highly responsive to, the needs of our local area with a specific focus on the needs of WECA residents and employers as opposed to the overall national priorities. This provider base can also be significantly leaner, offering better value for money, and supporting a reduction in the cost of managing and administering AEB. It should be noted that decisions relating to the WECA AEB provider base will be taken in a measured evidence-based fashion.

30. In terms of staffing a significant reduction in the provider base will have an impact on the number of staff required to manage and administer this fund. The illustrative structure below demonstrates the potential impact on the staffing base if the provider base was reduced to between 20-30 funded providers overall.



WECA AEB Team – 2020/21 Illustrative Staffing Structure – Costings:

31. The removal of the three staffing posts would save approximately £152k from the annual staffing budget. This would give an overall approximate budget of £372k. This includes all on costs, overheads, finance contributions and additional operational expenses.

WECA AEB Roles:

32. The following describes the different roles contained within the staffing structures above:

Role	No	Description
Team Manager	X 1	The Team Manager will be responsible for: <ul style="list-style-type: none"> • Day to day operational management of the WECA AEB Team including line management of all team members • Work with colleagues to translate strategic use for devolved AEB into a deliverable operational commissioning strategy • Ensuring the overall funding cycle is delivered successfully during each academic year • Reporting (e.g. WECA senior management, WECA’s governance functions, external bodies etc.) • General Provider liaison • Leading on joint AEB work with Local Authority colleagues • Liaison with key partners and stakeholders including holding the key operational relationship with DfE and the ESFA
Senior Funding Officer	X 1	The Senior Funding Officer will be focused on: <ul style="list-style-type: none"> • Line Management of the AEB Funding Officers • Operational delivery of the yearly grant allocation process and contract for services procurement • Reconciling delivery (through analysed data) • Making payments to grant funded providers • Making payments to providers funded through contract for services • Supporting monitoring evaluation of the programme
Funding Officer	X 2	The Funding Officers will be focused on: <ul style="list-style-type: none"> • Operational delivery of the yearly grant allocation process and contract for services procurement • Reconciling delivery (through analysed data) • Making payments to grant funded providers • Making payments to providers funded through contract for services

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Senior Provider Manager	X 1	<p>The Provider Manager will be focused on:</p> <ul style="list-style-type: none"> • Line Management of the Provider Manager • Carry a caseload of contracted providers and be the first point of contact for any provider queries • Onboarding of new providers • Review of provider performance (monthly as required) • Monitor provider compliance with the funding rules • Monitor provider compliance with minimum standards • Lead on provider audits (as required) • Support monitoring and evaluation of the programme
Provider Manager	X 1	<p>The Provider Manager will be focused on:</p> <ul style="list-style-type: none"> • Carry a caseload of contracted providers and be the first point of contact for any provider queries • Onboarding of new providers • Review of provider performance (monthly as required) • Monitor provider compliance with the funding rules • Monitor provider compliance with minimum standards • Lead on provider audits (as required)

Data Analyst	X 1	The Data Analyst will be focused on: <ul style="list-style-type: none"> • Undertaking analysis of AEB ILR data received from the Education and Skills Funding Agency (ESFA) • Providing related education and skills data analysis to support development of the related underpinning evidence base • Support monitoring and evaluation of the programme
Administrator	X 1	The AEB Team Administrator will be focused on: <ul style="list-style-type: none"> • Provision of administration support across the whole WECA AEB Team

WECA AEB Staff – Contract Types:

33. In order to facilitate a flexible staffing resource which can easily be reduced without undue cost to WECA the use of permanent and fixed term contracts would be advised:

Role	Contract Type
Programme Manager	Permanent
Senior Funding Officer	Permanent
Funding Officer	Fixed Term
Funding Officer	Fixed Term
Senior Provider Manager	Permanent
Provider Manager	Fixed Term
Data Analyst	Permanent
Administrator	Permanent

Underpinning Assumptions:

34. The staffing numbers by role listed above are based on the following assumptions:

- WECA will assume control of a devolved AEB budget of approximately £17.6m for the 2019/20 academic year
- WECA will be working with approximately 150 AEB providers for the 2019/20 academic year

Role	Assumption
Team Manager	<ul style="list-style-type: none"> • The team will require an operational manager who will undertake day-to-day line management of staff and be responsible for the smooth running of the team.
Funding Officers	<ul style="list-style-type: none"> • Funding officers will work with a caseload of up to 60 providers each • Work focused on providers funded through Contract for Services will be more intensive on a monthly basis
Provider Managers	<ul style="list-style-type: none"> • Provider managers will each have a caseload of up to 75 providers each with work focused on provider management and audit requirements
Data Analyst	<ul style="list-style-type: none"> • Analysis of monthly and quarterly ILR data will be required • Servicing of reporting with data will be required • Periodic refreshment of the underpinning evidence base will be required
Team Administrator	<ul style="list-style-type: none"> • Dedicated administration support requirements will exist across all functions of the team (funding, provider management, governance and reporting etc.)