

LIVERPOOL CITY REGION COMBINED AUTHORITY

To: The Metro Mayor and Members of the Combined Authority

Meeting: 12 April 2019

Authority/Authorities Affected: All

EXEMPT/CONFIDENTIAL ITEM: Not in respect of the Report and Appendix 1.

Appendix 2 is exempted by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

Key Decision

REPORT OF THE DIRECTOR OF POLICY AND STRATEGIC COMMISSIONING AND THE PORTFOLIO HOLDER FOR EDUCATION, EMPLOYMENT, APPRENTICESHIPS AND SKILLS

LIVERPOOL CITY REGION COMBINED AUTHORITY ADULT EDUCATION BUDGET ALLOCATIONS 2019/20

1. PURPOSE OF REPORT

- 1.1 This report provides an update on progress relating to devolution of the Adult Education Budget to Liverpool City Region Combined Authority (LCRCA) from 1 August 2019 for the academic year 2019/20 onwards, including confirmation of Liverpool City Region's Adult Education Budget allocation from Government.
- 1.2 This report also presents for approval of the Liverpool City Region Combined Authority the funding allocations for Liverpool City Region's devolved Adult Education Budget for the academic year 2019/20.

2. RECOMMENDATIONS

- 2.1 It is recommended that the Liverpool City Region Combined Authority:
 - a) Accept the grant allocation of £51,380.231 from the Department for Education in respect of the devolved Adult Education Budget for the period 1 August 2019 to 31 July 2020;
 - b) Note the methodology applied by Liverpool City Region Combined Authority to calculate the Adult Education Budget grant funding allocations for the academic year 2019/20;

- c) Approve the indicative grant funding allocations to local General Further Education Colleges and Local Authority providers in the Liverpool City Region, as summarised in Appendix One;
- d) Delegate authority to the Combined Authority Treasurer to agree any minor changes with those organisations identified in Appendix One to their funding that may arise in the course of discussions between each institution/authority and the Combined Authority;
- e) Approve the award of contracts by the Combined Authority to Providers, as summarised in Appendix Two,
- f) Delegate authority to the Combined Authority Treasurer and Monitoring Officer to conclude the contract award process;
- g) Allocate circa £0.5m funding to enable cross border learner delivery flows to continue between the devolved areas of Liverpool City Region and Greater Manchester in 2019/20 (see Section 4);
- h) Delegate authority to the Director of Policy and Strategic Commissioning, in consultation with the Portfolio Holder for Education, Employment, Apprenticeship and Skills, to plan for and minimise the impact of any issues arising in relation to Liverpool City Region learners who enrol with providers that do not have funding arrangements with Liverpool City Region Combined Authority;
- i) Agree the investment options identified for transitional funding (see Section 5) and delegate authority to the Director of Policy and Strategic Commissioning, in consultation with the Portfolio Holder for Education, Employment, Apprenticeship and Skills to take forward, in accordance with the Adult Education Budget Assurance Framework; and
- j) Request an update on progress at a future Combined Authority meeting.

3. BACKGROUND

- 3.1 Devolution of the Adult Education Budget (AEB) was agreed in Liverpool City Region's Devolution Agreement of November 2015. In July 2018, the Combined Authority and its six constituent Councils gave formal consent to the Order which will transfer AEB functions to the Combined Authority from 1 August 2019. The Adult Education Functions Order 2018 was subsequently laid in Parliament and agreed. The Statutory Instrument enacting the transfer of AEB functions from the Secretary of State to the Liverpool City Region Combined Authority was signed in November 2018 and is now in force (SI 2018/1142).
- 3.2 The AEB is a single revenue stream bringing together adult further education (all 19 years plus provision with the exception of Apprenticeships and Traineeships), community learning and discretionary learner support. Its principle purpose is defined by the Education and Skills Funding Agency (ESFA) as being *"to engage adults and provide them with the skills and learning needed for work, an apprenticeship or further learning"*. AEB also includes a guarantee to fund statutory learner entitlements relating to English, maths and (from August 2020/21) digital skills, as well as a first Level 2 qualification and Level 3 for those aged 19 to 23 years.

- 3.3 A soft market testing exercise to inform the commissioning of AEB provision was undertaken during August 2018 when a short questionnaire was published on the e-tendering portal 'The Chest'. This allowed all interested parties to respond to an open invitation and attracted responses from a range of Colleges, Local Authorities and Independent Training Providers. Market Engagement workshops were held in Summer 2018 for providers and stakeholders to learn more about the plans for AEB devolution and understand the Liverpool City Region's skills priorities.
- 3.4 In October 2018 the Combined Authority agreed to adopt a dual approach to commissioning¹ the devolved AEB and set out the principles behind this. The approach involves a combination of negotiated grant funding agreements and procured contracts for services. This is underpinned by a clear set of delivery principles, including:
- Local skills investment priorities will be aligned to Skills Strategy outcomes;
 - The Combined Authority aligning where possible, with national policy on funding eligibilities, rates and entitlements and will seek to improve or enhance these in support of local priorities as appropriate;
 - Encouraging new market developments to ensure there is a mixed economy of commissioned services and innovation that strengthens the local provider base and responds to needs and opportunities;
 - Other skills funding decisions will be considered alongside AEB e.g. Skills Capital;
 - Sub-contracting will be agreed where this adds value to the mix and balance of provision locally and enriches the learning offer; and
 - Allocations and details of commissioned provision will be openly published to ensure transparency of process.
- 3.5 The Department for Education (DfE) informed the Combined Authority on 31 January 2019 that Liverpool City Region's AEB allocation for the period 1 August 2019 to 31 July 2020 is £51,380,231. This is less than the indicative allocation for the Liverpool City Region of £52m. The methodology for calculating the ESFA, Mayoral Combined Authorities (MCA) and Greater London Authority AEB budgets is based on historic provider delivery by learner residence in 2017/18. For Liverpool City Region, the devolved budget equates to 3.99% of the national AEB budget based on 2017/18 expenditure by learner's residency.
- 3.6 In preparation for devolution, the Combined Authority agreed an Assurance Framework for AEB at its meeting on 8 March 2019. The Framework outlines the Combined Authority's decision-making process for funding allocations, the approach to performance management, financial due diligence with providers, and the roles and responsibilities within the Combined Authority. The

¹ For the purposes of the AEB, the term 'commissioning' relates to the processes by which AEB funded provision will be planned, purchased, managed and monitored.

assurance framework also describes how any in year changes to funding will be made and the process for this.

4. COMMISSIONING

- 4.1 The Combined Authority has set out the strategic ambition for the AEB in the Liverpool City Region Skills Strategy 2018-2023. Devolution will enable adult skills provision and learning to be more flexible and agile in its application and as such, relevant to City Region priorities. It is a ground breaking opportunity for the Combined Authority to ensure providers' skills offers meet local employer and learner needs, including those furthest from the labour market.
- 4.2 Moving from this strategic intent to implementing tangible outcomes for learners is an ambitious, long-term journey and will require changes in behaviours and practice of providers. The Combined Authority will adopt a phased approach over future years to ensure AEB is tailored to local needs and responsive to the emerging Local Industrial Strategy. This phasing will also support stability in the sector during the transitional period of devolution.
- 4.3 In 2019/20 there will be two themes of activity for AEB:
- Comprehensive skills support to all residents including statutory entitlements (this will form the majority of the providers' AEB funding allocation); and
 - Innovative, smaller test and learn pilots.
- 4.4 Work has been taking place to progress the commissioning approach agreed in October 2018. This has involved the Combined Authority undertaking grant funding negotiations with General Further Education (FE) Colleges based in the Liverpool City Region and with Liverpool City Region Local Authorities who currently deliver AEB provision. It has also involved the Combined Authority designing and managing a procurement exercise for all other providers of services in line with the Public Contract Regulations 2015 (Light Touch Regime).
- 4.5 The key features of the grant funding and procurement approaches are outlined below.

Grant Funding Allocations

- 4.6 The methodology applied by the Combined Authority to calculate the 2019/20 grant funding allocations is based on historic provider delivery and learner residence in 2017/18. For the first time, the ESFA is using historic provider delivery data (from 2017/18) to calculate its 2019/20 AEB allocations for the providers that are out of scope for devolution. Our approach therefore mirrors that being undertaken nationally for Colleges and providers outside of devolved areas in 2019/2020. In previous academic years, the ESFA has re-allocated Colleges and providers previous year AEB funding allocation, despite any underperformance.

- 4.7 The Combined Authority is safeguarding the level of funding allocated to Adult Community Learning (ACL). This provision is valuable and offers a highly flexible mechanism to engage the most vulnerable and disadvantaged learners in a locality. The overarching aim is to progress adults towards formal learning or employment and/or improve their health and well-being (including mental health) and/or develop stronger communities. The proportion of Liverpool City Region funding drawn down by each College and Local Authority varies in part due to historic decisions which saw FE Colleges becoming independent organisations outside of the control of Local Authorities. This resulted in local agreement of the ACL budgets that would be retained by Local Authorities and those that would follow the College. In 2019/20 this approach will be retained to ensure stability.
- 4.8 For the Liverpool City Region, the Combined Authority has ring-fenced additional funding for all grant funding providers to deliver 'Test and Learn' pilots in 2019/20. These pilots are intended to deliver positive outcomes detailed in our Skills Strategy. They will explore innovative service delivery models where market failure is evident and must add value to, rather than duplicate, other AEB funded service delivery. In the first instance, Test and Learn pilots will address market failures in three areas: ESOL, English and maths and digital skills.
- 4.9 The component funding allocations used in calculating individual grant allocations for the indigenous Liverpool City Region Colleges and Local Authorities are set out in Table 1 below.

Table 1: Components of Grant Funded allocations for 2019/20			
Community Learning	Formula Funded AEB	Discretionary Learner Support	Test and Learn Pilots
Community Learning allocations that formed part of Local Authority and College 2017/18 ESFA AEB allocations will be safeguarded and ring-fenced for delivery to local residents.	The proportion of Local Authority and College ESFA AEB allocation spent on Liverpool City Region residents in 2017/18 (calculated to a national funding formula) will be maintained for delivery to local residents.	The Discretionary Learner Support spent as part of the 2017/18 ESFA AEB allocations will be used to determine 2019/20 allocations based on the proportion of their (Local Authority/College) spend on learning for Liverpool City Region residents (outside of community learning).	An option for each College and Local Authority to undertake Test and Learn pilots funded to a maximum of £150k in: <ul style="list-style-type: none"> • Maths and English • Digital skills • English for Speakers of Other Languages (ESOL)

Table 1: Components of Grant Funded allocations for 2019/20			
Community Learning	Formula Funded AEB	Discretionary Learner Support	Test and Learn Pilots

- 4.10 The focus of the grant funding negotiations has been on the scale and balance of provision that is required to continue to deliver the legal entitlements for AEB whilst offering a range of learning opportunities that take account of local priorities. To support this process, each College and Local Authority completed a delivery plan template and accompanying narrative outlining their plans for the academic year 2019/20 (1 August 2019 to 31 July 2020). The information provided details the providers' curriculum offer, how this meets local skills priorities, learner progression planning, how provision supports narrowing the gaps for under-represented learners in terms of engagement/achievement and how social value is embedded in service delivery.
- 4.11 Appendix One sets out the indicative allocation profile for each grant-funded provider in 2019/20, based on DfE's published provider level AEB delivery data for 2017/18 (excluding 19-24 Traineeships and those continuing learning from 2018/2019). The overall grant allocation totals £28,683,558 for 2019/20, plus an additional £1,950,000 allocated by the Combined Authority to the Test and Learn pilots. The grant funding allocations will span two financial years: August 2019 to March 2020 and April 2020 to July 2020, with allocations split accordingly.

Procurement of Contracts for Services

- 4.12 The commissioning approach committed 30% of the available delivery budget (or £15,105,788) to competitively tender for AEB contracts. A restricted competition (Light Touch) was conducted in accordance with the Public Contracts Regulations.
- 4.13 A 'call for competition' notice was issued to the Official Journal of the European Union (OJEU) on 9th November 2018 and was published on 13th November 2018. The tender competition was also advertised on the e-tendering portal The Chest on 12th November 2018 and the Governments electronic Contract Finder platform on 13th November 2018.
- 4.14 100 providers completed a supplier suitability questionnaire by the closing date on 10th December 2018. All 100 applications were compliant and progressed to the Invitation to Tender (ITT) stage of the process, for contracts ranging in value from £100k-£1m. Provision was divided into two Lots: Lot 1 consisted of 95% of the available resources paid for via a formula funded approach, with Lot 2 (5% of resources) for optional Test and Learn Pilots.
- 4.15 A total of 77 submissions were received by the closing date on 11th February 2019, and of these 3 submissions were non-compliant. The final bid

submissions were subject to technical appraisal by officers of the Combined Authority against the ITT requirements. An evaluation panel was led by Knowsley Council's Procurement Manager to ensure the process was conducted in a fair and transparent manner.

- 4.16 The quality criteria accounted for 100% of the overall score for this evaluation. The evaluation panel assessed tenders on:
- i) Meeting Liverpool City Region's Needs;
 - ii) Capacity and Capability;
 - iii) Performance Management;
 - iv) Quality Assurance;
 - v) Engagement of Learners;
 - vi) Meeting the Needs and Progression of Learners;
 - vii) Narrowing the Gaps for Under-Represented Learners; and
 - viii) Social Value.
- 4.17 As a result of this process, it is recommended by the evaluation panel that the Combined Authority award contracts to 19 bidders, subject to due diligence checks (see Appendix Two). Contracts for services will be awarded for 12 months and renewed on an annual basis subject to satisfactory performance review, minimum standards and financial health for a further one year and an additional one year period beyond this (1+1+1 years).

Innovation and Local Flexibility

- 4.18 The testing of new flexibilities and innovations through pilot activity is an important local change for 2019/20 and one that will help lay the foundations for future AEB reform. Liverpool City Region's funding policy changes have been published in draft form as part of the procurement exercise and lift some of the restrictions that are currently a feature of national funding policy. The objective is to overcome barriers to learning and in doing so, help providers develop different delivery methodologies that can be mainstreamed in the longer term dependent on successful outcomes being realised that go beyond the delivery of qualifications for residents – with a stronger emphasis on progression to further learning or employment.
- 4.19 Three test and learn areas will be piloted in 2019/20 specifically to help improve the life chances of Liverpool City Region residents (see below). A programme of research and evaluation will be wrapped around this to enable the findings to inform future delivery.
- English for Speakers of Other Languages (11 pilots);
 - Digital Skills (10 pilots); and
 - English and maths (10 pilots).
- 4.20 Other policy changes being introduced for 2019/20 in response to Liverpool City Region's priorities include lifting some of the restrictions that are currently a feature of national funding policy. These local flexibilities are intended to help build a package of wrap-around support that goes beyond qualifications

for those residents with complex needs and ensure a stronger emphasis on progression to further learning or employment. Key changes are as follows:

- **Learners in receipt of low wage pilot** – the Combined Authority will increase the threshold salary level of the national scheme up to the Real Living Wage or the equivalent of £17,062.50 per annum (as of 2018). This change will widen participation in learning and presents a great opportunity to support residents who are in low wage and low skilled jobs to gain new skills and progress.
- **Sector-based work academies** – the Combined Authority is testing outcome payments linked to work experience and job outcomes resulting from Sector-based work academies in 2019/2020. This approach will target key employment sectors and better stimulate a market response from providers to employer need.

4.21 In addition to these funding policy changes, other key modifications planned for 2019/20 will be around working more closely with all providers on proactive performance management and improving our analysis of learner 'journeys' to focus on positive outcomes for individuals and learner progression rather than simply measuring delivery and achievement of learning aims. There will also be a focus on narrowing gaps in skills participation and achievement for black and minority ethnic groups, under-represented genders in particular sector subject areas, and learners with learning difficulties and/or disabilities.

4.22 Working with the Local Authorities and FE Colleges, the Combined Authority will introduce collaborative locality-based ACL Delivery plans to deliver a shared ambition, facilitate progression routes and maximise investment for those residents most in need of support. The Combined Authority will also continue to develop a consistent set of performance measures and benchmarking data to evaluate learner outcomes which should inform the longer-term distribution of future funding and allocations.

Cross Border Learners

4.23 The residency based nature of devolved AEB funding puts greater emphasis on how the Combined Authority will deal with cross border learners in 2019/20. This means those learners that reside within the Liverpool City Region, who choose to travel to establishments that do not have funding arrangements in place with the Liverpool City Region Combined Authority. As a guiding principle, where a provider has access to the appropriate devolved or national AEB funding allocation, this should be used as the funding source to meet learner demand for skills. Providers working outside of these principles and arrangements will be considered as recruiting unfunded learners. In such cases, the Combined Authority will reiterate the ESFA's guidance to providers that they should not actively market their services in areas where they do not hold a relevant contract/funding agreement for the learners in question.

4.24 Discussions are underway with the ESFA and other MCAs/GLA to plan for and minimise the impact of any issues arising in relation to Liverpool City

Region learners who enrol at providers that do not have funding arrangements with Liverpool City Region Combined Authority. These will mainly be residents who live in 'border' areas neighbouring non Liverpool City Region local authorities and for whom the closest providers may therefore be outside of Liverpool City Region. Some Liverpool City Region residents also travel to other devolved areas, and positive conversations are taking place, particularly with Greater Manchester Combined Authority, around establishing arrangements that take account of travel to learn patterns between devolved authorities.

- 4.25 Whilst providers in these areas have had the opportunity to bid for contracts as part of the procurement process, as a responsible commissioner (and one with statutory responsibilities to secure certain provision for Liverpool City Region residents) the Combined Authority must ensure that contingency arrangements are in place in this first year of devolution. This would enable Liverpool City Region residents to attend institutions which either chose not to bid or were unsuccessful, and so do not have contracts in place with the Combined Authority. The Combined Authority cannot prevent learner choice and so will need to monitor this matter closely in 2019/20.
- 4.26 For example, Liverpool City Region resident learners that undertake learning with Greater Manchester institutions and Greater Manchester residents that undertake learning with Liverpool City Region grant funded providers, a reciprocal arrangement will be sought with Greater Manchester Combined Authority in 2019/20. This contingency will allow Liverpool City Region grant funded providers to deliver skills to the value of their delivery to Greater Manchester residents in 2017/18, in total a maximum value of £0.5m in 2019/20.

5. TRANSITIONAL ARRANGEMENTS

- 5.1 The post-16 education and training system has been subject to repeated attempts at reform since the 1980s, which has left the skills system littered with numerous initiatives and a huge variation in the access and quality of provision at a national level. The opportunity now presented by devolution is to ensure local AEB provision has the capacity to meet existing and emerging demand for skills. Moving from this strategic intent to implementing tangible outcomes for learners is an ambitious, long-term journey and will require changes in behaviours and practice of providers.
- 5.2 Maintaining a financially stable and high-quality provider base in the Liverpool City Region is vital to ensuring learners' and employers' needs are met. In this context, it will be important for the Combined Authority to work with the ESFA to regularly monitor College financial plans to identify potential issues early on. The Combined Authority will also apply a differentiated approach to contract management based on risk/high impact/high value for Independent Training Providers to protect learners and public funds.

5.3 To support the transition, circa £4.3m has been identified for further investment during 2019/20, to be used flexibly as follows:

- To apply transitional protection in exceptional circumstances;
- To respond to in-year growth requests from Colleges and providers supported by evidenced learner demand;
- To address urgent skills needs based on sudden changes in the employment landscape;
- To enable additional procurement calls to respond to skills priorities/economic needs emerging from the Local Industrial Strategy; and
- To enable the Combined Authority to capacity build the local AEB infrastructure and skills system, through for example, thematic reviews of learner support, additional test and learn pilots, evaluation and continuous professional development of provider staff.

5.4 The Combined Authority is therefore asked to commit £4.3m transitional funding to support the following investment options in 2019/20.

a) Transitional Protection for 2019/20
Rationale: The rationale for this investment is to protect against any unintended consequences of devolution, where changes to previous AEB funding allocation methodologies or unforeseen changes to provider performance or financial resilience may destabilise provision for Liverpool City Region residents in 2019/20, to support cross border learners, deal with economic shocks (such as Brexit, large-scale redundancies).
Methodology: Includes a risk based business-case assessment for grant funded providers on a case by case basis to prevent destabilisation in 2019/20.
Potential scale of investment: circa £1.5m

b) Supporting In-Year Growth
Rationale: To ensure funding follows learner demand and responds to identified needs for further in-year investment in 2019/20 to meet emerging skills priorities and/or economic needs for skills investments.
Methodology: A business-case based growth request process, providing additional funding mid-year to meet demand from grant funded providers.
Potential scale of investment: circa £1m

c) Additional Procurement
Rationale: To mitigate against any unintended consequences of the

procurement process, compensating for any imbalances in the curriculum offer by geography, level, sector specialism or niche provision and/or responding to any identified needs for further in-year investment to meet skills priorities/economic needs.

Methodology: Further procurement, targeted at specific needs as appropriate.

Potential scale of investment: circa £1.3m

d) Capacity Building the AEB System

Rationale: To accelerate the impact of devolution and embed transformational change by supporting innovation, quality improvements, infrastructure development and facilitating cultural change.

Methodology: Utilising funding to identify, develop and share effective practice to drive positive change including:

- City Region wide Continuous Professional Development Programmes for providers, upskilling delivery staff e.g. 'mental health first aid';
- Thematic Reviews – deep-dives and research to identify and share good practice across delivery organisations e.g. discretionary learner support;
- Additional Test and Learn Pilots – to address local skills priorities;
- AEB evaluation programme – to demonstrate impact, ensure continuous improvement and inform Year 2 AEB planning.

Potential scale of investment: circa £0.5m

6. RESOURCE IMPLICATIONS

6.1 Financial

The AEB budget for Liverpool City Region for the period 1 August 2019 to 31 July 2020 is £51,380,231. DfE will provide this grant to the Combined Authority via a Section 31 transfer. It will be apportioned as follows: £32,189,715 in financial year 2019/20 and £19,190,516 in financial year 2020/21. The reason for phasing of the budgetary provision in this way is to ensure there is financial continuity for institutions across the academic year.

The AEB budget allocations for the 2019/20 academic year in headline terms will be:

2019/20 Indicative Allocations	£m
Indicative grant allocations	28.7
Test and Learn grant based providers	1.9
GM Delivery	0.5
Procurement award	14.9

Transitional arrangements	4.3
Strategic oversight, performance management and administration	1.0
TOTAL	51.3

6.2 Human Resources

In the absence of additional administration funds to accompany the devolved functions and programme budget, Combined Authorities must resource the management of devolved AEB from within the AEB allocation itself. As noted in the October 2018 report, the Combined Authority agreed to retain 2% of the overall AEB budget for strategic management, contract monitoring/performance management and assurance purposes.

This level of resourcing is felt to be appropriate and proportionate to the capacity and capability required to manage and assure the AEB and to ensure that the Combined Authority discharges its statutory obligations, ensures proper use of funds and guards against any risks and reputational damage that could otherwise arise if the activity were not adequately resourced.

Implementation funding provided by the DfE (to the end of July 2019) has enabled the Combined Authority to begin recruiting to a new AEB Commissioning Team to enhance the capacity and expertise of the organisation in preparations for the AEB, as well as ensuring input from relevant technical specialists across a range of functions to support the commissioning process.

Moving forward, the Combined Authority will develop and implement a range of new processes, including management of data processes, to ensure compliance and risk management of public funds. This includes oversees a range of functions, including the significant monthly payment volumes and values that will need to be compliance checked and reconciled. Critical to this process is links to the Combined Authority's finance and creditors teams to meet payment turnaround deadlines.

The Combined Authority will continue to identify and implement local flexibilities to meet Liverpool City Region skills needs. This requires new relationships to be formed with the ESFA, Colleges, Local Authorities and Independent Training Providers. The introduction of the test and learn pilots and local funding rules describe earlier in this report will require structured evaluations to enable recommendations to be taken forward in future years.

6.3 Physical Assets

There are no direct Physical Assets implications arising from the implementation of the recommendations in this report.

6.4 Information Technology

AEB will require a new IT system to ensure that both the payments to providers/colleges/local authorities and the reporting of AEB data received from the ESFA is managed and processed correctly and in a timely manner each month. The Combined Authority's IT team are developing an IT system that uses monthly data received to enable a monthly payment schedule to be processed for all providers in line with published timescales for payment. The system will also allow the AEB Commissioning Team to produce monthly management information on performance of the overall AEB funded programmes in the City Region.

The Combined Authority is continuing to work closely with the ESFA and the other MCAs/GLA to plan for the data requests that will be required via the ESFAs Individualised Learner Record. Regular meetings are held to ensure that the changes to the data system for the 2019/20 academic year and the impact on the devolved areas is fully understood. In addition, the Combined Authority is facilitating regular meetings with the Data/Management Information teams of the Liverpool City Region FE Colleges and Local Authorities as part of its planning for devolution. The conversations with providers will take place as part of the on-boarding process.

7. RISKS AND MITIGATION

- 7.1 Devolution of £51.3m AEB is a significant undertaking for the Combined Authority and as such a robust risk assessment has been applied and reflected in the organisation's corporate risk processes. Specific risks and mitigation of identified risks relating to this report are highlighted as follows:

Risk	Mitigation
The commissioning approach adopted by the Combined Authority is legally challenged and may result in the award of AEB contracts or grants being delayed.	<p>The Combined Authority has followed the Public Contract Regulations 2015 (Light Touch Regime) in relation to the formal procurement exercise for AEB contracts for services. Due to capacity, Knowsley Council on behalf of the Combined Authority has led the procurement exercise with appropriate levels of procurement expertise. Legal advice has been provided by officers internal to the Combined Authority.</p> <p>The negotiated grant commissioning process adopted by the Combined Authority has been based on the legal advice offered by the DfE.</p>

Risk	Mitigation
<p>The Liverpool City Region's devolved AEB allocation confirmed by the DfE in January 2019 was less than indicated potentially resulting in fewer contract awards or excess learner demand.</p>	<p>Impact on the local area in terms of demand will be reviewed and contingency plans put in place as described below.</p>
<p>Providers may have overbid or over-estimated their ability to deliver training to their proposed delivery plan value.</p>	<p>An analysis of previous years' AEB delivery will be undertaken, taking into account learner volumes and proposed funding values and providers risk rated.</p> <p>All providers will be subject to performance management points, the earliest will be in period 4 (November 2019). This will identify high risk providers and could result in a reduction of contract values for under performance.</p>
<p>Procurement outcomes may leave geographic or sectoral unmet demand for skills and require additional procurement and/or grant commissioning.</p>	<p>The Combined Authority has worked to a known illustrative budget and the commissioning approach adopted has ensured unmet demand for skills can be met through ring-fencing an allocation to in-year growth and/or additional procurement rounds if required.</p>
<p>Providers may be in multiple supply chains either as the lead provider or a sub-contractor and therefore at risk of not being able to deliver all provision contained within approved delivery plans.</p>	<p>As part of the due diligence work the Combined Authority will undertake a review of all supply chain activity and identify where providers appear multiple times. It will also confirm with lead providers that their planned supply chain is still in place prior to contract award and that sufficient capacity and capability is available.</p>

Risk	Mitigation
<p>The Combined Authority's failure to comply with the AEB assurance framework could result in complaints, lobbying or legal challenge and may result in the award of AEB contracts and/or grants to be delayed.</p>	<p>The Combined Authority will induct and train all AEB team members and supporting staff on compliance with its requirements; particularly around the ongoing performance management of contracts and grants for AEB provision. This process will be monitored through the AEB Project Board and internal audit; and performance reported to the Combined Authority on a regular basis.</p>

8. EQUALITY AND DIVERSITY IMPLICATIONS

- 8.1 The AEB commissioning process (grant funded negotiations and procurement) invited all providers to demonstrate how they would meet equality, diversity and inclusion, social value, and the narrowing the gaps agendas. Proposals were assessed against these and all selected providers have demonstrated their ability to deliver. Management arrangements for the delivery of AEB will include the recording and monitoring of EDIMs (Equality and Diversity Impact Measures). In addition, identification of recruitment, retention, achievement, attainment and outcome by EDIMs will be subject to a review to narrow any identified gaps. The commissioning cycle includes evaluation of effectiveness of this approach and will provide recommendations for changes to improve outcomes. This will support the ability of the Combined Authority to fulfil its Public Sector Equality Duty.

9. COMMUNICATION ISSUES

- 9.1 A full communications approach has been developed locally and implemented with market engagement of Providers, Colleges and constituent Councils prior to the launch of the procurement exercise. In addition, a joint MCAs/DfE communications brief was produced to ensure that providers were clear about the nature of the changes to be introduced as a result of devolution.
- 9.2 A forward plan of activity, including provider on-boarding events scheduled for June 2019, provider e-bulletins and initial contract management meetings has been developed to support the next phase of implementation prior to the 1 August 2019 launch date.

10. CONCLUSION

- 10.1 This report provides an update on progress relating to devolution of the Adult Education Budget to Liverpool City Region Combined Authority from 1 August 2019. It also presents for approval the funding allocations for Liverpool City Region's devolved Adult Education Budget for the academic year 2019/20.

KIRSTY PEARCE
Director of Policy and Strategic Commissioning

Contact Officer:

Sue Jarvis, Project Director – Adult Education Budget Transition

Appendices:

Appendix One: Indicative Grant Funded Provider Allocations, 2019/20

Appendix Two: Award of Contracts: Procured Providers with Contracts for Services, 2019/20 (Exempt)