

# GREATER LONDON AUTHORITY

## REQUEST FOR MAYORAL DECISION – MD2462

### Title: Financial Management of the 2019/20 Adult Education Budget

#### Executive Summary:

From August 2019, the Mayor will be responsible for the commissioning, delivery and management of London's Adult Education Budget (AEB) allocation which was confirmed by the Department for Education (DfE) as £306,444,875 for the 2019/20 academic year.

This Mayoral Decision seeks approval for the overall approach for managing and distributing London's AEB allocation for the 2019/20 academic year. This includes: approval for the grant and procured allocations to individual delivery providers; funding to support growth requests (provisionally titled the Skills for Londoners Innovation Fund); and funding towards management and administration of the AEB programme.

This decision also seeks approval to procure consultancy services to undertake an evaluation of the AEB programme over the next four years.

#### Decision:

That the Mayor approves:

- The overall allocation of the £306,444,875 Adult Education Budget (AEB) for the 2019/20 Academic year, as set out in detail at Appendix A. This includes:
  - Grant provider allocations – £262.9 million;
  - Procured provider AEB allocations – £32.5 million;
  - Skills for Londoners Innovation Fund (*working title*) – **up to** £6.4 million (a new fund allowing grant-funded providers to request growth funding); and
  - Management & Administration – £4.6m.
- The final AEB grant allocations for 2019/20, including the exceptional cases, as set out at Appendix B;
- The final AEB procured allocations, equating to circa £130m over four years (approximately £32.5m for the 2019/20 academic year), as set out at Appendix C; and
- Up to £80,000 per academic year, amounting to £320,000 across four academic years from 1 August 2019 to 31 July 2023 which spans across five financial years 19/20 - 23/24, for the procurement of consultancy services to support the AEB evaluation.

#### Mayor of London

I confirm that I do not have any disclosable pecuniary interests in the proposed decision and take the decision in compliance with the Code of Conduct for elected Members of the Authority.

The above request has my approval.

Signature:



Date:

12/4/19

## PART I – NON-CONFIDENTIAL FACTS AND ADVICE TO THE MAYOR

### Decision required – supporting report

#### 1. Introduction and background

- 1.1 From 1 August 2019, the Mayor will be responsible for the commissioning, delivery and management of London's Adult Education Budget (AEB) allocation which was confirmed by the Department for Education (DfE) as £306,444,875 for the 2019/20 academic year.
- 1.2 This follows the Mayor signing the delegation of functions letter and Memorandum of Understanding (MoU) with the DfE in January 2019 as approved under MD2410.
- 1.3 The 2019/20 academic year runs from 1 August 2019 to 31 July 2020. London's 2019/20 AEB allocation will be split across financial years as follows:
  - £191,987,714 (2019/20)
  - £114,457,161 (2020/21)
- 1.4 The overall allocation of the £306,444,875 Adult Education Budget (AEB) for the 2019/20 Academic Year includes:
  - Grant provider allocations – £262.9 million;
  - Procured provider AEB allocations – £32.5 million;
  - Skills for Londoners Innovation Fund (*working title*) – up to £6.4 million (a new fund allowing grant-funded providers to request growth funding); and
  - Management & Administration – £4.6m.
- 1.5 A full breakdown is set out in Appendix A.

#### 2. Objectives and expected outcomes

##### *Grant allocations*

- 2.1. The GLA's approach to allocating and managing AEB grants was approved by the AEB Mayoral Board on 10 January 2019, and by Mayoral Decision (MD2423) on 12 February 2019. Following approval, indicative grant allocations were sent to eligible AEB grant-funded providers delivering education and training to London residents for the 2019-20 academic year.
- 2.2. As set out in MD2423, the GLA has used the 2017/18 actual AEB delivery data published by the ESFA to determine the value of grants to allocate to providers delivering adult education services to London residents in 2019/20. All grant-funded providers that delivered £100,000 or more to London learners in 2017/18 would receive the value of that delivery in 2019/20 with transitional funding applied to London-based<sup>1</sup> providers at risk of losing funding based on their equivalent 2018/19 London allocation.<sup>2</sup>
- 2.3. All grant-funded providers were also given the opportunity to make an exceptional case to the GLA for why their grant allocation should be adjusted because of significant errors in their data or other extenuating circumstances.
- 2.4. Additionally, grant-funded providers which delivered less than £100,000 of AEB provision to London learners in 2017/18 were given the opportunity to submit a business case for funding from the GLA if they could demonstrate that their provision was niche or targeted at disadvantaged groups.

<sup>1</sup> Where a provider's main campus sites are located within the London region.

<sup>2</sup> This approach will only be applied in the 2019/20 as part of transitional arrangements to meet the Mayor's commitment to maintain funding stability for providers in the first year of AEB delegation.

- 2.5. The AEB Mayoral Board endorsed the indicative grant allocations and exceptional cases at its meeting on 10 April 2019. The full list of the providers and grant allocations to be issued by the GLA is attached at Appendix B for approval. The total value of these grants, including exceptional cases, is approximately £262.4m, awarded to 107 providers.

#### *Procured AEB allocations*

- 2.6. The AEB procurement process was launched by Transport for London (TfL)<sup>3</sup> in October 2018 and closed on 21 December 2018. In total, the GLA received 202 bids from a broad range of applicants for the total amount of £811m, including Independent Training Providers, Voluntary Sector organisations, FE Colleges and local authorities, across two Lots aligned to the following two overarching European Social Fund (ESF)<sup>4</sup> Investment Priorities:
- Investment Priority 1 (IP1) supports unemployed and economically inactive people to access employment, and young people who are not in Education, Employment or Training (NEET) to access learning; and
  - Investment Priority 2 (IP2) supports people in work, particularly in low pay or with low skills, to improve their skills for the local economy.
- 2.7. The list of organisations recommended to receive an AEB contract for delivery in Lot 1 and Lot 2, the total value of which is £130m over four years (approximately £32.5m for the 2019/20 academic year), was endorsed by the AEB Mayoral Board on 10 January 2019 and is included at Appendix C.
- 2.8. As well as allocating funding for grant-funded and procured AEB provision, the Mayor will need to determine how the remainder of the GLA's AEB is allocated (approximately £11m). This will include funding for growth requests and exceptional learning support (ELS) claims made by providers in-year. A full breakdown of how the AEB will be allocated in 2019/20 can be found at Appendix A.

#### *Growth requests and learner support*

- 2.9. As approved under MD2370, the GLA will introduce growth requests for both procured and grant-funded providers to increase their funding allocation. Grant-funded providers will have the opportunity to request growth funding during the year.
- 2.10 To fund growth requests, it is proposed that the Mayor creates a Skills for Londoners Innovation Fund (*working title*) using up to £6.4m of unallocated funding from the GLA's overall AEB allocation. It is proposed that this fund rewards proposals from AEB grant-funded providers where they meet the Mayor's priorities as follows (and subject to the outcomes of the Skills for Londoners Framework Consultation (MD2463)):
- Widening participation for learners with SEND to access provision funded by the AEB;
  - Additional AEB funding for young people aged 19-24 who may be vulnerable to or at risk of being involved in serious youth violence;
  - Increasing ESOL provision;
  - Sectoral priorities;
  - Digital skills;
  - Support for those affected by job displacement/redundancies; and
  - English and Maths.

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<sup>3</sup> Transport for London provides procurement services to the GLA under a shared services arrangement.

<sup>4</sup> The GLA is using expenditure of approximately £71 million (over four years) on the services to be procured using AEB as match funding to enable it to draw down an equal amount of London's regional European Social Fund allocation.

- 2.11. Innovation funding will only be allocated where evidence of grant-provider performance supports the request and demonstrates that the provider will perform above their agreed grant allocation for 2019/20. Detailed arrangements for making requests will be published in Summer 2019.
- 2.12. The GLA will also allow providers to claim ELS where a learner's support costs are more than £19,000 in a funding year. Providers will be able to claim ELS either at the beginning or during a learner's programme.

#### *Management & Administration*

- 2.13. As Government has not provided an operational budget for the AEB, this MD approves approximately £4.6m to be allocated to 'AEB Management & Administration'. This will cover all other costs including staffing, provider audits, data and contract management systems and research and evaluation. Full details of proposed costs can be found at Appendix A.
- 2.14. Approximately £0.5m of these costs per year will be recouped back into the AEB from the ESF Management & Administration funds.

#### *AEB Evaluation*

- 2.15. Officers are developing plans for the evaluation of London's AEB. An evaluation scoping project has already taken place and reported in early April 2019. The findings and insights from the evaluation will help the GLA to shape further the AEB programme to ensure it meets London's learners' needs.
- 2.16. An initial process evaluation will be conducted in summer and autumn 2019, focussing on the implementation of the delegated AEB functions and funding, including the grant allocation and procurement processes, onboarding arrangements, and the contract and delivery management processes that the GLA has put in place.
- 2.17. A longer-term impact evaluation will also be procured which will measure the impact of the AEB over the first four years of delivery. This will assess the impact of the changes to AEB delivery and policy changes made by City Hall have had on learners, on providers, and on the supply of adult skills in the capital. Whilst a final evaluation report will be delivered in 2023, the GLA will also use interim findings from the evaluation project to assess and refine its management of the AEB at regular intervals.
- 2.18. £80,000 per academic year of the evaluation and research budget has been ringfenced to procure evaluation services (amounting to £320,000 across four academic years from 1 August 2019 to 31 July 2023 which spans across five financial years 19/20 - 23/24).
- 2.19. The remaining budget per annum is requested to commission and undertake research to support the development of priorities and future commissioning of the AEB. This work will support the Mayor's objective to 'increase the number and diversity of adult learners in London gaining the skills they need to participate in society and progress into further / higher-level learning, work or an apprenticeship'. More detailed research commissions will be outlined in a subsequent MD.

### **3. Equality comments**

- 3.1. Section 149(1) of the Equality Act 2010 provides that, in the exercise of their functions, public authorities – of whom the Mayor is one – must have due regard to the need to:
  - eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
  - advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and
  - foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
- 3.2. Relevant protected characteristics are age, disability, gender re-assignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

- 3.3. The Mayor is required to comply with the duty set out above in making the decision set out in this paper and any future decisions relating to the AEB made pursuant to those arrangements which will be subject to separate decision forms.
- 3.4. The GLA will make the AEB accessible to more Londoners from year one by extending funding to fully fund those in work and earning less than the London Living wage and any 19+ learner whose first language is British Sign language (BSL) to study for a first qualification in BSL up to Level 2. This will help to increase the number and diversity of people gaining the skills they need to progress through training and into higher skilled work.
- 3.5. The aim of AEB and ESF is to improve opportunities for people who are disadvantaged in the labour market. Many potential AEB and ESF participants also have protected characteristics. The GLA's AEB provision will support a range of groups, particularly the most disadvantaged people not currently receiving sufficient support into employment or education. These include young people who are NEET, people without basic skills, people who are unemployed such as parents, ex-offenders, homeless people, black and ethnic minorities and disabled people. It will also support Londoners in low-paid/low-skilled jobs.
- 3.6. An equalities impact assessment of the GLA's grant allocations approach has been carried out. The Mayor's commitment to provide funding stability in 2019/20 ensures that all providers with grant allocations above £100,000 continue to be funded at 2017/18 actual delivery levels. This approach means that no groups of learners should be disadvantaged as funding will continue in line with prior actual delivery. For providers with provision for residents below £100,000, the GLA invited providers to make an exceptional case for why the discontinuation of funding would impact adversely on disadvantaged groups of learners. Any such cases were therefore specifically considered as part of the process.

#### 4. Other considerations

- 4.1 The Mayor's Skills for Londoners Strategy (2018) sets out the challenges London faces, along with the priorities and actions required to make the London skills system the envy of the world and achieve the Mayor's vision for 'a City for all Londoners – making sure Londoners, employers and businesses get the skills they need to succeed in a fair, inclusive society and thriving economy'. The delegation of the AEB plays a significant part of the strategy through its plans to increase the number and diversity of adult learners in London gaining the skills they need to participate in society.

##### Risks arising / mitigation

- 4.2 **Estimating the amount of funding to be ring-fenced for Exceptional Learning Support.** There is a lack of data available on ELS claims made by providers for London learners in previous years. Given the relatively small number of cases where ELS claims are made nationally however, it is unlikely to have a significant impact on the GLA's budget.
- 4.3 **Challenges from unsuccessful bidders.** Unsuccessful organisations have the right to challenge the procurement process within ten working days of receiving the Invitation to Tender (ITT) feedback. It is likely that some organisations might challenge the process since TfL/GLA had to resolve a number of compliance issues with tender submissions by bidders. To mitigate this risk the GLA has taken a proactive approach by issuing two clarifications, following legal advice, to support bidders to submit correct information. From the outset, the GLA has worked closely with TfL to ensure its approach to the procurement process is robust, fair and transparent.
- 4.4 **ESF compliance.** While reviewing the procurement process, ESF auditors are able to raise concerns if they consider that there are irregularities in the processes followed, or deem that the whole procurement process is not ESF-compliant. Irregularities and/or non-compliance may result in substantial financial penalties. To mitigate that risk and ensure that the process has been run in accordance with the ESF rules and guidance GLA has worked closely with TfL on the procurement process and sought legal advice where necessary. Evidence of the procurement process that we have followed has been retained for future audit purposes.



## **5. Financial comments**

- 5.1 The grant determination letter from the Department of Education confirmed London's AEB allocation for the 2019-20 academic year as £306,444,875. The transfer of funds for the academic year will span two financial-years as follows:
- 2019-20 - £191,987,714
  - 2020-21 - £114,457,161
- 5.2 All associated AEB expenditure for the 2019-20 academic year as detailed within this report will be funded from the confirmed 2019-20 allocation from Government. This will include the indicative grant allocations and ELS (£262.9m), the procured element of the programme (£32.5m) growth proposals (£6.4m) and Management and Administrative costs, including the earmarked allocation to fund evaluation of the programme across financial-years 2019-20 to 2023-24 (£4.6m).
- 5.3 Any changes to the initial allocations noted above will be subject to further approval via the Authority's decision-making process.

## **6. Legal comments**

- 6.1. Section 39A of the Greater London Authority Act 1999 permits the delegation of ministerial functions to the Mayor, subject to certain limitations and conditions. This forms the basis for the proposed delegation of AEB functions from the Secretary of State for Education to the Mayor. A particular and onerous limitation of a delegation under s39A is that the usual power of delegation by the Mayor is not available in respect of s39A delegated functions.
- 6.2. In taking the decision requested, the Mayor must have due regard to the Public Sector Equality Duty under section 149 of the Equality Act 2010. To this end, the Mayor should have particular regard to section 3 (above) of this report.
- 6.3. Should the Mayor be minded to make the decisions sought officers must:
- 6.3.1 exercise care in incurring or committing to any expenditure in reliance on delegated AEB before the grant of the same has been made, including liaison with the Department for Education to ensure that the funding may be claimed in respect of expenditure proposed; and
  - 6.3.2 to the degree that reliance is to be placed upon access to and the use of ESF funding, liaise closely with the GLA's European Programmes Management Unit to ensure that such use is ESF compliant.
- 6.4 Section 1 of this report indicates that the GLA intends to procure services. Section 9 of the GLA Contracts & Funding Code requires the GLA to engage with TfL Procurement, develop a procurement strategy with TfL Commercial and seek a call-off from a suitable framework where possible or, if not, undertake a tender process compliant with the Public Contracts Regulations 2015 to procure such services in relation to all contracts for services with a value above £150,000 before the commencement of the services.

## **7. Planned delivery approach and next steps**

- 7.1 Next steps following this Mayoral Decision are set out overleaf:

Activity	Timeline
<b>AEB Grant:</b> Final allocations issued Award Funding Agreements	April 2019 April-July 2019
<b>AEB Procured:</b> ITT feedback to bidders Standstill period (10 calendar days) Mobilisation/on boarding	April 2019 April-May 2019 June-July 2019
<b>AEB Delivery Starts</b>	1 August 2019
<b>Skills for Londoners Innovation Fund (working title)</b> Related guidance published to ensure early notice of the process for the sector Applications from grant-funded providers received, coinciding with performance data returns to enable GLA to assess requests Requests assessed and considered by AEB Mayoral Board Grant-funded providers notified of outcome of requests and any adjustments made to allocations Opportunity for AEB procured providers to increase contract value where performance demonstrates growth	October 2019 December 2019  February 2020 February 2020  May 2020
<b>AEB Evaluation</b> Development of specifications for evaluation services to be procured Procurement of evaluation services Award of contracts Delivery of process evaluation  Delivery of impact evaluation	April 2019 May-June 2019 July 2019 August 2019 -December 2019 August 2019 – December 2023

**Appendices and supporting papers:**

- **Appendix A** – Overall AEB allocation for 2019/20 (Reserved from publication until 30 September 2019)
- **Appendix B** – GLA AEB allocations for grant-funded providers for 2019-20 (Reserved from publication until 30 September 2019)
- **Appendix C** – Indicative lists of bidders expected to receive a procured AEB contract for delivery in Lot 1 and Lot 2 (Reserved from publication until 30 September 2019)

**Public access to information**

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FoIA) and will be made available on the GLA website within one working day of approval.

If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary. **Note:** This form (Part 1) will either be published within one working day after it has been approved or on the defer date.

**Part 1 - Deferral**

**Is the publication of Part 1 of this approval to be deferred? NO**

**Part 2 – Sensitive information**

Only the facts or advice that would be exempt from disclosure under FoIA should be included in the separate Part 2 form, together with the legal rationale for non-publication.

**Is there a part 2 form – YES**

**ORIGINATING OFFICER DECLARATION:**

Drafting officer to confirm the following (✓)

**Drafting officer:**

Jamie Davies has drafted this report in accordance with GLA procedures and confirms the following:

✓

**Sponsoring Director:**

Debbie Jackson has reviewed the request and is satisfied it is correct and consistent with the Mayor's plans and priorities.

✓

**Mayoral Adviser:**

Jules Pipe has been consulted about the proposal and agrees the recommendations.

✓

**Advice:**

The Finance and Legal teams have commented on this proposal.

✓

**Corporate Investment Board**

This decision was agreed by the Corporate Investment Board on the 12 April 2019

**EXECUTIVE DIRECTOR, RESOURCES:**

I confirm that financial and legal implications have been appropriately considered in the preparation of this report.

Signature

*M. J. Bell*

Date

**CHIEF OF STAFF:**

I am satisfied that this is an appropriate request to be submitted to the Mayor

Signature

*[Handwritten Signature]*

Date

12-04-19