

WMCA Board

Date	11 January 2019
Report title	Devolution of the Adult Education Budget 2019/20
Portfolio Lead	Productivity & Skills - Councillor George Duggins
Accountable Chief Executive	Nick Page, Solihull Metropolitan Borough Council email: npage@solihull.gov.uk tel: (0121) 704 6018
Accountable Employee	Dr Julie Nugent, Director of Productivity & Skills email: julie.nugent@wmca.org.uk tel: (0121) 214 7592
Report has been considered by	Skills Advisory Board - 21 November 2018 Programme Board - 21 December 2018

Recommendation(s) for action or decision:

The WMCA Board is recommended to:

- (1) Agree the approach to regional commissioning of the Adult Education Budget (AEB) in relation to the 19/20 Academic Year as outlined within the report.
- (2) Delegate authority to award contracts and issue grant agreements to be funded by AEB, in line with the commissioning approach outlined within the report, to the Director of Productivity & Skills in consultation with the Section 151 and Monitoring Officers and the Portfolio Lead.
- (3) Agree that the Skills Advisory Board, with support from local authority (LA) and Local Enterprise Partnership (LEP) officers, will monitor progress and impact and recommend any future changes to the deployment of AEB funding.

1. Purpose

- 1.1. This paper sets out the detail of the proposed approach to commissioning AEB funded provision following the transfer of AEB to WMCA from July 2019. This reflects the principles previously set out in the Regional Skills Plan, as agreed by WMCA Board in June 2018.

2. Background

- 2.1. The West Midlands Combined Authority's (WMCA) first Devolution Deal, agreed by the Combined Authority Shadow Board in November, 2015, included the agreement to the transfer of adult skills funding – the Adult Education Budget (AEB) - to the WMCA.
- 2.2. In March 2018, WMCA Board gave formal consent to the Order to transfer AEB functions, including a range of statutory obligations, to the WMCA. Following confirmation from the Secretary of State, that readiness conditions had been met, the Order was subsequently laid in Parliament on 23rd July, 2018. Appendix 1 sets out the key decisions and timings for AEB since 2015.
- 2.3. Devolved AEB will provide funding for adult skills (those aged 19+), for residents of West Midlands constituent member areas. In 2016/17, this represented £126m delivered through colleges, Local Authorities and training providers. Non-constituent areas will continue to benefit from AEB provision funded directly through the Education & Skills Funding Agency (ESFA).
- 2.4. The transfer of AEB was predicated on a formal requirement to meet readiness conditions as set out in the Devolution Agreement and supported by statutory guidance issued by the Department for Education (DfE). This includes a commitment to work with the ESFA to ensure that commissioning conditions are fair and transparent and do not unduly destabilise the provider base.
- 2.5. The DfE will confirm our full AEB allocation for the 2019/20 academic year in January 2019, once the full year delivery for 2017/18 is known and validated by ESFA. Thereafter we will receive an annual allocation of AEB to the West Midlands Combined Authority, likely to be in January each year.
- 2.6. In June 2018, the WMCA Board agreed the West Midlands Regional Skills Plan which sets out how the CA will work with local partners and providers to better deploy AEB to meet the needs of residents and businesses. This includes a greater focus on helping people into employment and delivering higher level skills in priority sectors.

3. Funding Principles

- 3.1. The WMCA's AEB allocation for 2019/20 will be confirmed by the Department for Education in January 2019, and will be based on actual delivery to West Midlands residents in 2017/18. Appendix 2 sets out the detail of spend on residents during the 2016/17 academic year. ESFA communicated nationally with all providers during the 16/17 academic year to outline the journey towards devolution and the potential impact on providers delivering within devolved areas. This will have impacted on provider behaviour in terms of where they delivered during the 17/18 academic year and we will receive this data in January 2019. Current patterns of spend are related to a wide range of variables including provider ability to spend and secure additional funding over time, sub-contracting into larger cities where it is deemed easier to spend funding, etc.

3.2. Our approach to commissioning will be informed by a number of principles which reflect our ambition to move from a national funding system, driven by national priorities, to a more strategic and regionally targeted approach, better attuned to local priorities and the needs of West Midlands residents and businesses. This approach will build upon the joint approach taken with local authorities on the procurement and management of the Employment Support Pilot.

3.3. The principles include:

- a) Using our Regional Skills Plan (RSP) to frame priorities and guide decision making.
- b) Engaging Local Authorities and LEPs in the development of AEB commissioning specifications so that provision reflects local needs and opportunities. This will be through the officer group designated by Chief Executives. We will look to test new and innovative models of delivery, including extending current funding pilots that target low-skilled and low-paid workers to encourage them to upskill.
- c) Operating two concurrent commissioning processes:
 - i. Plan-led approach for WMCA area based colleges and Local Authorities and colleges with substantial niche provision delivered directly to residents within the WMCA area, where allocations are confirmed in April. This will be based on actual delivery, in 2017/18. We do not expect significant shifts in overall allocations to individual colleges and local authorities.
 - ii. Procurement through competition for all other providers will commence in January 2019. There will be an initial award of funding in April 2019 with the potential for a further round, to address any geographical or cohort gaps, in June 2019.
- d) All plan-led organisations will provide 3 year delivery agreements to set out how they will shift more of their provision into key priority areas. This will include a statement of how they will work with Local Authorities, and other key local partners, to target more joined-up activity to support unemployed residents. A template agreement is included in Appendix 3. Organisations will still be expected to deliver provision in other non-prioritised areas – we expect change to be measured and incremental and to be achieved through consultation with local partners to better meet residents' needs.
- e) All provision delivered through non-West Midlands colleges and local authorities will be assessed to understand how it reflects regional and local priorities. We will undertake this activity with key local partners, including Local Authorities, so that we do not lose good provision. However, we are also aware that a significant proportion of provision delivered in the region, through non-West Midlands colleges and local authorities, is sub-contracted, with colleges and local authorities often taking a significant (20%+) management fee. We will look to 'repatriate' this provision, to directly fund local delivery.
- f) We will operate an open and transparent process, communicating with both the provider base and wider WMCA stakeholders.

3.4. In 2016/17, 85% (£108m) of funding for adult skills was delivered to WM residents through grant funding agreements to Further Education Colleges and Local Authorities, based within and outside the constituent member area. WMCA intends to provide Further Education Colleges and Local Authorities based within the constituent member area with indicative budget allocations in January 2019, once the overall budget allocation from DfE to WMCA is confirmed. As this will be based on actual delivery, in 2017/18, we do not expect significant shifts in overall allocations to individual colleges and local authority providers. The delivery agreements will primarily reflect current national funding rules in order to support stability within the system. There will be the opportunity to pilot some changes to the funding criteria, for example funding some individuals on level 3 qualifications in priority sectors who would currently only be able to access loan funding. The type of qualification that could be funded in this way would be reflected in an annex to the grant agreement.

3.5. The remaining 15% of AEB funded provision (approx. £18.5m) delivered to WM residents has been contracted nationally, with independent training providers who have chosen to deliver in the WM rather than be directed to by their contract terms. These contracts will end in July 2019 and we are currently undertaking a thorough assessment to understand what provision is in place, what will end and where, and how we may want to re-commission to protect good quality local delivery against local priorities.

3.6. The WMCA intends to run an initial procurement round, in January 2019, for provision to commence in September 2019. This will be an opportunity to test innovative ways of delivering, with greater flexibility and a more considered focus on local outcomes, than is currently available through national funding rules. Provision will be procured against the local and regional skills priorities contained in our Regional Skills Plan, but more closely tailored to local needs. We expect to split procurement lots broadly as follows – this will, however, be dependent on the market response:

50% of procurement pot

- a) Tackling unemployment especially amongst young people
- b) More grass-roots provision to better engage hard-to-reach communities and address local skills needs
- c) Targeted provision to engage and support priority groups, including care leavers, homeless, and long-term unemployed

50% of procurement pot

- d) Improving skills of low-paid, low-skilled workforce
- e) Focus on pre-Apprenticeship provision, to increase take-up of Apprenticeships in the region
- f) Increase delivery in priority sectors including construction, automotive/advanced manufacturing, business and professional services and digital

3.7. Following the response to the invitation to tender, if it is determined that there are going to be gaps in provision, either in terms of geographic distribution or priorities, there will be a further procurement round to seek to fill these gaps commencing June 2019. In addition, we will performance manage all provision closely to ensure we meet local needs and deliver good value for money. Any under-performance will be re-deployed in a clear and transparent way. A report will be brought to WMCA Board in May 2019 to outline the response to the invitation to tender and seek agreement on commissioning priorities for a second round of procurement if necessary.

- 3.8. Local Authority and LEP officers will be invited to participate in the assessment of tenders in line with ethical wall protocols.
- 3.9. Consistent with the ESFA's approach to the management of the AEB, provision awarded to independent training providers, as a result of the procurement round, will be funded under a Contract for Services rather than a Grant.
- 3.10. Regional colleges and Local Authorities will be able to bid for additional funding through the procurement process.
- 3.11. The impact of WMCA's approach to managing AEB funded provision will be monitored through data on each individual learner funded as captured through their Individual Learner Record. This data will be provided to WMCA by ESFA and analysed to ensure that funding is deployed against identified priorities. We will also be evaluating the wider impact of our approach, particularly in terms of our ability to better meet local and regional skills priorities. This will be reviewed through LA/LEP officer groups; through Programme Board; and through the new Skills Advisory Board, chaired by the Productivity and Skills Portfolio Lead.
- 3.12. As part of our commitment to communications set out in our RSP we are at present undertaking market testing to help shape our procurement activity with providers. We are also communicating messages through our Local Authority/LEP Employment & Skills Officer group, provider networks and stakeholder groups. There are a number of key messages we want to communicate:
 - a) The continuation of funding to grant providers will be at similar levels to previous years with the expectation that delivery will demonstrate alignment to priorities
 - b) That contracts for services for AEB delivery from the ESFA will terminate on 31st July 2019 and that we will be using this 'value' to procure provision that meets regional and local priorities
 - c) That grant providers, predominantly colleges, who are based outside of the constituent areas and are delivering to WM via sub-contracted providers will not automatically receive a continuation of their grant
- 3.13. The WMCA will evaluate the impact of the transfer of the AEB to the Combined Authority in January 2020 when the full year data will be known. The evaluation will review the effectiveness of our approach to commissioning along with the impact of the delivery against our Regional Skills Plan. A key source of information supporting the evaluation will be the 2019/20 academic year data. In addition, we will look at how best we can commission provision, in future years, to ensure that skills needs across the whole region are adequately addressed.

4. Financial Implications

- 4.1 The 2017/18 academic year has been a transitional year for WMCA. The DfE has supported the operating costs of the transition year and up to July 2019 through a one-off grant of up to £799,959 (subject to equal match funding from WMCA) to support transition costs, including all legal, financial and procurement advice and to recruit and employ staff so that a small team is in place in advance of August 2019 when funds are devolved.

- 4.2 Following devolution of AEB in August 2019, there will be no separate administration budget from DfE to support the operating costs associated with the commissioning, contracting and management of AEB. WMCA, like other Combined Authorities, will be expected to resource strategic management, administration and assurance functions and also pay the ESFA for centralised data collection and processing services through the Adult Education Budget.
- 4.3 Work is currently ongoing to confirm the final costs of managing AEB from 2019/20. This will include support for a small team of up to 15 full-time equivalents, a contribution towards WMCA overheads and the purchase of specialist services from the ESFA, such as audit and processing of Individual Learner Records as required. This represents approximately 1%¹ of the expected budget and is in line with our previously stated intention to protect front-line delivery to learners. Allocations to grant funded providers will be protected, with the funding for management and administration functions to be identified prior to the balance of funding being put out to tender.

5. Legal Implications

- 5.1 Devolution of the Adult Education Budget will mean that the WMCA will have the duty and responsibility to deliver the government's commitment to statutory entitlements for fully funded qualifications at levels 2 and 3 in English and Maths and the future Digital entitlements for learners free of charge. Although there may be a risk that the WMCA obligations may exceed the available budget in any one year the statutory entitlements are not time bound and the entitlement does not have to be offered immediately upon request. This will be reflected in the WMCA AEB Funding Policy where it will be clearly stated that if demand exceeds availability some learners may have to wait until the following academic year.

6. Equalities Implications

- 6.1 The activities of the portfolio are reflected in the WMCA Equalities Scheme and a specific Equalities Impact Assessment for AEB funded provision will be carried out.

7. Inclusive Growth Implications

- 7.1 More locally targeted AEB will ensure that we are better able to support local communities gain the skills they need to move in to work and/or to progress in work.
- 7.2 The Adult Education Budget will contribute to overarching aims to reduce the number of people with no qualifications and increase the number of people who are qualified to level 3 and above. There are considerable variations in these figures across the WMCA area and between different groups of people. Support will be targeted to address these variations.

8. Geographical Area of Report's Implications

- 8.1 Devolution of the Adult Education Budget relates only to the constituent member areas. In non-constituent member areas AEB will continue to be deployed through the national funding system.

¹ Administration budgets across other CA's range from 1-3%

9. Other Implications

N/A

10. Appendices

- 10.1 Appendix 1 – WMCA Board decisions in relation to AEB
- Appendix 2 – Current delivery of AEB, based on 2016/17
- Appendix 3 – Template Delivery Agreement

11. Schedule of Background Papers

- 11.1 None

Appendix 1 – WMCA Board Decisions in relation to AEB

Dec 16

WMCA Board agreed:

- To give delegated authority to the Cabinet Member for Productivity & Skills to make a decision regarding whether or not WMCA should vary block grant allocations of the Adult Education Budget in 2017/2018. [Note: subsequently AEB devolutions was deferred by 1 year so this was not enacted]
- That the Adult Education Budget should be ring fenced locally to ensure that it is allocated to activity relating to employment and skills.

November 17

Following the national decision to defer devolution of the AEB.

WMCA Board agreed:

- To proceed with the transition option during the transitional year 2018/19 prior to full devolution of the Adult Education Budget in 2019/20.

This option was designed to give West Midlands Combined Authority a real say in what AEB provision would be available for residents and also acts as a stepping-stone to successfully delivering full devolution in 2019/20. Key features of the transition option were:

- a) Implementing a governance structure that ensures West Midlands Combined Authority is engaged with the Department so that there is an understanding of how post 16 policy aligns to AEB allocations and helping to achieve objectives for adult funding.
- b) the Department will notify West Midlands Combined Authority of an amount of nationally-held AEB over which the WMCA will be able to influence, alongside the terms through which the WMCA will be able to influence AEB provision;
- c) West Midlands Combined Authority will work with providers to establish potential delivery plans which take into account local priorities and the sustainability of the provider base. The Department will then work with West Midlands Combined Authority to consider these plans and agree implementation arrangements;
- d) West Midlands Combined Authority will put in place monitoring processes, and inform the Department about them;
- e) West Midlands Combined Authority will put in place a strategic skills plan, reflecting an assessment of local strategic skills need. These will be discussed and agreed with the Department as a good opportunity to establish alignment of local AEB policy alongside national policies for non-devolved funding streams.

March 2018

WMCA Board agreed:

- The transfer of functions to WMCA as set out in section 2.3 to ensure the successful devolution of the Adult Education Budget in 2019 was approved.
- Consent was given on behalf of the West Midlands Combined Authority to the making of an Order giving effect to this transfer.

- Delegated authority was given to the WMCA Section 151 Officer together with the WMCA Monitoring Officer in consultation with the Portfolio Lead Member to approve the final draft Devolution Order in order to meet the timetable for agreement.

Constituent authorities were requested to give their consent to the making of an Order giving effect to this transfer including the necessary delegation to approve the final draft Order.

Appendix 2 – AEB Delivery Patterns in 16/17

Local Authority Area	Spend on residents through grant*	Spend on residents through contract for services*	Total*	% Spend by LA residency	19+ Population by Local Authority (ONS)	% of 19+ population	19+ funded learners	19+ population with no qualifications	% of total WMCA population with no qualifications
Birmingham	£52,607,381	£6,584,392	£59,191,773	54%	833013	38%	32812	90,500	38.4%
Coventry	£10,762,640	£1,067,384	£11,830,023	11%	278003	13%	6933	22,600	9.6%
Dudley	£5,196,735	£540,752	£5,737,487	5%	246960	11%	4367	25,300	10.7%
Sandwell	£8,913,769	£1,444,886	£10,358,654	9%	240458	11%	6839	42,000	17.8%
Solihull	£2,949,704	£410,902	£3,360,606	3%	164650	8%	2202	10,700	4.5%
Walsall	£7,137,982	£737,728	£7,875,710	7%	210597	10%	5060	19,800	8.4%
Wolverhampton	£9,754,641	£1,094,474	£10,849,116	10%	196730	9%	6738	24,800	10.5%
Total	£97,322,852	£11,880,517	£109,203,369	100%	2170411	100%	64951	235,700	100%

*Funding values above exclude Additional Learning Support funding.

Appendix 3 Draft Template Delivery Agreements for Adult Education Budget

xx provider

	Actual Enrolments/funding for Combined Authority residents (seven LA areas)				1718 Final Outturn		Planned					
	2015/16		2016/17		2017/18		2018/19		2019/20		2020/21	
	Enrolments	Spend £	Enrolments	Spend £	Enrolments	Spend £	Enrolments	Spend £	Enrolments	Spend £	Enrolments	Spend £
Entry Level												
Level 1												
Level 2												
Level 3												
Level 4 +												
Not Applicable/Not Known												
Total												
Priority Groups (statutory entitlements)												
English												
Maths												
FFL 2 (19-23)												
FFL 3 (19-23)												
Additional Priorities												
Functional ICT												
ESOL												
Total enrolments in priority groups												
All priority groups as % of AEB												
Unemployed enrolments of which young people (19-23)												
Unemployed as % of AEB												
Priority Sectors of which												
Digital and Creative												
Arts, Media and Publishing: 9.2 Crafts, Creative Arts and Design												
ICT: 6.1 Practitioners												
Business, Professional and Financial Services												
Business: 15.1 - Accounting and Finance												
Business: 15.3 - Business Management												
Business: 15.5 - Law and Legal Services												
Construction												
Construction: 5.1 Architecture												
Construction: 5.2 Building & Construction												
Construction: 5.3 Urban, Rural and Regional Planning												
Engineering and Advanced Manufacturing												
Engineering: 4.1 Engineering												
Engineering: 4.2 Manufacturing Technologies												
Engineering: 4.3 Transportation Operations and Maintenance (Exc. Taxi, Level 1 Motor vehicle)												
Total enrolments in priority sectors	75	£54,789.67	27	£23,935.94	0	£0.00	0	£0.00	0	£0.00	0	£0.00
All priority sectors as % of AEB	12%	14%	3%	5%								
					ALS Value £							
					DLSF Value £							

LA/College		Non-formula funded learning												FINAL VERSION 29/10/2018											
		Actual												Planned											
		2015/16				2016/17				2017/18				2018/19				2019/20				2020/21			
		Number of learners	ACL Allocation	Fees Collected	Total £	Number of learners	ACL Allocation	Fees Collected	Total £	Number of learners	ACL Allocation	Fees Collected	Total £	Number of learners	ACL Allocation	Fees Collected	Total £	Number of learners	ACL Allocation	Fees Collected	Total £	Number of learners	ACL Allocation	Fees Collected	Total £
1	Summary of learner numbers (ACL)				£ -				£ -				£ -				£ -				£ -				£ -
Of which																									
2	Numbers from disadvantaged groups																								
3	Priority ward 1 (insert ward)																								
4	Priority ward 2 (insert ward)																								
5	Priority ward 3 (insert ward)																								
6	Total learners in priority wards																								
7	Priority wards as % of ACL																								
Progression																									
8	Number progressing into work																								
9	Number progressing into further learning																								
10	Number progressing into volunteering																								
Priority Groups																									
11	Number participating in maths																								
12	Number participating in English																								
13	Number participating in ESOL																								
14	Number participating in digital skills development																								
15	Number participating in pre-vocational, vocational or employability skills development																								
16	Total learners in priority groups																								
17	% learners in priority groups																								
Personal Confidence																									
18	Number who have gained confidence																								
19	Number with learning disabilities who have gained confidence																								
20	Number with improved health and wellbeing																								
21	Number with increased independence, social interaction or involvement in local community																								
22	Number who have gained confidence to support childrens' learning																								
23	Total learners gaining confidence																								
24	% learners gaining confidence																								