

WMCA Board

Date	24 May 2019
Report title	Devolution of the Adult Education Budget 2019/20
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Report has been considered by	WMCA Skills Advisory Board - 22 May 2019 WMCA Programme Board - 10 May 2019

Recommendation(s) for action or decision:

The WMCA Board is recommended to:

- (1) Note progress in relation to awarding Adult Education Budget (AEB) funding through grant making and procurement processes.
- (2) Delegate authority to carry out further procurement activity in-year, to the Director of Productivity and Skills, in consultation with the Section 151 and Monitoring Officers and the Portfolio Lead in line with the approach outlined in section 3.1 of the report.
- (3) Agree proposed changes to national funding policy as set out in section 4 of the report.

1. Purpose

- 1.1. This paper sets out the progress made and proposed next steps in terms of allocating AEB funds through grants to colleges and local authorities, and through the recent procurement process. It also identifies potential changes to national AEB funding rules to be adopted by WMCA.

2. Background

- 2.1. The Department for Education (DfE) confirmed on the 31st January 2019 that WMCA's devolved share of the national Adult Education Budget, for 2019/20 is £125.6m. This figure was based on the actual delivery of AEB funded activity in 2017/18 to WMCA residents and is consistent with what was delivered last year.
- 2.2. On 11th January 2019, the WMCA Board approved a dual and concurrent approach to commissioning:
 - a) A plan-led approach for WMCA area-based further education colleges, local authorities, and colleges with substantial niche provision delivered directly to residents within the WMCA area. As part of this plan-led approach, the WMCA has made a commitment to provide these colleges and local authorities the same level of allocation, in line with actual delivery in 2017/18.
 - b) Procurement through competition for all other providers. This commenced in February 2019. It was agreed that there will be an initial award of funding in May 2019 with the potential if required, for a further round, to address any geographical or cohort gaps, in June 2019.
- 2.3. WMCA Board also approved the delegation of authority to award contracts to the Director of Productivity and Skills in consultation with the Section 151 and Monitoring Officer and the Portfolio Lead.
- 2.4. The procurement process was launched on 8th February 2019 with notification of contract award to be made week commencing 6th May 2019.
- 2.5. The focus of the commissioning was to more closely align the mix of provision to locally identified priorities as set out in our Regional Skills Plan, and overlaid with specific geographic and client group targeting as identified by local authorities for their areas. We will measure the success of our approach over the next year where we will expect to see:
 - An increase in the amount of Level 3 provision offered in priority sectors to 3,600 from a baseline of 1,500.
 - An increase in provision leading to actual employment with just under £5m of newly procured sector based work academies offering pre-employment training linked to employer vacancies to at least 4,500 adults.
 - Stronger local partnerships, engaging all providers delivering in an area, with a clear and shared commitment to local goals.

3. Update on Procurement and Grant Awards

- 3.1. We have allocated £25.5m of the £28m available through the procurement process. This provision reflects agreed local priorities and patterns of geographic delivery. There were a number of gaps identified in the response from the market, primarily around specific job-related training, in retail and health and social care, for unemployed adults in the Black Country and provision for employed adults more generally in Solihull. We are therefore proposing an additional procurement round, to take place before the academic year commences in August 2019, to address these gaps. This will be worked up locally and may include discussion with existing providers, further specific procurement, or a geographical extension of contracts awarded in neighbouring areas.
- 3.2. As previously approved by the Board, the WMCA has allocated funds to FE colleges and local authorities through a plan-led approach. The WMCA has made a commitment to provide FE colleges and local authorities based within the constituent member areas with a baseline allocation in line with actual delivery in 2017/18.
- 3.3. We will therefore grant 21 colleges, 5 local authorities and 1 specialist college – a total of 27 providers - to the value of £92.7m. This includes £14.8m to support adult and community learning provision at 14 of the 27 providers, 5 of which are local authorities.
- 3.4. Each college and local authority was issued with an indicative allocation figure based on their 2017/18 delivery to residents to enable them to complete a delivery statement. The delivery statement sets out how they will configure their provision against priorities within the indicative allocation and demonstrate positive shifts towards refocusing funding.
- 3.5. Following the agreement of delivery statements and indicative allocations, and in exceptional cases, colleges and local authorities were able to submit requests for additional growth. These requests are currently being assessed and, where approved, will be consolidated within next year's allocation.
- 3.6. We are currently in the standstill period in relation to award of contract. This is due to end on 28th May 2019. Following contract award we will share a detailed breakdown of all contracted and grant provision with Local Authority Officers detailing what will be delivered in their area and by whom.
- 3.7. We are currently working with Local Authority Officers to deliver 'Opportunity Roadshows' in each area where we will work together to promote the new AEB funded offer available to communities in each local area alongside other opportunities such as the Construction Gateway and other local employment and skills provision.

4. Funding Policy

- 1.1. Devolution enables the WMCA to set funding rules and rates for AEB. (The Secretary of State for Education retains the authority to set residency eligibility and statutory entitlements.) WMCA proposes to test a small number of funding changes that will support greater access to low paid adults to training and will support particular groups of unemployed residents. We propose:

- a) To adopt the principles of the low-wage trial introduced by Government last year but to increase the low wage threshold to match the national living wage rather than the lower amount used nationally (£16,009.50). This will mean that those WMCA residents earning less than £17,550 (£9.00 per hour) will be able to access fully funded courses at Level 1 and Level 2 including English for speakers of other languages (ESOL). This proposal is in line with TUC recommendations and will support more of the region's low-paid residents to access training.
- b) To test the partial or full funding of some Level 3 qualifications and units where they support progression in work or career changes.
- c) To test new ways of funding sector based work academies that comprise specific skill based learning and work experience rather than simply fund qualifications enabling providers to deliver the skills training that employers need.

1.2. To monitor and test the impact of these funding changes we will collect data through the individualised learner record (ILR) and undertake both desk and field based monitoring to ensure funding flexibilities are used in the way they are intended.

5. Financial Implications

5.1 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.

5.2 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.

5.3 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% 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.

6. Legal Implications

6.1 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, where available.

7. Equalities Implications

7.1 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.

8. Inclusive Growth Implications

- 8.1 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.
- 8.2 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.

9. Geographical Area of Report's Implications

- 9.1 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.

10. Other Implications

N/A

11. Schedule of Background Papers

- 11.1 None