



**WEST MIDLANDS**  
COMBINED AUTHORITY

## Board Meeting

<b>Date</b>	9 December 2016
<b>Report title</b>	Devolution of the Adult Education Budget
<b>Cabinet Member Portfolio Lead</b>	Councillor George Duggins – Productivity and Skills
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<b>Report has been considered by</b>	WMCA SEP Board WMCA Programme Board

### Recommendation(s) for action or decision:

#### The Combined Authority Board is recommended to agree:

1. The principles of joint working between WMCA, the Further Education Productivity & Skills Group and the West Midlands Adult & Community Learning Alliance (ACLA).
2. That the FE Productivity & Skills Group and WM ACLA are consulted on devolution proposals relating to skills.
3. The collaborative approach to working with the Further Education and Adult Community Learning sector in preparing for devolution of the Adult Education Budget as outlined within the report.
4. 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.
5. That the Adult Education Budget should be ring fenced locally to ensure that it is allocated to activity relating to employment and skills.

## **1.0 Purpose**

- 1.1 For the Board to note the actions and progress to date relating to devolution of the Adult Education Budget.

## **2.0 Background**

- 2.1 The Combined Authority's Devolution Agreement states that "The government will enable local commissioning of outcomes to be achieved from the 19+ adult skills budget starting in academic year 2016/17; and will fully devolve budgets to the Combined Authority from academic year 2018/19 (subject to readiness conditions)." This budget is now known as the Adult Education Budget (AEB) and combines all Skills Funding Agency participation and support funding (not including European Social Fund, Advanced Learner Loans and apprenticeships). Its principal purpose is to engage adults and provide the skills and learning they need to equip them for work, an apprenticeship or further learning. It also enables more tailored programmes of learning to be made available, which do not need to include a qualification, to help those furthest from learning or the workplace. West Midlands Combined Authority is one of nine devolved areas that has this as part of their deal. Devolution of the Adult Education Budget applies only to constituent member areas.
- 2.2 AEB funds activity in FE Colleges, Local Authority Adult & Community Learning services and at a much smaller scale through private training providers. The current level of AEB received by Colleges and Local Authorities with a base in the constituent member area is approximately £100m. A funding formula for calculating the size of the locality budget that will be devolved to combined authorities will take into account a range of demographic, educational and labour market factors. The budget, and control of the budget, will relate to the residency of learners not to the geographic base of an institution. It is understood that the funding will be transferred to the Combined Authority as part of its Single Pot funding and will therefore not be ring fenced for employment and skills related activity.
- 2.3 The Devolution Agreement set out that devolution of AEB will proceed in three stages, across the following three academic years. It was originally envisaged that devolved areas would have Outcome Agreements in place with providers for the 2016/17 academic year to agree the mix and balance of provision. Through discussion with BIS/DfE it became clear that the Devolution Agreements were signed too late in the planning cycle to influence 2016/17 provision. As a result no devolved area has pursued the introduction of Outcome Agreements for the 2016/17 academic year.
- 2.4 The second stage referred to in the Devolution Agreement is that in the 2017/18 academic year the government will work with the Combined Authority to vary the block grant allocations made to providers. The Chief Executive of the Skills Funding Agency will retain responsibility for AEB funding during 2017/18 and therefore any variation in block grant allocations can only take place within an agreed framework. Initial indications were that the framework would be made available to devolved areas in Summer 2016. Recent changes in government have led to delays and it is currently unclear as to when the framework will be made available. It is understood that the framework is likely to provide limited scope for variation and that any variation is likely to involve a considerable amount of work for limited gain.
- 2.5 DfE have undertaken work to calculate the potential size of the locality budget for devolved areas and are considering introducing this budget in 2017/18. This could lead to a positive or negative change in the amount of AEB received by providers within the WMCA area. DfE will work with devolved areas to manage this change and are exploring options to

mitigate any negative impacts. DfE had originally indicated that devolved areas would be advised of their locality budget in Summer 2016 but this is another area where information has been delayed due to recent changes in government.

- 2.6 Providers usually receive an indication of their budget in January with confirmation in March prior to the start of the academic year. WMCA does not yet have the necessary information upon which to base a decision regarding the variation of block grant allocations in 2017/18 and an ever decreasing amount of time to act upon it when it is made available. If the locality budget is introduced in 2017/18 and it leads to a reduction in current allocations it may be inadvisable to vary allocations further. If however, locality budgets are introduced and lead to a net increase in funding to the area, this may be an opportunity to fix allocations to institutions at current levels and utilise the surplus to fund pilot activity. Should information be provided on which WMCA can make a decision in relation to 2017/18 in advance of the January WMCA Board meeting it is suggested that delegated authority be given to the Cabinet Member to determine whether or not to pursue the option to vary block grant allocations.
- 2.7 From 2018/19, there will be full devolution of funding. The Combined Authority will be responsible for allocations to providers and the outcomes to be achieved, consistently with statutory entitlements.

### **3.0 Progress to Date**

- 3.1 Officers have been engaged in a series of workshops with BIS/now DfE to work through what the wording within the deal means in practise and how we can work together as devolved areas and with Government to meet the readiness conditions for full devolution.
- 3.2 WMCA is working closely with the Further Education Productivity & Skills Group and the West Midlands Adult & Community Learning Alliance (ACLA) to maximise the benefit of devolution of AEB for local people and the local economy. A set of joint working principles have been developed (see Appendix 1) that set the tone for our working relationship and include a commitment to co-design the commissioning framework with them. We are jointly developing a specification for a piece of work to analyse how AEB funding is currently deployed, going beyond the surface level data so that we develop a shared understanding of current provision and how this aligns with WMCA's strategic objectives. This will build on the work undertaken as part of the Area Review process and, coupled with the emerging evidence base from both the Strategic Economic Plan and the Productivity & Skills Commission, will form the basis of an initial position piece on which to base the development of the commissioning framework.
- 3.3 Both the FE Productivity & Skills Group and ACLA have provided expertise and additional capacity to support WMCA's work on skills devolution. Although the current focus is on progressing the necessary actions relating to devolved AEB, we are also having strategic conversations around wider delivery in support of the WMCA Strategic Economic Plan and their contribution to further devolution proposals.

### **3.0 Financial implications**

- 3.1 The current Adult Education Budget received by providers based within the constituent member area is approximately £100m. It is therefore anticipated that the devolved budget will be a similar figure.

- 3.2 Management and commissioning of a £100m skills programme will require significant resources to be put in place. The Skills Funding Agency is exploring the development of a service offer for devolved areas which will need to be taken into account when scoping the necessary WMCA resources. WMCA will need to fully cost and ensure that the necessary resources are in place to manage the budget before accepting full devolution of funding.
- 3.4 Arrangements will be put in place between central government and the Combined Authority to ensure that devolved funding decisions take account of the need to maintain a sustainable and financially viable 16+ provider base.
- 3.5 Clear principles and arrangements will be jointly agreed between central government and the Combined Authority for sharing financial risk and managing failure of 16+ providers, reflecting the balance of devolved and national interest and protecting the taxpayer from unnecessary expenditure and liabilities.
- 3.6 Funding and provider management arrangements, including securing financial assurance, will be agreed between the government and the combined authority in a way that minimises costs and maximises consistency and transparency.
- 3.7 It is understood that AEB will not be ring fenced to deliver activity currently funded through this budget. It is suggested that the funding should therefore be ring fenced locally to ensure that it is protected within WMCA's overall Single Pot fund.

#### **4.0 Legal implications**

- 4.1 Parliament will legislate to enable transfer to combined authorities of the current statutory duties on the Secretary of State to secure appropriate facilities for further education for adults from the Adult Education Budget and for provision to be free in certain circumstances.
- 4.2 Learner protection and minimum standards arrangements will be agreed between the government and the combined authority.

#### **5.0 Equalities implications**

- 5.1 A full equalities assessment will be carried out as part of the development of the commissioning framework.

#### **6.0 Other implications**

- 6.1 None.

#### **7.0 Schedule of background papers**

- 7.1 Appendix 1 – Principles of Joint Working between WMCA, the FE Productivity & Skills Group and WM Adult & Community Learning Alliance.