



WEST MIDLANDS
COMBINED AUTHORITY

Board Meeting

Date	20 January 2017
Report title	Productivity & Skills Portfolio Update
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Report has been considered by	N/A

Recommendation(s) for action or decision:

The Combined Authority Board is recommended to:

1. Note progress and future direction of travel for the portfolio.

1.0 Purpose

1.1 To provide the Board with an update on activity within the Productivity & Skills portfolio.

2.0 Background

2.1 Delivery of the employment and skills aspects of the Devolution Agreement and setting up the Productivity & Skills Commission are the key areas of focus for the portfolio as well as looking at potential areas for further devolution.

2.2 The Devolution Agreement includes three key aspects in relation to employment and skills:

- a) Devolution of the Adult Education Budget from 2018
- b) Co-design of the DWP Work & Health Programme to be launched Autumn 2017
- c) Putting together a business case for an innovative employment support pilot for the hardest to help.

2.3 The Productivity & Skills Commission is being set up with the following aims:

- a) To establish the true extent of the productivity and skills challenge in the West Midlands.
- b) To understand the component causes of the productivity and skills challenge and the inter-relationships between them.
- c) To make recommendations as to how these causes can be addressed at pace, taking a whole system approach.
- d) To ensure appropriate plans are developed for the implementation of these recommendations and monitoring systems exist to review their effectiveness.

3.0 Progress to date

Devolution Agreement

3.1 The Adult Education Budget (AEB) 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 that 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. AEB funds a number of statutory entitlements. Responsibility for ensuring that statutory entitlements continue to be delivered is likely to be transferred to the Mayor. AEB funds activity in Further Education (FE) Colleges, Local Authority Adult & Community Learning services and, at a much smaller scale, through private training providers.

3.2 Officers are working collaboratively with FE Colleges and Local Authority Adult & Community Learning services to analyse current provision and develop a commissioning framework in preparation for full devolution of funding in 2018. A set of joint working principles between WMCA, FE Colleges and Local Authority Adult & Community Learning

Services has been agreed to demonstrate this collaborative working relationship, underpinned by a shared objective to ensure that the needs of the learner and the local economy are at the heart of decision making. Officers are also working closely with the Department for Education (DfE) and the Skills Funding Agency to understand and prepare for the practicalities involved in devolving the funding.

- 3.3 DfE announced at the end of December that they will be making funding available to devolved areas to support preparation for devolution of the Adult Education Budget with funding to be spent by 31st March 2017. A bid has been submitted to fund the piece of work around data analysis. Subject to confirmation, a bid will be submitted to fund the piece of work around data analysis.
- 3.4 Officers have been engaged in a series of workshops with DWP to work through the co-design process for the Work & Health Programme. Through this engagement it became clear that the expectation that devolved areas would co-design the nature and content of the Work & Health Programme would not be met. DWP's position is that they believe it is best for potential providers to propose how they will deliver the programme. There may be the opportunity for WMCA to influence the shape of the programme through the competitive dialogue process with potential providers.
- 3.5 The Work & Health Programme will be commissioned by DWP under an Umbrella Agreement for the Provision of Employment and Health Related Services. An officer was involved in scoring tenders for the Umbrella Agreement on behalf of the Combined Authority.
- 3.6 Government provided guidance relating to the innovative employment support pilot in December 2016. Officers are working with the Warwick Institute of Employment Research and the What Works Centre to develop the pilot as well as engaging with officers from across the Combined Authority area, particularly those that are involved in delivering projects that could be learned from to develop the pilot. A workshop, primarily for local authority officers and originally aimed at sharing the experience of Manchester New Economy in developing good evidence, was held on 15th December during which initial ideas were developed.
- 3.7 Government has indicated that the pilot should be innovative and designed to fill gaps in the 'what works' evidence. The results will be used to inform future government policy and the next spending review. Early thinking is based around the influence and use of social networks to support people in areas of high unemployment into employment. Indications are that pilots can support both benefit claimants and non-benefit claimants and that it can be delivered in non-constituent areas. The following approaches are currently under consideration:
 - a) Focus on small communities with high levels of generational unemployment
 - b) Aim to nudge cultural norms towards employment
 - c) Take a saturation approach
 - d) Work with self-selecting groups/peer groups to develop social support networks to underpin the transition to and sustainability of employment
 - e) Incorporate devolved adult education budget into the support package, e.g. through delivery of the Citizens Curriculum
 - f) Work with employers to identify and then support people to access 'good work' – jobs with known career progression and/or progression from shorter to longer hours
 - g) Link with apprenticeship agenda, particularly the levy, either to support unemployed people into entry level jobs or to enable entry level jobs to be freed up for new entrants
 - h) Trial the model across a number of different types of communities across the WM

- 3.8 The first draft business case is to be submitted to government on 27th January 2017 and the final version on 24th February 2017. The detailed proposal will be considered by WMCA Board in February 2017 prior to final submission.
- 3.9 Future devolution proposals are currently under development and include measures to improve careers education, to support the apprenticeship agenda and to take a whole system approach to supporting outcomes relating to employment and skills.

Productivity & Skills Commission

- 3.10 A draft project plan identifying clear actions, timelines and associated resource requirements has been produced and agreed by the Chair of the Commission and the Strategic Economic Plan Board. This will be finalised following the first meeting of the West Midlands Productivity Leadership Group and subject to the level of funding agreed by WMCA Board.
- 3.11 The Commission will focus on developing solutions to the productivity and skills challenges faced by the area. Work undertaken to understand the challenges include detailed statistical analysis of the productivity and skills issues within the WMCA area, building on the evidence base developed for the Strategic Economic Plan (SEP), and a rapid evidence review carried out by local universities. These pieces of work, along with the output from the skills workshop that took place last year, will guide an initial Call for Evidence to be announced at the official launch of the Commission.
- 3.12 The Commission will be guided by a West Midlands Productivity Leadership Group, Chaired by Dr Andy Palmer as Chair of the Commission. The Commission will be independent with a reporting line to the Strategic Economic Plan Board and will be advised by a Technical Reference Group consisting of technical experts and academics.

4.0 Deliverables for 2017

Devolution Agreement

- 4.1 Activities to ensure that WMCA is fully prepared for devolution of the Adult Education Budget by April 2018 include:
- a) All readiness conditions for devolution are to be met including arrangements for sharing financial risk and managing failure of 16+ providers and agreement to an Order to transfer certain powers (to be confirmed) from the Secretary of State to the Mayor
 - b) Working with FE and Adult Education Services to develop the Commissioning Framework for the Adult Education Budget (AEB)
 - c) Analysis of current and emerging government policy and local data on the supply and demand for skills to inform the Commissioning Framework
 - d) Development of a monitoring and evaluation framework for the deployment of AEB
 - e) Development of the WMCA funding policy for AEB
 - f) Development of the WMCA Assurance Framework to ensure that it takes account of the responsibilities of devolved AEB
 - g) Develop funding agreements with all FE Colleges and Local Authority Adult Education Services that are in scope

4.2 Activities relating to co-design of the Work & Health Programme include:

- a) Active participation in the procurement process for the Work & Health Programme, including both scoring bids and involvement in the competitive dialogue stage
- b) Supporting the integration of the Work & Health Programme provider and its supply chain with local services prior to launch in Autumn 2017
- c) Active involvement in the contract management process for the Work & Health Programme from Autumn 2017

4.3 Subject to a Ministerial decision on funding, further development and preparation for delivery of the innovative pilot for employment support will be undertaken during 2017.

Productivity & Skills Commission

4.4 During its inaugural year, the commission will produce a clear vision for what a more productive West Midlands should look like underpinned by priorities across each of the five drivers of productivity. It will also produce an Integrated Productivity & Skills Plan for each of the transformational sectors identified within the SEP.

5.0 Financial implications

5.1 A 2017/18 budget proposal totalling £543,913 for the portfolio area is under consideration through the WMCA budget process. This includes £392,567 (of which £120,000 was approved during 2016/17) to deliver the Productivity & Skills Commission and £151,346 to deliver essential activities to ensure that WMCA obligations identified within the Devolution Agreement are met.

5.2 Deliverables identified under section 4.0 may be subject to change if the funding agreed is not in line with the budget proposal.

6.0 Legal implications

6.1 There are no immediate legal implications arising from this report.

7.0 Equalities implications

7.1 The activities of the portfolio are reflected in the draft WMCA Equalities Scheme.

8.0 Other implications

8.1 N/A

9.0 Schedule of background papers

9.1 N/A