



**WEST MIDLANDS**  
COMBINED AUTHORITY

## Board Meeting

<b>Date</b>	12 May 2017
<b>Report title</b>	Productivity & Skills Portfolio Update
<b>Cabinet Member Portfolio Lead</b>	Councillor George Duggins – Productivity & Skills
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### **Recommendation(s) for action or decision:**

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

1. Note progress and future direction of travel for the implementation of the employment and skills aspects of the Devolution Agreement and the Productivity & Skills Commission.

## **1.0 Purpose**

- 1.1 To provide the Board with an up to date understanding of the implementation of the employment and skills aspects of the Devolution Agreement and Productivity & Skills Commission to support future decision making items.

## **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 has been 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 of the Adult Education Budget*

- 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 activity in Further Education (FE) Colleges, Local Authority Adult & Community Learning services and, at a much smaller scale, through private training providers. It also funds a number of statutory entitlements.
- 3.2 Based on current institutional allocations, the devolved Adult Education Budget is expected to be in the region of £100m. Earlier indications were that government would develop a new funding formula prior to devolution to ensure that the budget is aligned to local need

rather than historic allocations. In April 2017 government revised this approach and have informed devolved areas that initially the budget will be based on historic spend on local residents. Devolution of AEB applies only to constituent member areas and therefore the budget will be based on current AEB spend on residents of constituent member areas.

- 3.3 In preparation for devolution, there are a number of 'readiness conditions' to meet as laid out within the Devolution Agreement. The readiness conditions for full devolution are that:
- a) Parliament has legislated to enable transfer to local authorities of the current statutory duties on the Secretary of State to secure appropriate facilities for further education for adults from this budget and for provision to be free in certain circumstances
  - b) Completion of the Area Reviews process leading to a sustainable provider base
  - c) After the Area Reviews are complete, agreed arrangements are 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
  - d) Clear principles and arrangements have been 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.
  - e) Learner protection and minimum standards arrangements are agreed.
  - f) Funding and provider management arrangements, including securing financial assurance, are agreed in a way that minimises costs and maximises consistency and transparency.
- 3.4 Devolved areas have been working collaboratively with the Department for Education (DfE) to understand the detail and implications of the readiness conditions and preparations required for devolution. DfE indicated that devolved areas would receive a number of items of clarification in August/September 2016 that could then be taken forward. Following the changes in government as a result of the EU referendum there was a significant delay and the clarification required was not received until early April 2017. Officers are currently awaiting confirmation of a date to discuss the content of the letter from DfE in detail. The most significant challenge is around the proposed timescale for the laying of Orders. Prior to the announcement of the General Election it was proposed that Orders would be laid by the time of the Summer recess.
- 3.5 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. A joint piece of work has been commissioned to understand how AEB is currently being spent to use as a baseline.
- 3.6 Currently, elements of AEB funded activity are used to match fund European Social Fund (ESF) projects through the Skills Funding Agency opt-in arrangement. Detailed consideration of the options to utilise AEB to match fund ESF activity following devolution will be undertaken in due course.

### *Co-design of the DWP Work & Health Programme*

- 3.7 Officers have been engaged in a series of workshops with DWP to understand 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.
- 3.8 The Work & Health Programme is being commissioned by DWP under an Umbrella Agreement for the Provision of Employment and Health Related Services. An officer has been involved in scoring tenders as part of both the Umbrella Agreement and the Work & Health Programme Invitation to Tender on behalf of WMCA. Scores submitted in relation to the Work & Health Programme tender process were based on the input of a local evaluation panel consisting of local authority officers that were able to sign the necessary ethical walls agreement.
- 3.9 All contractual arrangements will be between DWP and the selected provider. WMCA will participate in contract management meetings with the provider, alongside DWP. Details of the governance arrangements are to be agreed. The contract package area covers the whole of the DWP Central England Area and therefore stretches beyond the WMCA boundaries. This aspect of the Devolution Agreement applies to constituent member areas only although the programme will be delivered across the whole country.

### *Innovative Employment Support Pilot*

- 3.10 Government provided guidance relating to the innovative employment support pilot in December 2016. Officers have been working with the Warwick Institute for Employment Research and the What Works Centre to develop the pilot proposal 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.
- 3.11 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. The proposal is based around the influence and use of social networks to support people in areas of high unemployment into employment. It has been confirmed that, if successful, the pilot can support both benefit claimants and non-benefit claimants including those on low incomes and that it can be delivered in non-constituent areas. The pilot will be delivered in up to ten areas across the Combined Authority based on local priorities and fit with the evaluation framework.
- 3.12 The business case, seeking funding of £4.5m was submitted at the end of February 2017. Successful pilot proposals will be announced following the purdah period. Delivery of the pilot is scheduled to commence in March 2018.

### *Productivity & Skills Commission*

- 3.13 The Productivity & Skills Commission was launched on 5<sup>th</sup> April at an event hosted by Dr Andy Palmer, Chair of the Commission. Attendees included members of WMCA and LEP Boards, confirmed members of the Productivity Leadership Group and Technical Reference

Group, contributors to the preparatory work and other key stakeholders with an interest in driving productivity and skills in the West Midlands.

3.14 The Call for Evidence can be found at Appendix 1. This document outlines the purpose and approach of the Commission, the key challenges faced by the region and the five drivers of productivity. A number of questions are included within the document that consultees are encouraged to respond to. The Call for Evidence has been widely promoted through social media and the press. The deadline for responses is 31<sup>st</sup> May although given the decision to hold a General Election on 8<sup>th</sup> June the newly elected Mayor, Councillors and local MPs will be given the opportunity to engage with this stage of activity soon after the election.

3.15 Responses to the Call for Evidence will be analysed and collated and key themes will be drawn out into an initial summary report. The first meeting of the Productivity Leadership Group will take place towards the end of June 2017 during which the summary report on the response to the Call for Evidence will be considered and the initial timetable of activity agreed.

#### **4.0 Financial implications**

4.1 A budget of £544,000 has been approved to deliver the Productivity & Skills Commission and essential activities to ensure that WMCA obligations relating to employment and skills as identified within the Devolution Agreement are met.

4.2 The amount of Adult Education Budget to be devolved is yet to be confirmed but is expected to be in the region of £100m.

4.3 The bid for the employment support pilot seeks funding of £4.5m.

#### **5.0 Legal implications**

5.1 None directly arising from this report.

#### **6.0 Equalities implications**

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

#### **7.0 Other implications**

7.1 N/A

#### **8.0 Schedule of background papers**

8.1 Appendix 1 – Productivity & Skills Commission Call for Evidence