

# **Adult Education Budget Strategy**

**Draft for Consultation**

**May 2020**



# Adult Education Budget Strategy

## Draft for Consultation

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# Background and Context

This document sets out the Adult Education Budget (AEB) Strategy for the West Yorkshire Combined Authority. It highlights strengths, opportunities and challenges across the region and sets out key priorities for the devolved AEB to ensure it supports the West Yorkshire Combined Authority's Strategic Vision.

## West Yorkshire Combined Authority

We want our region to be recognised globally as a place with a strong, successful economy where everyone can build great businesses, careers and lives supported by world-class transport, housing and digital connectivity.

### Our Priorities

The infographic is titled 'Our Priorities' and contains four circular icons with corresponding text below them. 1. 'Boosting productivity' shows a person at a desk with a laptop and a clock. 2. 'Supporting clean growth' shows a person holding a plant. 3. 'Enabling inclusive growth' shows a group of diverse people. 4. 'Delivering 21st century transport' shows a modern train.

- Boosting productivity
- Supporting clean growth
- Enabling inclusive growth
- Delivering 21st century transport

We will achieve this by planning and delivering economic and transport schemes and programmes across the region in partnership with the public and private sectors – focusing on the areas of work which will make the biggest difference. Partnership is fundamental to everything we do.

The Combined Authority and LEP work closely with one another and with councils across the region to ensure our policies, services and capital infrastructure projects meet the needs of communities and help us to deliver local priorities. We also work closely with the private sector through the LEP to develop, shape and deliver policies that meet the needs of employers in the region.

## Our Area

Leeds City Region is the economic, cultural and geographic heart of Yorkshire and an essential component of the Northern Powerhouse. Lying at the centre of the UK, within one hour's drive of 7 million people, it comprises 1.6% of the land area of England.

The region is a vibrant, internationally significant economy, with output of £55bn and a population of over 2.3 million people across the local authority areas of Bradford, Calderdale, Kirklees, Leeds and Wakefield.



With a workforce of 1.1 million people and 90,000 businesses, West Yorkshire is the UK's largest regional finance centre and contains more manufacturing jobs than anywhere in the north.

### The West Yorkshire economy

The following points provide a brief overview of the key features of the West Yorkshire economy, as set out in more detail in our Local Industrial Strategy evidence base. Overall, the local economy's diversity prevents an over-reliance on any particular sector but there are significant challenges around productivity and low wages linked to a range of factors including a deficit of high level skills and innovation. West Yorkshire's strengths in the health sector are likely to prove a key asset.

**Productivity** – increasing, but at a level lower than the national average and with growth trajectories below national levels since the crash of 2008.

**Labour market** – strong performance in recent years but with early signs of a downturn in employment, with disadvantaged groups continuing to face the greatest risk of exclusion from employment.

**Sector base** - one of the most diverse economies in the UK, closely mirroring the industrial structure of the UK, making it more resilient to sector shocks.

**Largest employers** – retail (95,000), hospitality (70,000), are large although health is the largest in absolute terms (140,000).

## The Adult Education Budget

The principal purpose of the AEB is to engage adults and provide them with the skills needed for entering and sustaining work, an apprenticeship/traineeship, or other further learning. The funding pays specifically for learning programmes (predominantly qualifications) and provides an element of learner support funding for those with learning difficulties and disabilities. It is currently administered and governed through Education and Skills Funding Agency (ESFA) regulations.

It provides funding for programmes of learning up to Level 2 (GCSE level equivalent) and some Level 3 qualifications (A level equivalent), dependent on eligibility. It does not fund all Level 3 learning, or programmes at Level 4 and above as these are funded through Advanced Learner Loans or Higher Education (HE) funding.

AEB also encompasses a range of statutory entitlements for learners, including the right to fully funded provision for basic English and maths qualifications and, depending on the resident's age and employment status, an entitlement to a first Level 2 and/or Level 3 qualification. From August 2020, this will also include an entitlement to basic Digital skills.

## The Devolution of Adult Education Budget

In England, devolution is the transfer of accountability, power and funding from national to local government.

Since 2014, through a number of devolution deals (an agreement between government and local areas in England), powers, budgets and responsibilities have been passed down from central government to new directly-elected mayors in eight regions across England: Tees Valley, Greater Manchester, Liverpool City Region, Sheffield City Region, Cambridgeshire and Peterborough, West Midlands Combined Authority, North of Tyne and Greater London Authority

In March 2020, West Yorkshire agreed an ambitious devolution deal with Government. The agreement, which is the biggest ever of its kind, unlocks more than £1.8 billion in investment to drive up living standards through better transport, improved skills and stronger businesses, while tackling the climate emergency. This includes control of the £63m annual Adult Education Budget for West Yorkshire to closer align spending on skills to the opportunities and needs in the local economy.

In addition to significant funding, the deal gives West Yorkshire far greater decision-making powers allowing the region to set its own priorities including ensuring a vibrant future for its towns and rural areas while securing the economic success of its cities.

Becoming a devolved mayoral area will be critical in ensuring West Yorkshire is in the best place to access to future funding and powers. The Government is increasing focus on mayoral combined authorities as its primary route for supporting regional economic development.

West Yorkshire will adopt the model of a directly elected Mayor over the Combined Authority's area, with the first Mayoral election in May 2021. The Mayor will have an initial three-year term. From 2024, Mayoral terms will last four years.

We have consulted with and will continue to work closely with the other Mayoral Combined Authorities, the Department for Education and the Educational and Skills Funding Agency, to ensure there is a consistency with core national strategies while we develop our approach to meet local needs and ambitions.

This AEB Strategy has been developed in order to ensure we are ready to deliver the Adult Education Budget on the 1 August 2021, and timescales have necessitated its development prior to the election of the West Yorkshire Mayor. It builds on our existing strategies and the needs of our area, providing a clear foundation upon which we can build the skills of people and businesses within West Yorkshire.

## Our Strategic Vision

The Adult Education Budget (AEB) Strategy forms a key part of the Combined Authority's Strategic Economic Framework, alongside the Leeds City Region Local Industrial Strategy, a long-term plan to boost productivity, skills and jobs. The Strategic Economic Framework (SEF) brings together the full range of policies and strategies that have been developed in collaboration with communities and decision makers across West Yorkshire, and together will help the region unlock and achieve its full potential.

The SEF also contains our Leeds City Region Employment and Skills Plan which focuses on Skilled People, Better Jobs, spanning 2016-2020. Much has changed in the timespan of this strategy: Brexit has been proposed and agreed; a Climate Emergency has been declared, with West Yorkshire aiming for net zero emissions by 2038; digital technology and AI continue to revolutionise the world of work; a devolution deal has been agreed for West Yorkshire, which affords us more control and accountability for adult skills delivery.

The long term social and economic impact of Covid-19 is currently unknown, but looks likely to impact most severely on those already facing the challenges posed by precarious employment.

All of these factors impact on workforce skills needs in helping our economy recover from the recent shock and prepare for future opportunities.

### Future Ready Skills Commission

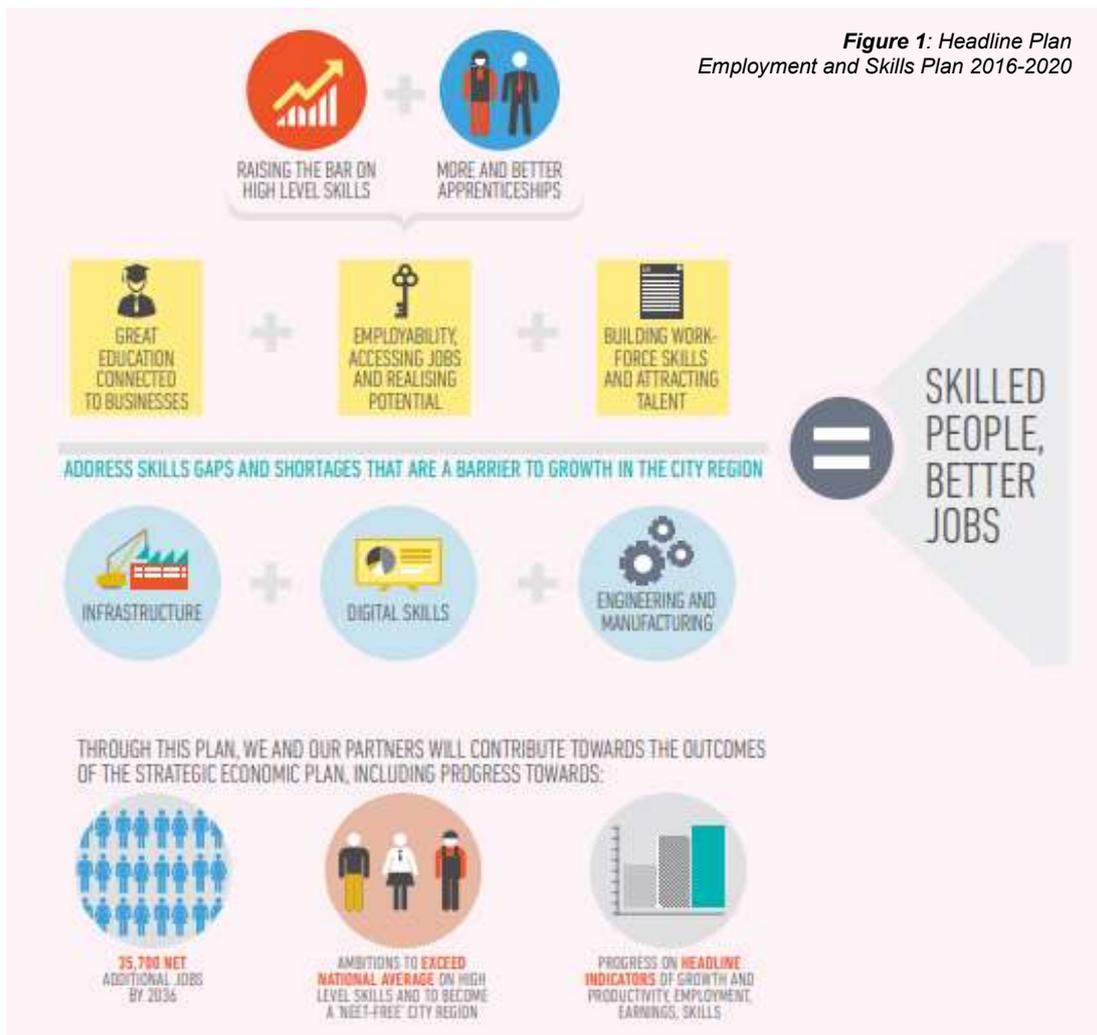
The Leeds City Region is currently leading national thinking with its own ambitious Future Ready Skills Commission. The Commission is an independent body made up of experts and leading thinkers from business, education, local government and think tanks.

The Commission calls for a simplified skills system across the UK, unfettered by national silos and responsive to local economic needs and demands, exploring how greater devolution can deliver this, ensuring that local people are properly equipped for the jobs of the 21st century.

The Commission will publish recommendations in Autumn 2020, with a view to piloting the system changes needed in Leeds City Region to benefit our people and businesses.

The Combined Authority is already embedding the learning and emerging recommendations into its thinking on Adult Education Budget usage, and how we can make positive changes to improve the impact on our local communities.

Our current Employment and Skills Plan is outlined in figure 1. The plan is due to be refreshed this year alongside the publication of the Leeds City Region Local Industrial Strategy.



## Priorities for Adult Education Budget

The Adult Education Budget is one of many ways in which adult training is funded and skills are developed: its principal purpose is to engage adults and provide them with skills and learning needed for work, an apprenticeship and/or further learning.

The refreshed Employment and Skills Plan will outline the activities and funds that will address wider skills priorities such as higher levels skills and inclusive growth.

Within the context of the above strategies, we have defined the following priorities for the Adult Education budget in West Yorkshire:

1. Increase the supply of skills to support key sectors in West Yorkshire
2. Improve West Yorkshire's resilience by identifying and delivering the skills needed for the future
3. Making learning more inclusive to support disadvantaged residents and widen the pool of talent for business
4. Support the unemployed to gain and sustain employment
5. Unlock progression opportunities and career adaptability through skills, particularly for those on low wages and with insecure work

# West Yorkshire: Needs and Opportunities

## Our Challenges

West Yorkshire has a large and diverse economy. However, it faces challenges of low productivity and pay, linked to a range of issues, including a deficit of skills and innovation.

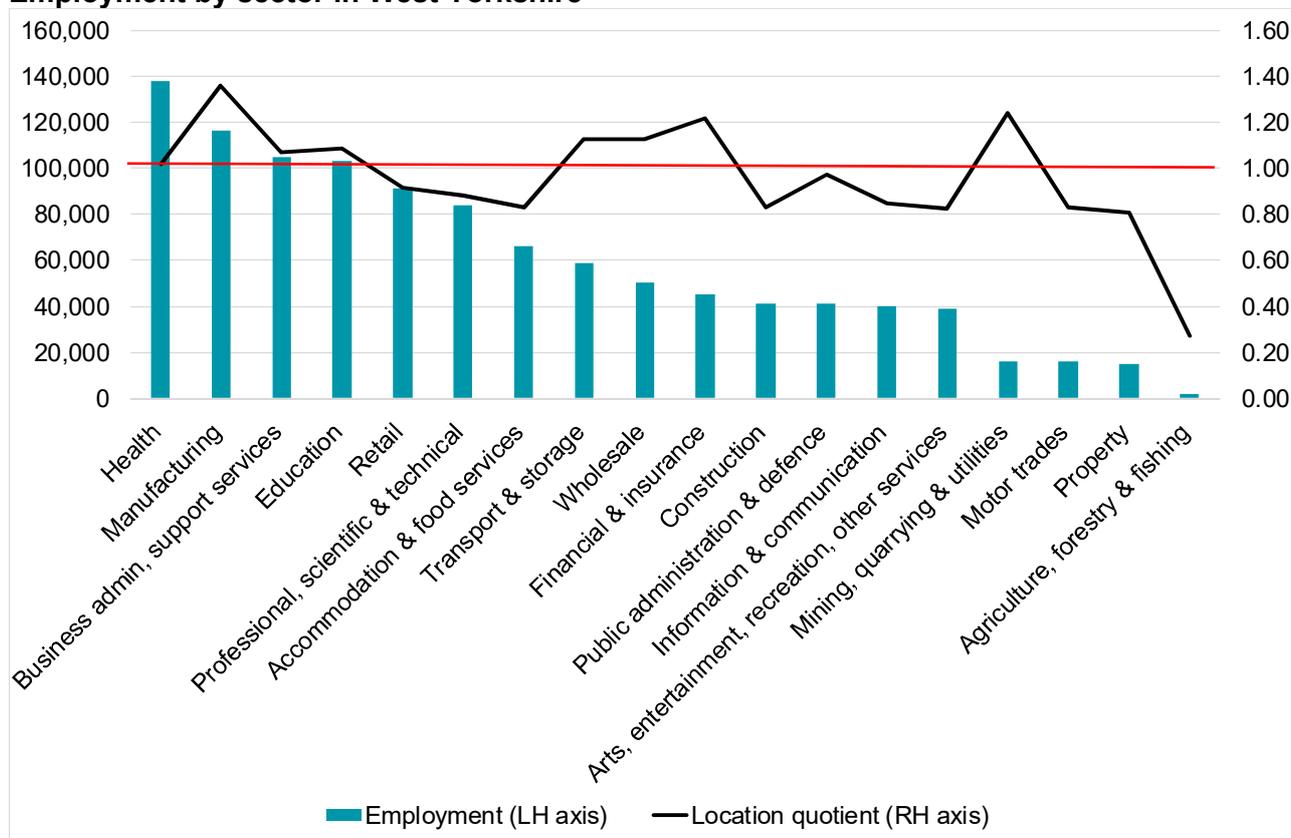
- It is difficult at present to assess the opportunities and challenges that are likely to arise for the West Yorkshire economy because of the uncertainty stemming from Covid-19. Almost 2,000 businesses were dissolved in March 2020 alone and a dramatic increase in redundancies is anticipated in the near future, followed by a challenging employment landscape. The Combined Authority will be undertaking an ongoing review of the evidence as part of economic recovery planning.
- Prospects for labour and skills demand in the medium and longer-term are highly uncertain at the present time. However, it is likely that AEB will have a key role to play in meeting increased demand for skilled workers in the health and social care sector, for example. Meanwhile, sectors currently under lockdown, including hospitality and large parts of retail, are likely to be radically reshaped by the crisis in terms of working practices etc. In addition, manufacturing and other sectors may be affected by changes in the pattern of global trade and consumer demand as well as a continued shift to automated processes. AEB will need to support reskilling and serve to mitigate the threat of growth in long-term, structural unemployment.
- Unemployment in West Yorkshire could increase from 51,000 to more than 100,000 during 2020 if national forecasts, which predict an increase in the unemployment rate to 10%, prove to be accurate. This would have major implications for the focus of AEB provision. Many of the people who become jobless as a result of the Covid-19 crisis could require support with reskilling as the pattern of labour demand changes.
- However, longer-term, underlying issues will remain important in spite of the current crisis and AEB has a key role to play, for example, in meeting demand for care workers, supporting progression to the growing number of higher skilled jobs, tackling persistent skill shortages and ensuring that everyone has basic digital skills.
- There are a range of supply side issues that are particularly pertinent to AEB. Firstly, there is a significant over-representation of people with low / no qualifications in West Yorkshire who are disadvantaged in the labour market. Almost 400,000 people, 26% of the working age population, fall into this category. However, among the unemployed and inactive this proportion rises to 40%.
- Alongside this West Yorkshire has large numbers of people who lack basic literacy and numeracy.
- Pockets of acute deprivation are also linked to a lack of skills. West Yorkshire has more than twice its “fair share” of neighbourhoods that are among the most acutely deprived in terms of adult skills. Bradford and Wakefield are particularly badly affected. This highlights the importance of targeted outreach through AEB.

- The proportion of adults who lack full English language proficiency is above the national average in England and is particularly high in Bradford.
- West Yorkshire’s unemployment rate is above the national average. The claimant count (the number of jobless people claiming benefits) has been on an upward trend for some time. The number of people who are unemployed is expected to increase very substantially as a result of Covid-19.

## Key facts

### Employment base

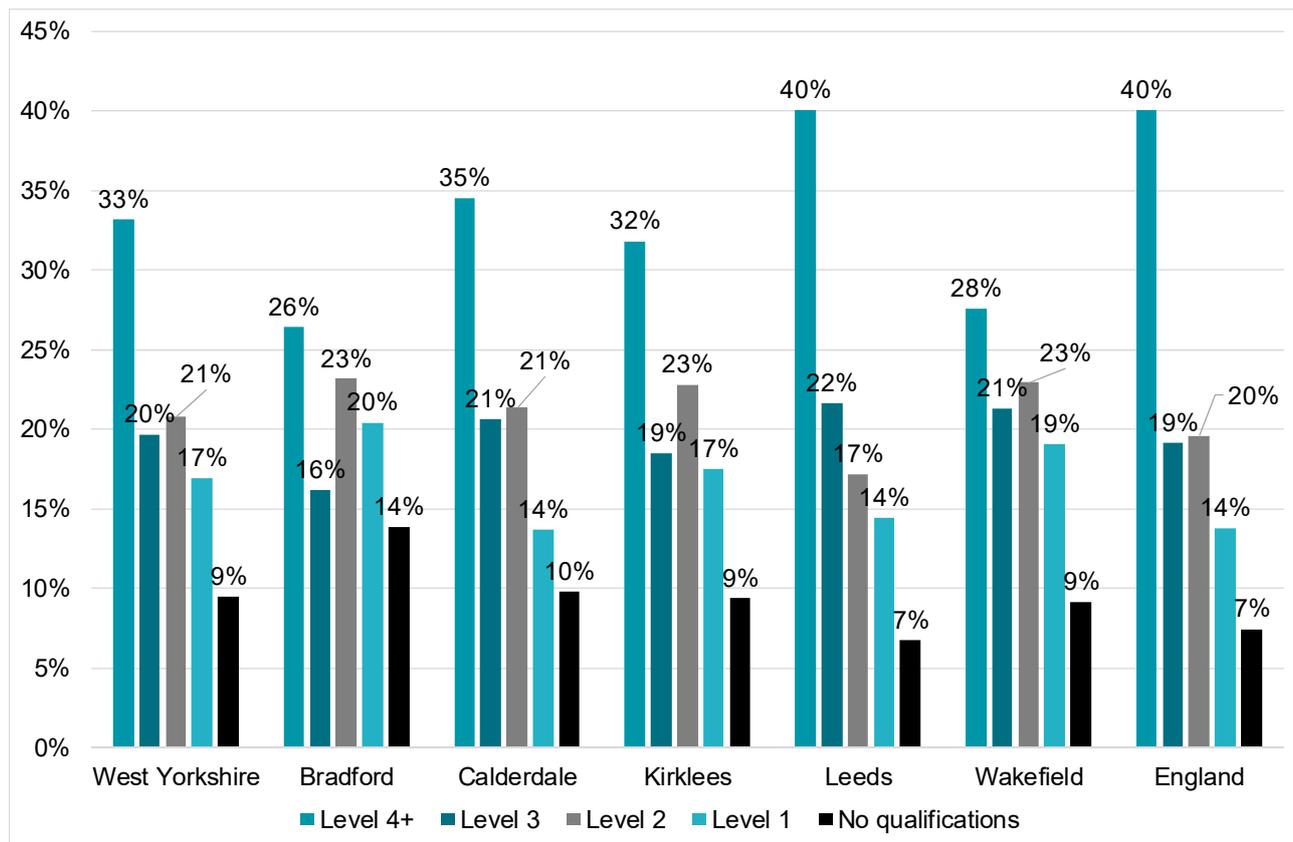
Employment by sector in West Yorkshire



Health is the largest employer in absolute terms (140,000) followed by business administration / support, manufacturing, retail and professional services. Manufacturing and finance are particular strengths of the local economy (as reflected in their location quotients which compare each sector’s share of employment at a local level with the respective national average share). The fastest growing is the digital sector (including activities such as computer programming) and areas of professional services (such as legal and management consultancy) but also retail, hospitality and transport.

### West Yorkshire skills profile

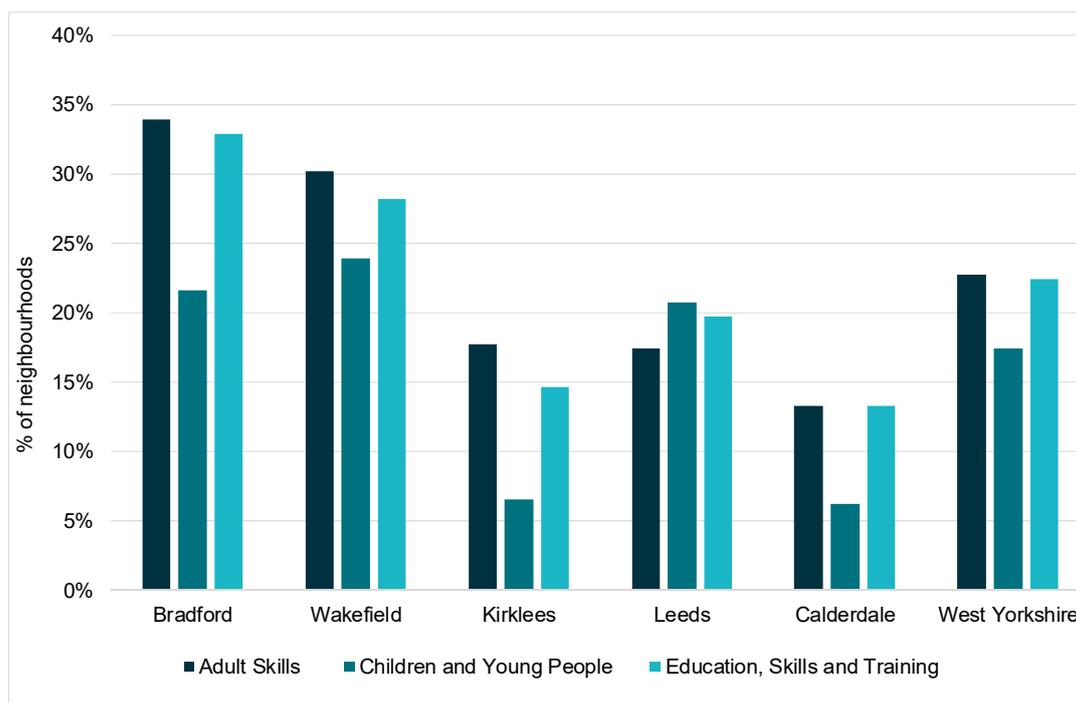
Profile of working age population by level of highest qualification held



Almost one-in-10 of the West Yorkshire working age population (9%) lack any formal qualifications (137,000 people in absolute terms). When people holding a qualification at below level 2 are included, the proportion increases to 26% (or 382,000 people).

### West Yorkshire deprivation

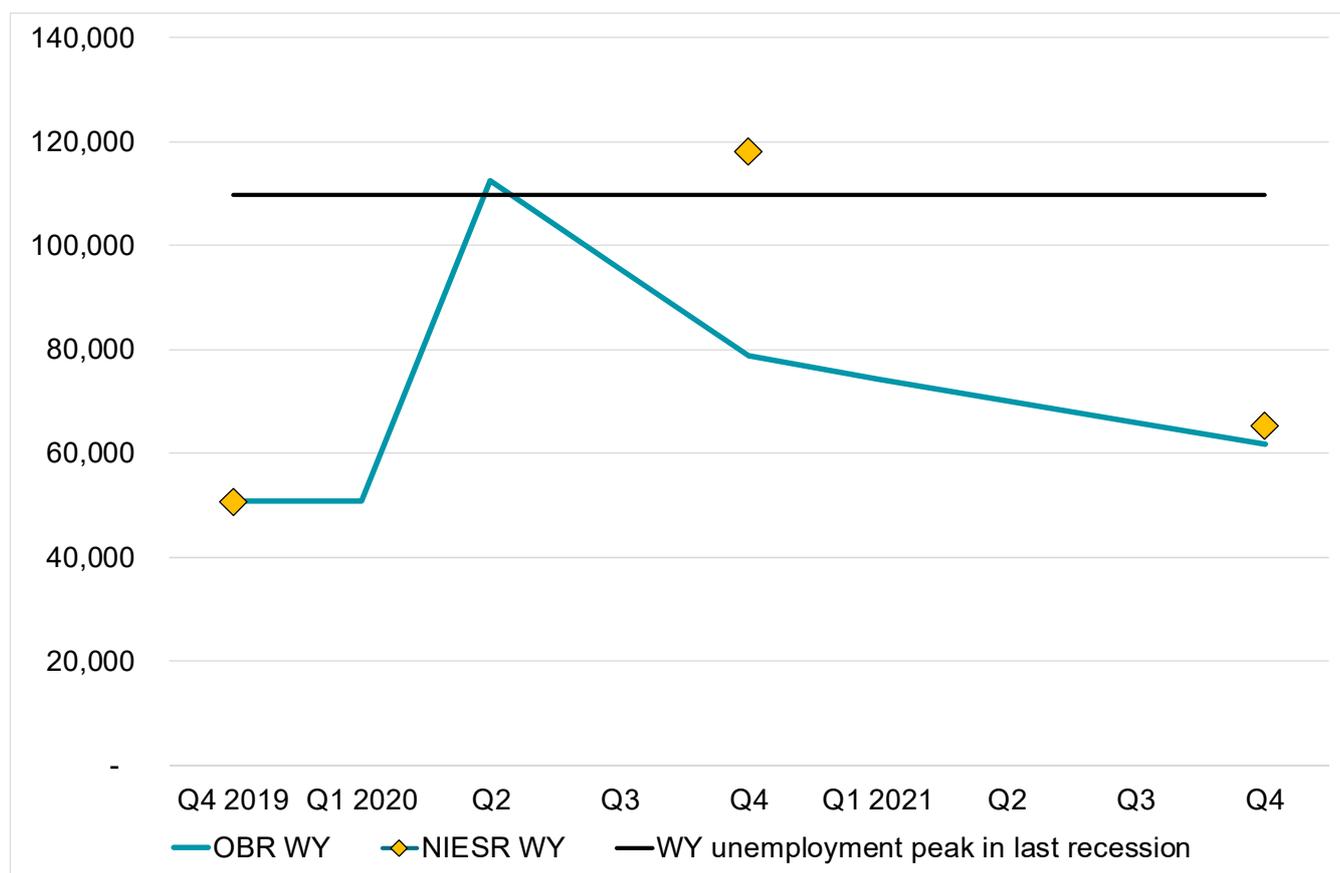
Proportion of neighbourhoods in 10% most deprived nationally by domain



23% of West Yorkshire neighbourhoods fall into the most deprived decile nationally in terms of adult skills deprivation – more than twice the fair share. However, this proportion rises to around a third for Bradford and around 30% for Wakefield.

## Potential impact of Covid-19 on unemployment

West Yorkshire unemployment forecast based on Office for Budget Responsibility (OBR) and National Institute of Economic and Social Research (NIESR) scenarios



If OBR forecasts are borne out locally the level of unemployment in West Yorkshire could increase from 51,000 in Q4 2019 to 112,000 in Q2 2020, remaining well above pre-crisis levels at the end of 2021.

## Current AEB performance

This section provides supporting evidence around the level and profile of current AEB-funded provision.

### Education and training context

- The proportions of adults in West Yorkshire studying for a qualification (9%) or enrolled on an education course (7%) are both small - but similar to the national average in both cases. However, the prevalence of job-related training has been consistently below the national average in West Yorkshire in recent years.
- West Yorkshire adults with low prior attainment (no qualifications or qualified below level 2) are much less likely to be studying for a qualification, enrolled on a course or receiving job-related training than higher skilled adults.
- Workers in lower-paid / lower-skilled occupations in West Yorkshire are less likely to receive job-related training. For example, people employed in professional occupations are more than 3 times as likely as process, plant and machines operatives to receive training.

### Funding overview

- ESFA estimates that West Yorkshire's baseline figure for AEB funding for 2017/18 academic year was £63m.
- The latest data available, for 2018/19 academic year, shows that £51m of Skills formula funding was drawn down for West Yorkshire learners; meanwhile West Yorkshire providers received more than £7m in grant allocations for Community Learning.
- Based on data for 2018/19 academic year, 80% of AEB Skills funding was allocated to grant-funded providers with the remainder allocated through procurement.
- It is estimated that approximately 38% of Skills funding was used to meet statutory learner entitlements in 2018/19 (excluding entitlements for the unemployed).

### The provider base

- The provider base catering for AEB-funded learners in West Yorkshire is large, with 268 organisations involved as prime contractors in 2018/19. The funding value for most providers was small, however, with a median value of £15,000.
- Around £9m (18%) of total Skills funding was used for subcontracting in 2018/19, a reduction on the figure for 2017/18. However, there is apparent scope for further rationalisation of sub-contracted provision.
- Around £17.5m of funding was routed through out-of-area providers in 2018/19 of which 51% went to grant providers located outside West Yorkshire. The majority (61%) of funding to out-of-area providers was ultimately sub-contracted.
- £4.1m of provision was delivered via distance learning, primarily to employed learners and with a strong focus on health and social care aims.

### Profile of provision

- Basic skills provision accounted for £18.3m of Education and Training funding and 36% of all learners participating via this strand. Maths was the largest element by volume of learners but ESOL was the largest area by value.
- The vast majority of AEB-funded learners pursued lower level learning in 2018/19; either below level 2 or at level 2 via the Education and Training strand; or at an unassigned level via Community Learning.

- AEB-funded provision is narrowly concentrated in subject terms, with the major focus being on *Preparation for Life and Work, Health and Social Care, Administration* and, in the case of Community Learning, *Arts, Media and Publishing*. Around 30% of participants on Community Learning were pursuing an aim linked specifically to Preparing for Work.
- Participation on digital courses has fallen by a quarter since 2016/17, which is significant in view of the forthcoming introduction of the digital entitlement.

### Profile of learners

- Approximately 65,000 West Yorkshire learners were supported by AEB funding in 2018/19 – 44,000 through the Education and Training strand and 21,000 through Community Learning.
- Around 40% of AEB-funded learners were unemployed and actively seeking and available for work in 2018/19.
- AEB-funded provision appears to be effective in engaging with groups that are disadvantaged in the labour market, with strong representation of women, disabled people, people from ethnic minority groups and people with low prior attainment.

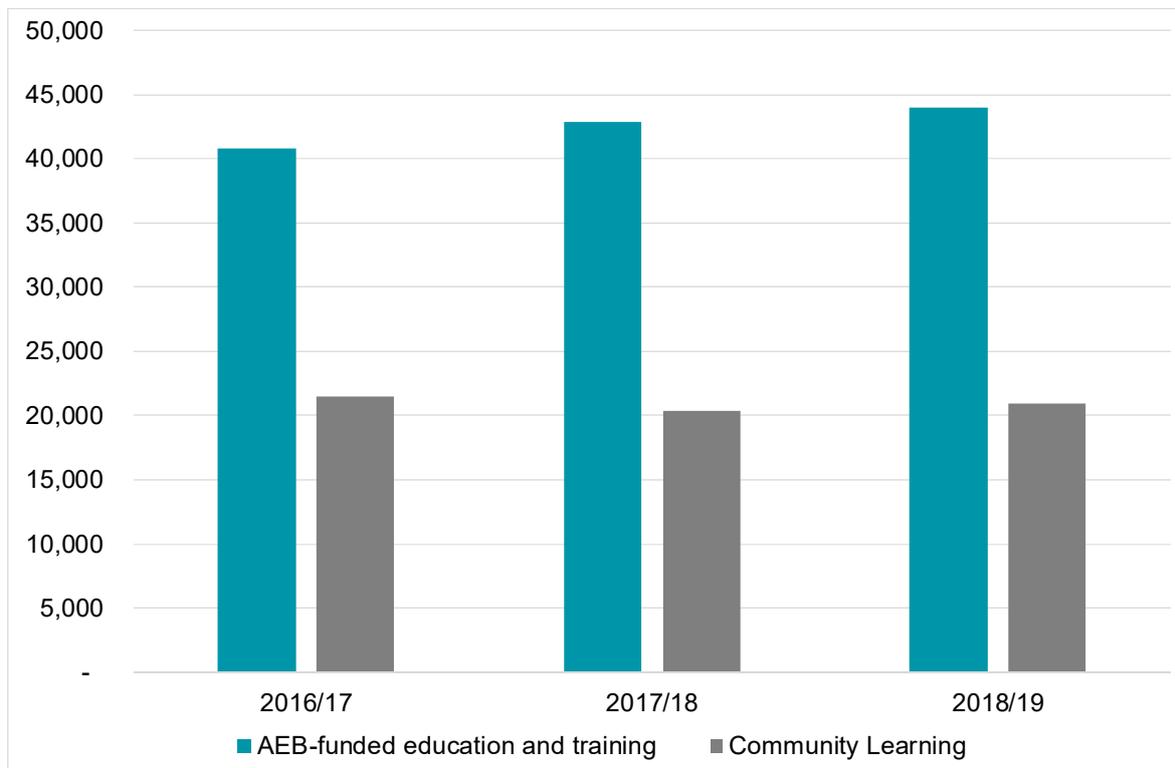
### Outcomes

- 19+ Education and Training overall achievement rates for all five West Yorkshire districts are similar to the national average. Among the West Yorkshire-based grant-funded institutions 19+ overall achievement rates range from 78% to 98% (relative to the national average of 89%)
- Figures from the Outcome-based Success Measures dataset for West Yorkshire show that the majority of districts fall slightly below the national average in terms of sustained positive destination rates, whilst pay outcomes are variable, with two districts above the national average but others well below.

**Key facts**

**Learner volumes**

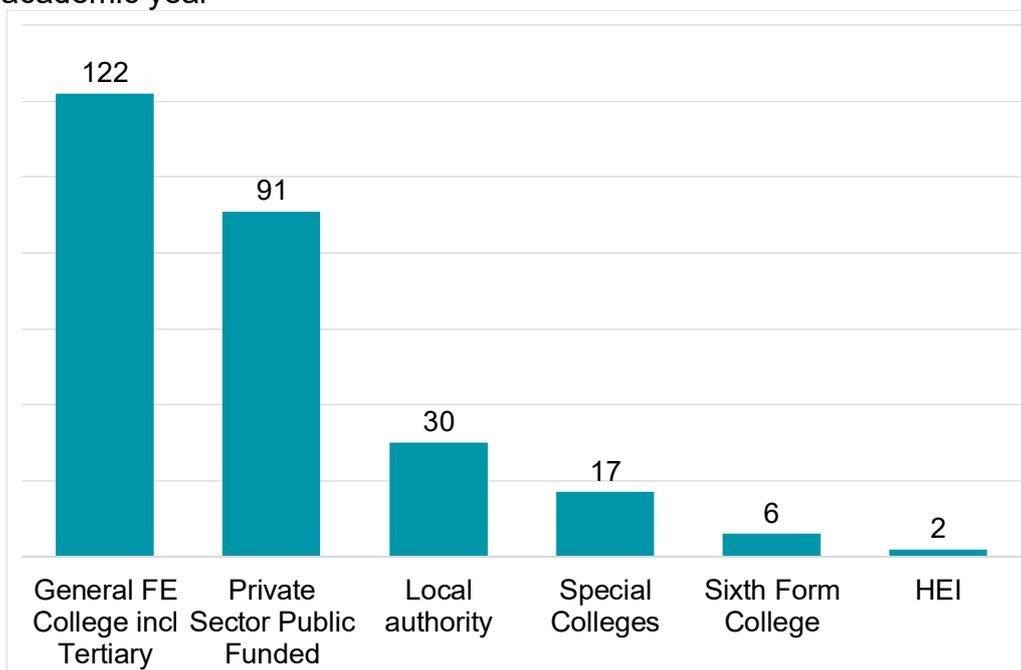
**Trend in participation in AEB-funded provision in West Yorkshire**



In 2018/19 academic year 43,970 individual learners participated in AEB-funded Education and Training provision, with a further 20,930 learners participating in Community Learning. This gives a total participation figure of 64,900 learners. The level of participation in West Yorkshire has remained fairly stable over the last three years.

**Provider base**

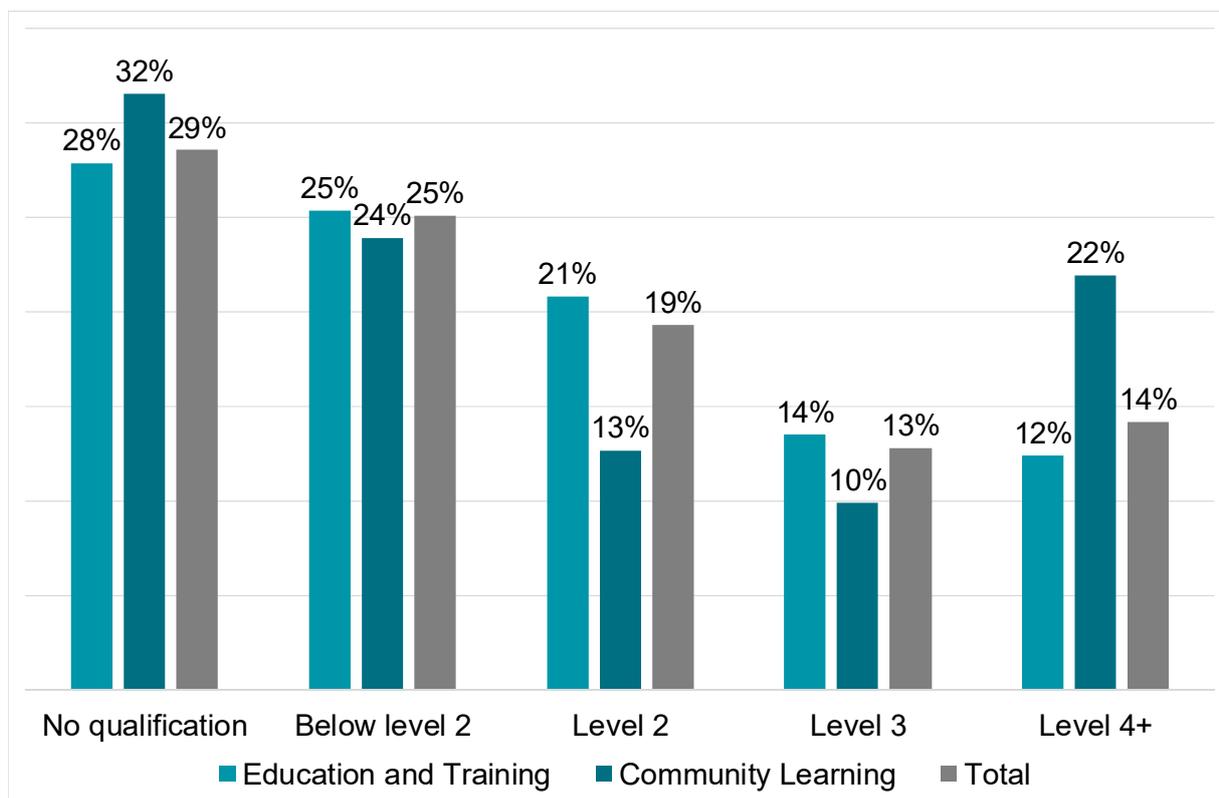
Number of providers delivering to AEB-funded learners in West Yorkshire by provider type, 2018/19 academic year



268 providers were involved in AEB delivery in West Yorkshire in 2018/19 - 248 in the delivery of Education and Training provision and 50 in the delivery of Community Learning, with 30 delivering both types of provision. The vast majority of providers (93%) were based outside West Yorkshire.

### Learner profile

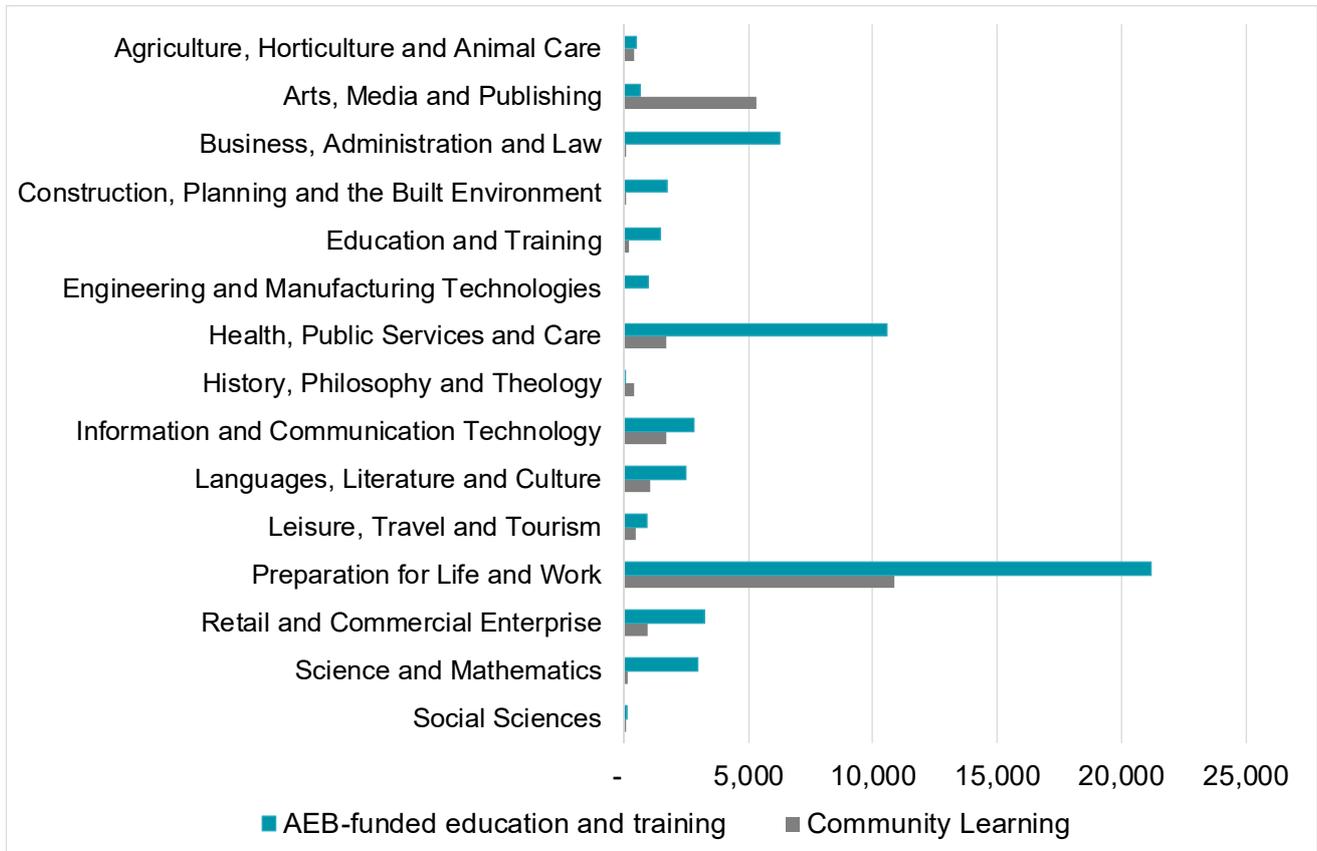
#### Profile of learners by level of prior attainment, 2018/19 academic year



A majority of learners (54%) held no qualifications or were qualified below level 2 in 2018/19. 14% had prior attainment at level 4, rising to 22% for Community Learning participants.

Profile of provision

Participation by Sector Subject Area and strand, 2018/19 academic year



Source: ESFA Localities Cube

Preparation for Life and Work is the largest subject area for both Community Learning and Education and Training, accounting for more than half (52%) of Community Learning participation and 48% of Education and Training learners. Other key subjects included *Health and Social Care, Administration and Arts, Media and Publishing (Community Learning)*.

## Our Strategic Approach to AEB

The Combined Authority has built extensive collaborative partnerships with colleges, Universities, training providers, employers, community organisations and Local Authorities in developing partnership programmes that tackle skills gaps and address disadvantage across and within the districts. The devolution of AEB allows us to build on these relationships and improve the impact of the funding spent in West Yorkshire.

Our approach is informed by extensive analysis of the full academic year data for 17/18 and 18/19, stakeholder and provider engagement, learning from other Mayoral Combined Authorities on their own implementation experience, and our broader knowledge and activity within the wider skills landscape. As we take on the responsibility for and management of the Adult Education Budget delivery, our performance management strategy and access to delivery data will deepen our understanding of the impact, and further inform our approach.

### The devolved Adult Education Budget will enable us to:

- Make the skills system more responsive and accessible through stronger local influence with all training providers
- Focus on our 'place', and ensure the right training and support offers are made to fill the skills gaps which are most prevalent locally
- Deliver a more efficient system by focussing on quality of provision and the impact it has on learners
- Make sure learning opportunities are joined up to local progression opportunities in life and work
- Work closely in partnership with providers to bring together planning of the wider skills and post-16 education system

### Skills System: Local and National alignment

We are clear that the Adult Education Budget is a cornerstone of investment in the adult skills system. We must be cautious to avoid overstretching an already oversubscribed budget, but our commissioning must be underpinned by the ability to flexibly respond to constantly changing economic needs and challenges.

In commissioning the Adult Education Budget, we will consider its delivery alongside the wider investment in skills which continues to be managed by the Department for Education and Education and Skills Funding Agency: Careers services, Apprenticeships, Higher Education, Adult Learner Loans, Traineeships, Offender learning.

We welcome the Government's commitment in the devolution agreement to seek our views on the forthcoming National Skills Fund, to engage with us on the Future Ready Skills Commission priorities and to explore opportunities for the alignment of local and national programmes in the post-16 skills agenda. All of these funds play a role in Employer and Individual investment in skills.

We look forward to engaging with national and regional colleagues to ensure these funds, along with the planned UK Shared Prosperity Fund, align to create a comprehensive skills offer truly focussed on local needs and challenges: tackling inequality and disadvantage while driving prosperity and opportunity. We see Adult Education Budget as investment in

skills foundations: providing outreach in communities, first step and progressive learning to build careers.

### Local Knowledge and impact

Outside of their delivery function for Adult Education Budget, our Local Authorities are key strategic partners in increasing the impact of this Funding through devolution. They have a key leadership role in place-shaping and the investment of public funds, alongside specific responsibilities in Education and Training. Local Authorities have a unique insight into local need, funding usage and the impact of Adult Education Budget within their area. The Combined Authority intends to make the most of its Local Authority partners' expertise and experience to ensure delivery meets local needs, and proposes the following:

- We will work closely with our Local Authority colleagues in developing the Commissioning plan. The Evidence base will be produced at a Local Authority level, to consider current usage against area priorities: alongside the West Yorkshire Strategic Priorities, Adult Education Budget has a clear role in supporting the aims of Local Authority Employment and Skills Plans.
- Experienced Local Authority colleagues with a strategic or policy role will be involved in the procurement process to help assess provider offers against local need.
- Once commissioned, Local Authorities will also be invited to relevant Performance Management meetings, developing the strategic partnership approach across the region, upon which we can build a better network for learner support and progression.

It is our intention to develop partnership boards in each district to ensure that provision is delivering the AEB Strategy and contributing to wider West Yorkshire and Local Authority strategies. These partnership boards will be open to all AEB deliverers, allowing stakeholders and providers to meet regularly to discuss new provision, emerging needs, ensure that delivery is evolving and routed towards community requirements and identified gaps, and avoiding duplication. We will explore how these boards link effectively into the existing Local Authority Employment and Skills Boards so as not to duplicate efforts.

We are keenly aware that allocations to areas are based on historical use, and therefore provider behaviour, as opposed to being defined by area needs. We will seek to address this over time, while remaining cautious not to disrupt provider stability or learner choice. This will need constant monitoring as the economic circumstances and therefore needs change within areas.

Throughout the implementation years we will monitor the effectiveness of all providers against their delivery plans and the alignment to area needs and Employment and Skills Plans. As outlined below, we will retain in-year responsiveness funds to allow us to respond flexibly to address emerging needs and changes to the labour market. We will utilise data analysis, performance management, growth requests and future procurement rounds to continually evaluate and align the total funding allocation against strategic priorities and the balance of district needs.

### Stability in the System

While we have ambition to improve the impact Adult Education Budget has in our area, we are mindful of need to first fully understand the current impact, and moreover to maintain a level of stability within the provider base, ensuring that commissioning decisions do not

inadvertently close off skills opportunities for learners. This is particularly pertinent given the shocks being felt within the skills and training sector during the Covid-19 pandemic, and still evolving impact on West Yorkshire businesses and communities.

We will maintain stability in the system in the following ways:

- Continuing to fund the statutory requirements which provide adults with skills that are core to their employability and personal development:
  - First full qualification at level 2 for individuals aged 19 to 23
  - First full qualification at level 3 for individuals aged 19 to 23
  - English and maths, up to and including level 2, for individuals aged 19 and over, who have not previously attained a GCSE grade A\* - C or grade 4, or higher
  - The new digital skills entitlement up to and including level 2, for individuals aged 19 and over (from August 2020). Furthermore, we will work with providers as this digital entitlement embeds to analyse uptake and ensure it impacts on local skills levels
- Continue to prioritise funding for:
  - Unemployed eligibility: prioritising funding to unemployed individuals to undertake learning programmes up to Level 2 which support them to move into work
  - Low wage eligibility: similarly, prioritising funding for those earning less than £16,009.50 to develop new skills up to Level 2, helping them to sustain work and progress

Around a third of AEB formula Funding is currently used to support statutory entitlements in West Yorkshire, this is likely to increase as the digital entitlement comes online

Currently, just over 65% of AEB formula funding is used to support learners in West Yorkshire who are not in work. We anticipate this to rise following the impact of Covid-19

We will work with our provider base to understand the barriers to accessing work which these people face and help to develop programmes which meet individual and employer needs across West Yorkshire.

- Establish grant agreements and commission contracts for a year, with the option to extend for further years subject to funding and performance.
- Maintain consistent rules and funding availabilities for Learners with Special Education Needs and / or Disabilities (SEND), expecting providers to make appropriate assessments and ensure provision is accessible to all West Yorkshire residents.

Over time the Combined Authority, under direction of the Mayor, will develop further freedoms and flexibilities afforded by devolution and respond to the ever-changing circumstances within our local economy. Throughout the first few years of implementation, we will work strategically with key partners to build a robust evidence base to improve the targeting of funds.

Annual reviews will be undertaken of our funding rules, rates and eligibilities, with due consideration of evolving ESFA and MCA policy. We will consult with the provider base on

suggested changes to the rules, to understand any unforeseen impacts prior to implementation.

### Principles for commissioning

Our core set of commissioning principles will:

- Seek to align Adult Education Budget expenditure with the residents and places that are most in need, and/or that will see the greatest impact from investment in skills
- Focus on learner outcomes and their opportunities for progression as the key 'intent' for all delivery
- Balance the need for the funds to unlock inclusive growth while improving productivity across West Yorkshire
- Throughout the initial years of implementation, support the core readiness conditions of the AEB devolution deal and provide stability within the system
- Increase the effectiveness of fund management, by developing a localised strategic partnership approach across the delivery network and wider skills system
- Engage with training providers to understand their offer, and their potential to improve skills delivery across West Yorkshire
- Ensure contracting processes are transparent and fair, facilitating the involvement of the broadest range of suppliers, including subcontracting and consortia building, where appropriate
- Minimise levels of bureaucracy that would impact on learner choice and provider delivery by considering efficiency and practical approaches to commissioning, partnership management and cross-border agreements
- Incorporate learning from the existing evidence base, alongside consultation with stakeholders, employers, providers and learners to highlight areas where funds could be better invested to benefit all

### Expectation of provider values and behaviour

The Combined Authority has a clear strategic leadership role with regard to the local skills system, in ensuring that skills investment is driven by employer needs and the current and future profile of labour market opportunities.

Through localised contract management and by building on West Yorkshire's existing partnership and networks, we aim to develop effective, high trust relationships with providers, delivering positive long-term impact for West Yorkshire learners.

- Key values and behaviours that should underpin the delivery network: To develop a place-based curriculum offer and wrap-around support with a clear focus on learner progression.
- Strive to deliver Outstanding provision that puts the needs of learners and employers at the centre of delivery
- Work with partners and stakeholders in a positive and effective way, sharing best practice and improving the impact of skills system across West Yorkshire
- Communicate openly and transparently with stakeholders, learners and partners
- Develop approaches and partnerships which support adults to progress and prosper within their communities and employment

- Subcontract with integrity and ensuring that positive outcomes for learners and employers is at the heart of all arrangements

## Funding arrangements

Route 1 Grant Allocations – West Yorkshire	Route 2 Grant Allocations - Leeds City Region	Route 3 Contract for Services
<p>We will ‘roll-over’ Grant Agreements with providers who hold an existing Grant agreement with ESFA and meet the following criteria:</p> <ul style="list-style-type: none"> <li>• Are wholly or mainly funded by the public purse</li> <li>• Have an established place-based approach that supports West Yorkshire’s strategic ambitions</li> <li>• Have a head office in West Yorkshire</li> </ul> <p>We will grant fund these providers at the same proportion as 2017/18, which reflects the allocation we are being devolved. The stability of AEB over the recent years should help to minimise the risk of disruption to learners, ensure the continuity of learning provision in the core entitlements and minimise any destabilisation in the West Yorkshire post-16 provider base.</p>	<p>In the initial years of implementation, the Combined Authority will continue to support Grant providers from the wider Leeds City Region that:</p> <ul style="list-style-type: none"> <li>• Are wholly or mainly funded by the public purse</li> <li>• Have an established place-based approach that supports West Yorkshire’s strategic ambitions</li> <li>• Deliver significant volumes of activity within West Yorkshire and support existing travel to learn patterns</li> <li>• Have a head office in Leeds City Region</li> </ul> <p>This reduces the need for cross-border agreements and supports learner choice.</p> <p>Grant providers from the wider Leeds City Region will not receive continued funding for their subcontracted provision to West Yorkshire residents.</p>	<p>The remaining AEB funds will be procured through competitive tendering processes.</p> <p>The majority will be procured through a commissioning round commencing in Autumn 2020, focusing on:</p> <ul style="list-style-type: none"> <li>• Delivering legal entitlements</li> <li>• Supporting the unemployed to progress into ‘good’ jobs</li> <li>• Supporting in-work progression of those on low wages</li> <li>• Upskilling employed adults to progress in the workplace</li> <li>• Test pilots to address skill gaps and/or trial new learning methods</li> </ul> <p>A Responsiveness Pot will be retained for commissioning specific initiatives from August 2021, ensuring that West Yorkshire’s skills delivery remains flexible and can respond to economic shocks and opportunities as they arise</p> <p>Contracts for Services will be issued for one year (AY 2021/22), with the option to extend for further years. The extension will be subject to provider performance, skills policy and funding availability.</p>

Irrespective of route:

- Providers will develop an Annual Delivery Plan for year 1, including expected volumes of learners by sector and district, profile of delivery across the year and all planned subcontracting arrangements.
- Providers with a significant contract value will be expected to co-develop a Delivery Agreement with the Combined Authority that demonstrates their commitment to West Yorkshire's Strategic Aims.
- Growth requests will be available for Year 2, subject to funding availability and provider performance.
- A 3% tolerance<sup>1</sup> will not be available on allocations however, we will look to support growth requests in year where possible.

### Cross border learners

Maintaining learner choice and the access to appropriate provision is paramount in the successful devolution of Adult Education Budget.

### Out of Area Grant providers

In the initial years of implementation, the Combined Authority will continue to support Grant providers from the wider Leeds City Region that support travel-to-learn patterns and/or deliver directly into West Yorkshire Communities. Through partner and learner consultation we will seek to further understand travel-to-learn patterns and consider whether transport services or place-based solutions could provide a more appropriate solution. The continuation of these agreements seeks to minimise the need to establish new bureaucratic processes and supports learner choice to travel outside of West Yorkshire for their education and training.

Grant providers from the wider Leeds City Region (and the rest of England) will not receive continued funding for their subcontracted provision to West Yorkshire residents. This funding will be reallocated into the procurement allocation, recognising that the funding is ultimately delivered by independent training providers.

In 18/19 Grant Agreements accounted for 80% of Adult Education Budget Expenditure in West Yorkshire (including out of area providers).

By rationalising the number of Grant providers funded by West Yorkshire we aim to release potential savings of 19% (approximately £7.6 million based on 18/19 data) of funding to be used responsibly.

Grant providers outside the Leeds City Region will not have their agreement automatically renewed, but will have the opportunity to secure a contract for services through the competitive procurement process. Data would indicate that this approach would have minimal impact on the provider base, given the relative proportion to their overall grant. We are, however, engaging with the provider base throughout this consultation to understand if there are any unforeseen impacts.

### Out of Area Learners

The Combined Authority will only have responsibility and funding to support West Yorkshire learners. Learners travelling into West Yorkshire from other regions will require the provider to have a national contract or grant agreement with ESFA, or the MCA in

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<sup>1</sup> ESFA's national policy currently allows a 3% tolerance on underperformance and payment up to 3% for over-performance. Given the desire to maximise value for money and impact, alongside the limitations of the scale of the budget for West Yorkshire, we cannot guarantee over payments or commit to paying for under delivery.

which the learner is a resident. We are in discussions with Sheffield City Region to explore possibilities for cross-border agreements as they implement their own devolved budgets.

## Proposed approach

### Delivery Agreements

We are committed to joining up education and skills delivery across West Yorkshire. In addition to their AEB contract, we will co-develop Delivery Agreements with Grant holders and key contractors.

Delivery agreements are a two-way accord between the Combined Authority and Training Providers with aims and targets that align the wider skills provision in the area to our strategic aims, employer and community needs. We established Delivery Agreements with FE Colleges in 2016, considering them an important step in strengthening relationships with providers and influencing the curriculum offer to meet the needs of businesses and individuals.

Progress towards Delivery Agreements will be factored into performance management and future commissioning rounds. We will also conduct annual reviews of Delivery Agreements, whereby providers can highlight barriers to progress, actions they will take to respond and help inform the Combined Authority's future actions.

### Subcontracting arrangements

The Combined Authority understands that subcontracting can play a critical role in providing outreach to communities, supporting non-traditional routes to learning, supporting the delivery of specialist and niche provision, and creating partnerships which benefit learner progression. Where approached strategically and with integrity, subcontracting can build capacity and support flexibilities across the sector.

However, analysis of subcontracted provision in 17/18 and 18/19 has highlighted some inefficient contracting practices that increase the value of management fees taken out of the learner focussed funding, duplication across providers, and that a minimal percentage of subcontracted delivery in West Yorkshire is considered specialist.

- The value of sub-contracted funding in 2018/19 was £9.0m, 18% of total formula funding.
- 144 provider organisations were active as subcontractors in West Yorkshire, of which only 24 were based in West Yorkshire.
- 45% of subcontracted funding was allocated to providers who were also working as prime contractors within West Yorkshire.

Acknowledging the benefits that subcontracting can provide, the Combined Authority wants to drive forward best practice in terms of the management of subcontracted provision and will include the following terms within all Grant Agreements and contracts:

- All subcontracted provision must be declared up front in Annual Delivery Plans, with a clear strategic rationale
- No additional subcontractors can be brought on board during the Academic year without prior approval from the Combined Authority

We seek to minimise management fees and focus funding towards the learners: no fees should exceed 20%.

The Combined Authority will closely monitor subcontracting activity throughout 2021/22 and 2022/23 to identify any subcontracted activity that would be more appropriate to be directly delivered by main providers.

### New providers

While we welcome new approaches and may seek to widen the pool of specialist provision, it will be critical for all providers to demonstrate through the procurement process their approach to quality, any judgements made against their provision, their understanding of our Funding Rules and Formula and their capacity to engage with data submissions.

It is pivotal that the whole West Yorkshire delivery network has the capacity and capability to deliver from 01 August 2021. It may be that an arrangement with a Prime provider could support the capacity building and entry into the delivery market in the first instance.

### Community Learning

The purpose of Community Learning is to develop the skills, confidence, motivation and resilience of adults of different ages and backgrounds in order to:

- progress towards formal learning or employment
- improve their health and well-being, including mental health
- develop stronger communities

We are committed to outreach into disadvantaged communities and breaking down the barriers adults can face in accessing 'traditional' modes of provision. We will continue to invest in Community Learning through our Grant Providers, and will work with providers to better understand, measure and therefore champion this function within the Adult Education Budget.

DfE's national analysis identifies that a significant proportion of learners cycle around Community Learning programmes without progressing. This is not necessarily a bad thing providing that provision is focused on maximising the potential of the individual, but we need to work closely with providers to understand the intent and impact of their provision, focussing on progression.

We will work with Local Authorities to encourage local collaboration on a district level, where providers and community organisations work together to reduce duplication, cultivate multi-agency approaches based on provider strengths and develop pathways for learner progression.

### Career Pathways

For the Adult Education Budget to impact on those furthest from the labour market, we must develop better linkages and pathways of provision for the benefit of learners.

We must increase the focus on learner destination and progression, and ensure all provision is underpinned by strong Information, Advice and Guidance with clear local relevance and live opportunities that have clear line of sight to a job.

Sustained positive destination rates are below the national average in Bradford, Calderdale, Kirklees and Wakefield

## Qualification Eligibility

The ESFA's Hub contains details of eligible regulated qualifications, qualification components and non-regulated learning aims.

During 2021/22 and 2022/23, the Combined Authority will closely monitor the appropriateness and relevance of the eligible regulated qualifications, qualification components and non-regulated learning aims, with a view to the possibility of being able to fund provision not currently funded but which would have a strategic and economic benefit to West Yorkshire.

## Test Pilots

The recent economic shock is likely to increase the call from our communities on the core functions of AEB, and we therefore anticipate that the majority of funding will be directed towards existing AEB functions: delivering legal entitlements; supporting the unemployed and those within the low wage pilot; and upskilling under-employed and low skilled adults to progress in the workplace.

That said, we are keen to explore flexibilities and new ways of working that could be expanded in future years. We will therefore include an opportunity to test and pilot initially small-scale new methods of delivery. For example, (but not limited to):

- Units and modules of Level 3 or 4, which support progression to higher levels skills in areas with gaps
- Qualifications desired by local employers which are not approved on the Hub
- Flexible delivery models which reflect changing attitudes and modes of learning

Test pilots will need to adapt to changing skills needs. We will not be prescriptive. We are looking to the sector for their expertise, ideas and potential solutions to skills gaps and challenge.

## Responsiveness Pot

We need to ensure West Yorkshire's Adult Education budget provision remains agile in the ever changing economic picture and is in a position to quickly respond to shocks and new opportunities that arise. As such, a proportion of funding will be retained for responsive commissioning throughout 2021/22, as determined by the CA/LEPs Employment and Skills Panel. This pot would also have the potential to be used as match funding towards forthcoming government funds and/or utilised as growth funding for successful providers.

## Level 2 entitlement for all

More than a quarter of the adult population is qualified below level 2 in West Yorkshire, almost 400,000 people

Level 2 qualifications provide a core basis for employability. To increase productivity in West Yorkshire we need to address the high number of adults who do not hold a level 2 qualification, in order to support them to progress further in the workplace.

The Combined Authority is minded to extend the entitlement for a Level 2 qualification to all ages, however we are conscious that this ambition must be balanced against the wider budget demands.

We are estimating costs and exploring ways and timings for extending this entitlement and will seek further views as part of the consultation on this document (May-June 2020).

## Distance Learning

The Combined Authority recognises the value of distance learning for some learners, in that it offers flexibility and accessibility to learning around work and home life. Flexibilities are also important in terms of the pace of study and as such, distance learning has a key role to play in the delivery of adult skills and training that can lead to career advancements, development and attainment. The advantages of this method must be balanced alongside learner needs in terms of support and access to equipment - i.e. digital capabilities and resources.

The Combined Authority will work with providers to understand distance learning implementation in Delivery Plans and their intent, closely monitoring distance learning activity in order to evaluate how it is meeting the strategic and economic needs of West Yorkshire learners and employers.

# AEB Priorities and Outcomes

Priority	Objectives	AEB Specific Action	Outcome / Impact	Measures
Increase the supply of skills to support key sectors in West Yorkshire	<ul style="list-style-type: none"> <li>• Increase number of people with basic employability skills (L2 &amp;3)</li> <li>• Increase number of people with higher level skills</li> <li>• Provide skills for key sector – decrease skills shortages</li> </ul>	<ul style="list-style-type: none"> <li>• Provide people with L2 &amp; L3 qualification relevant to employment market</li> <li>• Encourage progression to higher levels skills through good IAG and careers support (progression planning)</li> </ul>	Businesses in WY can access people with the right skills to help their business flourish	<ul style="list-style-type: none"> <li>• Prevalence of skills gaps and shortages</li> <li>• Number of qualifiers by level and subject</li> <li>• Achievement rates by level and subject</li> <li>• Sustained positive destination rates</li> <li>• Pay outcomes</li> <li>• Progression to apprenticeships</li> </ul>
Improve West Yorkshire's resilience by developing skills for the future	<ul style="list-style-type: none"> <li>• Skills for climate emergency and changing economy</li> <li>• Boost basic and intermediate Digital Skills to support inclusion and workplace progression</li> <li>• Increase flexible methods of delivery</li> </ul>	<ul style="list-style-type: none"> <li>• Support and widely promote the digital entitlement</li> <li>• Progression routes for digital career pathways</li> <li>• STEM and reskilling to support climate change agenda</li> <li>• Commission pilots with flexible modes</li> <li>• Resilience and career scoping underpins all delivery</li> </ul>	People have the skills needed to adapt to changing economy and business needs	<ul style="list-style-type: none"> <li>• Take-up of digital entitlement</li> <li>• Take-up of skills for green economy and climate emergency</li> <li>• Impact of flexibilities on take-up of provision</li> </ul>
Make learning more inclusive to support disadvantaged residents and widen the pool of talent for business	<ul style="list-style-type: none"> <li>• Increase participation and skills levels from disadvantaged</li> </ul>	<ul style="list-style-type: none"> <li>• Continue to support Community Learning, developing the Community Learning</li> </ul>	People can access learning which opens up new opportunities to participate within the economy	<ul style="list-style-type: none"> <li>• Participation in learning by disadvantaged groups</li> </ul>

	<p>communities and groups</p> <ul style="list-style-type: none"> <li>• Build confidence of lower skilled learners to engage and progress in learning</li> </ul>	<p>Trust model within Local Authorities</p> <ul style="list-style-type: none"> <li>• Provide foundation skills (employability, resilience, confidence) that support people to progress in society</li> <li>• Encourage the use of the innovation code to develop fit for purpose programmes</li> </ul>	<p>Increased skills available from a larger and more diverse workforce</p>	<ul style="list-style-type: none"> <li>• Participation in Community Learning</li> <li>• Learner perceptions of impact of learning on their confidence, capability</li> <li>• Work with providers to develop progression measures for people remaining in learning</li> </ul>
<p>Support the unemployed to gain and sustain employment</p>	<ul style="list-style-type: none"> <li>• Increase participation of people in 'good work'</li> <li>• Connect unemployment support with skills development, working with Jobcentres</li> </ul>	<ul style="list-style-type: none"> <li>• Provide people with English, Maths, and digital skills needed for employment</li> <li>• Commissioning Sector Based Work Academies with clear line of sight to a job</li> <li>• Commission progression focussed employability skills programmes with flexible delivery (locations) to build confidence of participants</li> </ul>	<p>Reduced unemployment and Universal Credit Claimants</p>	<ul style="list-style-type: none"> <li>• Participation of unemployed in AEB-funded provision</li> <li>• Progression from learning into employment</li> <li>• Sustained positive outcome rates for benefit learners</li> </ul>
<p>Unlock progression opportunities and career adaptability through skills, particularly for those on low wages and with insecure work</p>	<ul style="list-style-type: none"> <li>• Improve career prospects of residents</li> <li>• Connect people to new job opportunities through increased skills</li> </ul>	<ul style="list-style-type: none"> <li>• Commission in-work training programmes to support progression</li> <li>• Ensure quality IAG</li> </ul>	<p>Reduced number of people in insecure and low-paid work</p>	<ul style="list-style-type: none"> <li>• Participation of low-wage pilot learners in AEB-funded provision</li> <li>• Take-up of provision linked to key sectors</li> </ul>

		<ul style="list-style-type: none"> <li>• Commission re-training for people in sectors undergoing structural change</li> <li>• Commission programmes which address skills gaps and link to sectors of opportunity within the City Region</li> </ul>		<ul style="list-style-type: none"> <li>• Evidence of career progression among people in low-paid employment</li> <li>• Sustained positive outcome rates for low-wage and wider employed learners</li> <li>• Pay outcomes</li> </ul>
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## Review and Evaluation

The AEB Strategy is a component part of West Yorkshire's Strategic Economic Framework and the Employment and Skills Plan. It will be reviewed after 3 years, allowing time for impact to be measured.

In advance of this, the AEB Strategy will have an interim review in Summer 2021 to ensure its priorities and ambitions support the newly elected Mayor's objectives.

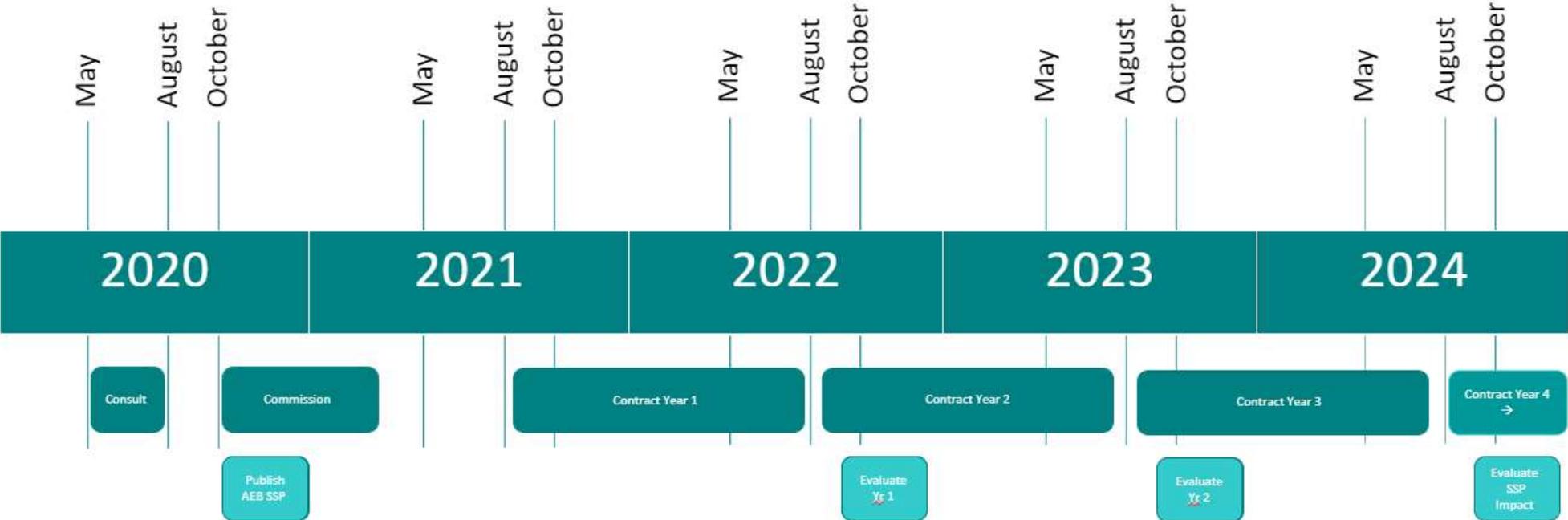
The Employment and Skills Panel (which acts as West Yorkshire's Skills Advisory Panel) will review progress towards delivering the objectives annually, collecting evidence from:

- Data impact measures (these will be baselined from the 19/20 data)
- Analysis of labour market information
- Changes in provider behaviour, including wider skills system delivery
- Case studies of learner and provider success

We will look to undertake independent evaluation of key values and impacts. The annual evaluation process will align with our publication of Labour Market Information data and will feed into Delivery Agreement reviews, ensuring that strategic oversight feeds into those practical performance reviews. Progress reports submitted to the Employment and Skills Panel will be publicly available.

A formal refresh of the AEB Strategy will be undertaken in 2024. This will draw on the progress measures available from three years of delivery. The review will be led by the Employment and Skills Panel and supported by stakeholder and public consultation.

# Evaluation and Publication Timeline

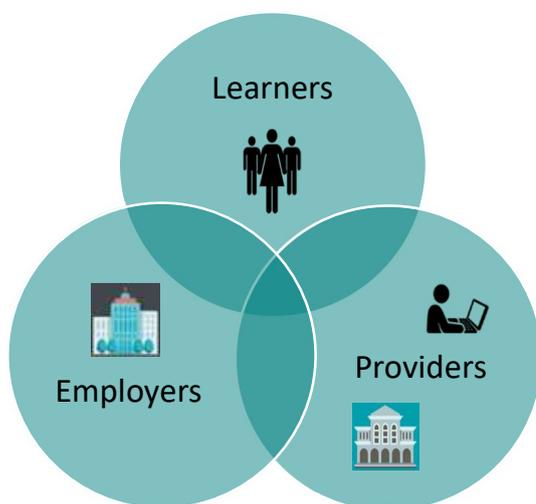


# Stakeholder engagement and consultation

## Key Stakeholders

The Adult Education Budget and the wider skills system are made up of three key groups of stakeholders:

- **Learners** are the primary beneficiaries of the Adult Education Budget, which exists to develop individual skills and prospects. They need to be able to access training that meets their immediate skills needs and encourages further learning to increase their skills. Training should be underpinned by strong Information, Advice and Guidance which equips adults with the information they need about the local labour market so that they can develop secure, well paid and rewarding careers, choosing the right training programmes for their future.



- **Employers** need access to appropriately skilled people who will drive forward their business. They are the key voice in charting the skills needs within West Yorkshire. Employers have a role in supporting learning within their organisation and in working with training providers to demand and shape their right training programmes. Not only do they need access to people with the right skills at the right time, they need to be able to provide in-work development opportunities to help staff advance to more responsible and better paid roles.

- **Providers** - training providers deliver skills to young people and adults through a range of programmes and funding schemes. We need to ensure that the systems we develop in West Yorkshire reduce bureaucracy and increase their access to local decision making, so that together we can improve the Skills System for the two key customer bases. Providers must be responsive to learner and employer needs in developing and evolving their training programmes, ensuring that the skills provided meet needs now and into the future.

## Consultation

This Draft AEB Strategy has been developed with strategic input from the Leeds City Region Enterprise Partnership's Employment and Skills Panel, which includes representatives from Employers, Training Providers and Local Authorities. We would like

to thank the MCAs who have shared their learning, experience and good practice with us, which has helped to shape our approach.

We will consult openly on this Draft AEB Strategy throughout May-June 2021. We have developed a stakeholder map which includes the many Training Providers that operate across West Yorkshire, sector representative bodies, Local Authorities and wider skills sector stakeholders such as Careers services, Jobcentre Plus and Universities. We will consult with those who hold existing grant agreements and contracts for services with the ESFA, along with those who aspire to deliver within the system. We aim to work with stakeholders to review, refine and develop priorities for the Adult Education Budget learning over the short, medium and long term.

We will also hold focus groups with learners and employers, ensuring they are able to shape the service that they receive from the Adult Education Budget.

In July and August 2021 we will review and analyse responses, making the appropriate changes to the AEB Strategy before it is finalised and ratified by the Combined Authority. Assuming the Strategy is ratified in September, the AEB Strategy will be published in October when the commissioning process begins.

## Find out more

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