

Report to: West Yorkshire Combined Authority

Date: 4 September 2020

Subject: **Adult Education Budget Devolution**

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Is this a key decision?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Is the decision eligible for call-in by Scrutiny?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Does the report contain confidential or exempt information or appendices?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
If relevant, state paragraph number of Schedule 12A, Local Government Act 1972, Part 1:	

1. Purpose of this report

- 1.1 To update the Combined Authority on work to develop the Adult Education Budget (AEB) Strategy as part of preparation to deliver the fund from 1 August 2021, and to seek approval for the Strategy in order to enable commissioning from 1 October 2020.

2. Information

- 2.1 Devolution of AEB is a shift from current nationally coordinated arrangements and will allow for local decisions to be taken to deliver learning opportunities aligned with the needs of individuals and employers across West Yorkshire.

The value of the AEB funding allocated to West Yorkshire by the Department for Education (DfE) is estimated at £63 million. This is based on the proportion of national funding spent on West Yorkshire residents in 17/18. Approximately 85% of the AEB budget was utilised by colleges and local authorities through grant funding (including £9m routed through out of area providers), with the remaining 15% contracted to independent training providers.

- 2.2 Taking on these devolved powers is clearly a significant opportunity for the region. Currently around 90% of the funding is delivered without Local Authorities and the Combined Authority having a formal influence over AEB planning, and with no consequence to funding allocations if delivery does not meet local needs or align to our collective strategies. Our devolved AEB Strategy proposes closer working between Local Authorities and the Combined Authority to oversee provider delivery plans and performance, increasing the scrutiny on delivery and focussing on impact for our communities.
- 2.3 As a new function for the Combined Authority, match funding of £464,777 has been secured from DfE to prepare for devolution and deliver the implementation phase, ensuring that the required infrastructure is in place to properly administer the significant amounts of new funding and powers.
- 2.4 The Combined Authority received an update at its meeting on 25 June in relation to work underway to develop the AEB Strategy, which sets out the proposed priorities for and approach to commissioning and managing the devolved AEB. The revised Strategy is available to download [here](#).
- 2.5 The plan builds on existing Combined Authority strategies and the needs of the area, providing a clear foundation upon which we can build the skills of people and businesses within West Yorkshire. Its development has been shaped by the Employment and Skills Panel, with strategic input from Local Authorities through a series of workshops, roundtable discussions and individual meetings to ensure they are engaged and sighted on planned approaches, welcoming their critical input to policy development.
- 2.6 A period of public consultation on the draft Strategy was carried out from 25 May – 12 July, during which an online survey was carried out, supported by webinars, virtual focus groups and 1:1 interviews with learners and training providers. An independent consultant was engaged to carry out some of this engagement, and to prepare an analysis of all consultation returns. The proposed response to the conclusions follow below. A copy of this report is available [here](#).
- 2.7 Due to the coronavirus pandemic, consultation was carried out remotely using the following mechanism:
- A survey – available online and in other formats where requested.
 - Targeted conversations with learners and employers. Learners and employers with knowledge or experience of the AEB were invited to have their say through online focus groups.
 - Consultative meetings with key stakeholders, including colleges, local authorities, training providers and Jobcentre Plus representatives
 - Other response channels including via e-mail), by phone; by Freepost; and through the YourVoice online Q&A tool.

- 2.8 Unsurprisingly, the focussed nature of the AEB meant that the consultation received significantly fewer responses than the devolution consultation, although most responses were thorough and detailed:
- 75 responses to the online survey (55% of which were from training providers)
 - 23 conversations with learners
 - 8 conversations with employers
 - 8 consultative meetings with stakeholders (33 participants)

Key Consultation Findings and Response

- 2.9 The intent and approach set out in the draft AEB Strategy received broad support from all key groups of stakeholders – learners, training providers, employment and skills teams from Local Authorities, businesses and others. People also felt that the devolution of the AEB presented the West Yorkshire Combined Authority to provide a truly responsive approach to meeting the skills required to support the region's economic growth.
- 2.10 The paragraphs below highlight the report's key conclusions as identified by the independent market research company. A proposed response is outlined.
- 2.11 The Strategy is founded on the five **strategic priorities** which were tested through the consultation:
- To increase the supply of skills to support key sectors in West Yorkshire
 - To improve West Yorkshire's resilience by identifying and delivering the skills needed for the future
 - To make learning more inclusive to support disadvantaged residents and widen the pool of talent for business
 - To support the unemployed to gain and sustain employment
 - To unlock progression opportunities and career adaptability through skills, particularly for those on low wages and with insecure work
- 2.12 Overall, respondents indicated strong support for all of the suggested priorities. While 'Support the unemployed to gain and sustain employment', received the greatest proportion of those indicating strong agreement (74%), all priorities received agreement from more than 90% of respondents. In targeted conversations and more open feedback, many – including learners and Local Authorities – highlighted that the strong support for 'make learning more inclusive to support disadvantaged residents and widen the pool of talent for business' was for the first part of the priority.
- 2.13 Other priorities for the funds included:
- Community learning as a mechanism to engage hard to reach groups
 - Using education to improve quality of life, not just economic prospects
 - Addressing inequalities
 - Meaningful qualifications

- English as a second language (ESOL)
- 2.14 Employer and learner consultations revealed some misunderstandings and ‘myths’ surrounding the funding which need to be addressed. It was widely agreed that more could be done to promote the AEB opportunities that already existed.
- 2.15 Given the strong support, the priorities will be retained with minor amendments:
- Alter the third priority to *‘Making learning more inclusive to support disadvantaged residents’* recognising the need for ‘first step’ and community focussed learning without immediate economic outputs.
 - Reorder the priorities within the strategy to focus on learner/resident impact first, and economic benefit second.
 - The MCA will consider how combined communication and local messaging can improve the promotion, uptake and impact of AEB.
- 2.16 Over three quarters of respondents felt that the strategy had captured the **key challenges** facing adult education in West Yorkshire.
- 2.17 As a reflection of the general impact of COVID-19, several responses raised concerns that these may have to be revisited once the impact of the pandemic on the demand for labour and skills was fully known. Another prominent challenge for respondents was the need to support the socially disadvantaged by providing them with access to the key skills to get them into work.
- 2.18 The role of AEB within the wider skill system is predominantly to support the unemployed and those with low skills. While ensuring that AEB remains responsive to economic needs, we need to be cautious not to over-stretch the limited funds in an attempt to answer all skills needs, particularly in light of the growing demands caused by the pandemic. We must continue to challenge government to address their historic lack of investment in skills, as outlined in the Skills Commission, which calls for increased investment in the skills system, and further devolution of design and control so that we can better meet local needs.
- 2.19 We will ensure the AEB remains responsive to the changing economic circumstances in the following ways:
- Ensuring clear alignment with the evolving West Yorkshire Economic Recovery Plan
 - Require all Grant holders to outline how their delivery plan for 2021/22 will be responsive to the COVID-19 pandemic
 - Ensure that COVID-19 responsiveness is clearly outlined within the procurement specifications and assessed within tender submissions
 - Require that a focus on socially disadvantaged wards is demonstrated in tender submissions and provider delivery plans
 - Retain the planned ‘Responsiveness pot’ and commission in August 2021, providing some flexibility to target changing needs

- 2.20 The draft Strategy set out nine core **principles for commissioning**, all of which received strong support through the consultation, with 'Engage with training providers to understand their offer, and their potential to improve skills delivery across West Yorkshire' being cited as the most important in discussions.
- 2.21 The need to have transparent, fair and streamlined approaches to procurement was also regularly raised in conversations with providers.
- 2.22 92% of respondents agreed that with the principle that we should 'seek to align Adult Education Budget expenditure with the residents and places that are most in need and/or that will see greatest impact from investment in skills.
- 2.23 Given the strong support, the commissioning principles will be retained, with the following actions noted:
- An AEB team is being developed to ensure that the MCA has capacity and expertise to engage fully with providers and understand their offer / delivery.
 - Procurement opportunities will follow clear and transparent processes. A provider event is planned prior to going live to support engagement and understanding and allow potential bidders to feedback. The intention is to streamline process and retain flexibility by procuring through a Direct Purchasing System, with the aim that providers can enter the market at any point as an approved supplier and then compete for 'one stage' opportunities as and when they are released.
 - In taking on the devolved AEB, we aim to move allocations per local authority to a needs basis, as opposed to the current 'historical usage' basis. For year 1, we will look to protect the proportion of funding received in each local authority area based on 18/19 usage (the most recent data available). By doing this we aim to provide stability for residents to access learning opportunities. We will positively target the procurement ('route 3') to achieve this. We are developing a methodology to reallocate funding on a needs basis for further consideration by the CA, to be applied in future years.
- 2.24 There was strong support for each of the expected **provider values and behaviours**. 99% of survey respondents agreed or strongly agreed with the need for providers to 'Communicate openly and transparently with stakeholders, learners and partners'.
- 2.25 Given the strength of the response, these will remain unchanged.
- 2.26 There was strong support (85% levels of agreement) for the **commissioning approach** to delivering skills across West Yorkshire set out in the document, which outlined the plan to 'roll-over' grants in full to West Yorkshire Providers, to continue to fund direct delivery for grant providers in Leeds City Region, then procure specialist provision through Contracts for Services. People particularly valued the importance of

Community Learning but there were also concerns regularly raised about sub-contracting (both in principle and practice).

- 2.27 Concerns were raised that basing grant allocations on 2017/18 values (the data cut by which Department for Education have apportioned the CA's West Yorkshire allocation) ignored the level of growth/scaling back providers had undergone in the period since. This could result in a reduction in learner opportunity and likely redundancies within institutions, causing considerable instability in the sector.
- 2.28 A specific consultation response highlighted a potential reduction in Community Learning funding spent in the area due to a Specialist Designated Institution (WEA - National Charity) operating across the area which does not meet the proposed Route 1 or Route 2 provider definition.
- 2.29 The outlined approach is designed to maintain stability in the system, protecting learner choice and their access to levels of provision across West Yorkshire. The overall approach will be retained with the following amendments:
- The Strategy outlines how our approach should reduce subcontracting practice in West Yorkshire and focus on adding value through this mechanism. We will continue to scrutinise and review subcontracting practice throughout delivery, noting The Education and Skills Funding Agency's (ESFA) recently published review and planned approach.
 - Despite being unable to negotiate any increase/advance on allocation values at a West Yorkshire level, the MCA recognises the need to minimise the impact on learning opportunities available at key educational and community focussed institutions, and to minimise instability in the sector. We will therefore use the most up to date data from ESFA to determine the proportion of their total AEB allocation providers used to support West Yorkshire residents (18/19 data) and apply this to their most recent allocation value from ESFA (20/21) to determine their West Yorkshire grant for 2021/22. This will increase the funding allocation for all West Yorkshire grant providers, better representing their allocation/usage in 20/21. It is estimated to increase expenditure on Leeds City Region Grant providers by £2.5m. The funding saved from decommissioning 'out of area providers' will be utilised to provide this uplift for in-area grant providers, and the remainder will be used to procure targeted activity across West Yorkshire.
 - Recognising respondents' clear support for Community Learning, and maintaining our position that this will be reviewed in the first years of operation – we propose that the grant contract for this SDI is renewed for 2 years, on the condition they develop their delivery plan in conjunction with the five Local Authorities. This will retain the levels of Community Learning spent in West Yorkshire while the review is conducted. The MCA is seeking legal advice regarding this proposal.

- 2.30 To meet DfE readiness requirements, we are tasked with maintaining a level of stability within the sector. We believe the above adjustments to the commissioning approach will support provider stability and learner choice in the interim years as we move towards a better understanding of delivery, developing a needs-based allocation and impact-based measurement of performance.
- 2.31 There was strong support (92%+ levels of agreement) for the **actions, outcomes and measures** identified for each priority set out in the AEB Strategy. There was a strong view among learners that the provision of 'free' courses was key in making sure that people from socially disadvantaged groups could access learning opportunities that they would not normally be able to afford or justify.
- 2.32 Given the strength of the response, the planned outcomes and impact measures will be retained for the four unchanged priorities. The actions, outcomes and measures will be adjusted for the amended priority ('Make learning more inclusive to support disadvantaged residents') to ensure they are still appropriate.
- 2.33 Consideration has been given to challenges surrounding access and inclusivity for socially disadvantaged groups, particularly how the planned 'test pilots' might address barriers; and appropriate learner fees and contributions (as part of the development of the WY Funding Rules).
- 2.34 There was strong support for both the process and timeline outlined for **review and evaluation** with over 80% of respondents agreeing with both. It was recognised that external factors such as the impact of the COVID-19 pandemic might necessitate the need for earlier review.
- 2.35 The review timescales will be maintained:
- The proposed timescale for review in Summer 2021, once the Mayor is appointed, provides an opportunity for Strategy to be reviewed in light of the COVID-19-pandemic and economic impact alongside manifesto priorities.
 - The proposed priorities and functionality (i.e. annual performance reports to ESP, annually determined delivery plans, annual responsiveness pot) provide an opportunity to review and reshape funding usage throughout the strategy lifespan.

Next Steps

- 2.36 The final draft AEB Strategy has been reviewed with Employment and Skills Panel, with relevant officers across West Yorkshire and with the Combined Authority Chair, all of whom have previously been involved in the evolution of the Strategy and its objectives.
- 2.37 The Combined Authority is asked to approve the AEB Strategy to allow for commissioning to begin on 1 October 2020, which is essential for meeting delivery deadlines ahead of August 2021.

3. Clean Growth Implications

3.1 There are no clean growth implications arising directly from this report.

4. Inclusive Growth Implications

4.1 The skills agenda has clear links to driving the Combined Authority's inclusive growth ambitions through enabling enhanced access to skills, education and career prospects, thus affording increased social mobility.

5. Financial Implications

5.1 Additional funding of £63million per annum is to be awarded to the Combined Authority to allow delivery of the Adult Education Budget.

5.2 Commissioning must begin on 1 October in order to allow sufficient time to prepare for the academic year commencing 1 August 2021.

6. Legal Implications

6.1 The delivery of AEB is contingent on contracts agreed with learning providers, and specialist legal resource is in place to deliver this.

7. Staffing Implications

7.1 Additional capability and capacity is required to prepare for taking on AEB, and the costs of this have been included in the bid approved by DfE. Once AEB has been devolved, the management costs associated can be accommodated within the devolved allocation.

8. External Consultees

8.1 Consultation has been carried out on the proposed funding structure with various stakeholders, including learners and potential training providers.

9. Recommendations

9.1 That the Combined Authority is asked to approve the AEB Strategy. This allows us to agree grant allocations as outlined in the commissioning approach and begin procurement on 1 October 2020. This is essential for meeting delivery deadlines ahead of August 2021.

10. Background Documents

There are no background documents referenced in this report.

11. Appendices

Appendix 1 – AEB Strategy A copy of this report is available [here](#).

