

## **AGENDA ITEM 6**

### **REPORT TO THE TEES VALLEY COMBINED AUTHORITY CABINET**

**1<sup>st</sup> June 2018**

### **REPORT OF HEAD OF EDUCATION, EMPLOYMENT & SKILLS**

### **PORTFOLIO: EDUCATION, EMPLOYMENT & SKILLS**

## **ADULT EDUCATION BUDGET (AEB)**

### **SUMMARY**

This paper sets out the process required to confirm devolution of the Adult Education Budget to Tees Valley Combined Authority from academic year 2019/20.

This includes approval for the laying of a Parliamentary Order by the Secretary of State for Education to enable the necessary changes to secondary legislation.

### **RECOMMENDATIONS**

It is recommended that Cabinet:

- i. Approves the laying of the Parliamentary Order for the devolution of the Adult Education Budget to Tees Valley Combined Authority;
- ii. Notes that approval is also required from the individual constituent councils;
- iii. Notes the progress being made for implementation of the devolved funding;
- iv. Notes the intention to return to Cabinet in July with a proposal for effective and inclusive operational decision making; and
- v. Delegates the immediate operational arrangements to meet the Department of Education readiness conditions to the Combined Authority Managing Director and Finance Director, in consultation with the Elected Mayor and the Cabinet Portfolio Lead.

### **DETAIL**

#### **Parliamentary Order process**

1. The primary legislation that established Combined Authorities made provision to enable local commissioning of outcomes to be achieved from the 19+ adult skills budget.

2. The Devolution Deal agreed with Government in 2015 included the commitment that: “The Government will enable local commissioning of outcomes to be achieved from the 19+ adult skills budget starting in academic year 2016/17; and will fully devolve budgets to Tees Valley Combined Authority from academic year 2018/19 (subject to readiness conditions). These arrangements do not cover apprenticeships.”
3. In the intervening period joint working with the Department of Education and the Combined Authority has taken place. Early in 2017 the Department of Education confirmed that devolution would be delayed for a year to August 2019. 2018/19 would be considered a transition year to prepare for full devolution in 2019 and to ensure commissioned activity could be in place for the academic year 2019/20.
4. In November 2017 Cabinet approved arrangements to continue joint working with the Department of Education and the Education Skills Funding Agency during the transition year 2018/19 to prepare for full devolution in August 2019.
5. In order to enable full devolution of this budget a Parliamentary Order must now be placed before Parliament. We have now received confirmation that the Order granting the Combined Authority devolution of the Adult Education Budget will be placed before Parliament in July 2018.
6. The draft Regulations are not publicly available as they have not been cleared by JCSI Counsel (the lawyers that support the Parliamentary Committees, and who offer a service of pre-legislative scrutiny). However, it is anticipated that, like previous similar legislation, the Order will be very short and merely confirm the devolution of the adult skills budget. On that basis, it seems unlikely there will be any concern in terms of the actual drafting of the proposed legislation, the main consideration being the principle of devolving the 19+ adult skills budget to the Combined Authority.
7. The Combined Authority is required to give consent to the final Order. The five Tees Valley constituent authorities will also be separately approached by the Secretary of State for their consent to the Order.

### **Benefits of devolution of this budget**

8. The benefits of devolution for Tees Valley and the Combined Authority include enabling greater flexibility and responsiveness to demand for skills from both employers and learners. As 37% of businesses continue to state that skills are their biggest challenge in achieving economic growth, devolution of Adult Education will contribute to addressing their concerns.
9. Over 200 training providers currently provide training to Tees Valley residents. Devolution will enable local decisions to be made regarding allocation of funding to providers that are committed to delivering high quality training in Tees Valley. Taking decisions at a Tees Valley geography will enable us to support the sustainability of the Tees Valley Further Education and independent training providers that demonstrate a track record of delivering high quality training and skills directly linked to Tees Valley business needs. Flexibility will be incorporated for niche and specialist training not provided in Tees Valley.
10. There is also significant concern about the 10% of working age residents that do not have any qualifications and therefore struggle to gain work. Devolution will enable greater targeting to raise qualification levels of the future workforce.

11. Devolution will enable greater control of the budget to:
  - a. Implement simpler commissioning processes for providers, thus enabling more funding to be directed to learning programmes
  - b. Implement payment models directly related to outcome achievement, including jobs
  - c. Enable more flexible approaches to funding awards, including lengthening the contract period
  - d. Introduce more flexible eligibility criteria for learners
  - e. Create a skills funding system that rewards progression in learning
  - f. Directly align adult (post 19) education to post 16 learning route ways that will improve transition and progression for young people.
12. Devolving this element of the skills system to the Tees Valley will demonstrate the potential to achieve greater success in aligning skills provision directly to future economic demand. This improved performance will provide evidence for future requests for additional skills devolution.

### **Adult Education Budget**

13. The Adult Education Budget is an element of national skills funding that is provided to equip adults over the age of 19 with the skills and learning they need for work, apprenticeships or further learning. This includes provision for statutory elements such as a first full level 2 (equivalent to 5 GCSEs A-C), maths and English qualifications.
14. The budget includes provision for formal learning and qualifications primarily delivered by Further Education Colleges, community learning primarily delivered by Council Adult Learning services, a small element of vocational learning in Sixth Forms and a wide range of learning provided by independent training providers.
15. The Adult Education Budget is currently administered by the Education and Skills Funding Agency (ESFA). Tees Valley, and other devolution areas, sought full devolution of this funding in order to raise local skill levels, promote reform and improved performance and strengthen the links between training and local job opportunities.
16. Full devolution of this budget is offered for academic year 2019/20 which will enable the Combined Authority to allocate funding directly to training providers, determine the outcomes to be achieved and manage performance of these providers.
17. A funding formula for calculating the size of the grant to combined authorities will be used that is based upon the number of residents currently accessing training funded from this source. An indicative budget of £30.5m p.a. has been suggested by the Department for planning purposes. It is likely that this figure will reduce slightly, and is subject to confirmation in the Autumn Statement.

### **Progress**

18. Close working with the Department of Education and the Education Skills Funding Agency is well underway in preparation for assuring our readiness for devolution. Our focus to date has been on Governance assurance, financial controls, contracting processes, payment modelling, funding policy, data collection, and provider management.

19. A Steering Group, consisting of the Further Education Colleges, Councils' Adult Education services, the Association of Colleges, the Education and Skills Funding Agency and the Combined Authority has been in place for over a year and has informed the options for improving the skills system through devolution of the Adult Education Budget. Progress updates have been provided to the Education, Employment and Skills Partnership Board.
20. In order to prepare for directly contracting skills providers early in 2019 we are now required to consider, and soon confirm, our operational policies for funding allocation and contracting arrangements.

### **Future Governance**

21. The Steering Group will continue to meet to inform the decisions to be made. Their advice will be reported to the Education, Employment and Skills Board. In order to ensure that there is a robust, open, transparent and objective process for allocation of funding to skills providers we are considering the best governance for Tees Valley, Recommendations for appropriate governance will be brought forward for consideration by Cabinet in July.
22. Further reports will be brought forward to Cabinet as progress is made in preparing for devolution.
23. To ensure the smooth transition of the devolved arrangements, it is proposed to delegate the immediate operational arrangements of working with the Department of Education to meet the readiness conditions to the Combined Authority Managing Director and the Finance Director. This role will be undertaken in consultation with the Elected Mayor and the Cabinet Portfolio Lead.

### **FINANCIAL IMPLICATIONS**

24. Once enacted, the legislation will transfer full financial devolution of the Adult Education Budget to the Combined Authority from August 2019. The current indicative budget is £30.5 million per year.
25. Management costs and operational costs will be covered from this allocation.
26. Allocation of contracts will be within the budget devolved.

### **LEGAL IMPLICATIONS**

27. Approval to this recommendation, and from individual constituent authorities, will allow Government to seek Parliamentary approval for the secondary legislation. Legal advice is being sought on how best to manage the procurement and contractual issues relating to the devolution of the Adult Education Budget to Tees Valley Combined Authority.

### **RISK ASSESSMENT**

28. This laying of the Order to Parliament is categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.

## CONSULTATION

29. Formal consultation for laying the Parliamentary Order is not necessary. Adult Education Budget devolution has been considered at Cabinet in November 2017, discussions have been undertaken with Chief Executives, the Education, Employment and Skills Partnership Board, the Programme Steering Group and the Local Authority Education, Employment and Skills Officer Group. The Steering Group members include Local Authorities, Colleges of Further Education, Education and Skills Funding Agency and the Association of Colleges.

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