

Date: 29 March 2019

Subject: Devolution of the Adult Education Budget

Report of: Cllr Sean Fielding, Portfolio Lead for Education, Skills, Employment and Apprenticeships

Report to: GMCA

PURPOSE OF REPORT

The purpose of this paper is to:

- Provide an update on progress relating to devolution of the Adult Education Budget to GMCA from 1 August 2019 for the 2019/20 academic year onwards, including confirmation of GM's AEB allocation from Government
- Set out the funding policy changes that will be implemented in GM following devolution and how they will benefit GM residents
- Provide an update on the commissioning of AEB provision, encompassing both the procurement process and the indicative funding allocations proposed for the grant-funded providers and confirm that appropriate delegations are in place for completing the commissioning process
- Set out the governance arrangements for AEB at local, GM and national levels
- Secure Key Decisions relating to approval of indicative grant values and subsequent expenditure totalling c.£65m.

RECOMMENDATIONS:

Greater Manchester Combined Authority is asked to:

- Consider and note the updates
- Agree the proposed management fee
- Approve the proposed indicative allocations and subsequent expenditure for the GM grant-funded further education institutions identified, with authority delegated to the GMCA Treasurer to agree any minor changes that arise in the course of discussions between each institution and GMCA
- Agree that the GMCA Treasurer, in consultation with the Lead Member and Lead Chief Executive for Education, Skills, Work and Apprenticeships (and subject to considerations around any conflicts of interest which might arise), be granted delegated authority to take forward AEB commissioning, including the procured element, to contract award.

The Mayor is asked to:

- Approve the proposed indicative allocations and subsequent expenditure for the GM grant-funded local authorities identified, with authority delegated to the GMCA Treasurer to agree any minor changes that arise in the course of discussions between each authority and GMCA.

CONTACT OFFICERS

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- Sharon Kelly, Principal Skills Manager – Adult Education, GMCA

BACKGROUND PAPERS

The following is a list of the background papers on which this report is based in accordance with the requirements of Section 100D (1) of the Local Government Act 1972. It does not include documents, which would disclose exempt or confidential information as identified by that Act.

- 14. Devolution of the Adult Education Budget (October 2018)
https://www.gmcameetings.co.uk/meetings/meeting/598/greater_manchester_combined_authority
- 20. Devolution of the Adult Education Budget (June 2018)
https://www.greatermanchester-ca.gov.uk/meetings/meeting/514/greater_manchester_combined_authority
- 11. Devolution of the Adult Education Budget (April 2018)
https://www.greatermanchester-ca.gov.uk/meetings/meeting/480/greater_manchester_combined_authority
- 19. Update on Devolution of the Adult Education Budget (June 2017)
https://www.greatermanchester-ca.gov.uk/meetings/meeting/325/greater_manchester_combined_authority
- 22. Devolution of the Adult Education Budget in Greater Manchester (February 2017)
https://www.greatermanchester-ca.gov.uk/meetings/meeting/321/greater_manchester_combined_authority

The above papers and documents may be inspected during normal office hours at GMCA, Churchgate House, 56 Oxford Street, Manchester M1 6EU.

TRACKING/PROCESS		[All sections to be completed]
Does this report relate to a major strategic decision, as set out in the GMCA Constitution		Yes
EXEMPTION FROM CALL IN		
Are there any aspects in this report which means it should be considered to be exempt		No

from call in by the AGMA Scrutiny Pool on the grounds of urgency?		
TfGMC	Overview & Scrutiny Committee	
[Date considered at TfGMC; if appropriate]		

1 BACKGROUND

The full background has been set out in previous papers considered by the Combined Authority (most recently in October 2018). In summary, the AEB is a single budget stream bringing together adult further education (all 19yrs+ provision with the exception of apprenticeships/ traineeships), community learning, and discretionary learner support. The AEB is intended to fund provision that supports the local labour market and economic development. In particular, it focuses on ensuring that adults have the core skills that they need for progression in learning and work, including guaranteeing a number of statutory entitlements relating to English, maths and (from the 2020/21 academic year onwards) digital skills, as well as first Level 2 and 3 qualifications and English for Speakers of Other Languages (ESOL).

The Statutory Instrument enacting the transfer of AEB functions from the Secretary of State to GMCA was signed in November 2018 and is now in force.

2 INTRODUCTION

This paper provides updates on the following:

- DfE has confirmed Greater Manchester's AEB budget for 2019/20 will be £92.6m, based on a 7.19% market share of the national pot. Further detail, including the calculation methodology is set out in **Section 4 below and Annex A**.
- Greater Manchester's funding policy changes have been published in draft form. In brief, GM will be testing some new flexibilities in response to local priorities, including lifting some of the restrictions that are currently a feature of national funding policy in order to enable those GM residents who have no or very low level qualifications to access the essential skills provision they need regardless of their age or employment status. The key changes are set out in **Section 5 below**.
- Commissioning activity is progressing at pace in line with the approach approved by the CA at its October meeting:
 - Indicative funding allocations for the organisations that will be funded via grant agreements, together with the underpinning approach, are set out in **Section 6.1** below, with approval sought from the CA for the proposed expenditure relating to further education institutions, and from the Mayor in relation to local authorities
 - Procurement of contracts for services is ongoing, with contract award expected to take place in April. There is an expectation that bidders will be able to demonstrate engagement with local authorities to ensure responsiveness to the needs of place – **see Section 6.2 below**.
 - Approval has previously been given in principle for the delegation of authority to the GMCA Treasurer and Lead Chief Executive to take this process forward to contract award; formal consent is now sought from the CA to confirm this delegation.
- In discussion with other Combined Authorities and the ESFA, arrangements are being made to ensure that GMCA is able to meet its obligations to secure provision for GM residents who might choose to attend providers that do not hold contracts with GMCA

(but are either part of the non-devolved funding system or funded by other devolved Authorities) – **see Section 6.3.**

- Resources – at its October meeting the CA agreed in principle the retention of an element of funding (to a maximum of 3% of the budget) to meet costs associated with the management and assurance of the AEB, subject to additional information about the level of funding in question. This management element is proposed to be £1.5m, representing 1.6% of the overall budget – **see Section 7.**
- Governance mechanisms will be in place at national, GM and local levels to ensure that strategic oversight and direction of the AEB takes place within the wider skills landscape and meets local needs- **see Section 8).**

3 THE GREATER MANCHESTER AMBITION

Investment in adult skills gives people the skills they need for life and work, for entering and sustaining employment, supporting up-skilling and re-training, and boosting productivity and inclusive growth as set out in GM's Local Industrial Strategy (LIS). The Independent Prosperity Review (published in February 2019 as part of the evidence base for the LIS) noted that 'human capital factors' are among the most powerful explanations of lower productivity in Greater Manchester. Analysis conducted for the review found a link between the proportion of the population with at least a level 4 qualification and productivity; moreover, halving the number of GM residents with no qualifications could lift productivity by as much as 2%.

Over time, and with systemic improvements across the education landscape that will deliver higher attainment from compulsory education, we envisage being able to make a long term shift in emphasis away from 'second chance' essential skills towards ensuring residents and businesses can keep pace with changes in the labour market and in the global economy. This longer-term shift in emphasis from reform to growth and productivity will be one of the key measures of success for the AEB.

As such, the AEB warrants a much stronger strategic focus than it has enjoyed in the past, recognising the important proactive role that can be played by training providers of all kinds, not as passive recipients of skills funding but as key strategic planning and delivery partners at the heart of the communities, places and economies that they serve.

Throughout the consultation stage GMCA has secured the opportunity in the future to match GM's devolved AEB with ESF to maximise the investment for those GM residents most in need of support. The AEB will allow GM to focus our future AEB funding policy and spending on core outcomes of progression into further learning, sustainable employment and higher earnings in employment. This should include labour market progression, increased contribution to earnings and productivity as well as progression into Traineeships and Apprenticeships. GM priority sectors will provide a particular focus.

4. BUDGET AND FUNDING METHODOLOGY

DfE has now confirmed that the budget for Greater Manchester in 2019/20 will be £92.6m, slightly higher than the indicative budget of £92.2m¹. This represents a 7.19% market share of the overall national AEB funding 'pot' in 2017/18 (the last academic year for which full-year

¹ The final 2019/20 allocation is based on AEB-funded delivery to learners with Greater Manchester postcodes in the 2017/18 academic year. GM's market share of that provision in 2017/18 accounted for 7.19% of the national budget, compared to the slightly lower share in 2016/17 (7.06%) which was used to calculate the indicative budget.

funding information and delivery data are available) and is the baseline proportion that will be applied to future national budgets to determine Greater Manchester’s allocation each year.

That market share will remain consistent year on year for the foreseeable future. This means that, until such time as the funding methodology is reviewed and changed by DfE (in conjunction with the Mayoral Combined Authorities/GLA), any growth or reduction in Greater Manchester’s allocation will be determined only by any fluctuation in the cash value of the national budget that DfE receives annually from HM Treasury.

The methodology used by DfE to calculate the devolved AEB is set out in full at Annex A for information.

5. GREATER MANCHESTER FUNDING POLICY CHANGES

AEB devolution is a long-term journey of change that will deliver positive outcomes and impact for the residents of GM. The key changes planned for 2019/20 will be around working closely with providers - whether funded through a grant agreement or contract for services - to develop improved analysis of learner journeys, with a focus on positive outcomes for individuals and tracking learner progression rather than simply measuring delivery and achievement of learning aims without understanding whether those achievements improve an individual’s employability and quality of life and improve Greater Manchester’s productivity.

With this in mind, we have made clear to all providers that GMCA places particular importance on the quality of the initial assessment of learners’ needs and goals, and robust individual learning plans. It is essential that initial assessments enable a progression pathway to be developed, and we would expect providers to make relevant advice and guidance (supported by labour market information) available to AEB funded learners to support this progression.

Comprehensive and robust baseline data is crucial before considering more substantial changes to funding policy, so many of the funding rules and eligibility considerations that have developed over time within the national funding regime will be adopted in Greater Manchester in the first year of devolved AEB. However, we have also developed a series of funding policy changes, which will give a distinct GM flavour to the devolved AEB even from an early stage and which will open up learning for GM residents who are most in need of skill development but who previously have faced funding barriers.

These changes will help respond to local skills priorities and build packages of high quality wrap-around support for residents with more complex needs and for employment sectors/types with particular skills requirements. They will start moving the strategic focus of AEB beyond simply delivering qualifications and ensure a stronger emphasis on progression and sustained positive outcomes. Greater Manchester’s funding rules are set out in full in the draft *Greater Manchester Funding Rules and Performance Management Rules, 2019/20* (‘the Funding Rules’), which were published as part of the ongoing procurement exercise) and are summarised below:

Funding Rule change/flexibility	Rationale
GMCA will fully fund British Sign Language qualifications up to and including a first level 2 for GM residents for whom BSL is their first language where no other source of funding is available.	This brings the entitlement for deaf learners whose first language is BSL into line with learners whose first language is English. Whilst learner numbers are expected to be relatively small, this is an important step towards equality of access to essential qualifications for eligible learners.
GMCA will fully fund first level 2 qualifications for all GM residents,	Against a policy backdrop which entitles learners to full Level 2 qualifications, 9.4% of GM residents aged 20-64

removing the current restrictions based on the learner's age and employment status (currently learners who are aged 24 years or older and learners who are employed are required to co-fund their learning).	years - around 154,000 people - have no qualifications at all (compared to a national average of 7.6%) and a further 10.9% are only qualified to Level 1. Of GM's working age residents (16-64 years) with no qualifications, 65,600 were in employment, which has clear implications for productivity and business growth, as well as for those residents' likelihood of progression and social mobility. This change will ensure that all GM residents, regardless of age or employment status, have the opportunity to gain the essential skills that they need to progress into/within work.
GMCA will fund level 3 units and combinations thereof (up to a maximum of 14 credits) for unemployed learners and those on a low wage (mirroring the current fee remission wage threshold of £15,763).	This is not intended to replace full level 3 qualifications (for which other funding including Advanced Learner Loans are available), nor is it assuming that achieving a number of level 3 units would mean an individual was fully skilled and ready for job roles which require advanced or higher level skills. However, for some individuals, including those employed in low skill/low pay work, achieving additional skills at level 3 could make the difference between securing employment or progressing in work.
GMCA will trial funding for a package of learning incorporating a licence to practise; this will be tested initially in the construction industry.	Licences to practise are not currently eligible for funding within the national funding regime, which can be a barrier to achieving qualifications or even undertaking essential work experience. This is particularly the case within the construction industry, where the lack of such a licence and basic health & safety training would preclude a learner from entering a workplace. This approach will be tested in the Construction industry in the first instance, as this is a priority sector for GM in light of a range of major infrastructure projects linked to HS2, GM's Local Industrial Strategy and the proposals contained within the GM Spatial Framework consultation.

We will manage learner volumes and costs relating to these flexibilities by agreeing a detailed delivery plan with each provider prior to contact/grant award, which will set out the expected balance and mix of provision to be delivered. In-year performance monitoring of learner take-up and progress against those plans will enable us ensure that providers adhere to the agreed levels of activity relating to these flexibilities so that we can be assured of affordability.

In addition to those funding policy changes, the other key modifications planned for 2019/20 will be around working more closely with providers on proactive performance management and improving our analysis of learner 'journeys' to focus on positive outcomes for individuals and learner progression rather than simply measuring delivery and achievement of learning aims. Taken together, these changes will give us a better understanding of whether those qualifications and achievements improve an individual's employability, quality of life, and progression in learning and/or work.

6. COMMISSIONING UPDATE

Issues relating to the nature and scale of the existing adult skills provider base have been set out in detail in previous papers. In summary, more than 300 providers currently deliver AEB provision to GM residents yet around half of those have fewer than 10 learners each within their AEB funded learner cohort and around 60 have only a single GM resident among their AEB funded learners. At its meeting in October 2018 the CA therefore agreed a dual

commissioning approach involving a combination of grant funding agreements and procured contracts for services which would result in a smaller, more GM-focused provider base.

The criteria and principles behind this dual system have been set out in full in previous papers. This approach will enable us to focus the devolved AEB on a range of considerations including (but not limited to):

- securing a flexible, responsive and relevant adult skills offer and positive outcomes for Greater Manchester's residents that will support progression towards/within education, training and employment
- working strategically with high quality providers to deliver a shared, place-centred ambition for our people and our place in pursuit of the vision and priorities set out in the Greater Manchester Strategy and emerging Local Industrial Strategy
- securing best value for money and social value for the public purse and for GM.

6.1 Grant funded providers

As per the agreed approach, grant agreements will be established with 19 organisations across all parts of the city-region to deliver AEB funded provision to GM residents from August 2019. This group of Greater Manchester-based providers comprises those nine FE colleges, seven local authorities and three sixth form colleges in Greater Manchester which currently receive direct funding from the ESFA to deliver AEB-funded provision.

Following confirmation of Greater Manchester's budget, modelling has been undertaken and, taking account of the methodology that has been used to calculate Greater Manchester's budget and our obligation to maintain the stability of these institutions, provisional GMCA funding allocations have now been calculated for each of these organisations.

These calculations take account of the total value of the AEB allocations each of the grant funded providers received in 2017/18 and in 2018/19. It should be noted that allocations from the Education and Skills Funding Agency (ESFA) in those academic years encompassed both GM residents and learners from outside of Greater Manchester and the ESFA will continue to provide funding for residents of non-devolved areas, even if they attend a college within a devolved area.

In order to arrive at each provider's GMCA allocation, we have calculated:

- the value of provision delivered to **Greater Manchester residents** in 2017/18 within that year's allocation; the GMCA funding agreement for 2019/20 will be equal to that value
- the value of provision delivered to **non-Greater Manchester residents** in 2017/18 within that year's allocation; providers will receive an allocation for 2019/20 equal to that value from the ESFA. These ESFA allocations total just over £2million across the 19 organisations.

We will work with grant-funded providers to ensure they are meeting GM's AEB aims and to monitor performance. Over time this may lead to further change to the way in which they are funded. However, it has been agreed that each provider would have the potential to receive the same level of funding in 2020/21 to ease transition, subject to performance.

Institutions will be required to submit delivery plans setting out how the funding will be used, against which they will be performance managed across a range of criteria that will go beyond monitoring of budgets/expenditure.

It is likely that, over time and informed by proactive performance management, we may wish to take a different approach to calculating allocations in the future, with a stronger focus on the value of provision delivered in year and actual funding earned, as opposed to historical activity.

With this in mind, we have indicated in the draft Funding Rules that GMCA grant funding agreements will only pay for actual delivery to the value of the grant agreement and will not mirror the 3% tolerance for under- and over-delivery that has operated historically by the ESFA. (This tolerance has in the past guaranteed that, if a college achieved 97% of its allocation it would not be subject to clawback for the remaining 3%. In parallel, it guaranteed that any college achieving 103% of its target would receive additional funding to cover the additional delivery.)

GMCA must manage both underperformance and respond to growth requests within its budget and cannot seek growth funding from DfE. The onus is therefore on GMCA and its providers to work together to develop positive, mature discussions around performance and place in order to enable flexible and responsive management of individual and collective funding in-year. This approach has been discussed with and welcomed by providers.

Allocations

The following tables set out the provisional allocations totalling £65,794,522 for the 19 organisations that will be grant-funded by GMCA. These allocations reflect the level of funding they received for GM residents in the 2017/18 academic year.

Table 1 shows the indicative allocations totalling £49million for 12 Greater Manchester FE institutions that deliver AEB funded provision. Approval of these indicative allocations and of the subsequent expenditure is sought from the Combined Authority, with authority delegated to the GMCA Treasurer to agree any minor changes that arise in the course of discussions between each institution and GMCA in relation to the detail of their delivery plan:

Table 1: Indicative FE allocations, 2019/20

INSTITUTION	Provisional GMCA allocation
AQUINAS COLLEGE	£85,243
ASHTON SIXTH FORM COLLEGE	£156,477
BOLTON COLLEGE	£3,679,131
BURY COLLEGE	£2,061,164
CHEADLE AND MARPLE SIXTH FORM COLLEGE	£220,489
HOPWOOD HALL COLLEGE	£4,644,156
LTE GROUP (The Manchester College)	£17,209,543
SALFORD CITY COLLEGE	£6,127,216
TAMESIDE COLLEGE	£2,656,872
THE OLDHAM COLLEGE	£3,084,101
THE TRAFFORD COLLEGE GROUP*	£5,585,775
WIGAN AND LEIGH COLLEGE	£3,518,930
TOTAL	£49,029,097

* (incl. Stockport College in 2017/18)

Table 2 shows the indicative allocations totalling £16.7million for the seven GM local authorities that currently deliver/via college AEB funded provision. These allocations reflect the level of funding they received for GM residents in the 2017/18 academic year.

Whilst some of these councils deliver provision directly, others have established agreements with colleges and other organisations to deliver learning on their behalf, which has historically been community learning. Approval of these indicative allocations and of the subsequent expenditure is sought from the Combined Authority and the Mayor, with authority delegated to the GMCA Treasurer to agree any minor changes that arise in the course of discussions between each institution and GMCA in relation to the detail of their delivery plan:

Table 2: Indicative LA allocations, 2019/20

LOCAL AUTHORITY	Provisional GMCA allocation
BOLTON METROPOLITAN BOROUGH COUNCIL	£2,168,234
BURY METROPOLITAN BOROUGH COUNCIL	£1,422,905
MANCHESTER CITY COUNCIL	£7,624,356
OLDHAM METROPOLITAN BOROUGH COUNCIL	£2,804,233
STOCKPORT METROPOLITAN BOROUGH COUNCIL	£1,210,294
TAMESIDE METROPOLITAN BOROUGH COUNCIL	£818,418
WIGAN METROPOLITAN BOROUGH COUNCIL	£716,985
TOTAL	£16,765,425

6.2 Procured providers with contracts for services

The procurement process for all other providers/partnerships has now entered the second phase. Around 100 providers submitted Supplier Assessment Questionnaires in November, of which 35 were invited to tender for contracts worth a total of £20million across two Lots (Lot 1 being large scale pan-GM contracts expected to range in value from £1m-5m and Lot 2 being smaller scale activity focusing on particular learners, areas or sectors with contracts ranging in value from £150k-£1m).

In taking forward commissioning, GMCA held a number of provider/market engagement events, including networking between providers to enable the development of potential supply chains. A workshop was held specifically to assist smaller/third sector organisations with some of the practical and technical steps necessary to engage with the commissioning process, and the procurement evaluation panel for the Invitation to Tender (ITT) will include third sector expertise.

A fundamental feature of the ITT requirements is the need for tenders to have a strong place focus, with the expectation that, in developing their tenders, bidders will have engaged with relevant local authorities in order to ensure that they have a comprehensive understanding of local needs and that their submissions respond to those needs accordingly. Social value will be a significant consideration, reflecting GMCA's commitment to procuring in a way that not only provides the best value for money and highest quality service, but which also goes beyond the basic contract terms and secures wider benefits for the community. In order to reflect these important considerations and the need to focus on the people, places and communities this provision will serve, the ITT evaluation process will incorporate expertise from across GM's districts and from the voluntary, community and social enterprise sector.

The indicative timeline for procurement is:

- ITT deadline: 4 March
- Evaluation, moderation and clarification: by 28 March
- Negotiation/contract award: to 10 April
- Contingency period for further negotiation (if required): to end April
- Contract sign-off: May
- Provider on-boarding: May-July
- Contracts commence: August.

6.3 Learners in border areas

Discussions are underway with the ESFA and other Mayoral Combined Authorities/GLA to plan for and minimise the impact of any issues arising in relation to GM learners who enrol at providers that do not have funding arrangements with GMCA. These will mainly be GM residents who live in 'border' areas neighbouring non-GM authorities and for whom the closest provider may therefore be outside of Greater Manchester in areas such as Lancashire and Cheshire. However, some GM learners also travel to other devolved areas, and positive conversations are taking place, particularly with Liverpool City Region (which accounts for the majority of this cross-border provision), around establishing arrangements that take account of travel to learn patterns between devolved authorities while minimising bureaucracy for providers and for the respective Combined Authorities.

Whilst providers in these areas have had the opportunity to bid for contracts as part of the procurement process, as a responsible commissioner (and one with statutory responsibilities to secure certain provision for our residents) we must ensure that contingency arrangements are in place in this first year of devolution for Greater Manchester residents who wish to attend institutions which either chose not to bid or were unsuccessful, and so do not have contracts in place with GMCA. (It should be noted that this relates solely to new learners; those GM residents who have commenced programmes prior to 1 August will not be affected as they will complete their learning under the current funding arrangements with their existing provider, regardless of whether or not that provider has a contract with GMCA for 2019/20 and beyond.)

Pending the outcome of any agreements between the MCAs/GLA, modelling has been undertaken to ascertain the likely impact of GM residents travelling outside of Greater Manchester for adult education and training, both in relation to GM residents learning in non-devolved areas and those learning in other MCA areas. We cannot prevent learner choice and will need to monitor this matter closely through our performance management/MI and assurance activity, as well as oversight through the governance mechanisms outlined below) to ensure that Greater Manchester residents are not disadvantaged and that GMCA is able to fulfil its statutory obligations. We will engage with colleges in neighbouring areas to reiterate the ESFA's guidance to providers that they should not actively market their services and programmes in areas where they do not hold relevant contracts/funding agreements for the learners in question. Providers that are grant funded will all receive an allocation from the ESFA for non-Greater Manchester learners and should they wish to expand their AEB provision this should be the vehicle for that growth.

6.4 Innovation and testing

Based on this approach to commissioning and taking account of the variables identified in relation to cross-border issues, a small residual funding allocation is expected to remain following commissioning. This will provide a reserve which might support activity such as a further community grant programme beyond that which was outlined in the October paper. Such activity would not be commissioned in the same timeframe as the main activity outlined

above, but rather would follow after those core grant agreements and contracts are in place in order to ensure it truly focuses on filling any gaps.

7. RESOURCES

As set out in earlier papers, in the absence of additional administration funds to accompany the devolved functions and associated programme budget, MCAs must resource the management of the AEB locally from within the AEB itself. The Combined Authority has previously noted and approved in principle the need to retain a small fee (amounting to no more than 3% of the overall AEB budget for Greater Manchester) from which management of the budget will be resourced.

We can now confirm that the proposed funding to be retained in 2019/20 will be around £1.5million (1.6% of the budget which is based on the academic annual budget and spans part of two financial years). This will cover a number of functions and posts relating to the policy development, management, operations (including technical specialisms such as legal, IT systems and ensuring compliance with data protection/information governance regulations) and audit/ assurance activity. This figure is based on our experience of management costs associated with other programmes and follows consideration (including discussion with partners) about the extent, rigour and proportionality of management and assurance activity required.

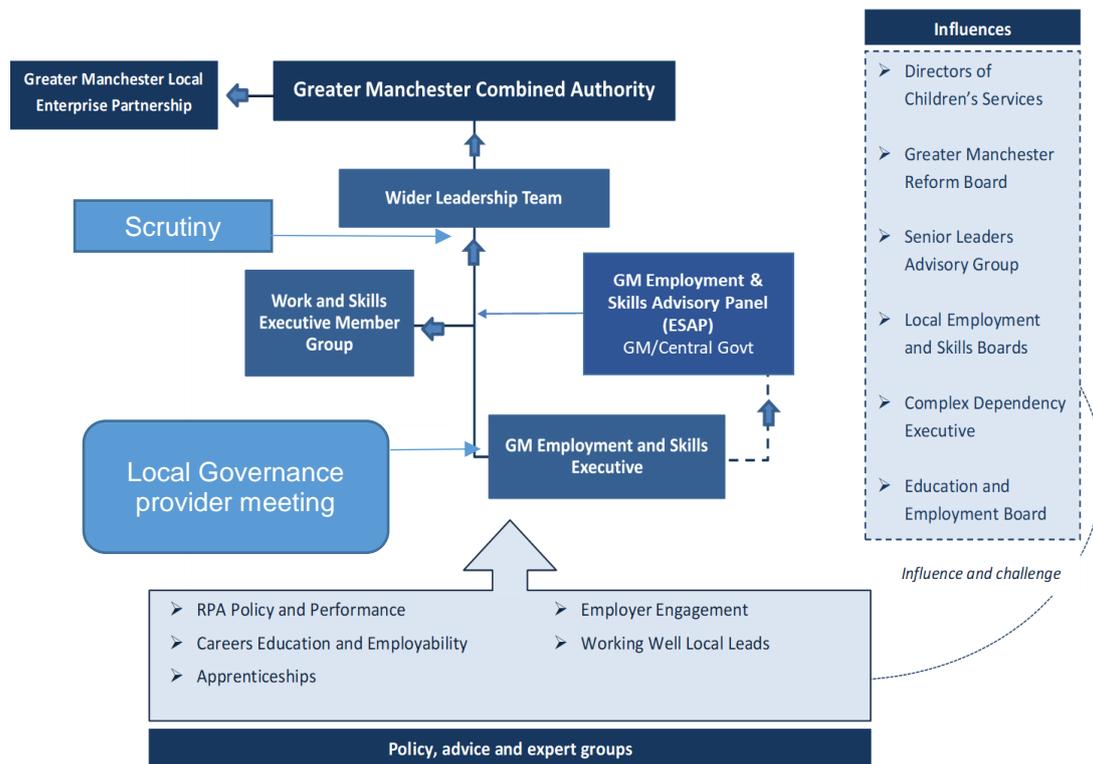
We will continue to work internally via SMT to ensure that appropriate systems and staffing resources are in place, including development of an integrated contract monitoring and performance management approach which maximises the resources and expertise within the Skills & Employment team across the full range of programmes and budgets GMCA is now responsible for, rather than looking at the management and administration of each programme in isolation.

We believe that this level of expenditure will be appropriate and proportionate to the capacity and capability required to manage and assure the AEB to ensure that GMCA discharges its statutory obligations, ensures proper use of funds/value for money and guards against risks and reputational damage that could otherwise arise if this activity were not adequately resourced. It also compares favourably with the maximum management fees set for other programmes.

As noted previously, implementation funding provided by DfE (to the end of July 2019) has enabled the Skills & Employment team to begin recruiting additional business-critical staff to bolster the CA's capacity and expertise in preparation for the AEB, as well as ensuring input from relevant technical specialists across a range of crucial functions.

8. GOVERNANCE

The governance of GMCA's AEB will take place through a number of mechanisms, reflecting our evolving relationship with central government and its agencies, our GM scrutiny and decision-making structures and the strong 'place' focus provided by local governance arrangements.



Local Governance and ‘place’ focus

GMCA wishes to ensure that a strong focus on how AEB delivery looks within each place as well as at a GM level forms a key element of AEB governance, in line with the Public Sector White Paper. To enable this we propose to put in place consistent distribution of communications and meetings across the GM ten local authority areas and to provide a supportive and engaging environment whereby key stakeholders, including but not limited to LAs and providers, can shape, contribute to and take ownership for the Greater Manchester adult skills provision.

Meetings will be will planned in throughout the duration of contracts and funding agreements which will provide a forum in which the AEB offer and wider skills delivery and performance can be openly discussed with relevant providers (determined by place), Local Authority and the GMCA. The aims will be to support sharing of good practice, delivery and integration in each area, supporting continuous improvement.

One of the key governance mechanisms for ensuring that the AEB both responds to strategic priorities and is closely linked with the emerging Local Industrial Strategy will be GM’s Employment and Skills Advisory Panel, which met for the first time in October. Originally envisaged by government as having a largely analytical function, GM was clear that, as well as facilitating access to cross-departmental Government data to support the identification of local skills needs, our Panel should also contribute to the strategic oversight and governance of GM’s work and skills system, with input at a senior strategic level from relevant central government departments. Reflecting GM’s ambition for a fully integrated education, skills, employment and health system, we have agreed with central government that the GM Panel will encompass employment support and align with these other interrelated agendas rather than viewing skills in isolation. The ESAP will help us to ensure that the devolved AEB is situated firmly within the wider GM skills and employment support landscape.

A formal GM AEB steering group will also be established in addition to existing GM governance structures that provide a forum for consideration, consultation, challenge and oversight.

9. RECOMMENDATIONS

As above.

Annex A - Calculating Devolved AEB Budgets for devolved areas 2019/20: Methodology

(NB - Extract from correspondence from DfE to GMCA; “we” refers to DfE, “you”/“your” refers to GMCA)

Ministers agreed that the methodology for calculating Education Skills Funding Agency (ESFA) and Mayoral Combined Authorities (MCAs) and the Mayor of London budgets should be based on historic provider delivery and learner residence in 2017 to 2018.

We have used the residency calculations explained in the narrated presentation to determine your % share of the budget. The 2017 to 2018 calculation establishes the baseline % for what your AEB allocation will be for the foreseeable future.

AEB allocations have been calculated by multiplying the proportion (%) share for each devolved area by the total AEB participation budget (minus the top-slices for continuing learners and traineeships).

ESFA will continue to be responsible for funding learners that are resident outside devolved areas. Providers that are out of scope for devolution for the two-year transitional period will continue to be funded nationally by the ESFA, this is further explained later in this letter.

The following assumptions have been applied in the methodology:

- Excludes 19-24 traineeships
- Excludes continuing learners in 2019/20 only
- Delivery of AEB by grant funded providers (on their grant agreement) for the period 1 August 2017 – 31 July 2018
- Delivery of AEB by providers on contracts for service (including ILP and grant) for the period 1 November 2017 – 31 July 2018; this is then pro-rated up into a full year using the national profile of 26.5% for the months August-October. This includes all providers that were successful in the AEB procurement. Providers that were not successful are not included because they no longer have a contract with the ESFA
- Includes all formula funded AEB delivery in 2017 to 2018 and the reconciled 2017 to 2018 funding for community learning and learner support
- For the 2 higher education institutions that delivered AEB in 2017 to 2018 but do not return an ILR we have used their 2017 to 2018 HESA learner postcode and qualification aim data. We have matched the qualification aims (recorded on their HESA return) to AEB funding rates and distributed the funding based on the learner postcodes
- Where the postcode (prior to enrolment) recorded on the ILR is not valid, the calculation is made using the current postcode provided it is valid. Where neither prior nor current postcode is valid then the funding associated with the invalid postcode is distributed across devolved areas and ESFA funded areas using the delivery proportions set by the valid postcodes for that provider
- Delivery relating to non-England residents (residents of Scotland, Wales and Northern Ireland) is treated as outside devolved areas funding

- Where providers have merged since 2017 to 2018 we include the delivery of each of the separate organisations in the analysis

Funding for continuing learners in 2019 – 2020

Funding for continuing learners is not included in your budget. ESFA will continue to fund learners that were in learning in 2018 to 2019 but did not complete their programme by 31 July 2019. The funding attributed to continuing learners is an estimate based on the full year 2017 to 2018 AEB data relating to learners who started before 1 August 2018 and are continuing into the following year. The estimate for continuing learners in 2019/20 has been based on the historical cost of these learners. We are using an estimate as we will not know the actual cost until November 2019.

ESFA will allocate funds to providers for 2019 to 2020 to ensure they can fund continuing learners both inside and outside devolved areas. This is a one-year arrangement that applies to the devolved areas receiving AEB in 2019 to 2020 only. If more MCA areas receive devolved AEB beyond 2019 to 2020, the ESFA will look to operate a similar approach for those areas.

19-24 Traineeship

The 19-24 Traineeship programme remains a national programme in 2019 to 2020 and as such, the 19-24 Traineeship budget will continue to be managed nationally by ESFA.

Transitional arrangements

Ministers have agreed to continue funding nationally, for a period of two years following devolution (2019 to 2020 and 2020 to 2021), providers that meet the following criteria:

- qualify for a financial residential uplift for their learning provision, and
- receive more than two thirds of their income from the AEB, and
- predominantly target the most disadvantaged learners.

This will aid their transition to devolution given their specialist nature and reliance on AEB. The providers which currently meet these criteria are:

- Fircroft College, Birmingham,
- Richmond and Hillcroft Adult and Community College London (Specific arrangement in place with the Mayor of London)
- Northern College, Barnsley, and
- Ruskin College, Oxfordshire

Funding attributable to delivery by these providers is not included in your budget allocation, allocations to these providers will be administered nationally by the ESFA. These providers can use this funding to deliver provision to eligible learners resident anywhere in England. MCAs and the Mayor of London should they wish to, are able to have additional funding relationships in place with the above providers during the two year transitional period.