

Adult Education Budget Devolution - Essential Background Information

May 2018

Background

1. The WECA has been advised that the Government intends to bring forward the necessary Order to pass Adult Education duties to WECA to be laid before Parliament before the summer recess and coming into force from start of the academic year 2019/20. Funding is likely to arrive as a section 31 grant on a financial year basis. The indicative funding budget is £17.6m and has recently been recalculated as part of the usual planning process; the indicative budget is in-line with expectations.
2. The duties to be devolved are as anticipated and have been unchanged since WECA and constituent local authority officers began working with civil servants on the devolution of adult skills funding in 2015/16. The duties all come from the Apprenticeship, Skills, Children and Adult Learning Act (ASCAL) and are summarised below:

Section 86: Education and training for persons aged 19 or over (*excluding those subject to adult detention*)

Securing the provision of suitable facilities (*by which is meant 'courses of learning', not premises*) for education and training of those aged over 19. Suitable facilities are determined in relation to the scale of available resources and should be of a suitable quantity and quality such that they can reasonably be expected to be provided

Section 87: Learning Aims for persons aged 19 or over, provision of facilities.

The securing of suitable provision to enable those without a first full level 1 or 2 qualification in English and/or maths to gain those qualifications

Section 88: Learning aims for persons aged 19 or over: payment of tuition fees.

The duty to provide the courses required under Section 87 free to learners to those aged between 19 and 23 years

Section 90: Encouragement of education and training for persons aged 19 or over (excluding those subject to adult detention).

Encourage participation of those to whom a duty is owed in training and education. Encourage employers to participate in the education and training of the same

Section 100: Provision of financial resources

Gives the ability to make funding available to providers of adult education

Section 101: Financial resources: conditions

Enables the setting of specified conditions of the funding made available under section 100

Section 115: Persons with special educational needs.

In meeting the duties, have regard to persons with special educational needs

Section 122: Sharing of information for education and training purposes.

Defined people can share information with each other in pursuit of enabling or facilitating a particular function to be delivered.

3. There are no new 'powers' being devolved, only duties. Grants therefore are anticipated to be made using the general power of competence. Procurement of some activities by WECA may also be required, depending on the income structure of the provider.
4. The existing Combined Authority Order already gives WECA some skills related functions (in the Economic Development and Regeneration schedule). These are unrelated to adult education functions and are summarised in Annex 1 below.
5. The Cabinet report seeks approval to the proposed Order only and it is highlighted that agreement to the Order does not commit WECA to any budgetary allocations nor approaches to the allocation process, excepting those established by the Readiness Conditions that each Combined Authority must meet and agree to prior to the devolution of funding. The Readiness Conditions prevent WECA from taking future funding decisions that would lead to financial destabilisation of the current provider base.
6. WECA will be asked to agree detailed allocations of the devolved funding during the budget setting process for the 2019/20 financial year. Prior to this process WECA officers will continue to work closely with the constituent Local Authorities and provider base to develop its plans for the implementation of funding for adult education.
7. The Skills Advisory Board have discussed a number of issues that will need to be considered about the proposed approach by Government to transfer the AEB Budget without associated running costs, essentially meaning the budget will be 'top sliced' to fund administration of AEB. These financial concerns, along with all the other detailed allocations of the devolved funding, will be developed with officers and the Skills Advisory Board during the budget setting process for the 2019/20 financial year.
8. The DFE has set a number of onerous readiness conditions which must be met before the transfer of AEB and the Advisory Board has concerns about WECA's ability to meet these. If the conditions are met, then the strategy for delivery needs to be agreed and the impact on existing providers must be carefully considered before any significant changes are agreed.
9. For the first year of devolution, the Skills Advisory Board favours 'no change' to current funding rules and allocations, allowing time for a planned review and transition that is supported through the introduction of scrutiny arrangements.

Alternative Options Considered

10. The original devolution deal agreed with the West of England Combined Authority included the devolution of AEB.

Financial Implications

11. Financial implications and their mitigation are set out in section 9. In discussion with S151 Officers across the Combined Authority some concerns were raised that by the devolution of related funding, WECA would become financially liable for the costs of the insolvency and subsequent special administration regime of any Further Education College provider. It has now been established that WECA will not be expected to pay for the immediate costs of the Special Administration Regime itself, nor to provide any form of exceptional financial support to a college. WECA will be responsible for the continuation of funding for the relevant learners resident in their area who are affected by the insolvency, while a solution to protect those students is identified and delivered.

Risks, Mitigations & Opportunities

12. Work is underway to mitigate the following known risks from devolution of funding:
 - i) At present the funding being devolved does not include a specific allocation to cover administration costs. Traditionally there has typically been a 2-3% underspend of AEB on a national basis which could be used to cover the costs of funding of the administration costs of devolved AEB. At the local level this would equate to £352k-528k of the 17.6m indicative budget and is estimated to be enough to cover predicated administration costs.
 - ii) WECA officers are working closely with the Department for Education (DfE) to ensure that the readiness conditions are met. The DfE have provided a development grant (£280,000 in April 2018) to WECA to ensure the Combined Authority has the resource to meet the readiness conditions and prepare for the new duties.
 - iii) A Strategic Skills Plan for the use of AEB funding is being developed as part of the readiness conditions for devolution, timescales require this is developed ahead of a Regional Skills and Employability plan. As such the Strategic Skills Plan will need to account for a transition period and be realigned into the future.
 - iv) Providers who work across non-devolved areas will experience an increase in administration as they manage two different funding systems i.e. Education and Skills Funding Agency processes for non-devolved areas and WECA new processes. WECA officers are already working with the largest providers to ensure they establish clear and manageable arrangements.

Reasons for Decision

13. The devolution of AEB formed part of the individual deals to the 'transfer of powers and funding from central government to local government and each existing combined authority areas (Cambridgeshire and Peterborough, Greater Manchester, Liverpool City Region, North East, Sheffield City Region, Tees Valley, West Midlands, West Yorkshire, the West of England and London) subject to each area meeting strict readiness conditions.
14. Devolution of the funding allows for each combined authority to create individual solutions to local skills needs in a responsive, strategic and timely manner, in a way that central government management of these funds has not always been able to do.

Annex 1 – Summary of skills related functions included in the original WECA Order (already with WECA held concurrently with the constituent LAs)

“The duties under sections 15ZA, 15ZB, 15ZC, 17 and 18A(1)(b) of the Education Act 1996 and the power under sections 514A and 560A of that Act (duties and powers related to the provision of education and training for persons over compulsory school age).”

Some of these duties have been added to the Education Act by ASCAL as noted below.

Section 15ZA (ASCAL) – Duty in respect of education and training for persons over compulsory school age: England. (Persons over school age but under 19)

Section 15ZB (ASCAL) – Co-operation in performance of section 15ZA duty.

Section 15ZC (ASCAL) – Encouragement of education and training for persons over compulsory school age: England. (But under 19).

Section 17 (Education Act 1996) – Powers in respect of nursery education.

Section 18A (1)(b) (Education Act 1996) – Powers to arrange provision of education at non-maintained schools.

Section 514A (Education Act 1996) – Provision of board and lodging otherwise than at school.

Section 560A (Education Act 1996) – Work experience in last year of compulsory schooling.