

think...

# Preparation for devolution of skills budgets

Lancashire Skills and Employment Board

7<sup>th</sup> March 2024

# Context: Skills budget devolution in Lancashire

- Government will fully devolve the Adult Education Budget (AEB) from academic year 2026/27, subject to readiness conditions and Parliamentary approval of the required secondary legislation.
- Funding for Free Courses for Jobs (FCFJ) will also be devolved and will be ring-fenced.
- Prior to full devolution taking place, the Government will work with Lancashire CCA to support their preparations for taking on the relevant functions.
- We estimate that around £30m of Adult Education Budget is currently invested in Lancashire each year, based on learning by residents.
- Lancashire will need to meet DfE readiness conditions by May 2025 so that devolution of skills budgets can proceed. This includes an AEB strategic skills plan, along with governance, financial, legal, procurement, data etc requirements.

# Developing a commissioning plan

Five key elements:

- Review strategies and labour market analysis
- Analyse existing education and training delivery
- Consult Lancashire stakeholders on priorities and issues
- Investigate approaches adopted in Mayoral Combined Authorities
- Develop AEB strategy and commissioning plan

# Indicative Commissioning Priorities

Investing devolved adult skills budgets to deliver elements of the Lancashire Skills and Employment Strategic Framework, as follows:

## **Future workforce**

- e.g 19-24 technical education pathways, infill on 16-18 delivery, re-engagement

## **Inclusion**

- e.g. ESOL, family learning, digital

## **Skills and productivity**

- e.g. basic skills, short courses for unemployed/employed, Sector Work-Based Academies, Skills Bootcamps, targeted L3 growth

## **Social Value**

- Integrated into commissioning processes

# Lancashire stakeholder feedback

Still ongoing but emerging themes:

- Recognise that AEB sits as one budget alongside other budgets: apprenticeships; 16-19; higher education; student loans; skills bootcamps; free courses for jobs; Multiply etc.
- Change should be priorities-driven but incremental, noting potential to destabilise providers if change is implemented poorly or too quickly.
- General agreement that investment should target areas of highest need but caution from some about making assumptions about the capacity of the existing infrastructure in all areas with high need.
- Sense that greater collaboration across providers/skills budgets to coordinate activities is desirable, as well as with other related budgets working with the same individuals (health, justice, etc)
- Employer skill needs will change and grow, requiring more mid-career reskilling of adults.
- Interest in/cautious support for greater emphasis on the outcomes from some AEB-funded delivery.
- Acknowledgement that Lancs CCA cannot be expected to manage hundreds of providers, but care needed to ensure that valuable/niche provision is not lost in this process
- Unmet needs include 19-25s at risk of economic inactivity; ESOL and pre-ESOL; basic IT in high demand

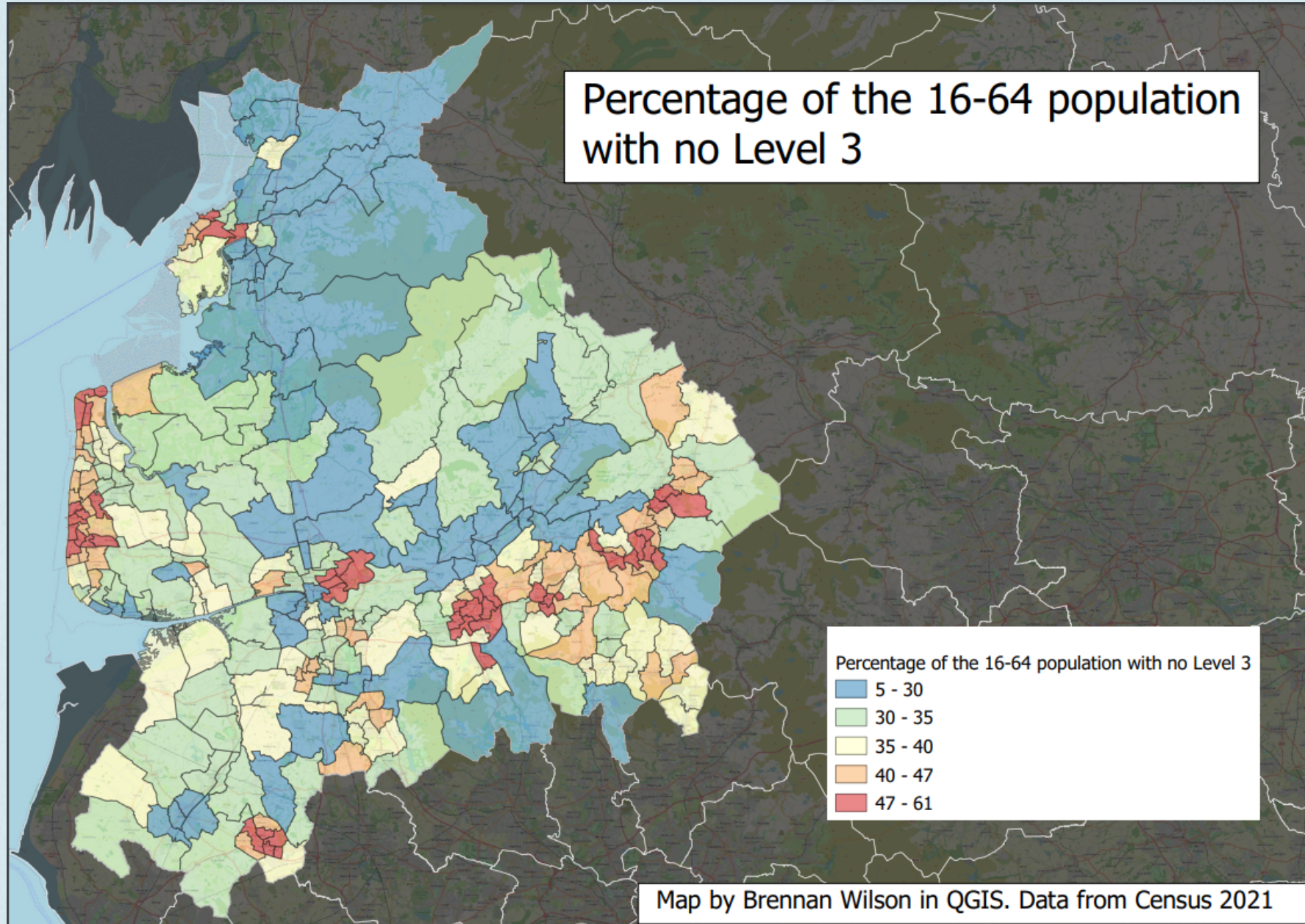
# Mayoral Combined Authorities' feedback

Still ongoing, emerging themes include:

- Year one activity focused on effective administration of devolved budgets, be ready from day one. Admin cost usually 2-3% of budget.
- Legal position is that colleges, local authorities and a small number of designated institutions should be grant funded, all others procured.
- MCAs have used minimum contract values and provider frameworks/dynamic purchasing systems to secure a manageable number of providers – from hundreds pre-devolution to a few dozen now
- Most MCAs use call-off competitions to procure in response to emerging needs.
- Allocations to providers have adjusted in accordance with their delivery vs plan (not just in relation to spend). Some use of outcome targets in provider plans.
- Lots of examples of funding rule flexibilities, e.g. raising the low wage threshold; extending L2 digital and L3 entitlements; reforming pre-employment training; funding licences to practice etc
- It has taken time for providers to adapt to MCA's priorities and expectations of delivery.

The wards with the highest proportion of the population without a Level 3 are:

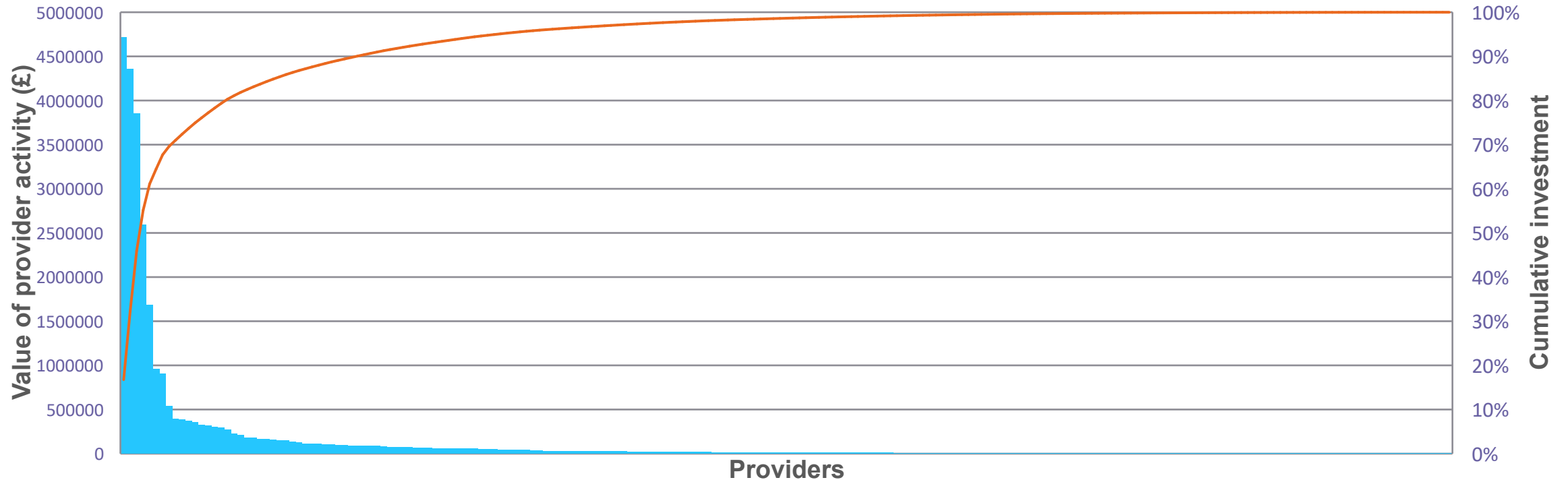
- Central (Hyndburn)
- Bloomfield (Blackpool)
- Daneshouse with Stoneyholme (Burnley)
- Bradley (Pendle)
- Blackburn Central (Blackburn)
- Whitefield & Walverden (Pendle)
- Claremont (Blackpool)
- Bastwell & Daisyfield (Blackburn)
- Audley & Queen's Park (Blackburn)
- Digmaor (West Lancashire)



## Focussing the investment

In 2021/22, a total of 205 providers were funded by the ESFA to deliver Adult Skills provision to Lancashire residents, delivering learning with a value of c£28m. The top 17 providers delivered over 80% of the funded activity, with the remaining 178 providers delivering an average contract value of less than £30k. In addition to Adult Skills provision, approximately £7m of Community Learning will have supported Lancashire residents in this year.

**Notional AEB funding, by provider, for Lancashire residents' learning and cumulative funding distribution, 2021/22**





# Potential approach to commissioning

Key features:

- Grant to colleges, local authority providers and 'designated institutions in FE' (Cardinal Newman and WEA)
- Investment driven by an agreed Plan.
- Budget to accelerate delivery of priorities secured by cutting the long 'tail' of providers, freeing up resources.
- Tender for key themes/priorities

# Next steps

Working with the project steering group:

- Complete Lancashire and MCA consultations (early March)
- Develop draft AEB Strategy and Commissioning Plan (mid March)
- Refine and submit AEB Strategy and Commissioning Plan (end March)
- Support and advice to the Lancashire Skills Hub team to meet DfE readiness conditions (end March onwards)

# Questions, comments welcome

Feedback is welcome on any/all of this, in particular:

- Do you have any questions and comments about the feedback from Lancashire stakeholders and MCAs presented in this slide pack?
- Do you agree that indicative commissioning priorities should focus on delivering Lancashire's Skills and Employment Strategic Framework?
- What changes within Lancashire – labour market, wider community - do you think are of importance for Lancashire's AEB strategy and commissioning plan?
- What is your view of the potential key features of Lancashire's approach to commissioning?