

Skills Devolution – Re-shaping the Further Education System in GM

Manchester Economy Scrutiny

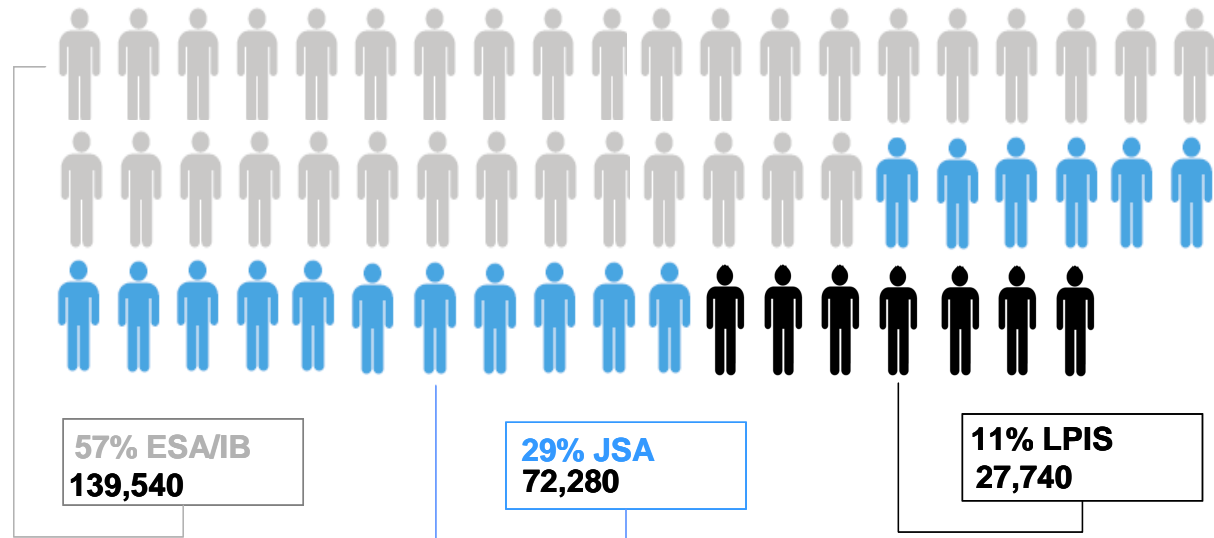
22nd July 2015

Vision

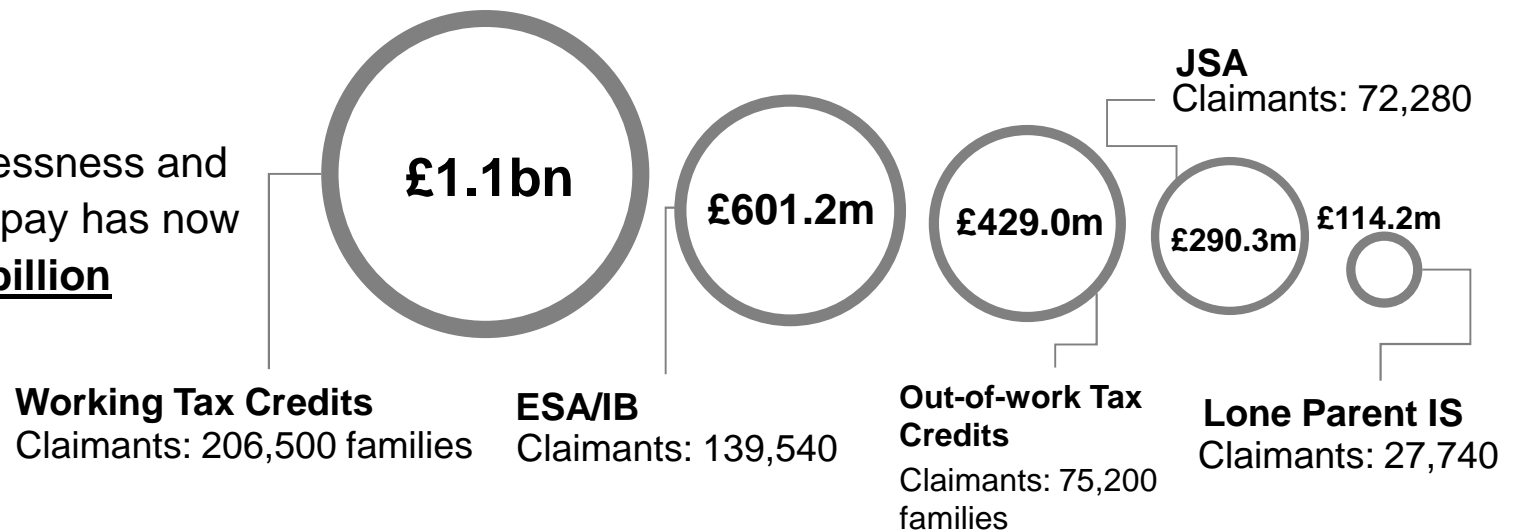
*Our ambition is to create an **integrated employment and skills eco-system**, which has the individual and employer at its heart, and that better responds to the needs of residents, business and contributes to the growth and productivity of the GM economy.*

Outcomes: Breaking the cycle of worklessness, low skills and productivity

Across GM, around **227,000** people are claiming out-of-work benefits...



The cost of worklessness and the impact of low-pay has now reached over **£2 billion**



Devolution provides a unique opportunity to begin addressing challenges posed by the currently fragmented employment and skills system

The current employment and skills landscape is complex and fragmented. Our implementation approach is putting in place the processes that will allow GM to achieve its vision, reforming a devolved skills and employment system that will have a significant impact on GM's residents, employers and its continued economic growth. Central to that it will:

- Reduce the fiscal gap and drive productivity in GM through a devolved, integrated employment and skills eco-system
- Create significantly enhanced performance and impact from the £3.97bn investment in GM
- Develop a future workforce with the skills to support growth and increased levels of productivity
- Shift the commissioning strategy to deliver what GM needs with GMCA able to drive performance through local accountability, including appropriate alignment of national and local priorities
- Ensure Government agencies and contracted services operating consistently on a GM footprint

GM Governance Model for Employment & Skills Strategy

Skills & Employment Partnership

Chair, LEP, JCP, GM Chamber, LAs, Providers, GM colleges, Head Teacher, HEI

Skills & Employment Executive

LAs, New Economy, 14-19 rep, TMEDL rep, JCP, SFA, EFA, Housing, Public Health,

Skills & Employment Advisory Group

10 LAs – newly established. First meeting in May.

GM Learning Provider Network

GM learning providers: Quarterly meetings

GM Colleges Group

10 GM College Principals: Bi Monthly

Employment Support Network

ERSA managed forum for GM and national employment related service providers. First meeting in May. WW expansion market engagement workshop planned for July.

Devolution Programme of Work

The GM Agreement includes a range of reforms across the work and skills landscape, enabling GM to directly control or influence over £500m of funding. These are:

- 1** The **staged expansion of Working Well** from Summer 2015. By the time it is fully rolled out, the programme will cover 50,000 individuals and have a £100m budget. This work will include a pilot **supporting older workers** with long-term health conditions back to work.
- 2** Government **designing the Work Programme in a way that allows GM to be a joint commissioner**. Work Programme contracts across GM are worth c£100m.
- 3** **Mental Health & Work** pilot to develop a service model which supports unemployed people who are finding it difficult to get in to work because of mental health issues.
- 4** **Reshaping and restructuring FE (post 19 skills) provision** worth £150m (including Apprenticeships) within GM and aligning to £170m of EFA spend.
- 5** **Devolution of the AGE Grant** to GM from April 2015.

Taken together, while only reflecting a proportion of the investments made in employment and skills within GM, these current devolved powers enable us to exert **significant influence** on the supply and demand dynamic. Through these reforms, GM will improve outcomes for residents, invest in innovation & prevention and create savings through better performance and improved use of resources

4 Reshaping and restructuring FE

The FE system has two distinct purposes which GM needs to consider in designing a revised funding structure to influence the curriculum and number/nature of providers to meet labour market and economic priorities:

- **Encouraging employability in those furthest from the labour market: (Reform)**
 - Review of current and future delivery and impact of Adult Skills Budget in order to determine its future contribution to the growth and reform agenda, given 24% reduction in the budget devolved from BIS (and more expected)
 - Develop options for future payment frameworks: activity and/or outcomes?
 - Explore funding allocation requirements to ensure that demand is being met in all locations linking with adult and community (and other) budgets
 - Incentivise and remove barriers to an integrated employment and skills system: stronger focus on skills outcomes within employment programmes
- **Providing the higher level skills provision the economy needs (Growth)**
 - Employer engagement: GM must meet employers' needs but in turn they need to both engage with the system and develop higher level skills of their own workforce
 - Align skills reform with GM growth needs: responsive skills landscape and infrastructure to meet future demand (and work with business to predict demand)
 - GM Skills Capital Strategy: configure the infrastructure around the priorities of a reformed FE system on a GM wide basis

Progress

- Research programme undertaken which now means GM has the most accurate ASB data to inform discussions
- Facilitated discussions with GM colleges/providers around future infrastructure for a GM integrated employment and skills system
- High Level Skills Strategy in development to help shape discussions across GM for future use of ASB, FE Loans and Employer Investment
- Developed ITT for use of Local Growth Fund & ESF to support skills for those accessing WW current and future programmes
- Skills Capital aligned with devolution to ensure strategic fit.

Challenges

- The evidence is clear that with funding cuts that GM needs to consider very different funding models to ensure both the growth & reform agenda is supported
- Current ASB cannot continue to support at expected trajectory
- Infrastructure challenges

Risks

- More cuts expected through CSR with consequential impact on provision across GM
- Implications around changes of Ofsted inspections: focus on success measure may not support a GM ambition
- National Government Policy changes and development to be aligned with GM priorities

4 Reshaping and restructuring FE: Adult Skills Budget

In order to address the short term challenges and set a framework for the delivery of our longer term strategy immediate action is being taken:

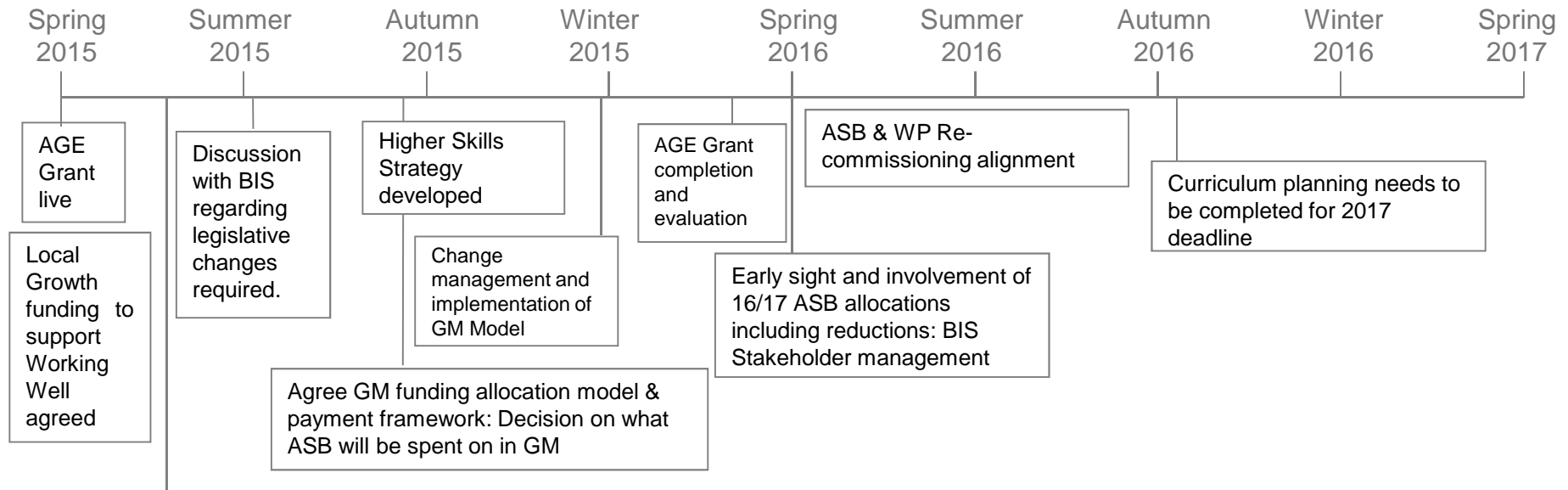
- Given the cuts within ASB a different dialogue and strategy across GM is required with skills providers to support growth & reform:
 - the analysis is clear that if GM remains on the same current spending trajectory it could use all of the remaining ASB on provision up to L2, with a predominant focus on preparation for life/work, English and Maths
 - therefore we need to adopt innovative new ways of utilising budgets and/or protecting certain spending to maximise and prioritise funding/investment
- Work on the AGE Grant and ESF commissioning will contribute to stimulating the market so that higher level skills investment is funded more by employers/learners
- Identifying key transition points and aligning funding across the education and skills system so in longer term ASB is not required to fund remedial provision

If we action the above points effectively, we will be addressing key challenges:

- Getting more people aged 18 with Level 2 English & maths before hitting ASB
- Aligning all funding streams in GM's i.e. ESF, Community Budgets, ASB
- Developing alternative (non ASB) ways to fund Level 3+ higher level provision

4

FE Re-configuration: timeline to 2017 update



Current work (Spring/Summer 2015)

Undertake relevant analysis of the current use of the Adult Skills Budget to establish what is being spend and where:

- Research about current spend/impact of ASB: Including Community Learning & entitlements
- Future growth area and skills needs.
- Evidence of alternative models to provision: GM decision required on how we distribute funding, entitlements for priority groups, balance for growth sectors.
- Low Pay, No pay research: underway: completion July 15

- Significant engagement with colleges and providers to investigate the current system issues and opportunities for change in a devolved GM model
- Series of discussions with national experts on lessons learnt from past models
- Agreement of final allocation with BIS: Analysis will help to understand the amount of ASB flowing into and out of GM
- Use of ESF & Local Growth Funding in Working Well up-scale to support skills for those furthest away from the labour market
- Develop options for future payment frameworks. GM will develop a range of options to support achievement of our ambitions for reform. This will include consideration of issues such as incentivising provision for particular courses, reforming the curriculum to focus on GM outcomes, specifying outcomes that will be paid for regardless of curriculum, and alignment with employers
- Implementation & ongoing evaluation of AGE Grant across GM

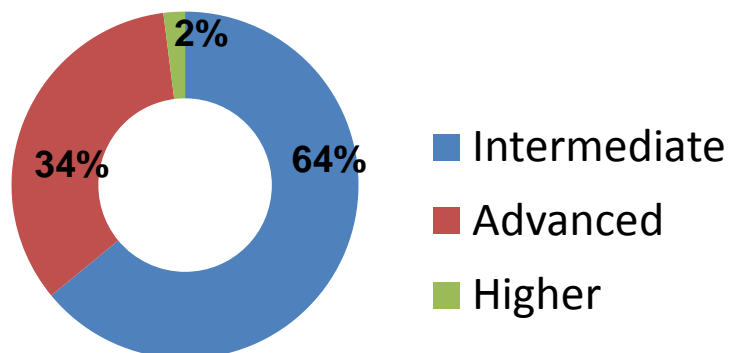
5 AGE Grant: Devolution of the AGE Grant enables GM to incentivise higher level apprenticeships

- From 1st April 2015, GM gained full control of the £5.1m budget for the Apprenticeship Grant for Employers (AGE Grant). All funds must be spent by 31st March 2016 and will be administered by GM
- In order to create a single programme incentivising employers to increase take up of apprenticeships, £2.8m of Growth Deal funding (originally allocated to mimic the proposed tax incentives funding scheme for apprenticeships) has been combined with the devolved AGE grant – up to 3 GM grants will be available to any employer meeting criteria:

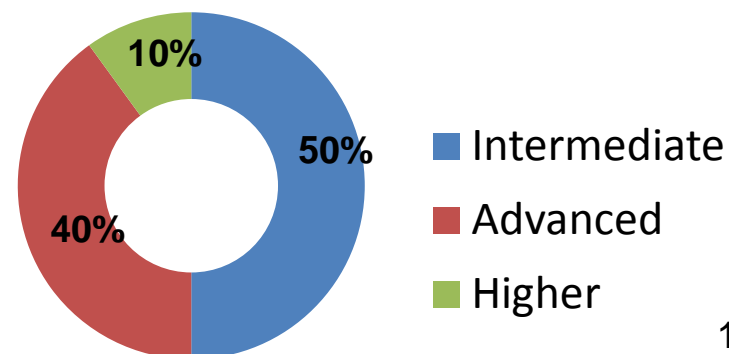
Initial eligibility £1500	Additional progressions incentive £1000	Additional higher level incentive £1000	Additional capacity building incentive £1000
EMPLOYERS			PROVIDERS

- Stretching targets have been set for 2015/16 to ensure a higher proportion of grants stimulate Apprenticeship demand at level 3+. Providers will be informed of the indicative split of funding

GM split 2013/14



Targets for 2015/16



Progress

- GM AGE now live with specific GM criteria agreed
- Employer engagement event 30th June; breakfast launch event organised and invitation issued
- 50 Training Providers have expressed an interest in accessing grant on behalf of GM employers
- Issuing of Provider Agreement documentation has commenced
- Data Sharing Agreement finalised and signed on behalf of GMCA
- First data set to be released from SFA once DSA countersigned

Challenges

- Maximising take up of the Grant by employer by 31st December 2015
- Maximising take up of additional incentive for Advanced & Higher App, ensuring progression for Apprentices in GM
- Demonstrating a case for an extension of GM AGE beyond 31st March 2016

Risks

- Insufficient take up of grant by employers - mitigated by monthly review of take up; increase marketing & communications as necessary and continual review of eligibility criteria against take up
- Targets not met for additional incentives for progression – mitigated by review of take up of grants for Intermediate Apprenticeship and increasing the budget if necessary.

An overview of progress on the related employment elements of the Devolution Agreement will be presented to the October meeting of this Committee. It will include detail on;

The expansion of the Working Well model

The commissioning of the GM replacement for the Work Programme

Mental health and employment pilot