

**Manchester City Council  
Report for Information**

**Report to:** Economy Scrutiny Committee – 5 December 2019

**Subject:** Devolution of the Adult Skills Budget

**Report of:** Head of Work and Skills

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**Summary**

The purpose of this paper is to provide an update on the progress of the devolution of the Adult Education Budget (AEB) to GMCA from 1 August 2019 for the 2019/20 academic year onwards.

This paper also provides further information on; the position in Manchester so far, the result of the GM AEB funding allocations to grant funded and procured providers, and the role of the Manchester Adult Education and Skills Plan in ensuring impact from the devolved funds are maximised.

**Recommendations**

Members are requested to consider and comment on the information within this report.

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**Wards Affected:** All

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**Alignment to the Our Manchester Strategy Outcomes (if applicable)**

<b>Manchester Strategy outcomes</b>	<b>Summary of how this report aligns to the OMS</b>
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	It identifies the need for Manchester to better understand the current and future skills needs and the need for more employers to meaningfully engage with the adult education and skills system in the city. Enabling more residents to access and benefit from the opportunities being created.
A highly skilled city: world class and home grown talent sustaining the city's economic success	It outlines how the devolved funds and changes in the flexibility of the funding policies can support Manchester providers to work more collaboratively together and create provision that meets the city's needs.  It also provides an update on the new Manchester Adult Education and Skills Plan and explains how

	the Plan will be used as a tool to address challenges across the city.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	It highlights a number of opportunities that can be brought about by the devolution of the AEB to GM. In addition it recognises the important role the adult education and skills system plays in ensuring Manchester residents can benefit from the city's growth and reach their ambitions.
A liveable and low carbon city: a destination of choice to live, visit, work	Improved skill levels across the city, especially in relation to digital skills, will underpin the achievement of this outcome.
A connected city: world class infrastructure and connectivity to drive growth	Improved skill levels across the city will underpin the achievement of this outcome.  A more cohesive and economically relevant skills system will support inclusive growth opportunities for residents.

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#### **Background documents (available for public inspection):**

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

- The Manchester Adult Education and Skills Plan - 2019-2025 (Link not available at the time of writing the report)
- Devolution of the Adult Education Budget - GMCA - July 2019  
<https://democracy.greatermanchester-ca.gov.uk/documents/s1215/19%20AEB%20update%20July19GMCAv3.pdf>

- Adult Education Budget: Funding & Performance Management Rules - for the 2019 to 2020 funding year (1st August 2019 to 31st July 2020)  
<https://www.gov.uk/government/publications/adult-education-budget-aeb-funding-rules-2019-to-2020>
- A Permanent National Necessity...” Adult Education and Lifelong Learning for 21st Century Britain – 2019  
<http://www.centenarycommission.org/>
- Review of Post-18 Education & Funding (Augar Review), Economy Scrutiny Committee – 18 July 2019  
<https://democracy.manchester.gov.uk/documents/s7872/Review%2520of%2520Post-18%2520Education%2520Funding%2520Augar%2520Review.pdf>

## **1.0 Introduction**

- 1.1 The Adult Education Budget (AEB) is a single funding stream that brings together adult further education (19yrs+ provision with the exception of apprenticeships and traineeships), community learning, and discretionary learner support. It aims to support more flexible tailored programmes of learning to support learners to engage in learning and to ensure that adults can develop the essential skills needed for both life and work. From the 1st of August 2019 the AEB budget was devolved to the 7 Mayoral Local Enterprise Partnership (LEP) / Combined Authority (CA) areas, including Greater Manchester Combined Authority (GMCA).
- 1.2 AEB is the most substantial source of funding for adult learning in the city and devolution of the £92m of AEB funding to Greater Manchester provides an opportunity to do things differently. Devolution provides local partners with the opportunity for greater influence over how funding is used to support our city priorities, ensuring high quality adult education is available across the city-region from the 2019-20 academic year.
- 1.3 Adult education and skills provision has a key part in play in ensuring Manchester reaches its Our Manchester Strategy vision by 2025 to be a city that is thriving, full of talent and fair with equal chances for all to unlock their potential. Through devolution Manchester should be better able to support learners aged 19+, equipping them with the skills and learning they need to for further learning, employment and to continue to progress and fulfil their ambitions.
- 1.4 Further background is set out in the previous GMCA Devolution of the Adult Education Budget (July 2019) paper. This paper sets out the GMCA's approach to delivering devolution across the Combined Authority.

## **2.0 National context for adult education**

- 2.1 Following on from the First World War, the Ministry of Reconstruction Adult Education Committees report stressed the social and economic importance of adult education. One hundred years on a number of leading public figures have come together to mark the centenary of the 1919 Report and set out a refreshed vision for adult learning for the century ahead.
- 2.2 However, Government funding for adult education has fallen significantly, with a reduction in the number of publicly-funded learners. In recent years the AEB budget has funded around 70 organisations each academic year to deliver courses within Manchester.
- 2.3 The *“A Permanent National Necessity...” - Adult Education and Lifelong Learning for 21st Century Britain* report (18 Nov 2019) sets out a number of key challenges and ambitious recommendations to successfully and collaboratively rejuvenate provision of adult education in the UK.

The 6 themes identified include:

- Framing and delivering a national ambition
- Ensuring basic skills
- Fostering community, democracy and dialogue
- Promoting creativity, innovation and informal learning
- Securing individual learning and wellbeing
- Attending to the world of work.

2.4 The Government has recently facilitated a number of National education and skills reviews. A review of post-18 Education Review (Augar) was announced in February 2018. The aim of the review was to review the system and ensure that it is fit for purpose across all qualifications, offering adequate opportunities for progression for all.

2.5 The panel's report - published on 30th May 2019 provided analysis of the post-18 education sector and made a number of recommendations on the future funding of higher education and on how to ensure the education system meets the needs of the UK economy.

2.6 The headline recommendations include:

- the reduction of higher education tuition fees to £7,500 per year
- reducing the income threshold for student loan repayments £25,000 - £23,000
- reintroducing maintenance grants of £3,000 for disadvantaged students
- introducing maintenance support for level 4 and 5 qualifications
- a first free full level 2 and 3 qualification for all learners

2.7 If Government does implement the Augar recommendations, this should result in increased funding for Further Education and a more coherent approach to addressing the national shortage of higher level technical skills.

2.8 Given political uncertainty it is unclear as to how recent reviews and recommendations will influence future spending, however it is clear that these reviews have raised the profile of the importance of adult learning. This has been showcased by the three major political parties including multi-billion pound policies to improve skills and lifelong learning within their Manifesto's.

### **3.0 AEB devolved funds and increased flexibilities**

3.1 The recommendations coming from the Post-18 review as well as from consultation prior to GM commissioning the devolved AEB funds have influenced the introduction of 8 new flexibilities to the funding stream. The aim to remove barriers and make it easier for people to access the skills and education they need to progress in life and work.

3.2 The flexibilities which best align with the Our Manchester Local Industrial Strategy and most support the city to tackle the local challenges it currently faces are:

- **Ensuring free education and training for all residents without a first level two qualification.** This will support up to 100,000 more Manchester residents with low level or no qualifications to access more learning opportunities. Low skills levels are closely associated with lower rates of employment, higher rates of inactivity and poor health and for Manchester there are still many residents with low level or no qualifications. 27% of working age residents do not have a qualification at Level 2 (generally seen vital for today's labour market).
- **Providing free learning for employed residents earning below the national living wage.** This will mean Manchester can fully fund more training for more residents who are employed / self-employed in low paid/ unstable work and who would previously have been co-funded. In 2018, an estimated 18.1% of the employees working in Manchester and 27.9% of employees living in Manchester were paid less than the real Living Wage, which was £8.75 at that time. Manchester employers need a strong pipeline of talent in order to thrive. This flexibility will support more low-paid workers facing in-work poverty, to develop the skills they need to move on into better quality employment, to progress in work and to continue to develop the skills they need for good quality work both now and further in the future.
- **Provide funded units of advanced training and education at level 3** This should facilitate an increase the number of (currently limited) technical training and education offers available to adults. Higher level skills are needed across all sectors in the city in particularly by our key growth sectors. Supporting more adult learners to undertake advanced training and education will reduce the risk of some of Manchester's communities currently with low skills being left behind and enable more of our residents to benefit from the plethora of opportunities coming from the city's growth. This will support the development of a thriving, inclusive and productive economy across all parts of the city.
- **Better alignment of adult skills provision and employment support for residents.** This will support the city to facilitate provision and sustained employment for those residents facing a number of challenging and complex barriers to accessing opportunities. These groups of residents include our families living in poverty, care leavers, long term unemployed residents with a health condition and over 50s. Providing support to those residents who are most in need demands more than education and skills training alone. Importantly this flexibility will allow the city to create better pathways through other public funded programmes (e.g. the GM Work and Health programme) and to work closer with our VCSE sector to enhance the offer of support for residents to overcome the barriers which prevent them from participating in learning and employment.

#### **4.0 Manchester provision**

- 4.1 For the past few years, the total amount of AEB funding which has been used to deliver provision in Manchester is about £24 million with about 80% of that going to the Manchester College and Manchester Adult Education Service (£11.6 million and £7.7 million respectively).
- 4.2 In order to meet demand both the Manchester College and Manchester Adult Education Service overspent on their budget in 2018/19 academic year. Due to the city's opportunities and challenges along with a growing population it is likely that current AEB funding will not meet continued demand for provision.
- 4.3 For this academic year, contracts and grant agreements for AEB delivery across GM have been awarded to 36 organisations and a total of over 80 providers on the supply chain. All of GM FE providers are now rated Good or Outstanding by Ofsted.
- 4.4 In more detail the breakdown for GM is as follows;
- Grant providers – 19 (9 FE Colleges; 7 LAs and 3 sixth form colleges)
  - Procured Providers – 17 (mix of local and national independent training providers, non-GM based FE college and not for profit organisations)
  - Supply chain organisations – total of 86 supply chain providers split as follows; 36 supply chain providers (grant leads) / 50 supply chain providers (procured leads).
    - 1 Supply Chain provider is also a grant lead;
    - 2 are also procured leads;
    - 5 are in two lead contracts and 3 are in three lead contracts.
- 4.5 Devolution has already resulted in a reduction in the number of providers delivering AEB funded learning in Manchester. It is hoped that this will reduce unnecessary duplication and make it easier to gain a more comprehensive picture of provision and better coordinate the AEB funded offer for Manchester residents and employers.
- 4.6 In total for Manchester provision is as follows:
- 30 grant funded providers
  - 44 procured providers
  - 85 subcontractors
  - 31 lead providers
- 4.7 The full list of providers (shared within Annex A) is based on those who have indicated in their delivery plans for 2019/2020 that Manchester residents are expected to access their provision. This takes into account delivery venues, and the expectation that residents from the surrounding areas will engage with provision.

- 4.8 The range of providers is vast with a combination of those who are large and experienced to those who offer more specialist focused provision. This combination should provide a solid foundation for an overall improvement in the quality and impact of education and training across the city. Effective harnessing of the strengths of each provider should create a more strategic and coherent offer to meet the needs of residents and employers. Subject to the LA receiving detailed insight into the City's provision from the CA, MCC will be able to support providers to work closely together and share good practise and resources.
- 4.9 The impact of the devolved funds will be monitored by GMCA to better inform future commissioning that delivers better outcomes for residents. Throughout the 'Adult Education Budget: Funding & Performance Management Rules - for the 2019 to 2020 funding year (1st August 2019 to 31st July 2020)' paper the CA highlights the importance of better understanding individual journeys and the skills needed by residents to experience positive outcomes from their individual starting points.
- 4.10 The CA has adopted a change in focus from solely measuring what can be achieved and funded in one academic year to support a three year forecast that aims to create longer-term career ambitions of our people to meet the skills needs of our place.
- 4.11 The achievement of social, economic and environmental objectives from Public Sector procurement is a key objective for GMCA. Providers will be expected to manage and monitor social value commitments in line with the Social Value Act 2012 and Social Value Key Performance Indicators will form a key ongoing element of the performance management and monitoring of those awarded.

## **5.0 Shaping and taking ownership of the opportunity for Manchester**

- 5.1 The Manchester Adult Education and Skills Plan (The Plan) 2019 - 2025 sets out a plan of action for the city to ensure that opportunities to participate in adult education and skills provision are spread across the city, so that all residents aged 19+ have the skills and education they need to play a full part in society. The Plan is being launched on 27th November 2019. Delivery will begin from November 2019 and will be reviewed yearly until 2025.
- 5.2 By 2025, The Plan's ambition is for Manchester to be the best city for adult education and skills. This means that:
- Our residents will be inspired to learn and enabled to develop the skills and attributes they need to succeed in life and work.
  - Our employers will value the adult education and skills system and actively engage in shaping programmes that help them to thrive.
  - Our providers will deliver world-class education, which leads to quality employment and enriches lives.
  - Everyone in our city will value the contribution that adult education and skills makes to achieving our ambitions for Manchester.

5.3 The Plan identifies four objectives to deliver its vision:

1. All residents, whatever their starting point, access ladders to learning and development that will enable them to progress their ambitions.
2. Employers influence adult education and skills provision, co-invest in upskilling their workers and can find and develop the skills they need for their organisations to thrive.
3. Providers work closely in partnership to optimise resources and maximise impact.
4. The value of adult education and the contribution that it makes to economic and social well-being, is valued and celebrated by all.

5.4 Beneath each of the four objectives are a series of priorities which will focus action. We have already formalised a working group to create a delivery Action Plan with specific targets to drive The Plan's priorities forward over the next five years, achieving the outcomes we want to see. The Action Plan will set out short, medium and long term activity with associated actions and impact measures. Progress and outputs from the Action Plan will be monitored by the working group and reported into the Work and Skills Board to ensure that The Plan and action being delivered is meeting the needs of the city and its residents.

5.5 Membership of the working group include providers (e.g. adult education providers, our colleges and our universities), employers (specifically from our key sectors such as creative and digital, construction, health and social care and retail and hospitality) and other partners who have a key role to play, such as, VCSE organisations, Registered Providers, Department for Work and Pension, NHS and Manchester Health & Care Commissioning and learners through representative groups.

5.6 Members of the group are committing to:

- Create the annual Action Plan with headline indicators (e.g. more residents going into sustained/improved employment, improved health and well-being, increased levels of participation in learning and reduction in employer skills gaps).
- Agree and update monitoring and evaluating mechanisms to identify and mitigate or manage risk, report on progress and capture the overall impact of The Plan.
- Set-up sub groups that focus action and respond and adapt to new challenges.
- Provide up-to-date information on provision and summary of their organisations performance regarding adult education and skills activity.
- Raise awareness and promote opportunities coming from The Plan.

## 6.0 Conclusion

6.1 It is clear that devolution of the GM AEB budget presents a significant ongoing opportunity for Manchester. To truly benefit from this opportunity, the Work

and Skills team need to continue to build on its close working relationships with the GMCA and further develop its relationship with the city's providers. There is a role for the LA to support the CA in gaining a fuller understanding of provision and using this knowledge to influence and support wider outcomes of providers' skill delivery at a local level. Continuing to inform and influence the AEB funding will help to ensure that the funding supports the type of provision that will have the greatest local impact and support the city to achieve its ambition - to develop a more inclusive economy aligned to the Our Manchester Local Industrial Strategy that focuses on people, place and prosperity.

- 6.2 The AEB budget is only one source of funding. In order to better align adult skills provision and employment support for residents there is a need to explore how providers are using other funding streams from a range of sources including employers and government e.g. like the European Social Fund (ESF), Advanced Learner Loans and Apprenticeships to complement AEB and maximise the impact, reach more residents and improve their chances of progression.