



DEBATE PACK

Number CDP 2018/0017, 19 January 2018

Skills devolution in England

Summary

A Westminster Hall debate on skills devolution in England is scheduled for Tuesday 23 January 2018 at 9.30am.

The Member leading the debate is Catherine West MP.

The House of Commons Library prepares a briefing in hard copy and/or online for most non-legislative debates in the Chamber and Westminster Hall other than half-hour debates. Debate Packs are produced quickly after the announcement of parliamentary business. They are intended to provide a summary or overview of the issue being debated and identify relevant briefings and useful documents, including press and parliamentary material. More detailed briefing can be prepared for Members on request to the Library.

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1. Skills devolution

A number of the devolution deals negotiated between the Government and local areas between 2014 and 2017 included elements of devolution of skills policy. These included transferring the Adult Education Budget and the Apprenticeship Grant for Employers (which is now closed) to mayoral combined authorities. Additional details about this process can be found in the Library briefing paper [Devolution to local government in England](#).

1.1 Devolution of Adult Education Budget

The Adult Education Budget is to be devolved to all six mayoral combined authorities, and to the Mayor of London (via separate negotiations).¹ It does not include funding for apprenticeships. Each of the 'devolution deals' included broadly the same deal for each local area:

- Outcome agreements with providers were negotiated for 2016/17;
- Grants will be varied by the Government during 2017-18, within an "agreed framework";
- Full devolution of funding will take place from 2018-19. This has subsequently been delayed for a year to 2019-20, as the Government has not yet laid the required Orders before Parliament;
- The area-based review process must be completed (see below). A local Skills and Employment Strategy must be produced, collaborating with local colleges and providers. Government must have agreed arrangements with local areas "for sharing financial risk and managing failure of 16+ providers, reflecting the balance of devolved and national interest and protecting the taxpayer from unnecessary expenditure and liabilities".²

However, a report by IPPR North, [Skills for the North: devolving technical education to cities](#) (January 2018), noted that while the Adult Education Budget offers new opportunities to local areas, the "vast majority of this budget must be spent on nationally-defined legal entitlements". This leaves "very limited scope to shape its allocation."³

The Apprenticeship Grant for Employers was devolved to all of the mayoral combined authorities except for the West Midlands, although funding was only provided [up to July 2017](#) when the scheme closed across England. Some combined authorities have chosen to continue operating similar grant schemes using other funding streams (separate to the devolution deals).⁴

1.2 Area reviews of post-16 education

The Government has recently conducted a national review of FE provision through a system of area based reviews aimed at delivering "a more efficient post-16 system."⁵ The Government expects the reviews to enable a transition towards fewer, larger, more resilient and efficient providers and more collaboration across institution types.

Implementation of the reviews' recommendations will likely have an impact on FE provision in all areas, including London. A number of colleges have, for example, already merged following recommendations of an area review.⁶

The rationale for the reviews was set out in a government guidance document:

1. Purpose of the reviews

2. Each area review should establish the best institutional structure to offer high quality provision based on the current and future needs of learners and employers within the local area. Reviews should deliver:

- Institutions which are financially viable, sustainable, resilient and efficient...
- An offer that meets each area's educational and economic needs....
- Providers with strong reputations and greater specialisation....
- Sufficient access to high quality and relevant education and training for all...
- Colleges well equipped to respond to the reform and expansion of the apprenticeship programme.⁷

The reviews were conducted in five waves, the reports of which have now all been published and are available at: [area review reports](#). The recommendations of the reports are in the process of being implemented, further information on which is available in [implementation guidance](#) published by the Department for Education.

The Government's March 2016 guidance document set out that it expected areas with devolution deals to take a leading role in the area reviews in their areas:

3. Each review will be led by a local steering group composed of a range of stakeholders within the area. Members will include the chairs of governors of each institution (supported throughout the whole review process by their principals or chief executives), the Further Education (FE) and Sixth Form College (SFC) Commissioners, local authorities, LEPs, the funding agencies and Regional Schools Commissioners (RSC). The Department for Business, Innovation and Skills and the Department for Education will also be represented, either through or alongside the funding agencies, reflecting government's responsibility for protecting students.

4. Areas which have secured devolution deals, such as Greater Manchester, Greater London, Leeds City Region and West Yorkshire, and Sheffield City Region are taking a leading role in their area review and we expect this to continue for the remainder of the reviews.⁸

Further details on the area review process can be found in the Library briefing paper [Post-16 Area Reviews](#).

1.3 Further devolution of skills policy

Localities have sought much more extensive devolution over skills policy. Following a 'summit' of the six metro-mayors and the Mayor of London on 1 November 2017, the mayors issued a joint statement arguing that "a major and sustained programme of devolution to cities

and regions” was in the interest of the whole of the UK. They identified skills, training, apprenticeship services and welfare to work programmes as areas where further devolution was required most urgently:

5. The Government is continuing to move forward with further devolution, but the UK needs to be significantly more ambitious on both pace and scale to meet our shared future challenges. A major and sustained programme of devolution to cities and regions is in everyone’s interests across the UK.

6. There is no doubt that, as regional Mayors, we are also better placed to design and manage local services to meet the specific needs of local people. Most urgently, we need action to devolve control over skills, training and apprenticeship services as well as real influence over programmes designed to help people get back to work.

7. We are seeking more control and powers, based on the individual needs of our regions - criminal justice, health and care services, work and pension issues and schools.

8. Crucially, this should include significant fiscal devolution to city regions. Rather than individual Government grants or handouts, we should be given greater control over existing taxes and the revenues they create. This would give us the tools and incentives we need to increase future economic growth and create new jobs right across the UK.⁹

Recent reports by IPPR North and the APPG for London set out more detailed proposals for greater devolution of skills, as described below.

IPPR North’s January 2018 report, [*Skills for the North: devolving technical education to cities*](#), made recommendations for what powers ought to be devolved to local enterprise partnerships (LEPs) over the short, medium and longer term. These included powers to shape apprenticeship provision:

9. In the short-term skills devolution should include:

- the Adult Education Budget
- the use of pooled regional ‘underspend’ of the apprenticeship levy to fund advice and guidance on learning and training opportunities (cf. Raikes 2017)
- a requirement for apprenticeship levy payers and other employers training apprentices to work with LEPs, through regional partnerships, sector bodies and other networks, following the models for good practice developed through devolution under the City and Growth Deals. This collaboration should aim to align provision with local skills needs, and LEP support with commissioning supported learning elements of apprenticeships. LEPs should be able to support firms’ use of their digital accounts to pay for training within their supply chain.

10. In the medium term, skills devolution should include:

- devolution of the Advanced Learning Loans Facility, with powers to vary the terms of loans and repayments to facilitate and incentivise take-up of loans which will help to meet regional skills needs as defined in the LEP’s Skills Priority List, and which support social aims such as improving prospects for employment, pay and progression.

11. In the longer term, with reform of the national Adult Skills System, devolution should include:

- the regional portion of a ‘Skills and Productivity levy’ as proposed by Dromey et al (2017), and investment associated with the industrial strategy (see below), in the context of the scrapping of current apprenticeship targets and the introduction of a new system of technical

education for adults as proposed by the Independent Panel on Technical Education and set out in the Skills Plan

- Personal Training Credit accounts, with co-funding powers to facilitate and incentivise take-up of provision to help meet regional skills needs as defined in Skills Priority Lists.

The report made various other recommendations as to how LEPs should shape provision and work with central government, training providers, employers and other stakeholders.

A report by the All Party Parliamentary Group for London, [*Bridging the skills gap*](#) (July 2017) made recommendations for a skills devolution deal specific to London:

- Improve data sharing between HMRC, DfE and London government on learners' job outcomes.
- Devolve all 16-18 provision to London and give the capital greater control over policy and commissioning as part of a whole systems approach that can reflect London's progression and economic priorities.
- Give London government control over all vocational capital investments, including 14-19 capital provision and Institutes for Technology, alongside existing FE Capital responsibilities.
- Review the Apprenticeship Levy after 12 months to assess how it is operating in London.
- Devolve unspent Apprenticeship Levy funds generated in the capital to London government. This should be the first step towards London government taking full responsibility over apprenticeships policy like the devolved administrations in Scotland and Wales.
- Develop an all-age London Careers Service, accessed through a single portal, offering face-to-face guidance, easily accessible outcomes data and an offer of 100 hours experience in the world of work for all Londoners.
- Devolve existing careers funding streams to London to build this single integrated careers service. As a first step, London government should commission Adult Careers IAG contracts in 2017 and have a formal, strategic coordination role with London providers of careers services.
- Ensure London does not lose out in any future skills funding settlement. Any future settlement must take into account London's unique needs.
- Devolve ESF replacement funding to London government when Britain leaves the EU.¹⁰

2. Apprenticeships

2.1 Funding apprenticeships

As described in section 1, there have been calls for local areas to have some powers over apprenticeship provision, including the use of unspent funds generated by the apprenticeship levy. The levy was introduced in April 2017, along with other major reforms to the apprenticeship funding system in England in May 2017. These changes are summarised below, but a more detailed explanation is provided in the Library's briefing paper on [Apprenticeships policy in England: 2017](#).

The apprenticeship levy

All UK employers with a pay bill of over £3 million per year are required to pay the apprenticeship levy. The levy is set at 0.5% of the value of the employer's pay bill, minus an apprenticeship levy allowance of £15,000 per financial year. In August 2016, the government forecast that 1.3% of all employers would pay the levy in 2017/18,¹¹ while the Institute for Fiscal Studies (IFS) calculated that 60% of employees work for an employer who pays the levy.¹²

The funds generated by the levy are paid into a levy account for the employer to spend on apprenticeship training costs. If the employer does not spend these funds within two years they expire. The government tops up the funds paid by the employer by 10%.

Those employers with a pay bill of less than £3 million (and who therefore do not pay the levy), generally pay 10% of the base cost of training and assessment, while the government pays the remaining 90%. This is also the case for levy-paying employers who have used all the funding in their levy account.

Other changes to apprenticeships in 2017

Prior to May 2017, the government paid all the training costs for 16-18 year olds, half the training costs for 19-23 year olds and up to half for apprentices aged 24 and over on 'framework' apprenticeships in England. Extra support was provided for apprentices living in the most deprived parts of the country or in areas where training costs were higher.

Apprenticeship 'standards' were introduced in 2014 and were funded in a different way. Funding was dependent on the funding band that a standard was assigned to, rather than the age of the apprentice. In 2016/17 only 5% of apprenticeships started were an apprenticeship standard (the rest were frameworks).

From May 2017 apprenticeship frameworks and standards are funded in the same way, similar to the current arrangements for standards. Each apprenticeship framework or standard is associated with a funding band and the government pays only a share of the costs below the upper limit of the funding band. Additional payments may be paid to

the employer and training provider depending on the characteristics of the apprentice and the type of apprenticeship.

From May 2017, employers paying the apprenticeship levy are able to choose a training provider from a new *Register of Apprenticeship Training Providers*. To be eligible to deliver apprenticeship training for apprenticeships, organisations must be listed on the register.

2.2 Apprenticeship numbers

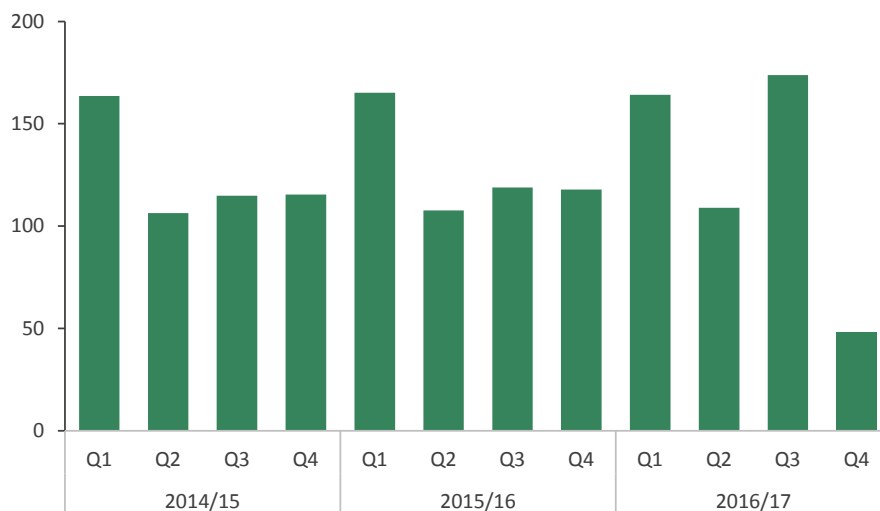
In 2016/17, there were 491,300 apprenticeship starts in England, 18,100 less than the previous year.

There was a large spike in apprenticeships starts in February-April 2017, immediately before the changes to apprenticeship funding were introduced. The number of starts was 55,000 higher (an increase of 46%) than for the same quarter in 2016.

This was followed by a sharp fall in apprenticeship starts in May-July 2017, as numbers fell by 70,000 (59%) compared to the same quarter in 2016. Starts by apprentices aged 25 and over were particularly affected.

Apprenticeships started in England, 2014/15 to 2016/17

Thousands



Source: DfE/EFSA *Further education and skills: November 2017*, table 7.1

It remains to be seen whether apprenticeship numbers will rebound as employers and providers become accustomed to the new funding arrangements, or if the new system will have a longer lasting effect on numbers. These recent trends are explored in more depth in an article on the Library blog, [Apprenticeship starts: has there been a big fall?](#)

The Library's briefing paper on [Apprenticeship statistics for England](#) provides detailed analysis of trends in apprenticeship starts and achievements, including information on the characteristics of apprentices and [data for parliamentary constituencies](#).

3. Press Articles

[Skills are the missing piece from the devolution puzzle](#)

Anna Round

Public Finance, 17 January 2018

[Regional devolution would unleash an industrial revolution](#)

Susan Hinchcliffe

TES, 22 December 2017

[No wonder the north is angry. Here's a plan to bridge the bitter Brexit divide: This could be a moment to radically reboot the country. But the left must develop a gameplan to address Britain's stark regional imbalances](#)

Larry Elliott

The Guardian, 16 November 2017

[LGA: Skills devolution must go 'radically further and faster'](#)

Stephen Exley

TES, 30 June 2017

[Skills devolution: Untapped Potential](#)

Ian Pretty

Fenews.co.uk, 21 July 2017

[It's time for the devolved authorities to lead on skills](#)

Shane Cowen

FE Week, 10 July 2017

[Why the capital needs skills devolution](#)

Peter John

The Municipal Journal, 6 September 2017

[With skills devolution, the devil will be in the detail](#)

Ian Ashman

TES, 3 February 2017

[Devolution puts FE at the heart of economic success](#)

Marie-Thérèse McGivern

TES, 20 January 2017

['No one has a clue' about devolved skills funding](#)

Julia Belgutay

TES, 11 March 2016

4. Parliamentary Material

4.1 Written questions

[Department for Education: Further Education: Written question - 117374](#)

Asked by Jeff Smith

Asked on 04 December 2017

To ask the Secretary of State for Education, whether she has plans to devolve post-16 skills policy to Mayoral Combined Authorities.

Answered by Anne Milton

Answered on 07 December 2017

The department is planning to devolve the Adult Education Budget to the Mayoral Combined Authorities in 2019/20, subject to agreement over readiness conditions. This will allow these authorities flexibility to shape adult education provision in order to meet local economic needs.

We are establishing Skills Advisory Panels, in partnership with Mayoral Combined Authorities and Local Enterprise Partnerships, to help identify the skills needs and employer demands at a local level. The department have no further plans to devolve post-16 skills policy to Mayoral Combined Authorities.

[Department for Education: Adult Education: Basic Skills: Written question - 114681](#)

Asked by Mr David Lammy

Asked on 20 November 2017

To ask the Secretary of State for Education, what steps she is taking to protect the rights of adults with poor literacy and numeracy skills to the national entitlement after the devolution of the adult education budget.

Answered by Anne Milton

Answered on 28 November 2017

Devolution of some aspects for adult education to the Mayoral Combined Authorities (MCAs) will mean they are responsible for delivering the legal entitlements of maths and English to those who have low numeracy and literacy skills.

The department is working with MCAs on their preparations to take on this duty through the establishment of Strategic Skills Plans that will play a key role in aligning local and national priorities.

[Department for Education: Adult Education: Liverpool: Written question - 108974](#)

Asked by Mike Amesbury

Asked on 23 October 2017

To ask the Secretary of State for Education, when she plans to publish detailed guidance relating to the operational differences between the influencing role and the delegated model in relation to the interim options provided to the Liverpool City Region Combined Authority on responsibility for the 2018-19 adult skills budget; and if she will make a statement.

Answered by Anne Milton

Answered on 26 October 2017

The Government will offer Mayoral Combined Authorities the opportunity to shape their Adult Education Budgets (AEBs) in 2018/19.

We are working closely with Mayoral Combined Authorities to help them prepare for devolution of the AEB in 2019/20, including the proposed 2018/19 transitional year.

The Mayoral Combined Authorities have been consulted with regards to the interim options available and the details of these will be communicated within the next few weeks.

[Department for Education: Training: Written question - HL5330](#)

Asked by Lord Porter of Spalding

Asked on 08 February 2017

To ask Her Majesty's Government what assessment they have made of the benefits of devolving skills provision and funding to local areas in order to ensure that the industrial strategy is a success for all parts of the country.

Answered by Lord Nash

Answered on 22 February 2017

Mayoral Combined Authorities will be able to use their devolved Adult Education Budget to align their skills support with opportunities in the local labour market, and offer more bespoke solutions to individuals with multiple needs. We are committed to ensuring we have a strong skills system that can drive increases in productivity, improvements in social mobility and help make a success of Brexit. This will be essential to the success of our Industrial Strategy

4.2 Oral questions

Local Economic Growth

[HC Deb 30 January 2017 c 806](#)

Lucy Powell: I welcomed most of the announcements in the industrial strategy last week, but the Secretary of State will appreciate that a local area strategy is required for key infrastructure issues such as skills and childcare. What conversations has he had with colleagues in the Department for Education and across local government about the meaningful devolution of skills, early years and education?

Greg Clark: The hon. Lady is absolutely right that the needs of different places should be reflected in decisions that are made locally. Along with the centrality of skills and training, that is a big theme of the industrial strategy consultation, to which I hope she will respond. I look forward to her contribution.

Adult Skills Provision

[HC Deb 4 May 2016 c 5 – 7](#)

Colleen Fletcher (Coventry North East) (Lab): 4. What his Department's strategy is for the funding of adult skills provision in FE colleges for the remainder of this Parliament; and if he will make a statement. [904766]

The Minister for Skills (Nick Boles): We are protecting the adult education budget in cash terms, extending subsidised loans to advanced learners and introducing an apprenticeship levy, so funding will be 40% higher in cash terms by 2020.

Colleen Fletcher: We are told that the adult skills budgets will be devolved to regions that have secured a devolution deal. Will the Minister assure me that those budgets will be ring-fenced and not subjected to cuts?

Nick Boles: We will certainly be ensuring that the budgets are spent on skills training, but the whole point of devolving them is to give the local combined authorities the power to decide which are the skills priorities in their area, not to have them asking me for permission to spend on a skills need that they have identified.

Mrs Maria Miller (Basingstoke) (Con): Area reviews are an important way of understanding local adult education needs. Will the Minister be encouraging such reviews to look at the needs of women returning to work after caring responsibilities, so that they can use the further education sector to really develop their skills and add to the productivity of our country?

Nick Boles: My right hon. Friend is absolutely right. One of the great opportunities in the apprenticeships programme is that apprenticeships are all age. For women who have perhaps taken a career break, or just want to change their profession, an apprenticeship is an opportunity to

gain new skills while also earning an income so that they can forge a great career.

Nic Dakin (Scunthorpe) (Lab): When will the Government be publishing guidelines on how skills budgets might be devolved in those areas where that devolution is being looked at?

Nick Boles: That will depend on when exactly the devolution deal is done. As the hon. Gentleman will be aware, in our own area of Greater Lincolnshire that deal is reasonably well advanced; in other parts of the country, the deals are less well advanced. Fundamentally, it is pretty simple: we want authorities to be commissioning from their local colleges the adult skills provision that they believe their area can benefit from.

Andrew Bridgen (North West Leicestershire) (Con): Although the budget is enhanced, it is only a finite amount. Given that, it is important that it is targeted at where it will have the most effect. Does the Minister agree that those funds are best targeted at young adults, the low-skilled and those actively seeking work?

Nick Boles: I agree with my hon. Friend that those will often be the best targets. What is even more important is that his local combined authority and those of other hon. Members are best placed to identify the particular groups or industries with particular needs, and then respond accordingly.

Roger Mullin (Kirkcaldy and Cowdenbeath) (SNP): Further education colleges in Scotland are the largest providers of apprenticeship education. Will they therefore be exempt from the apprenticeship levy?

Nick Boles: The apprenticeship levy will apply to all employers throughout the United Kingdom with a payroll bill of more than £3 million. Of course, there is absolutely nothing to prevent any employer in Scotland that is paying the levy from putting pressure on whoever is in government in Scotland after this Thursday to make sure that they increase their investment in apprenticeships, as we are doing in England.

Mr Gordon Marsden (Blackpool South) (Lab): Tucked away in the autumn statement was the Government's admission that they will be cutting—their term is “efficiencies”—£360 million of adult skills non-apprenticeship funding between now and 2020. Does the Minister not see that there is a paradox in the Government going hell for leather on English and maths for young people's apprenticeships while failing to ring-fence funding for basic skills, when England has 9 million people of working age with low literacy and numeracy, and we are ranked bottom in literacy and next-to-bottom in numeracy among 23 developed nations? Last year, the Government cut the adult skills budget across England by 18%. Now they have scrapped plans for advanced post-24 skills. Why is the Government's key White Paper addressing technical skills shortages being delayed? Is all this a strategy or a wing and a prayer?

Nick Boles: There was a lot of detail in the hon. Gentleman's question, but not a lot of clarity, so here is the clarity: we are increasing total funding available for further education by 40% in cash terms during this Parliament. He talks about last year because he does not like this year, and that is because this year's spend tells the story of a Government investing in skills for the future.

5. Press releases

[Mayors unite to call for major devolution to city regions](#)

Mayor of London and London Assembly, 1 November 2017

- **First-ever meeting of England’s seven regional Mayors**
- **Call for significant increase in the scale and pace of devolution – including skills, policy and fiscal devolution**
- **Seven city regions now represent 39 per cent of economic growth in Britain**

Britain’s seven regional and city-wide Mayors will today meet for the first time and issue a united call for the Government to significantly increase the pace and scale of devolution in order to boost economic growth in Britain and to improve public services.

London is today hosting the first of what is planned to be a series of summits attended by all of England’s regional and city-wide Mayors. The seven – four Conservative and three Labour - will jointly argue that Britain remains one of the most centralised states in the western world and that devolution is the key to unlocking future growth and improving productivity across the UK.

Cities and metropolitan regions are the main engines of economic growth and job creation in the UK - and the seven areas under direct control of England’s regional and city-wide Mayors account for nearly 39 per cent of all British growth (GVA), up from 35 per cent in 1997.

The mayors will call for further devolved control over public services including skills, training and apprenticeship services, as well as real influence over programmes designed to help people get back to work.

The will also call for a significant increase in fiscal devolution, with regions given greater control over existing taxes and the revenues they create, rather than having to rely on Government grants. Greater fiscal devolution will give cities the tools and incentives to increase growth and job creation.

Today’s summit at City Hall in London is the first time that all of England’s regional and city-wide Mayors have come together. In addition to Sadiq Khan, attending today are Andy Burnham (Greater Manchester), Tim Bowles (West of England), Ben Houchen (Tees Valley), James Palmer (Cambridgeshire and Peterborough), Steve Rotheram (Liverpool City Region) and Andy Street (West Midlands).

The Mayor of London, Sadiq Khan, said: “We may come from different parts of the country and represent different political parties but we all share the same belief – that the best way to secure ongoing prosperity across the country is by giving city regions more control. Many of the most dynamic and prosperous cities and regions in other countries have mayors with substantial powers and funding, and it is high time we followed suit.

"There is no doubt that, as regional Mayors, we are the best-placed people to deliver services to meet the specific need of local people – so we are calling on Government to speed up the devolution process and give us more ability to improve peoples' lives."

The Mayor of the West Midlands, Andy Street, said: "This Government more than any other has pushed the devolution agenda with the creation of combined authorities and Mayor's.

"I believe now is the time for Government go a step further and provide us with the tools to tackle the challenges and seize the opportunities we each face. We are already proving our worth, now let us really kick on with the job."

The Mayor of Greater Manchester, Andy Burnham, said: "Through devolution we have the best chance we will ever get to do things differently and take control of our own future. It will be city regions working together that drive the quickest and most progressive change in the future which is why today's meeting is so important.

"As we leave the EU it is vital that people here have the right skills to get on in life and drive our economy. The Government must urgently increase the speed of devolution and fully devolve skills powers and the ability to allocate the apprenticeship levy. It time to give us the tools we need to change the lives of the people we represent."

The Mayor of the West of England, Tim Bowles, said: "We need a true partnership between central, regional and local government, and with business.

"As the West of England region, we are best placed to drive economic growth for all. We know our region. We know our businesses, key sectors, the skills that are needed, and the challenges we face in terms of infrastructure. We are the right place to make the decisions, and Government needs to enable us to do that. That is what devolution is all about."

The Mayor of Liverpool City Region, Steve Rotheram, said:

"Devolution is the single most important means of achieving a more economically balanced and prosperous UK. It transfers powers, resources and autonomy to the places that will be our country's most important growth engines. It is vitally important that the Government sustains and accelerates its commitment to devolution."

The Mayor of Tees Valley Combined Authority, Ben Houchen, said: "Everyone knows that the best answers for local people will come from local people. Our first Devolution Deal was ground-breaking, but I want to see the Government build on this ambition and go even further by handing more powers to local communities."

The Mayor of Cambridgeshire and Peterborough, James Palmer, said: "Though we represent very different areas many of the challenges we face are similar and there is great worth in us all coming together to speak with one voice when we can.

“For too long power has been overly centralised in this country. We all agree on the need for further powers to be devolved to enable us to play the fullest possible role in enabling the areas we represent to flourish.

“The creation of the new Mayors is a key part of the process but it’s not the end of the process. The achievement of creating seven new Mayors needs to be built on through further devolution.”

The Adult Education Budget - a significant reform

Association of Colleges, 28 Jan 2016

Today's Skills Funding Agency (SFA) statement on the Adult Education Budget is a reminder that things are changing significantly in this area. Here's a recap of what is new:

- After almost ten year's of consistent cash cuts to release funds for workplace learning and apprenticeships, the adult education budget is fixed in cash terms for the next four years at £1.5 billion (a small cut in real terms).
- Skills devolution will take effect in stages, starting in 2016-17, on the basis that the adult education budget supports a "local service". Senior ministers, led by the Chancellor of the Exchequer, have promised to devolve the adult education budget in five areas by 2018-19 (subject to conditions).
- The introduction of the apprenticeship levy leaves space for a new focus on what publicly funded adult education is for. Just over £800 million of the existing budget is earmarked for fully funded statutory and policy entitlements (English, maths, first levels 2 and 3, courses for unemployed people and traineeships). Should these areas be expanded or are there other priorities?
- The decisions to end co-funding for Level 3 courses taken by 19 to 23 year olds and workplace learning releases a small amount of new money for these priorities. What should they be? After the 50% cut in spending on English for Speakers of Other Languages in the last seven years, is this a priority? Would it be better to do more on adult mental health? Family learning? Digital skills? It won't take long for any available funds to be used up quickly. The challenge will be to prioritise sensibly.
- After 20 years in which the adult funding formula was increasingly tied up with qualifications, the SFA is taking small steps in the other direction. Funding in 2016-17 can be used for a wider range of courses but in a context where higher level qualifications are funded from student loans and apprenticeships are funded from the new levy.

- The arbitrary distinctions between adult further education and community learning will be partly removed 20 years after they were first developed. All education is for life, for work and for personal development. In the short term the two areas will continue on parallel tracks but there are new opportunities to bring things together.

SFA's announcement explains a major reform programme which was started when Peter Lauener became joint SFA/EFA Chief Executive in October 2014 and which was accelerated by the devolution revolution. SFA needs to simplify its funding system before it can devolve it (at which point life may become more complicated). A further factor in favour of simplification is the pressure on administration costs. Qualifications are being partly separated from funding calculations because the existing arrangements are burdensome. Each year SFA staff have to price 5,000 qualifications that are eligible for funding having assessed another 5,000 which have been rejected. Moving away from this system causes some trepidation among awarding bodies but it is surely better for qualifications to be judged by their educational value than via a funding test. So simplification is an important theme but it would be wrong to describe the 2016-17 system as simple. The funding rules have been edited but there are still quite a lot of them. The data collection arrangements (using the Individual Learner Record) will still be a major enterprise. The systems for handing out money, checking how it has been spent and making in-year adjustments are still likely to be complicated and the decisions may not be on time.

The other point to understand is that the budget is being stabilised as a platform for reform. Reforms are underway in the funding system and will also be implemented via post-16 area reviews. Once combined authorities take control of the adult education budget, they are likely to want to move it around. There is less than two years to plan this and some realism will be needed. Everyone wants better matching of skills provision to future jobs but the data will never give us quite what we want. The Individual Learner Record is a deep and wide pool of data which can now be matched retrospectively to HMRC records to assess outcomes. This is leading edge data matching but it won't satisfy everyone. Ideally the system would involve a Dick Cheney style total intelligence system which matches people to courses to jobs (preferably high skilled ones). It may happen some day but not yet.

Change brings new risks and these changes are no exception. SFA is loosening some of its funding rules just at the point where it will be cutting back on staff. Recent experience with high needs education funding and with the skills capital budget shows that local councils and Local Enterprise Partnerships are both very stretched. Capacity has also been cut in colleges and community learning providers. They can and will reverse direction to develop new courses but it will not happen overnight. The immediate task will be to understand the new set of rules, start thinking about how to achieve new goals and to manage change in a way that is as efficient and effective as possible

6. Further reading

6.1 Library briefings

[Industrial Strategy](#)

November 2017

[Apprenticeships policy in England](#)

June 2017

[Apprenticeships statistics for England](#)

December 2017

[Devolution to local government in England](#)

November 2017

[Post-16 Area Reviews](#)

March 2017

[Adult further education funding in England since 2010](#)

November 2017

6.2 Reports

[Skills for the North: Devolving Technical Education to Cities](#)

Institute for Public Policy Research North, January 2018

[Vive la devolution: devolved public-services commissioning](#)

Reform, November 2017

[Bridging the skills gap: how skills devolution can secure London's future prosperity](#)

APPG for London, July 2017

[Work Local: our vision for a devolved employment and skills service,](#)

Local Government Association / Learning and Work Institute, June 2017

[Devolving Skills: Implications and Opportunities](#)

Collab Group, May 2017

[From 'inadequate' to 'outstanding': making the UK's skills system world class](#)

Chartered Institute of Personnel and Development, April 2017

[Devo Digital: Digital Skills for the Northern Powerhouse](#)

Institute for Public Policy Research North, April 2017

[The UK skills system: how aligned are public policy and employer views of training provision?](#)

Foresight, Government Office for Science, 2016

[Devolution in England: governance, financial accountability and following the taxpayer pound](#)

House of Commons Committee of Public Accounts, December 2016

[The Long-Term Implications of Devolution and Localism for FE in England](#)

Association of Colleges, September 2016

[Making devolution deals work](#)

Institute for Government, January 2016

[Local industrial strategy and skills policy in England: Assessing the linkages and limitations – a case study of the Sheffield City Deal](#)

Local Economy, Volume 31, Number 8, 2016

[Local action, national success: how outcome agreements can improve skills delivery](#)

UK Commission for Employment and Skills, June 2015

[Realising Talent: A new framework for devolved employment and skills](#)

Local Government Association, March 2015

[How can local skills strategies help low earners?](#)

Joseph Rowntree Foundation, February 2014

[Industrial strategy and the future of skills policy: The high road to sustainable growth](#)

Chartered Institute of Personnel and Development, February 2014

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