



Pearson

Funding Focus – Devolution deals – An overview

8 July 2016

Funding Focus provides quick summaries of recent funding developments, or particular aspects of the funding system.

Introduction

Since 2014 government has announced **ten devolution deals** between government and regions in England to support economic growth, public service reform and improved local accountability. They are the latest in a range of initiatives designed to support localism and decentralisation. The deals transfer certain powers, funding and accountability for policies and functions previously undertaken by central government. Deals in other areas are also being explored. This Funding Focus summarises the deals in place. It focuses on the devolved powers for skills provision and funding. It covers:

- Background
- Functions and services in Devolution Deals
- Full devolution of the Adult Education Budget (AEB)
- Other skills provision in Devolution Deals
- Employment support in Devolution Deals
- List of Devolution Deals in place (with links, those with AEB, and employment support) and deals being explored
- Devolution Deals map

Background

Since 2010 Coalition and Conservative governments have increasingly devolved many public services away from central government control. In 2012 and 2013 City Deals were made in 26 areas which gave cities, and their surrounding areas, powers and freedom to take charge and responsibility of decisions that affect their area. Lord Heseltine, in his October 2012 report No Stone Unturned, proposed the creation of a single local growth fund, from which local areas would be able to fund a range of provision from transport to skills. The Heseltine proposals were not implemented in full but government allowed Local Enterprise Partnerships (LEPs) to take more control over skills policy by the development and agreement of 39 LEP Growth Deals in 2014. Government also invited local authorities to combine.

The first devolution deal, with Greater Manchester, was announced in November 2014, and this followed in July 2015 by a deal with Cornwall. Proposals were invited from local areas by early September 2015 as part of the 2015 Spending Review and 34 proposals were made. Government announced five further deals before the Spending Review in November 2015 (Sheffield City Region, North East, Tees Valley, Liverpool City Region, and the West Midlands). The remaining three deals were announced in the March 2016 Budget (East Anglia, Greater Lincolnshire, and the West of England).

The functions and services devolved vary in each deal as they are negotiated separately and based on local proposals. Some functions are not fully devolved; the agreements range from full devolution to explorations of new, shared, approaches.

In most cases combined authorities, that bring together local authorities, with directly elected mayors, will take on new governance and administrative arrangements. Within central government, HM Treasury and the Cities and Local Growth Unit (a joint unit of the DCLG and Local Government, and BIS) are responsible for co-ordinating the negotiation, agreement and implementation of devolution deals on behalf of central government. The Cities and Local Government Devolution Act 2016 underpins many aspects of the deals, and additional secondary legislation will be needed to enact some provisions.



Pearson

Functions and services and in Devolution Deals

The functions and services devolved vary in each deal as they are negotiated separately and based on local proposals. Some functions are not fully devolved; the agreements range from full devolution to explorations of new, shared, approaches. In summary, Devolution Deals cover, or are exploring covering, some or all of the following functions and services:

Transport

Bus franchising
Smart ticketing
Rail
Roads

Housing and public assets

Spatial planning
Land disposal and utilisation
Mayoral or Combined Authority Development Corporations
Housing Investment fund

Business support

Growth Hub
Productivity Commission
Manufacturing advice
Export advice (UK Trade & Industry)
HMRC customs support

Education and skills

Redesign of 16+ further education system
Apprenticeship grant for employers
Early years pilot
19+ skills funding

Police and Fire services

Mayor takes on police and fire services

Water and coastal management

Integration of flood defence and water/coastal management

Criminal Justice System

Commissioning of local criminal justice services
Youth Justice

Health and social care

Integration of health and social care
Local commission on health needs

Employment Support

Work and Health Programme Joint Commissioning
Work and Health Programme pilot
Universal Credit Pilot



Pearson

Full devolution of the Adult Education Budget (AEB)

The Adult Skills Budget is an area where devolution will happen in full. The full devolution of the Adult Education Budget is included in nine out of the ten Devolution Deals. The Cornwall deal does not include the AEB but this is being explored. The devolved AEB budgets include the funding for:

- 19-23 legal entitlements
- 19+ English and maths legal entitlements
- 19+ funding for the unemployed
- 19+ funding for learners to help them progress to level 2, and provision up to and including level 2, and 19+ Traineeships.

The Devolution Deals do not include the funding for:

- 16-19 education and skills
- Apprenticeships – all ages
- Advanced learner loans

In the main, the devolution of adult skills will take place in three stages, across the next three academic years. Different combined authorities will undertake these stages in different years.

2016/17, or 2017/18*	2017/18	2018/19
Develop outcome framework setting out what expected of providers from AEB	With government, vary block allocations made to providers, within agreed framework	Full devolution of funding of the 19+ Adult Education Budget
Local commissioning of outcomes and replace current system of funding for qualifications as providers will receive their total 19+ skills funding as a single block		The combined authority will be responsible for allocations to providers and the outcomes to be achieved, consistent with statutory entitlements
Block grant allocations will replace the current system of funding by qualifications as providers will receive their total 19+ skills funding as a single block allocation. This new arrangement will allow the combined authority to agree with providers the mix and balance of provision that will be delivered in return for the block funding, and to define how success will be measured		Government will not seek to second guess these decisions but will set proportionate requirements about outcome information to be collected to allow students to make informed choices
		Funding formula for calculating the size of the grant to local / combined authorities will need to take into account a range of demographic, educational and labour market factors

* **2016/17:** Liverpool City Region, Greater Manchester, Sheffield City Region, Tees Valley, West Midlands
2017/18: East Anglia
2016/17 or 2017/18 (i.e. not spelt out in Devolution Deal): Greater Lincolnshire, North East, West of England

Readiness conditions for full devolution of the Adult Education Budget

Central government has defined six readiness conditions for full devolution that will need to be managed before full devolution can be achieved. Local areas will also have the opportunity to determine if they want to accept full devolution.

- Parliament has legislated to enable transfer to local authorities of the current statutory duties on the Secretary of State to secure appropriate facilities for further education for adults from this budget and for provision to be free in certain circumstances.
- Completion of the Area Review process leading to a sustainable provider base.
- After the area-reviews are complete, agreed arrangements are in place between central government and the combined authority to ensure that devolved funding decisions take account of the need to maintain a sustainable and financially viable 16+ provider base.
- Clear principles and arrangements have been agreed between central government and the combined authority 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.
- Learner protection and minimum standards arrangements are agreed.
- Funding and provider management arrangements, including securing financial assurance, are agreed in a way that minimises costs and maximises consistency and transparency.

Other skills provision in Devolution Deals

In certain areas combined authorities will have influence over, though not complete control of, areas of skills provision other than adult skills.

16-19 career guidance

The government will work with combined authorities to ensure that local priorities are fed into the provision of careers advice, such that it is employer-led, integrated and meets local needs.

Aligning outcomes from 16-19 vocational education and commissioning of 19+ adult skills provision

Within the context of the existing national 16-19 policy, funding and accountability framework and the progress and outcomes of the area review, the DfE, BIS, and the will explore how delivery of their respective responsibilities can contribute to aligning outcomes from 16-18 vocational education and commissioning of 19+ adult skills provision.

Advanced learner loans

BIS and the combined authority will discuss how the Advanced Learner Loans system can best support more residents to progress to Level 3+, and better meet the needs of the local labour market.

Apprenticeship grant for employers

The combined authority will assume responsibility for the Apprenticeship Grant for Employers (AGE). The AGE funding must be used alongside mainstream apprenticeship participation funding to incentivise employers to offer apprenticeships, but the combined authority is free to vary the criteria associated with the grant (e.g. size and sector of business) to meet local needs. The Skills Funding Agency will work with the combined authority to identify an appropriate share.



Employment support in Devolution Deals

In eight of the ten Devolution Deals in place there is an agreement that the combined authority will work with DWP to co-design the new National Work and Health Programme which is designed to focus on those with a health condition or disability and the very long term unemployed. The arrangements are:

	DWP	Combined authority
Funding envelope	Will set the funding envelope	Can top up if they wish to, but not required to
Planning	Sets high-level performance framework and ensure support appropriately reflects labour market issues. The primary outcomes will be to reduce unemployment and move people into sustained employment.	Will have some flexibility to determine specific local outcomes that reflect local labour market priorities. In determining local outcome(s) the combined authority should work with DWP to take account of labour market evidence base and articulate how additional outcome(s) will fit within the wider strategic and economic context and deliver value for money. Will set out how they will join up local public services in order to improve outcomes for this group.
Roles and responsibilities	Before delivery starts, both the DWP and the combined authority will set out an agreement covering the respective roles of each party in the delivery and monitoring of the support, including a mechanism by which each party can raise and resolve any concern that arise.	
Enabling data sharing to	Facilitates protocols for data sharing and transparency by tackling some of the obstacles and developing solutions to enable the combined authority to develop a strategic needs assessment for the area.	
Combined authority and DWP co-commissions the Work and Health programme	Sets contracting arrangements, including contract package areas, but should consider any proposals from the combined authority on contract package area geography.	Involved in tender evaluation.
Provider accountability	Providers solely accountable to DWP, but DWP and the combined authority's agreement will include a mechanism by which the combined authority can escalate any concerns about provider performance/breaching local agreements and require DWP to take formal contract action where appropriate.	



Pearson

List of Devolution Deals in place (with links, those with AEB, and employment support) and deals being explored

Devolution Deal	Date	Full devolution of AEB	Work & Health Programme Joint Commissioning
Ten devolution deals in place at the time of writing:			
Greater Manchester	3 Nov 2014, 8 Jul 2015, 25 Nov 2015, 16 Mar 2016	✓	✓
Cornwall	16 Jul 2015	<i>For further exploration</i>	
Sheffield City Region (and earlier deal)	12 Dec 2014, 2 Oct 2015	✓	✓
North East:	23 Oct 2015	✓	✓
Tees Valley	23 Oct 2015	✓	✓
Liverpool City Region	17 Nov 2015, 16 Mar 2016	✓	✓
West Midlands	17 Nov 2015	✓	✓
East Anglia, and new proposal to have two (Norfolk/Suffolk & Cambridgeshire/ Peterborough)	16 Mar 2016	✓	✓
Greater Lincolnshire:	16 Mar 2016	✓	
West of England	16 Mar 2016	✓	✓
Five areas where deals are being explored:			
Cumbria			
Devon/Somerset			
London			
North Midlands			
Solent			

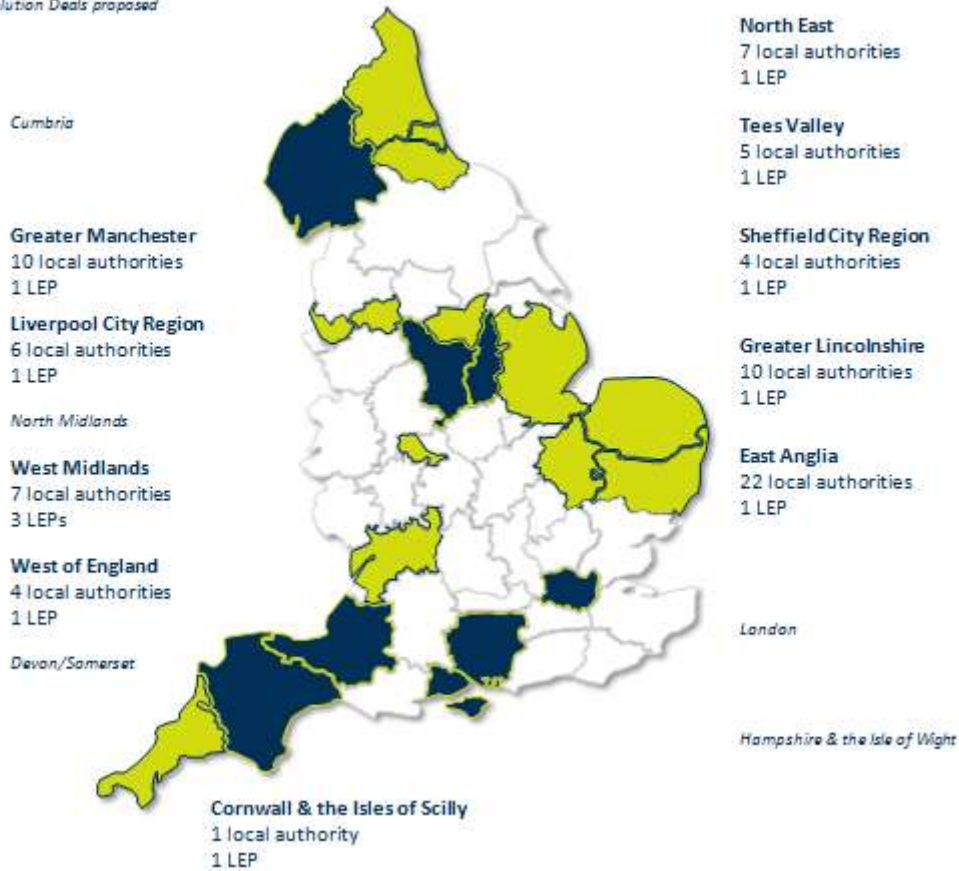


Devolution Deals map

Key

 Devolution Deals in place

 Devolution Deals proposed



Siân Owen

Head of Stakeholder Engagement (Funding)
sian.owen1@pearson.com

Information is correct at the time of writing and offered in good faith. No liability is accepted for decisions made on the basis of information given