



Date Tuesday 17 June 2014
Subject Skills Funding Agency Advisory Board
Attendees As per Annex

1. Welcome and Introductions

- 1.1 Paul Drechsler welcomed Board members to the meeting and apologies were noted.
- 1.2 The Board noted that Sue Husband had now formally started her role as Director of Apprenticeships and Delivery Services and would therefore be attending meetings as a member of the Agency's Executive Management Team (EMT) going forward.
- 1.3 The Chairman also welcomed Kate O'Connell, the Agency's Head of Human Resources, and Helen Knee, the Agency's Deputy Director of the Chief Executive's Office, to the meeting.

2. Minutes and matters arising

- 2.1 The minutes of the last meeting, held on 03 April 2014, were agreed. These would now be published on the Agency's website. The Board noted that all actions on the action log had been closed.

Update from 22 May 2014 Audit and Risk Committee meeting

- 2.2 Under matters arising, it was noted that the Audit and Risk Committee had met on 22 May 2014. A note outlining the key headlines from the meeting had been circulated with the papers, as requested at the last Advisory Board meeting. The Board noted that the Audit and Risk Committee had considered a number of reports at the meeting providing them with assurance that the Agency had maintained sound systems of governance, internal control and risk management overall. It was also noted that the unadjusted error on mainstream funding for 2013-14 was within the materiality limit set by National Audit Office (NAO).
- 2.3 The Board noted the key headline that the Committee was therefore content to recommend that Barbara Spicer signs off the Annual Report and

Accounts for 2013-14. The final set of accounts would be laid before parliament on Monday 23 June 2014.

- 2.4 Mark Farrar, Chair of the Audit and Risk Committee, informed the Board that the Committee was still somewhat concerned about issues relating to Information Management (IM) programme delivery, namely the Supply Chain Transformation and Data Collection and Funding Transformation (DCFT) programmes.
- 2.5 The Board also noted that the NAO would be conducting a review of the Financial Sustainability in the FE sector later this year. The findings would be presented to the Committee in November 2014.
- 2.6 Paul and the Board commended the EMT on the swift production of the annual report and accounts and also expressed their thanks to the Committee members for their time and contribution to it.

3. End of year performance review

Agency Reform Programme

- 3.1 Barbara tabled a paper providing the Board with a summary of the progress of the Agency's reform programme. The following points were noted:
 - The Reform programme had met its key milestones and the new organisation was on track to be fully in place by the beginning of July 2014.
 - Overall, the Reform programme has led to a 32% reduction in headcount, with a much more even distribution of staff across the three main divisions.
 - Redeployees would be leaving the Agency throughout the calendar year. The final redeployees were expected to exit the Agency by 22 December 2014 at the latest.
 - A simplified staff grading structure had also been introduced, which is better aligned to the grading structure across the Civil Service. This would be followed up with a pay review shortly.
 - All staff members have had two opportunities to apply for voluntary redundancy (VR), but not at the end of the application and interview process. 287 applications for VR had been received.
 - Paul McGuire informed the Board that the total cost of the restructure would be fully absorbed by the Agency.
 - More than 75% of staff members were interviewed for the new roles in the Agency with the minority of staff matched into existing roles.
- 3.2 The Board acknowledged that the Reform Programme had had a significant impact on the relatively small Human Resources team and commended their efforts in ensuring the programme had adhered to its difficult milestones and deadlines.

- 3.3 It was noted that the Board was concerned about the large number of changes within the Agency and the compounding of different risks. For example, the potential loss of corporate memory and the impact on the management of key relationships as a result of reduction in staff numbers combined with the changes to IM service delivery as a result of the Supply Chain Transformation Programme could lead to significant problems for the Agency. Barbara assured the Board that the Agency has managed the changes by assessing the impact of the reorganisation both inside and outside the Agency and ensuring knowledge is transferred. The Board noted that the advantage of the new structure was that any issues could be picked up by various teams as policies progressed through the planning, implementation and intervention stages.

Performance and Risk Report

- 3.4 The Board noted the contents of the Performance and Risk Report for the year ending March 2014.
- 3.5 Keith Smith provided an update on risk FP-8, which relates to the service provided to Local Enterprise Partnerships (LEPs). Keith informed the Board that all of the LEPs, except two, had opted to receive support from the Agency in the management of capital and European Social Funds. An exercise was currently being conducted to look at the support that would be provided to each LEP and Service Level Agreements were currently being drafted.
- 3.7 The Board advised that all LEPs were different and it was likely that they would require different levels of support. Keith informed the Board that the Agency offered a range of services and it was up to LEPs to choose how much the Agency would do for them. It was important that the Agency delivered a good quality and robust service to them all, but it was also important to establish that the Agency was not responsible for the performance of LEPs and the decisions they make, although the Agency would be able to provide advice and raise concerns when appropriate. The Board advised that LEPs and BIS should be clear on this.
- 3.8 It was noted that Barbara was communicating directly with the sector (including LEPs) on a quarterly basis regarding the future direction of the Agency and the services it is able to offer. The board encouraged the Agency to communicate regularly and to repeat key messages to external stakeholders to ensure all were aware of the significant changes and what was expected of them as a result.
- 3.9 The Board noted that the majority of Key Performance Indicators (KPIs) within the report were RAG rated as green. Barbara informed the Board that

many of these indicators had been set a year ago and BIS had requested that they were not changed midway through the year, even though the KPIs were no longer fit for purpose. The new Business Plan would set performance targets that were more relevant to the Agency and its current priorities.

4. Business Plan and Funding Letter for 2014-15

4.1 The Chair introduced the draft Business Plan for 2014-15. The Board noted the contents of the sections titled: 'Introduction from the Chief Executive' and 'The Agency Story'. The Board had considered and commented on the Agency Story in a previous meeting.

4.2 The EMT led the Board through the proposed strategic objectives for 2014-15. The objectives and the targets listed in the plan were based upon the draft funding letter received in May 2014. As per previous discussions, the number of strategic objectives had been limited to five broad objectives, with performance targets listed for each. The Board noted that the objectives set out in the plan were cross-organisational.

4.3 The Board discussed the draft plan and the following comments were noted:

- The Board suggested that the KPIs needed to have measurable, numeric targets outlined, so that it was clear what success would look like. Helen Knee reminded the Board that that this document was for external publication and we had been hampered in previous years by including measurable targets at this level. Helen reassured the Board that measureable KPIs were in development for each of the strategic objectives and that would be shared with the Board but were not for publication.
- The Agency needed to make sure that employers and the FE sector took ownership of the development of new quality standards and processes.
- With regards to targets for Apprenticeship numbers, the Board suggested that this should be more positive. However, the Board noted that a high target may be difficult to achieve given that budgets for colleges and providers were not increasing.
- The Board welcomed the emphasis on strengthening provider accountability in relation to the collection and publication of data. The Board agreed it was in each provider's interest, and the interest of the sector overall, to ensure the information was of good quality.
- The Board suggested that the Agency may wish to include a target relating to capital under the financial assurance strategic objective.
- It was suggested that the figure for the Agency's overall budget needed to be consistent throughout the plan. A breakdown of how much of the budget related to the management of European Social

fund (ESF), Education Funding Agency (EFA) and BIS funding should be made explicitly clear.

- Keith confirmed that although there had been a transfer in responsibilities to LEPs in relation to the ESF, LEPs would still be subject to audits from the ESF division.
- It was suggested that a target relating to the satisfaction of 'other learners' in addition to the target relating to satisfaction of apprentices should be included under strategic objective number 4.
- The EMT should also consider including a further target relating to industrial partnerships and the employer-customer relationship.
- Finally, it was suggested that a specific target relating to IM systems and processes should be included in the plan.

4.4 The Board noted the contents of the draft Funding Letter for 2014-15, which, when finalised, would be included in the business plan.

5. People Plan

5.1 Kate O'Connell introduced an item on the Agency's People Plan for 2014-15. The Board noted that the plan was at an early, formative stage and has three main aspects to it:

- Establishing a flexible, resilient organisation prepared for future, with capability to improve our performance against objectives.
- To have a well engaged, motivated and collaborative workforce who contribute positively to the culture and performance of the Agency.
- To develop the leadership, management and necessary business knowledge and skills to deliver the Agency's Business Plan.

5.2 The Board discussed the item and agreed that the plan needed to add a fourth section about how the Agency would ensure that employees are supported. The Board suggested that exit interviews from staff members leaving the organisation could provide a useful insight into other support the Agency could provide for its employees. It was also suggested that Kate and the Organisational Development Group, who is responsible for putting the plan together, should consider seeking advice from 2 or 3 forward-thinking and innovative sources outside the Agency to inject a fresh perspective on people development. This may help with the Agency's aim of becoming one of the best employers within the Civil Service.

5.3 The Board noted that the Reform Programme, and the offer of voluntary redundancies, meant that it could be assumed that the remaining 925 employees were committed to the organisation. Work would now commence to train and develop staff members so that the organisation continues to be resilient and adaptable, as it is likely that the Agency will always need to adapt itself as the FE landscape changes. The Board encouraged the EMT to ensure employees continued to feel empowered to make decisions.

- 5.4 The Board requested that the People Plan is revisited at a future meeting once it has been developed further.

ACTION 04: People Plan for 2014-15 to be revisited at a future Advisory Board meeting.

6. Advisory Board membership refresh

- 6.1 Barbara introduced a paper setting out the next steps for refreshing the membership of the Advisory Board. The paper set out the skills and areas of expertise that will be sought from Board members; a proposed appointment process; and the proposed advert for the appointments. The paper also set out a draft set of terms and conditions for all current and future Board members.
- 6.2 The Board noted that the aim of recruiting new members is to capture input from individuals with a range of different skills backgrounds and areas of expertise. It was noted that approximately three additional Board members would be appointed according to the timeline set out in the paper. New Board members did not necessarily have to be from within the FE sector. The Board agreed that it also needed to be sufficiently diverse to capture a range of views and that it should aim to have approximately 50% female representation in the long term.
- 6.3 It was further noted that sub-committees relating to Apprenticeships and Careers are likely to be set up in the future. Members offered to be called upon individually for specific advice, within their areas of expertise, if the Agency needed it.
- 6.4 The Board further discussed the paper and supported the proposed process. Barbara advised the Board that this paper would now be put to the BIS Sponsorship Board. If agreed the appointment process for new members would start in September 2014.
- 6.5 Barbara informed the Board that BIS had proposed the creation of a separate Management Board responsible for governance in the draft Funding Letter for 2014-15. This would be in addition to the current Advisory Board and the EMT. Barbara informed the Board that the EMT would be strongly opposing this proposal as an additional Board could serve to confuse. Again, this will be discussed at the next BIS Sponsorship Board meeting. The Board were advised that no discussion had taken place with the Chairman who would follow up for clarification following the meeting.

7. Any other business

- 7.1 The Board noted that Kim Thorneywork, former interim Chief Executive of the Skills Funding Agency, had been recognised in the Queen's Birthday Honours list for her services to education, learning and skills. The Board passed on their congratulations to Kim and the wider team.
- 7.2 It was noted that an advert to appoint a permanent Chief Executive for the Agency would be placed in newspaper publications on Sunday 22 June 2014.

List of attendees at Skills Funding Agency Advisory Board Meeting
17 June 2014

Members:

Paul Drechsler (Chair)	Teach First
Ian Pryce	Bedford College/157 Group
Jon Graham	CIPFA
Les Walton	EFA
Mark Farrar	Association of Accounting Technicians
Martin Doel	AOC
Michael Davis	UKCES
Stewart Segal	AELP
Tim Ward	Learning Curve/TSNLA

In Attendance:

Barbara Spicer	Skills Funding Agency
Helen Knee	Skills Funding Agency
Kate O'Connell	Skills Funding Agency
Keith Smith	Skills Funding Agency
Kiran Virdee	Skills Funding Agency
Paul McGuire	Skills Funding Agency
Sue Husband	Skills Funding Agency

Apologies:

Joe Vinson	NUS
Rachel Sandby Thomas	BIS
Rob Wall	CBI
Tom Wilson	TUC