



Date Monday 11 May 2015
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 from Rachel Sandby-Thomas and Joe Vinson were noted.
- 1.2 The Board welcomed Kirsty Evans, Deputy Director for Funding Policy Implementation, to the meeting. Kirsty would be leading on the work to simplify the funding system for non-apprenticeship adult skills. This will be taken under item 6 of the agenda.

Declarations of interest

- 1.3 There were no new declarations of interest.

2. Minutes and matters arising

- 2.1 The minutes of the last meeting, held on 2 March 2015, were agreed. The Board was content for them to be published on the SFA's website.
- 2.2 Board members considered the action log and noted that all of the actions had now been closed.
- 2.3 Further to action 8, Mark Farrar, Chair of the Audit and Risk Committee, presented a short summary of the meeting that took place on 10 March 2015. The Board noted that the meeting focused on risk management and the internal audit plan for 2015-16. The Board agreed that it would like to see the risk appetite statement as a future Advisory Board agenda item.

ACTION 11: HK - Risk appetite statement to be taken at a future Advisory Board meeting.

- 2.4 Under matters arising, the Board discussed the Business Plan for 2015-16, which had been circulated for information. It was noted that this would be circulated to staff the following day and then published externally once it had been shared with the Minister. The Board noted that the completed People Plan was included within the Business Plan as an annex. The Board commented that the plan may need to place more emphasis on localism,

once the policy direction had become clearer and also the Agency's response to colleges and their financial difficulties.

- 2.5 Finally, under matters arising, the Board asked Peter Lauener whether the reorganisation was now complete. Peter informed the Board that, as ever, we would expect there to be some changes as the SFA adapts to new government priorities and policy changes. The work on simplification will be centred on what the Agency does and how we do it.

3. Business priorities and performance update

Update from the Chief Executive

- 3.1 Peter provided the Board with a short update. Given the clear election result, it was noted that all departments were looking at manifesto commitments and how these would be delivered in practice. Notably, the Conservatives have committed to attaining 3 million apprenticeships during the course of the new parliament. The SFA would expect to see: employers being put in the lead more so than before; a reform of the FE sector with the greater emphasis on National Colleges; and more local devolution. Divisional events scheduled for June and July this year will be used to inform staff about the organisation's direction of travel over the course of this parliament.
- 3.2 Peter also informed the Board that the SFA would officially become an executive agency of BIS on 26 May 2015. This means the statutory post of the Chief Executive of Skills Funding would be abolished under the Deregulation Act. Peter will remain as Chief Executive but he and the EMT would be working closer with BIS colleagues.
- 3.3 The EMT presented a report summarising delivery matters and forthcoming priorities for each of the SFA's four divisions.

Apprenticeships and Delivery Services (ADS)

- 3.4 Sue Husband provided a summary on the Apprenticeship and Delivery Services Division. Sue informed the Board that a small change in the organisation structure had brought Karen Woodward's team into the ADS division. The team would be focusing on the end-to-end process for the National Apprenticeship Service (NAS) and the strategy for achieving the 3 million apprenticeships target set by the government. The Board asked that this is brought to a future meeting.

ACTION 12: SH - Item on NAS and strategy for achieving the 3 million apprenticeships target to be brought to a future Advisory Board meeting.

- 3.5 The Board noted that the definition of the apprenticeships target was yet to be determined (i.e. apprenticeship starts, apprenticeships completed or

something else). The Board commented that good quality interaction with employers and good timing were essential for the SFA to achieve the apprenticeships target. The Board advised that the team should target FTSE 350 companies and work with LEPs to target SMEs. The Board acknowledged that the challenge would be increasing the numbers of apprenticeships while maintaining high quality. Sue informed the Board that the team would be looking at increasing numbers overall, but specifically in the industries needed.

- 3.6 The Board stated that the focus on apprenticeships over the next parliament would have an impact on non-apprenticeship provision.
- 3.7 It was noted that the 20,000 higher apprenticeships target would be reached ahead of the July 2015 deadline. The Board congratulated the EMT and advised that this, and other success stories, are celebrated accordingly.

Funding and Programmes

- 3.8 Keith Smith provided a summary on the Funding and Programmes Division which was noted by the Board. Keith informed the Board that allocations for 2015/16 had been issued and that the team have tried to mitigate the effect of funding reductions.
- 3.9 The Board noted that the FE loans budget was expected to underspend by a large amount. Keith informed the Board that there was some concern about how this budget was being under-utilised and it was expected that the government would need to look at this policy area again.
- 3.10 Keith provided an update about the new apprenticeship funding mechanism, employer routed funding. The Board noted that the discovery phase had been completed and Cabinet Office approval for the alpha phase was being sought. The Board commented that this piece of work was critical from an employer's perspective. Keith informed the Board that it would be trialled next year and that the team would continue to work with employers to ensure it is fit for purpose. It was noted that now that the mechanism was agreed, the SFA would work with BIS colleagues to develop the policy around it.
- 3.11 Finally, Keith brought the Board up to date on the European Social Fund (ESF). It was noted that the old programme was now closed. As of April 2015, the SFA would no longer be responsible for ESF money. The SFA have offered to provide a service to LEPs. Peter informed the Board that this may need to be considered again as part of a review of the role of the SFA.

Operations

- 3.12 Paul McGuire provided a summary on the Operations Division which was noted by the Board. It was noted that KPIs for 2014-15 had been delivered. The NAO audit was on track and the team were expecting the annual report and accounts for 2014-15 to be signed off in the next month or so.
- 3.13 The Board commended the successful IT transition but noted that there would be further digital and technological challenges in the coming year. The team will need to prioritise essential projects as there are financial pressures in this area.
- 3.14 Finally, Paul McGuire informed the Board that the budget overall for 2015-16 would need to be managed very closely as it would be tighter than in previous years.

CEO and Communications

- 3.15 Helen Knee provided a summary on the CEO and Communications Division. The Board noted that National Apprenticeship Week 2015 was a huge success, with engagement activity reaching 75% of adults. The focus would now be to convert the pledges made by employers into actual apprenticeship starts.
- 3.16 The Board noted that the SFA had a communications capability review conducted by the Cabinet Office. The report was largely positive and recommendations were broadly what the team had expected.
- 3.17 The EMT asked the Board to advise on the sector response to the allocations issued in March 2015. The Board stated that there was a significant reaction to the funding cuts, which was partly because of the delayed communication to the sector. Many found the extent of the cuts a surprise. The Board advised that the sector needed to be clear that the reductions in funding was a result of government policy not SFA decision-making. The Board did however state that the local teams managed the message to local providers well given the circumstances. The wider impact on subcontractors was yet to be established.

Performance and Risk Overview

- 3.18 The Board noted the contents of the Performance and Risk Overview for February- March 2015, in particular, the top three risks to the SFA.

4. German Apprenticeship System

- 4.1 Michael Davis informed the Board that feedback and insights from a recent study visit to Berlin, Germany had been collated in a UKCES report. The Board noted that 63% of German employers offered apprenticeships. This

was accompanied by only 328 training standards. The training standards were fairly broad, which allowed employers a more agile approach to provision and aided stability. While the apprenticeship frameworks were quite different to our own, challenges were similar to ours, for example, engagement with SMEs.

- 4.2 The Board noted that there were some lessons to be learnt from the German apprenticeship system, although it would be difficult to implement the same system in England. Apprenticeships were fully embedded in the labour market in Germany. The Board also noted the differences in pay for apprentices.
- 4.3 It was noted that UKCES would take a set of recommendation to the new Minister. The final report would be circulated to Board members after the meeting.

ACTION 13: UKCES report on Berlin, Germany study visit to be circulated to Board members.

5. Financial sustainability and intervention

- 5.1 Paul McGuire and Keith Smith presented an item on financial sustainability and intervention in the FE sector.
- 5.2 The Board noted the paper and asked the EMT if they were clear on what the role of the SFA was when a college faces difficulties. The Board noted that the SFA's role had now changed to provide support to those at risk of going through financial difficulty and that a team of 50 people had been created to focus solely on intervention and support.
- 5.3 The Board pointed out that sufficiency of supply (i.e. an adequacy of places) was the Secretary of State's responsibility now, however, the SFA would be responsible for ensuring that any amounts put aside to support colleges in distress provide value for money. Peter informed the Board that the SFA judges what is in the best interest of learners when considering what intervention action to take.
- 5.4 Keith informed the Board that early identification of issues would be increasingly important in order to manage financial weakness. This would be dependent upon competence of governors and the right decision being made at the right time. It was noted that £60m was being put aside to for further education sector support.
- 5.5 The Board noted the longer term risks outlined in paragraph 35 of the paper and reiterated that the SFA needed to be clear on its role in supporting the sector and that its strategy should align with the EFA.

- 5.6 Finally, the Board noted that the NAO was conducting a study on the financial sustainability in the FE sector and the report was expected to be published before the summer recess. The Board requested that college resilience should be a standing item at meetings going forward.

ACTION 14 – KV – College resilience to be a standing item at meetings going forward.

6. Plan for simplification

- 6.1 Kirsty Evans presented a paper setting out the emerging thinking on a new simplified funding system for non-apprenticeship funding. It was noted that there would be two phases: simplification for 2015/16 and longer term simplification. The Board noted the paper.

- 6.2 Kirsty led the Board through the simplification measures for 2015/16. The aim would be to remove some of the bureaucracy and increase the level of predictability for providers so that they are clear on earnings at the start of the year. It was also noted that less than half of growth cases were successful, so the SFA wanted to make the process less resource-intensive. The Board noted that training organisations had been informally approached about the simplification measures and that these would be announced next month. Payment scheduled would also be looked at.

- 6.3 The Board noted the simplification proposals for the longer term. Kirsty informed the Board that the SFA were working with BIS to simplify the policy, which in turn would enable us to simplify the supporting systems. The team would be planning to take some proposals for a simple national funding framework, underpinned by outcome agreements between LEPs and providers in their locality, to the Minister in June, with the expectation that this piece of work would be a project for the next year or so. Formal consultation will take place with sector bodies. The Board commented that a lagged funding system does not support growth, and that the SFA should consider small incremental growth rather than rapid growth.

7. Any Other Business

- 7.1 The Board requested an item on localism at a future meeting. It was requested that the discussion should look at the SFA's criteria for success and clarity on local and national responsibilities.

ACTION 15: Item on localism to come to a future Advisory Board meeting.

- 7.2 The next Advisory Board meeting is scheduled for 08 July 2015.

Meeting closed.

List of attendees at Skills Funding Agency Advisory Board Meeting
02 March 2015

Members:

Jon Graham	JTL Training Limited
Les Walton	EFA/ Northern Education
Mark Farrar	Association of Accounting Technicians
Martin Doel	AOC
Michael Davis	UKCES
Paul Drechsler (Chair)	Teach First
Rob Wall	CBI
Stewart Segal	AELP
Tim Ward	Learning Curve/TSNLA
Tom Wilson	TUC

In Attendance:

Peter Lauener	Skills Funding Agency
Helen Knee	Skills Funding Agency
Keith Smith	Skills Funding Agency
Kiran Virdee	Skills Funding Agency
Kirsty Evans	Skills Funding Agency
Paul McGuire	Skills Funding Agency
Sue Husband	Skills Funding Agency

Apologies:

Joe Vinson	NUS
Rachel Sandby-Thomas	BIS