



Date Thursday 5 November 2015
Subject Skills Funding Agency Advisory Board
Attendees As per Annex

1. Welcome and Introductions

- 1.1 Mark Farrar, interim Chair of the Advisory Board, welcomed Board members to the meeting. Apologies were noted.
- 1.2 The Board noted that this meeting would be the last meeting for Tom Wilson and Paul McGuire. The Board thanked Tom Wilson for his valuable contribution and insight as a member of the Advisory Board over the past three years. The Board also passed on their thanks to Paul McGuire for leading the finance, digital and technology function within the SFA, and for his 10 years of service. The Board wished both Tom and Paul all the best for the future.
- 1.3 The Board also noted that Kiran Virdee would be handing over secretariat duties to Alexandra Doyle after this meeting. The Board thanked Kiran for clerking these meetings and wished her all the best in her new role.

Declarations of interest

- 1.4 There were no new declarations of interest.

2. Minutes and matters arising

- 2.1 The minutes of the last meeting, held on 9 September 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 action 11 would be taken as an item at the Audit and Risk Committee meeting scheduled for 7 December. This action was therefore transferred and closed.
- 2.3 It was agreed that action 18 would also be closed as there was currently a recruitment freeze in place as the SFA undergoes a significant change programme. The Board received assurances that digital skills capability would be considered carefully as part of the reorganisation. It was agreed that a plan on how this risk is addressed should come to a future Audit and Risk Committee meeting.

2.4 The Board noted that action 19 would be covered under item 4 at this meeting.

3. Business priorities and delivery update

3.1 Mark Farrar asked the EMT to outline key highlights from their business priorities and delivery update.

Apprenticeships and Delivery Services (ADS)

3.2 Sue Husband provided a summary on the Apprenticeship and Delivery Services Division. Sue informed the Board that Nadhim Zahawi MP had been announced as the Prime Minister's new Apprenticeship Advisor. Mr Zahawi would therefore take Richard Harrington's former position of co-chair of the Apprenticeship Delivery Board alongside David Mellor.

3.3 Sue reported that work is continuing with the Apprenticeship Growth Plan and connecting the key strands linked to the delivery of 3 million quality apprenticeships. The Board agreed that an item on the Apprenticeship Growth Plan should be taken as a substantive item at the next meeting. David Hill from BIS should be invited to attend for the item.

ACTION 20: Item on Apprenticeship Growth Plan to be taken at the Advisory Board next meeting.

3.4 The Board asked the EMT if they were content that there was enough policy certainty in relation to how the 3 million apprenticeship target would be achieved. The EMT expressed while it looked as though it would be possible to deliver 3 million apprenticeships, further clarity on the policy specification was required. For example, clarity on the replacement for the Apprenticeship Grant for Employers (AGE).

Funding and Programmes

3.5 Keith Smith provided a summary on the Funding and Programmes Division, which was noted by the Board. Keith highlighted that the work on simplifying the funding systems was progressing. It is expected that this will be announced to the sector in the next couple of months.

3.6 The Board noted that work on the beta phase of the Digital Apprenticeship Service for SMEs and a discovery phase for the apprenticeships levy with larger employers would start this month. Keith informed the Board that two employees from BIS would be embedded into the discovery and development team. The Board advised that clear roles and responsibilities with HMRC were set out and agreed, including Peter's Accounting Officer responsibilities for the levy.

- 3.7 Keith informed the Board that ministerial agreement to allocate a further funding to providers whose 2015/16 apprenticeship allocation is less than what they delivered in 2014/15 had been obtained. This would be communicated to providers shortly.
- 3.8 Keith also informed the Board that there would be full review of the Register of Training Organisations. This would look at what provider regulation should look like and whether different controls will be needed in the operation of the apprenticeship levy.
- 3.9 The Board noted that community learning would not be specifically protected and that the budget for it had been integrated into single revenue stream for LEPs. It would be local commissioners who would decide how much is spent on this type of provision going forward.

Operations

- 3.11 Paul McGuire provided a summary on the Operations Division. In particular, the Board noted that the Funding and Contracting System (FCS) programme had been delivered and significant performance benefits were now being realised. The uploading of contracting values can now be completed within 56 minutes as opposed to 3 days previously. The FCS has also successfully paid providers on actuals for two consecutive months, improving confidence in the application.
- 3.12 Paul outlined the latest financial position. It was noted that the SFA had delivered the budget savings required by BIS as agreed with the Minister. It was noted that a proposal on apprenticeship growth had been submitted to BIS and we are currently awaiting their response.

Verbal update from the Chief Executive

- 3.13 Peter Lauener provided the Board with a summary of the Public Accounts Committee (PAC) hearing that took place on 19 October. The Board agreed that the hearing gave some of the key issues facing the FE sector a good airing; the importance of the sector and the financial challenges they are facing were heard. It was noted that the final PAC report would be published in 3 to 4 weeks. Peter advised the Board that he expected further PAC appearances, perhaps on the issue of area reviews or the apprenticeship reform.
- 3.14 The Board noted that Ofsted's recently published report, *Apprenticeships: developing skills for future prosperity*, had raised some concerns about apprenticeship quality. The Board felt that the report did not reflect the actions that had been taken to raise standards and the rigour of the Register of Training Organisations. Going forward, it was noted that the employers will have a say in who delivers their apprenticeship training but they still have to meet a set standard.

College resilience and financial health of the sector

- 3.15 Chris Griffin presented a paper setting out the latest position with respect to the financial stability of the FE sector. Chris informed the Board that financial plans were received in September.
- 3.16 Chris warned that some college financial plans were still overly optimistic. The Board stated that since plans determine how much growth was allocated to colleges, there might be a perverse incentive not to declare the actual financial position. The Board discussed whether those colleges whose forecasts were unrealistic could be placed in a higher risk category. The Board commented that late announcements had also had a negative impact on colleges' ability to manage budgets.
- 3.17 The Board noted that 34 colleges had been rated as financially inadequate, with 15 of those being new cases. Chris stated that we should expect the number of financially inadequate colleges to increase further. However, eight colleges that had been previously rated as inadequate had now been rated as at least satisfactory, so there were some signs of effective financial management in the sector in the challenging circumstances.
- 3.18 The Board noted that detailed feedback on financial plans would be going back to colleges and the Provider Management and Intervention team would be hosting a roadshow as well.
- 3.19 It was noted that some cash expenditure on restructuring and redundancy costs had taken place. HMT had recognised the case for funding college restructuring. It was expected that we would have a better idea of what support is required after the area reviews have taken place.
- 3.20 It was agreed that there might be some value in sharing college financial data, such as debt as a proportion of turnover, with the sector. This could enable colleges to compare themselves to a benchmark.

ACTION 21: Peter Lauener and Martin Doel to discuss whether the SFA should share college financial data, such as debt as a proportion of turnover, with the sector so that it can be used as a benchmark for colleges.

- 3.21 The Board once again emphasised the importance of having good financial management skills and effective decision makers within the FE sector. Peter informed the Board that the SFA was working with banks and Ernst and Young on how to address some of the difficulties faced by the Finance Directors within the sector.

Performance and Risk Overview

3.22 The Board noted the contents of the Performance and Risk Overview for October 2015.

4. Area Reviews

4.1 Peter Mucklow, Director for Young People at the EFA, provided an update on the progress of the area reviews, which were a joint BIS-DfE initiative. The Board noted that the area reviews would assess learning provision required in each area, with the aim of restructuring colleges so that they are financially sustainable, providing a more stable network of college for the future.

4.2 The Board noted that a panel, led by David Sainsbury and Professor Alison Wolf, had been set up to look at vocational routes and technical and professional education. Their work would likely result in a renewed focus on Institutes of Technology and affect the first set of area reviews.

4.3 It was noted that while colleges are the primary focus for implementation of the review options, area reviews will also consider the availability and quality of post-16 provision as a whole. The analysis would include school, charitable and commercial providers, and adult and community learning providers.

4.4 It was noted that Regional Schools Commissioners were also invited to attend the meetings, although they had not been particularly engaged so far. The Board felt that given steps were being taken to tackle the challenges and rationalise the FE sector, there would be some benefit to sixth forms doing the same. If successful, it would improve the competitive position for both.

4.5 The Board noted that whilst the area review process is designed to secure engagement and enable a college-led consensus for change, the lack of statutory levers over the corporations running the colleges will remain a risk to delivery throughout the process. There was also the additional risk that LEPs might choose not to make capital investments in colleges that may no longer exist, which may lead to difficulties in them drawing down funds and therefore underspends.

5. Any Other Business

5.1 There was no other business.

Meeting closed. The next meeting will be held on 4 February 2016.

List of attendees at Skills Funding Agency Advisory Board Meeting
05 November 2015

Members:

Mark Farrar (Acting Chair)	Association of Accounting Technicians
Jon Graham	JTL Training Limited
Les Walton	EFA/ Northern Education
Martin Doel	AOC
Michael Davis	UKCES
Tim Ward	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
Paul McGuire	Skills Funding Agency
Sue Husband	Skills Funding Agency
Chris Griffin	Skills Funding Agency
Richard Lewis	BIS
Peter Mucklow	Education Funding Agency

Apologies:

Rachel Sandby-Thomas	BIS
Stewart Segal	AELP