



Date Thursday 4 February 2016
Subject Skills Funding Agency Advisory Board
Attendees As per Annex

PAPER 2A

1 Welcome and Introductions

1.1 Mark Farrar, interim Chair of the Advisory Board, welcomed Board members to the meeting. Apologies were received from Michael Davis, Simon Parkes and Rachel Sandby-Thomas. On behalf of the Board, Mark offered congratulations to Martin Doel on having recently been awarded a CBE.

Declarations of interest

1.2 There were no new declarations of interest.

2 Minutes, matters arising and actions

2.1 The minutes of the last meeting, held on 5 November 2015, were agreed and will be published to the SFA's website.

2.2 There were two actions on the log. The first (action 20) was closed as David Hill (Apprenticeship Unit) had an item on the agenda. Peter Lauener gave an update on Action 21 - whether the SFA should share college financial data with the sector so that it can be used as a benchmark for colleges. He said that he and Martin Doel had discussed and Martin was supportive of maximising the sharing of benchmarking information, but would want further discussions on whether it is genuine benchmarking.

2.3 Peter Lauener offered to circulate the list of [colleges with financial notices of concern](#). The list does not contain financial information although might indicate the nature of the breach, and it will be updated monthly from February 2016.

2.4 Peter Lauener advised the Board that agreement had been received from the Secretary of State for Education, Nicky Morgan MP to make funds available for 16-18 apprenticeship growth.

2.5 He said that the SFA had been able to confirm growth for adult apprenticeships on 8 January but this had not been possible in DfE because of

budget pressures. Looking ahead, further consideration will need to be given on how budgets can be managed across the two departments.

2.6 In response, Stewart Segal said that in terms of messaging, it would be helpful to communicate the causes of the delay to the sector to help maintain confidence in the system. He said the risk was that providers had seen this as a delay, rather than appreciating a potentially bigger issue.

2.7 Peter Lauener referred to the work that has taken place following the *Financial Sustainability in the FE sector* Public Accounts Committee (PAC) hearing. He noted that the response to the PAC report had been drafted and would be circulated to the Advisory Board for information once finalised. The response largely agrees with report, with the exception that school sixth forms should not automatically be in scope for an Area Review.

2.8 Peter Lauener advised the Board that he is establishing a Transactions Unit in the SFA, which will utilise commercial expertise to appraise restructuring bids from colleges and other partners. It was noted that this should be an item for a future meeting. ***To be added to the next Advisory Board agenda [Alex to note].***

2.9 The SFA's Change Programme continues. A Voluntary Exit (VE) exercise for senior civil service staff took place before Christmas, followed by an exercise for all other staff. As a result, approximately 190 people will be leaving the SFA. It was acknowledged that the large number of exits has been made possible because of the efforts made to streamline services, including more joint working with the EFA on provider management and intervention.

2.10 Keith Smith said that morale across the organisation is mixed, but that the Executive Management Team (EMT) have been clear from the beginning about the intended purpose of the new organisation; so staff have had clarity about the roles and functions that will be needed in the new structure as well as those areas where work will be stopped.

2.11 The Board cautioned against streamlining the organisation so much that the SFA is unable to meet government priorities due to a lack of resource.

2.12 Keith Smith suggested sharing the new structure with Board members at the next meeting. ***To be added this to the next Advisory Board agenda [Alex to note].***

3 Business priorities and delivery update

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

Apprenticeships and Delivery Services

3.2 Sue Husband began by referring to a number of recent high profile events, which included the official launch of the Apprenticeship Delivery Board at No 10; and the Apprenticeship Awards which were hosted by Nadhim Zahawi MP and an apprentice. **[Action: Alex to circulate You Tube clip - <https://www.youtube.com/watch?v=YqwF1ZcvNWE>].**

3.3 Sue also reported that she is spending time with large employers ensuring they fully understand the levy.

3.4 Sue's update contained a reference to the Black and Minority Ethnic (BME) plan to address under-representation. Jon Graham offered to share some of the work his organisation has been doing in this area, and Sue welcomed the opportunity to receive this intelligence. **[Action: Jon Graham].**

3.5 Martin Doel noted that it was hard to see where small and medium-sized enterprises (SMEs) involvement fits within the Apprenticeship Delivery Board. Sue responded by saying that high profile, big businesses have been deliberately targeted in the first instance to help increase the profile, but that all Board members are in place for a period of 3-6 months and will then be replaced.

Funding and Programmes

3.6 Keith Smith started by saying that plans are being finalised for the 2016 to 2017 academic year, including the funding rules. He noted that there was also communication with the sector about the changes that have been made, and are to be made, to the funding system in order to simplify it.

3.7 He encouraged members of the Board who have seen the draft funding rules to promote them within their networks as it is important for the SFA to receive feedback.

3.8 Keith also spoke about some of the future plans, starting with what it means to be an apprenticeship provider in the new world. There is an approvals process in place around the Register but consideration needs to be given to ensure it remains fit for purpose when it becomes the tool that employers use to make purchasing and selection decisions.

3.9 Tim Ward asked about possible changes to the Register that might be necessary to take account of different criteria for people delivering Adult Education Budget (AEB) rather than Apprenticeships. In response Keith said that there will be two levels of approval, one to be on the Register in order to be eligible to run a procurement; and another approval to do an apprenticeship which will directly lead to an employer making a commissioning and purchasing decision. The Register will no longer just be for the SFA's use; it will also serve the needs of the employer.

3.10 Keith also said that when the allocations go out at the end of the month the big independent training providers (ITPs) will be put under notice, as the

independent part of the adult education budget is being re-procured. This needs to be carefully managed in a way that protects continuity of service and activity.

3.11 He said that this should not be seen as an SFA led process, and that it needs to be considered within the context of where devolved decisions are going to be taken in the future. The sector will be consulted on any process that is proposed.

Operations

3.13 Jon Graham queried the capital spend. Sarah Whitehead indicated that this was as a result of spend crossing financial years.

3.14 In response to a query about the line showing an overspend in 16-18 apprenticeships, Peter Lauener advised that this money has now been confirmed and was no longer an overspend.

3.15 Les Walton spoke about his experience of college reorganisation and restructuring. Peter Lauener said that he wanted the Area Reviews to focus on the product, with the Transactions Unit focusing on the financials and deliverability of plans.

3.16 Richard Lewis followed this up by saying that one of the restructuring facility objectives is that where money is being spent it needs to be consistent with the educational need of the area.

Performance and Risk Report

3.17 The Board noted the contents of the Performance and Risk Overview for January 2015.

3.18 Keith Smith advised the Board that risk FP16 [the SFA is unable to deliver a simpler locally commissionable funding system for 2016/17] could be formally closed, as he was confident that the system will be delivered.

3.19 In addition, Helen Knee highlighted the successful closure of the ESF contracts up to 2013 and the very low error rate which was a massive improvement on previous years.

Draft minutes of the Audit and Risk Committee

3.20 The draft minutes of the Audit and Risk Committee were shared for information.

4 Apprenticeship Growth Plan

4.1 Mark welcomed David Hill, joint apprenticeships director across BIS and DFE, to the meeting.

4.2 David began by saying that the current apprenticeship programme is very ambitious in terms of its scale and scope. Joint work between BIS and SFA has been undertaken to take stock of the overall shape of the workstreams; provide assurance that the scope is right, clarity on the deliverables, and the actions yet to be taken.

4.3 The reforms to the funding system and the introduction of the levy is the single biggest reform that needs to be implemented. The Spending Review settled some of the initial design questions such as the weight and scope of the levy. BIS are actively seeking to settle the underpinning policy detail and design, and expect to say more at or following the budget in March 2016.

4.4 The levy will be underpinned by the Digital Apprenticeship Service. A discovery phase is nearing completion and this is testing with prospective users of the service, which features they would like to see included.

4.5 Ministerial agreement is being sought on the essential components of a minimum viable service that must be in place from April 2017.

4.6 Another major piece of work is the reform of apprenticeships and the creation of the Institute for Apprenticeships. The drive to move from existing frameworks to standards continues and there is a lot of work being done around market readiness.

4.7 David advised that the apprenticeship reform is likely to be adopted by the Infrastructure and Projects Authority (IPA), formerly known as the Major Projects Authority (MPA). At the Cabinet Secretary's request the MPA did a short critical friend review on levy implementation and BIS are now working through the plan on how to act on these findings.

4.8 Martin Doel commended the idea of this project being within the remit of the IPA, along with all the additional scrutiny and oversight that that brings and the Board strongly supported the intention for this programme to be accorded IPA status.

4.9 In terms of contingency planning BIS are working with Nadhim Zahawi MP, David Cameron's adviser, (who has a commercial background relevant to this area) to ensure that for each component of the service there is a non-digital fall-back.

4.10 The Earn or Learn Taskforce has asked the minister Nick Boles MP to do some further thinking about a phased approach to levy implementation.

4.11 David Hill spoke about the purpose of the Institute for Apprenticeships, which is to act both as the guarantor of quality in the system but also to advise the government on pricing within the system, once the levy is introduced, in terms of the funding rates that will apply to different apprenticeship standards. Clauses to

the Enterprise Bill will be introduced to allow the creation of the Institute. The Institute will be independent of ministers.

4.12 David Hill said that he wanted to use the Apprenticeship Stakeholder Board as a vehicle to help plan effective communications, to ensure that the complicated landscape is readily intelligible to everyone who needs to work with it over the next few months.

4.13 Mark Farrar asked for David Hill's assessment of whether this can be delivered to time, or whether a plan B will be required. David responded positively and that he was confident it would be delivered but it was prudent to ensure realistic fall-backs are in place.

4.14 Jon Graham said that this was a very good piece of work but it would remain important to keep communicating clearly with the sector.

4.15 Jon also asked for clarity on providers supporting businesses to manage systems. David Hill and Sue Husband explained that, in the digital system, this is about both the employer and the provider needing to separately confirm that they have either contracted for training or provided training. It is an anti-fraud measure.

4.16 Martin Doel said that having a programme structure was immensely reassuring. He was concerned that the necessary plans were in place to ensure the preparedness of the provider base. David Hill said that there was real depth and detail to the work currently underway in BIS and SFA.

4.17 Martin spoke about the need to preserve the knowledge that currently resides within the UK Commission for Employment and Skills (UKCES), during the period between the closure of UKCES and the inception of the Institute for Apprenticeships.

4.18 Stewart asked when more firmed up details of the levy will be available and David Hill said that the budget in March is likely to be used as the vehicle to provide this.

5 College resilience and sector financial health

5.1 Mark Farrar welcomed Peter Mucklow and Chris Griffin to the meeting to deliver a presentation on college resilience and sector financial health.

5.2 Chris began by saying that the position is not as bad as initial figures showed, however the sector is still experiencing a period of cuts relating to adult skills, and cohort decline in terms of 16-18, so it was wise to remain cautious.

5.3 Peter Mucklow said that the Spending Review 2015 outcome had been more favourable than might have been expected and gave institutions an opportunity over the next four years to plan on the basis of a rational expectation of what their income might be.

5.4 Peter Mucklow invited the Board to comment on the intervention slides that he had circulated, particularly around the area of leadership and governance.

5.5 In response, Martin Doel said that governance is key; but that people should not over estimate what governors can do. They can govern but they cannot be operational, and this is the responsibility of the employed executive.

5.6 Jon Graham said that the right governors needed to be recruited from the start, and suggested that a template should be provided setting out what 'good' looks like in terms of skills and competencies, so that the right team of people are recruited into post in the first place. He also said it would be helpful if government could share the type of information that governors should be expecting from their executive. In short, he said it was necessary to strengthen the governors, get the recruitment right, have accountability at the top and share best practice.

5.7 Les Walton said the real skill is to get people proactively inviting intervention.

5.8 Stewart Segal said that most of the organisations being referred to in this context have complex subcontracting arrangements and he asked if a different approach to sub-contracting might be required. Peter Mucklow said he and Chris Griffin would circulate some information on independent training providers.

[Action: Peter Mucklow and Chris Griffin to circulate information on independent training providers].

5.9 Tim Ward said that whilst there is an understandable focus on colleges, there is almost a disregard for the churn faced by private providers. He expressed an interest in the idea of having a couple of paid non-executives who are recruited with specific expertise.

5.10 Martin Doel said AoC has done some work around the case for paying Chairs and he agreed to share this with the Board. ***[Action: Martin Doel to share AoC work].***

5.11 Les Walton referred to the intervention work that he has been involved with, working with local authorities and failing schools. He used the analogy of three levels of intervention; firstly where there is a need to change the product; secondly, looking at financial and product failure, and thirdly, endemic failure. He asked whether people are clear on the different levels of intervention.

5.12 Peter Mucklow agreed that this sort of terminology would be helpful when articulating the case to draw down Treasury funding through the restructuring fund. Peter added that BIS is looking seriously at what more can be done around governor recruitment and payment.

5.13 Martin Doel strongly recommended that if classifications of financial weakness are going to be altered, this should be the subject of consultation, and that the sector would need to be conditioned for this change.

6 Any Other Business

6.1 There was no other business and the meeting closed. The next meeting will be held on 13 April 2016.

List of attendees at Skills Funding Agency Advisory Board Meeting
4 February 2016

Members:

Mark Farrar (Acting Chair)	Association of Accounting Technicians
Jon Graham	JTL Training Limited
Les Walton	EFA/ Northern Education
Martin Doel	AOC
Stewart Segal	AELP
Tim Ward	Learning Curve/ TSNLA

In Attendance:

Peter Lauener	Skills Funding Agency
Alex Doyle (clerk)	Skills Funding Agency
Helen Knee	Skills Funding Agency
Keith Smith	Skills Funding Agency
Sue Husband	Skills Funding Agency
Chris Griffin	Skills Funding Agency
Richard Lewis	BIS
Peter Mucklow	Education and Skills Funding Agency
Sarah Whitehead	Education and Skills Funding Agency

Apologies:

Michael Davis	UKCES
Rachel Sandby-Thomas	BIS