



Date Wednesday 13 April 2016
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, particularly Matt Atkinson, Kirsty Evans, Mark Dawe and Ian Kinder who were attending their first meeting.

1.2 Jon Graham, Stewart Segal and Michael Davis have stepped down as Board members and Mark Farrar noted the Board's thanks for their valuable contributions.

1.3 Peter Lauener advised colleagues that he has asked Keith Smith to continue attending the Advisory Board. Although Keith is now working full time on levy implementation, Peter said it would be important for the Board to revisit the levy regularly throughout the next year.

1.4 Given the current position with wider policy and associated action plans, Peter suggested that it was now time to consider reconstituting the Advisory Board, and to put in place arrangements for the future. **Action: Peter Lauener and Mark Farrar to consider arrangements for reconstituting the Advisory Board.**

Declarations of interest

1.5 Martin Doel advised the Board that he is now a trustee of a charity called 'The Challenge', which delivers apprenticeships.

2 Minutes and actions

2.1 The minutes of the last meeting, held on 4 February 2016, were agreed and will be posted to the Skills Funding Agency's website.

2.2 All actions from the last meeting have been closed.

3 Business priorities and delivery update

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

3.2 Peter Lauener began by advising that the Skills Funding Agency has gone through a period of change, including staff restructuring, moving staff onto Civil Service grades; as well as a voluntary exit scheme which will result in approximately 200 people leaving the organisation from April 2016.

3.3 He acknowledged that this had been a challenging time for the organisation.

Apprenticeships Delivery Services

3.4 Joe Billington began by referring to the 3m headline apprenticeship growth target. He said that there is a governance structure in place for the whole apprenticeship programme.

3.5 Joe also spoke about ministerial expectations of the trajectory of growth over the next 5 years. He said that a suite of reporting tools on early versions of data (prior to verifiable data) has been developed to aid understanding around whether the SFA is on target to meet its contribution to the growth.

3.6 Joe also referred to the launch of the 'Youth Employment Campaign' which will feature case studies of young people who have taken an apprenticeship rather than pursuing an academic route. The campaign is intended to drive up interest from citizens and employers.

3.7 Martin Doel said that the focus on employers and citizens wishing to access apprenticeships is important but it is also vital to have a provider base that is ready to respond. He said some assurance work around this would be worth considering.

3.8 Martin was also keen to ensure that the SFA had contingency plans in place should they be needed. Joe assured him there were plans in place.

3.9 Keith Smith spoke about the levy. He said that within the governance structure there is a levy implementation board that he chairs, which will cover the 'end to end' process including HMRC's interests, as well all of the digital design interests. One of the strands within this will be sector readiness.

3.10 Keith said that the sector will shortly receive further information on the levy setting out what employers can expect. This will be followed by draft funding rules plus a timeline on when indicative financials will go out to the sector.

Funding and Programmes

3.11 Kirsty Evans advised the Board that allocations have been issued to colleges and training providers for the 2016-17 operational year.

3.12 Kirsty said that there was reason to believe that there may be some growth in loans delivery because of policy changes (eg the expansion of the loans programme).

3.13 Whilst referring to the levy Martin Doel said the concept of a divided apprenticeships budget between 16-18 and 19+ would be difficult to sustain. The Advisory Board supported the notion of a single apprenticeship budget.

Intervention

3.14 Nick Rashley advised the Board that Peter Mucklow acts as Intervention Director for both the SFA and EFA, with team members working from both Agencies.

3.15 Nick highlighted that part of the restructuring facility was available as a transition grant. Guidance has been published, and its purpose is to aid the implementation of structural change from Area Reviews, and to support the development of restructuring activities.

3.16 The approach to risk assessment between both EFA and SFA is being aligned.

3.17 Area Reviews are due to complete by March 2017.

Operations

3.18 Sarah Whitehead reported that the 15/16 accounts are on track, with no major issues raised by the NAO in the interim audit. The accounts are due to be signed off at the Audit and Risk Committee on 18 May.

3.19 Sarah said that the SFA had a small underspend in the 15/16, partly driven by changes in the policy landscape, and college underperformance.

3.20 Following a discussion at the Performance, Finance and Risk Committee in BIS she said that there was a shared understanding between BIS and the SFA as to the reasons for the underspend

3.21 Martin Doel reminded colleagues of the importance of minuting meetings between Treasury, the Skills Funding Agency and BIS to ensure that robust audit trails of evidence are in place, should they be required.

Performance and Risk Report

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

Draft minutes of the Audit and Risk Committee

3.23 The draft minutes of the Audit and Risk Committee were circulated for information.

3.24 Alex Doyle and Louise Butler (clerk to the Audit and Risk Committee) will be considering the schedule of future meetings of both Boards, ensuring they are properly sequenced to allow time for an Audit and Risk summary to be received by the Advisory Board after each meeting.

3.25 Mark Farrar briefly summarised the topics that were discussed, including the Change programme, staff morale, Area Reviews and the levy.

3.26 The Advisory Board were informed that the NAO led a workshop on the effectiveness of the Audit and Risk Committee at the last meeting, and as a result of that SFA colleagues will be revisiting how the Audit and Risk Committee operates, including how it reports and the documentation it receives.

4 College resilience and sector financial health

4.1 Mark Farrar invited Nick Rashley to deliver a presentation on college resilience and sector's financial health.

4.2 Nick highlighted key points from the paper. He said that overall income levels for the college sector are down and that this sets the context for the Area Reviews.

4.3 In highlighting trends in financial health, Nick said that within the satisfactory category there has been an increase in colleges moving towards the weaker end of satisfactory.

4.4 Mark Farrar expressed concerns about the sector's financial health, particularly within the context of devolved adult budgets as well as the introduction of the levy.

4.5 Nick spoke about the 16-18 demographic, and that there is a significant dip in the number of 16-18 year olds which continues for the next three years. This is putting pressure on the level of funding and is one of the reasons for the reduction in funding to the sector overall.

5 Transactions Unit

5.1 Mark Farrar invited Matt Atkinson to deliver an update on the purpose and structure of the Transaction Unit.

5.2 Matt set the scene by saying that once the Area Review concludes it makes a number of recommendations. An application for money is made to the Transactions Unit. The Transactions Unit reviews their application and determines whether the application is good value for money.

5.3 The Unit will review the financial proposals and make sure that the skills are in place in institutions to deliver the proposals. Matt said that a good restructuring application will require two things – a good forecast, followed by a sound implementation plan.

5.4 Matt said that on the whole the sector lacks the necessary mergers and acquisition skills that are required, and that excellent financial forecasting is not consistent throughout the sector.

5.5 Matt said that the current focus for the Transactions Unit is on recruitment and resourcing, and how the Unit will operate.

5.6 Martin Doel said that a key role for AoC will be to explain and advise colleges on how to put a good case together that is most likely to correspond with the requirements of the restructuring facility.

5.7 Matt concluded by advising that his team will be in place very soon. By the beginning of May three restructuring directors will be in post who will be able to deal with case work.

6 SFA structure

6.1 Helen Knee tabled a short presentation on the new organisational structure.

6.2 She said that the restructure is about simplification, efficiencies and closer working with EFA and other agencies.

6.3 A voluntary exit exercise has been undertaken by the Agency and as a result approximately 200 people are leaving the organisation, the majority of whom will have left by 29 April.

6.4 In addition, the Agency's estates strategy has resulted in the agreed closure of four offices. Chelmsford, Fareham, Chatham and Cambridge will be closed by the end of this year.

6.5 The exercise to populate the new structure is now underway.

6.6 The aim is that the structure will be in place by the end of May.

6.7 The Agency has taken the opportunity of the Change programme to carry out role assessments in order to have roles at Civil Service grades. These will come into effect with the pay remit in July 2016.

6.8 Mark Farrar spoke about the need to manage risk throughout this process and Helen said that the Agency has a dedicated Change Board to look at these matters.

6.9 Peter Lauener advised that the Performance and Risk report has highlighted the potential loss of skills and knowledge as a risk that is being managed.

7 Any other business

7.1 There was no other business and the meeting closed. The next meeting will be held on Tuesday 21 June.

Actions

1	Membership of the Advisory Board Peter Lauener said that it was now time to consider reconstituting the Advisory Board, and to put in place arrangements for the future	Action – Peter Lauener and Mark Farrar to discuss
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List of attendees at Skills Funding Agency Advisory Board Meeting
13 April 2016

Members:

Mark Farrar (Acting Chair)	Association of Accounting Technicians
Les Walton	EFA/Northern Education
Martin Doel	AOC
Ian Kinder	UKCES
Mark Dawe	AELP
Tim Ward	TSNLA

In Attendance:

Peter Lauener	Skills Funding Agency
Alex Doyle (clerk)	Skills Funding Agency
Helen Knee	Skills Funding Agency
Keith Smith	Skills Funding Agency
Kirsty Evans	Skills Funding Agency
Joe Billington	Skills Funding Agency
Marilyn East	BIS
Matt Atkinson	Skills Funding Agency
Nick Rashley	Education and Skills Funding Agency
Sarah Whitehead	Education and Skills Funding Agency

Apologies:

Sue Husband	SFA
Rachel Sandby-Thomas	BIS