

The Rt Hon Vince Cable MP

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Innovation & Skills

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FUNDING LETTER TO SKILLS FUNDING AGENCY: 2010-11

I am writing to set out the Coalition Government's ambitions and budget for the Skills Funding Agency in 2010-11. The most important goal is to help deliver a vibrant economy through empowering learners. The purpose of this letter is to confirm our direction of travel on skills, and the role I expect of you and the agency in supporting this. At the same time, it is critical that we all play a full and active part in reducing the burden of public debt and restoring financial health. This letter therefore also confirms the agency's contribution to the efficiency savings announced by the Chancellor on 24 May.

Ambitions and Goals

The Government recognises that skills are an essential part of creating an advanced and highly competitive economy, and our ambition is to be amongst the best countries in the world for the quality of skills supporting the economy, and for participation in lifelong learning. Skills enable people to be productive in creating high value goods and services, to deliver high quality public services and to achieve their potential in sustainable and rewarding jobs. We are therefore determined to raise skill levels and opportunities for lifelong learning amongst the whole population, built on a system that is driven by empowered and informed learners and which supports a strong employer voice, including through the design of apprenticeships and other qualifications.

As we come out of a recession, it is particularly important that young people are supported to gain the skills that will enable them to obtain sustainable employment and embark on rewarding careers. Skills and lifelong learning are also important in achieving our social aims of social mobility and social justice, and have their own intrinsic value; enriching people's lives and bringing personal fulfilment.

The learning and skills delivered by colleges and training organisations must be determined by the informed choices of learners and employers, assisted by a professional and impartial advice and guidance service that is available face to face, by telephone and online. Colleges and training organisations must be free to respond quickly and flexibly to these choices, offering a wide range of programmes including those which drive high-tech innovation and new enterprise, and programmes that support those who are at a disadvantage in the labour market because of a lack of relevant skills. The pressing need to reduce bureaucracy and deliver more efficient services at lower cost must be the theme of your work over the next year, freeing colleges and training organisations to be more responsive and simplifying entry into the system for learners and employers. The goal of achieving informed, empowered learners must be supported by rigorous accountability, including a requirement to publish good performance information; through the ability of employers to shape qualifications and delivery; and through the development of learning accounts, so that learners and employers become informed, empowered customers to whom providers must respond.

Thank you for the work you have undertaken over the past month on the Qualifications and Credit Framework and the way you have responded positively to address the issues raised with us by colleges and awarding bodies.

My key priorities for the Skills Funding Agency are:

- To support progression, and strengthen the supply of technician level skills, particularly through Level 3 apprenticeships; prioritising the vocational qualifications that are understood and valued by employers; and working with employers, the UKCES and SSCs on promoting greater employer engagement, and better utilisation of skills;
- Reduce the number of 18-24 year olds who are not in employment, education or training, by funding a wide range of routes into further and higher education, which better support young people to make a successful transition from education into productive work and fulfilling lives;
- Secure the provision of high quality training opportunities to help unemployed people get the skills needed for work-readiness, sustainable employment and progression in learning and work;
- Provide independent careers guidance to enable people to make better choices about their future;
- Develop a programme of Lifelong Learning Accounts to create informed and empowered learners, with a thirst for learning and new knowledge, who can seek out new and inspiring opportunities to improve their lives.

- Encourage an increasing number of people to participate in adult and community learning, both to re-engage those disenchanted by previous educational experience and act as an entry point for further learning and to offer people opportunities to enrich their lives through learning;
- Implement sector-based joint investment proposals in high-growth and dynamic areas of the economy and contribute to the development of a new growth and innovation fund.

Re-focusing of resources

In line with the recent commitment made by the Chancellor, the Skills Funding Agency should refocus £200m of Train to Gain funding to the following priority areas in 2010-11:-

- £150m to deliver 50,000 additional Apprenticeship places focussed on SMEs;
- £50m for capital investment in FE colleges.

The remaining funding available through Train to Gain in 2010-11 should support high quality work based training by companies of all sizes. Public funding must only be used to support high quality training which has real economic impact, leading to qualifications which are valued by employers.

This refocusing of funding is an initial step to redeploy available funds towards our priorities. In 2010/11 we look to those colleges and training organisations that have contracts covering both apprenticeships and Train to Gain to use their powers of virement to prioritise the expansion of apprenticeship programmes for those aged 19 and over. Where providers only have Train to Gain contracts, we look to them to offer work-based training which meets the objectives and priorities set out above. I look to these providers to work with the Skills Funding Agency and take a pragmatic approach to managing delivery across the financial and academic years, recognising the risk that if too much money is spent in the last term of the academic year any funding reductions in the 11-12 financial year will be harder to manage for the remainder of that financial year.

Depending on the outcomes of the spending review, we expect to pursue these goals further in future contracting rounds. These moves do not mean a focus on only one level or type of skill. We want colleges and training organisations to support employers in developing the full range of skills in their workforce, including through strengthening leadership and management skills and expanding high performance working practices.

Through Apprenticeships we must:

- (i) Develop a clear ladder of progression through the Apprenticeship brand;
- (ii) Give priority to disadvantaged groups; and
- (iii) Prioritise level 3 apprenticeships, but also provide access to more level 4 and level 5 qualifications, which support progression to Higher Education and recognise the value of practical learning.

The impact of these changes and the updated financial position for the Skills Funding Agency are set out in the attached table. An explanatory note of the changes since the Skills Investment Strategy published in November 2010 is also attached.

Freeing up the sector to respond

Colleges and training organisations have both the responsibility and the right to determine how to respond to employers' and learners' needs and priorities. In developing and implementing your systems, I expect the agency to take the lead role in ensuring that colleges and training organisations have greater freedom to innovate and excel, within a rigorous and transparent process of accountability through information on quality and performance. These flexibilities should not impact on the support colleges and training organisations provide for the unemployed or disadvantaged groups. For the academic year 2010/11, we have agreed that all colleges, except those with poor performance, will be able to move funding between their adult and employer responsive budgets. In addition, the current excessive bureaucracy caused by the requirement on colleges and training organisations to provide summary statements of activity will be removed. This latter change will also significantly reduce the level of performance monitoring required in respect of delivery against the employer responsive budget.

Securing early publication of clear, comparable and consistent information about the performance of colleges and training organisations is a vital tool to enable learners and employers to make well informed choices; and will be the primary accountability mechanism for driving up responsiveness and performance. This includes information about learner success rates, learner and employer satisfaction, and the destinations of those who leave learning. It is vital that this information should be made widely available and regularly updated. We expect the Agency to push forward with this work during the course of the year, and expect the first publication of data to take place in early autumn. Performance information will also continue to play an important part in a light touch, integrated quality assurance system which incorporates a proportionate approach to inspection and the use of minimum levels of performance as a tool to identify and address underperformance. Those who perform well can expect much less external scrutiny and intervention.

Colleges must also be able to demonstrate that they are meeting the needs of employers and learners, and how they are engaging with business and other partners, including through their collaborative work with other colleges, training organisations and universities to develop an offer which meets the needs of the community in which they work. I expect you to work with the sector to develop a light-touch way of ensuring that this can be assessed without too much intervention and with little bureaucracy.

My colleague, John Hayes, will be writing to college Principals and training organisation Chief Executives about our approach to providing new flexibilities. This is just a start and we want to go much further. I want you to look at what you can do now to remove the unnecessary bureaucracy around funding, monitoring, reporting and quality assurance which is holding back the sector from delivering what is needed locally. In undertaking this work, we want the agency to develop simple processes which safeguard quality and standards and rely more on the sector itself, through peer arrangements, to address poor performance.

Efficiency savings

To support the sector to deliver genuine efficiencies, we are allocating an additional £15m in 2010-11. I would like you to work with the Association of Colleges and the sector to deliver an innovative suite of shared service solutions. This is a fantastic opportunity for the sector and offers the potential for huge reductions in back office and procurement costs.

In addition, like the rest of the Department and all its agencies, the Skills Funding Agency will need to make further running cost efficiencies this year. I am expecting the Skills Funding Agency to find further efficiencies in 2010-11 consistent with the 11 per cent reduction in running costs we expect across the Department and all its agencies. We will finalise these with you shortly. The development of the Single Account Management System will be important and I look to you to accelerate the roll-out of the development work to help achieve efficiencies for the Agency as well as the sector. Future funding levels will be set by the Comprehensive Spending Review, and we will look to the Skills Funding Agency and the FE sector to play its part in continuing to improve efficiency and doing more for less.

Partnership working

I expect the Skills Funding Agency to be an exemplar in consulting with the sector, employers and learners and taking account of their views in devising and reshaping services and processes. This is critically important to the reputation of the Agency and I would like you to take personal responsibility for embedding a culture of consultation, engagement and clear action on the feedback you receive.

Conclusion

This is an important year for the sector and I expect it to play a critical part in driving up economic competitiveness. I want the Agency to give the sector freedom to innovate and deliver what is actually needed by employers and learners, while challenging bureaucracy wherever it appears. I believe the Skills Funding Agency is well equipped to help the Coalition Government deliver a new sense of freedom, fairness and responsibility to our employers, learners, colleges and training organisations.

A handwritten signature in blue ink, consisting of a long horizontal stroke followed by a large, stylized loop that ends in a small flourish.

VINCENT CABLE

SKILLS FUNDING AGENCY 2010-11 BUDGET

	Budget Line	2010-11 £000s
1	Adult Learner Responsive	1,799,379
	Employer Responsive Total	1,305,881
2	Adult Apprenticeships	548,410
3	Work Place Learning	757,471
	Adult Safeguarded Learning	210,000
	Offender Learning & Skills Service	146,113
	TOTAL PARTICIPATION	3,461,373
	Learner Support	155,998
4	FE Development, Capacity and Quality	228,503
5	Total Capital Grants	558,650
6	Total Administration	103,546
7	GRAND TOTAL	4,508,070

Explanatory Notes to Budget Table

1. £10m has been transferred from the Department for Education to Adult Learner Responsive for the Family Learning Impact Fund since the Skills Investment Strategy was published. From April 2010 Local Authorities have been legally responsible for 19-25 year olds that are subject to a learning difficulty assessment. A proportion of this budget will therefore be transferred to DCSF during 2010-11 to take account of this responsibility.
2. Includes £150m reprioritisation from the Train to Gain Budget announced by the Chancellor on 24 May 2010, as part of the BIS contribution to the 2010-11 additional Government savings in 2010-11.
3. Includes reductions of £200m reprioritised into Apprenticeships and FE Capital investment as announced by the Chancellor as part of the £6.2bn additional savings in 2010-11. £29.6m has been transferred from Train to Gain to the Regional Development Agencies to support the brokerage service.
4. £28.4m has been transferred to other FE bodies following a reorganisation of responsibilities on Research and Information Learning Technology. This does not reduce the resource available for the FE sector. An additional £15m has been made available to support projects to raise efficiency and value for money through shared services and collaborative procurement, announced as part of Budget 2010.
5. Includes £50m reprioritisation from the Train to Gain Budget, see note 2. £19.5m has been transferred to another FE body following a reorganisation of responsibilities on Information Learning Technology. This does not reduce the resource available for the FE sector.
6. The Agency administration budget as set out in the Skills Investment Strategy excluded depreciation and other non-cash costs. The figure above includes all elements of the budget and includes a £10m efficiency saving. To support the BIS contribution to the £6.2bn efficiency savings in 2010-11 announced by the Chancellor on the 24 May 2010, the Skills Funding Agency will need to find the equivalent of 11% of the total Administration budget in additional savings.
7. These figures include End Year Flexibility which are yet to be confirmed, including further transfers relating to the additional training places for the Young Person's Guarantee announced in the 2009 Pre-Budget Report.