



Department for Business Innovation & Skills

Department for Business Innovation &
Skills
1 Victoria Street
London
SW1H 0ET

Keith Smith
Interim Chief Executive of Skills Funding
Skills Funding Agency
Cheylesmore House
Quinton Road
Coventry
CV1 2WT

T +44 (0) 20 7215 5000
E enquiries@bis.gov.uk

www.bis.gov.uk

27 October 2014

Dear Keith Smith,

SKILLS FUNDING AGENCY (THE AGENCY) – PRIORITIES AND FUNDING FOR 2014 to 2015 FINANCIAL YEAR

This letter sets out my priorities for the Agency over the 2014 to 2015 financial year. I have expanded upon the priorities that were included in the Skills Funding Statement 2013-16 published in February 2014 and the FE College Capital Investment Strategy published in December 2012.

On 28 March 2013, BIS notified the Agency of the proposed budget for 2014-15. This letter confirms that in the 2014 to 2015 financial year, the Agency will receive BIS funding of £3,445.7m (including admin costs of £81.7m). Full details are at Annex 1. As Interim Accounting Officer for the Agency you will personally be responsible for the whole of the Agency's budget, allocating funds efficiently and effectively in support of the priorities set out in the Skills Funding Statement 2013-16 and in ensuring the budget is managed within the agreed tolerance level of a less than 1% under-spend. Reducing costs and delivering efficiency savings remains important.

In reforming the skills system and delivering on *Rigour and Responsiveness in Skills*, published jointly by the Department for Business, Innovation and Skills (BIS) and the Department for Education (DfE) in April 2013, Government's priorities include Apprenticeships as a core offer to all young adults; providing Traineeships that will improve young people's chances of gaining sustainable employment; English and maths for those who need them; and provision for other learners within the constraints of the Single Adult Budget. We will need to work closely together to consider how we can increase the accountability of providers in delivering positive outcomes across all learning provision. This is especially important in respect of pre-employment training and in our offer on English and maths.

The 2013 to 2014 academic year was a year of change for the Agency as the final phase of a major restructuring and down-sizing exercise was concluded. This coincided with the Deregulation Bill currently progressing through Parliament, implementing the 2011 review of the statutory post of Chief Executive. We are estimating that the Deregulation Bill will complete its passage through Parliament in early 2015, when the Agency will formally become a conventional Executive Agency of BIS which will strengthen the close working arrangements that already exist. The 2014 to 2015 academic year will be a year of consolidation. In order to help bring further stability to the Agency, following this last period of change, we are in the process of appointing a permanent Chief Executive to the Agency and until that time you will have a key role to play in continuing to provide effective leadership and direction and in keeping

Ministers updated on the capacity and capability of the Agency in delivering on its priorities and if necessary taking any remedial action.

Apprenticeships

Apprenticeships remain the Government's top priority – both the successful delivery of Apprenticeships in the current system and the implementation of the Government's programme of reforms. The Agency has a key role to play in supporting BIS in driving the delivery of Apprenticeships.

The Agency should continue to provide a single interface with providers and employers on contracting for Apprenticeships across the age range. This will involve the Agency working closely with the Education Funding Agency (EFA) to secure an effective joined-up approach to all elements of 16-18 and adult Apprenticeships. The Agency should continue to focus on driving up quality and standards within the current programme and on maintaining the volume of Apprenticeships, with a particular focus on 16-24 year olds, Advanced and Higher Apprenticeships (where there is a specific target to deliver 20,000 Higher Apprenticeships from 2013/14 and 2014/15), priority sectors and small businesses (including through successful delivery of the AGE grant).

The National Apprenticeship Service needs to continue its effective operation as a single service to learners, providers and employers. This will need to be underpinned by highly effective information and communications about Apprenticeships to individuals, schools, parents and employers and by an improved website and online Apprenticeship Vacancies in line with the Government's Digital by Default agenda.

I am asking the Agency to fully support the development and delivery of the Government's reform of Apprenticeships. This will include supporting the Trailblazer groups of employers designing new Apprenticeship standards, working together with BIS to develop and agree how funding reforms will be delivered and supporting the delivery of Apprenticeship assessment, including establishing and maintaining a new list of approved assessment organisations. We will need to work closely together on the development and implementation of a programme of work on provider readiness for Apprenticeship reform.

The Agency has a key role to play in supporting the development of an "Employer Routed Funding" system and this needs to continue to prepare the ground for a system in which is genuinely employer led. This includes making essential investment decisions in this financial year to support necessary early system development. We are consulting at present on different ways to achieve 'Employer Routed Funding' and any Agency investment will need to support the full range of possible approaches to routing funding to employers.

Traineeships

The Agency has a central role in increasing the delivery of high quality Traineeships. This role includes the implementation of government policy, supporting the take-up of the programme and managing the funding within the allocated budget. Alongside implementation of the policy as it develops, the Agency should continue to lead on engagement for the programme, ensuring that providers, employers and learners are well-informed of the offer and using its links with major employers to promote Traineeships and secure their active support and engagement. The Agency will have a critical role in supporting measurement of outcomes from the programme and the monitoring of provider performance against these outcomes, including taking action to combat poor performance where necessary.

Employer Ownership

I would like the Agency to continue its role in the delivery of selective financial assistance to business through the Employer Ownership Pilot and "calls" to the Employer Ownership Fund. Specifically, by providing expert support to BIS in determining requirements for the appraisal, grant agreement and monitoring processes. The Agency will also supply, manage and maintain the application and appraisal platform for Employer Ownership calls, based on the quality specifications determined by BIS. The Agency should undertake the ongoing administration, monitoring, performance management and payment of grants made under Employer Ownership. We will need to work together on stakeholder engagement ensuring that providers, employers and learners are well-informed of the offer and using its links with major employers to secure their active support and engagement.

24+ Advanced Learning Loans

Following the successful launch and 1st year of delivery of 24+ Advanced Learning Loans we now face the task of achieving considerable growth in the levels of take up (even before we take forward plans to expand loan funding by age / level subject to the outcome of the current consultation). The budget for loans (£398m in 2014-15; £498m in 2015/16) is significantly higher than in the first year. The Agency will continue to be responsible for the management of this budget, ensuring that providers have access to loans facilities that are robustly performance managed. Providers with facilities should be encouraged to grow their loan funded provision and new providers should be brought into the market provided that they are of good quality. The Memorandum of Understanding between BIS, the Agency and the Student Loans Company will remain in place.

Qualifications Reform

I look to the Agency to continue to lead on aspects of the Vocational Qualifications Reform plan by effectively implementing changes to business rules to streamline and strengthen the publicly funded offer; and working with the UK Commission for Employment and Skills and Ofqual to improve access to information about qualifications to learners and employers to enable them to make effective choices.

FE Data

The Agency is the primary body that collects and manages the FE data systems. The Agency will continue to co-chair the joint Data Board, to support BIS Data Strategy and needs. The Agency will continue to collect robust data from providers and other stakeholders, incorporating the policy changes which may require data to come from organisations other than providers. Further, the data will need to be managed such that it is available to monitor and manage policy delivery in the Agency and BIS, as well as be used to analyse and evaluate policy performance and produce reliable public statistics. Key to this will be the increased access to data, by policy-makers and analysts within the Agency and BIS in a manner that is useful to them. The Agency will continue to support the Open Data agenda and continue to make as much of our data available to third parties as possible, subject to the appropriate privacy and security restrictions.

National Careers Service

The Agency should continue its role in improving the quality of careers information, advice and guidance by offering a high quality priority local face-to-face service to unemployed adults and those with greatest need, as well as telephone and web services for all ages. In addition the Agency should continue to build public awareness of the National Careers Service offer. By the end of 2014 to 15, I would like to see the National Careers Service delivering quantifiably better value for money, a high quality digital offer for teachers and employers, and to be seen as leaders in promoting the inspiration approach in schools and colleges in all regions.

Further Education Learning Technology Action Group (FELTAG) and Education Technology Action Group (ETAG)

The Agency should deliver on its commitments set out in the Government's response to the Further Education Learning Technology Action Group (FELTAG) of June 2014, to revise areas of its business that pertain to the use of online and digital learning, including those that relate to modifying funding methodologies. The Agency should play a constructive role in discussions in those domains that are of relevance within the newly-created, cross-sector Education Technology Action Group (ETAG).

College Structural Changes

The Agency should support colleges considering structural change to do so in accordance with the guidance issued on Structure and Prospects Appraisals, ensuring wide and transparent consultation, and open and competitive processes to secure new provision or partners. In the case of failing colleges, the appraisal will be led by the FE Commissioner with support from advisers and the Agency and BIS.

Raising Standards and Intervention

The Agency should continue to build on the good work already undertaken to ensure it has robust, timely and transparent processes to identify, monitor and where appropriate, take intervention action against providers at the risk of quality and/or financial health failure. The Agency should support work to

strengthen accountability of colleges and other providers through a more robust set of outcome focused success measures, including supporting the underlying data requirements.

In the case of FE colleges, designated institutions and local authority maintained FE institutions where performance is inadequate the FE Commissioner, supported by FE Advisers, will lead intervention action. The Agency should continue supporting the work of the FE Commissioner, working closely with BIS, EFA and Ofsted to ensure these interventions go smoothly and enable the FE Commissioner to fulfil his function and report effectively to Ministers and the Chief Executives of the funding agencies. In the case of intervention in Sixth Form Colleges, the Agency will support the EFA, as the lead body, in consultation with BIS, DfE and the FE Commissioner in reporting to Ministers.

The Agency should use its influence to encourage colleges and providers to take advantage of services offered by the Education and Training Foundation (ETF), to raise the standards of leadership, governance and teaching across the sector, especially in respect of Maths and English, and through improved employer engagement in delivery of vocational education.

Skills and the Local Economy

It is crucial that skills provision supports local economic development and the geographical rebalancing of the economy. It is for this reason that skills capital funding for supporting the skills infrastructure at the local level has been devolved to the 39 Local Enterprise Partnerships (LEPs), with £330m of capital in the Local Growth Fund (LGF) ring-fenced to skills provision in both 2015-16 and 2016-17. The LEPs will take their own views of what will most effectively support local economic objectives, but the Agency brings expertise to bear in the assessment and delivery of capital programmes. The Agency should continue to support the three LEP Funding Incentive Pilots I announced last year which are due to begin the academic year 2014 to 2015, linking skills funding to local skills needs as identified by LEPs. The Agency should continue to work on the three pilot schemes to create formal LEP influence over Agency allocations; to take forward the agreements in the City Deals; and to work with LEPs on any freedoms and flexibilities agreed as part of the overall LGF outcome.

Administration and Accountability

The Agency's administration budget for 2014 to 2015 financial year is £81.7m. The Agency has made excellent progress in delivering the savings expected of it, and should continue to explore ways of securing further efficiencies.

I know that as part of your reform programme there will be a review of the Agency's pay and reward. I ask you to work closely with BIS officials to agree a strategy for bringing the Agency more in line with BIS pay policy.

BICC Administration

You will also be the Accounting Officer for the BICC administration budget which is £1m. This will be held and reported separately from the Agency's main administration budget and will be ring-fenced. Any underspends arising in this budget should be returned to the Department. BICC manage three key products: the Enterprise Performance Management system including future developments on behalf of the BIS family, the Universal Chart Of Accounts on behalf of the BIS family, and the Admin Reporting Tool on behalf of Core BIS. You will be accountable to Charu Gorasia, BIS Finance Director for the BICC Administration expenditure.

Reporting to BIS

I encourage the Agency to continue to develop your new performance and risk reporting system. This includes continuing to provide periodic, timely and robust information to BIS on performance, risk and finance.

Accurate forecasting is key in effective financial management and I continue to look to you to deliver an under-spend of less than 1% against your mid-year (end September – quarter 2) forecasts to meet Ministerial expectations. Based on quarter 2 forecasts your budgets allocations will be revised and these revised allocations will be used to monitor delivery of the less than 1% under-spend forecasting target.

Your regular engagement with the BIS Minister and the BIS Sponsorship Team will provide opportunities for updates on progress on delivering against the Agency's Business Plan for 2014-15.

I look forward to continuing to work with you and the staff of the Agency.

A handwritten signature in black ink, appearing to read 'V. Cable', written in a cursive style.

Vince Cable
Secretary of State for Business, Innovation and Skills

Annex 1 – Programme and Administration Budgets

Skills Funding Agency - Programme and Administration Budgets 2014-15 and 2015-16 (indicative)

Budget Line		2014-15	2015-16 (Indicative)
		(£000s)	(£000s)
Notes:			
1	Adult Skills Budget	2,240,415	2,024,547
2	Employer Ownership	69,600	81,500
3	Offender Learning & Skills Service	145,274	145,274
	Community Learning	210,747	210,747
	Total: Teaching and Learning	2,666,036	2,462,068
	Learner Support	178,842	174,342
	National Careers Service	95,573	90,878
	Total: Learner Support	274,415	265,220
	Skills Infrastructure	50,732	23,675
4	Capital Grants	372,857	40,000
	Administration budget (exc Depreciation)	81,659	
	TOTAL BIS FUNDED SKILLS FUNDING AGENCY	3,445,699	2,790,963
	Business Insight Competency Centre (BICC) Administration	1,000	
5	24+ Advanced Learning Loans	398,000	498,000
6	European Social Fund	173,000	170,000

Notes:

- Includes £39m in 2014-15 (£10m for HE within Higher Apprenticeships and £29m Apprenticeship Grants for Employers) and £40m in 2015-16 (£10m for HE within Higher Apprenticeships and £30m Apprenticeship Grants for Employers).
- £81.5m for 2015-16 is the Skills Funding Agency share of the £100m Fund.
- 2014-15 includes £14m and 2015-16 includes £16m from Ministry of Justice for National Careers Service in custody.
- Funding is granted to the Skills Funding Agency by BIS in 2014-15. In 2015-16, £330m will go in to the Local Growth Fund for LEPs to submit bids.
- Funding is granted by the SLC for payment to providers. The Skills Funding Agency will be working to manage the budget.
- Funding is granted to the Skills Funding Agency by DWP and in 2015-16 will be available for LEPs to bid in to as part of the Local Growth Fund.