



Date Tuesday 21 June 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, particularly John Dodds who was representing Jae Samant. Apologies were noted from Keith Smith, Mark Dawe and Tim Ward.

Declarations of interest

1.2 There were no new declarations of interest.

Minutes from last meeting

2.1 The minutes of the last meeting were agreed and will be published on the Skills Funding Agency's website.

Actions

2.2 There was one open action {action 29} which was for Peter Lauener and Mark Farrar to discuss reconstituting the Advisory Board. Peter advised that this would be covered later.

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 acknowledging that it remains a challenging time for the organisation following the current change programme. A voluntary exit scheme has resulted in approximately 200 people leaving the organisation.

3.3 Peter noted the role grading exercise which he recognised had been difficult, but said that this had been the right thing to do, particularly given that the nature of the SFA's work has changed over the last few years.

3.4 Peter was pleased that the SFA had not had to pursue a compulsory redundancy exercise, and he advised the Board that as a result of the current change programme, a number of staff had been able to apply for promotional opportunities.

3.5 Peter noted that he would shortly be undertaking a series of SFA roadshows and will use this as an opportunity to take the temperature of the organisation. He is also keen to talk to staff about some of the longer term issues and challenges.

3.6 In response to a question about whether there was any short term risk to delivery associated with the mood of the organisation, Peter said he did not consider this to be an issue however he expressed concern about a number of key vacancies, but these were being addressed.

3.7 Martin Doel said that he had some concerns relating to the apprenticeships levy, particularly with the potential increase in the number of direct contracts where he suggested that staff might need new, different skillsets to be able to manage this effectively.

3.8 Sue Husband reassured the Advisory Board that EMT are conscious of the required future shape of the organisation, and Kirsty Evans will be chairing a new People Board, which will initially focus on organisational capability.

3.9 Kirsty Evans said that EMT recognised that the Skills Funding Agency needed a sharper, more flexible resourcing strategy. The People Board will be a vehicle by which staff will be given the capability to adapt and learn new skills.

3.10 Helen Knee advised that the Annual Report is due for publication on 30 June.

3.11 Peter Lauener advised that no decision relating to a merger between EFA and SFA will be taken before Spring 2017.

Apprenticeship and Delivery Services

3.12 Sue Husband advised Board members that she has spent time recently with Rachel Sandby-Thomas and Nicola Bolton, helping to shape the work of the new Institute for Apprenticeships. She said that it would be important for the Skills Funding Agency to have a good relationship with the Institute for Apprenticeships.

3.13 The majority of Sue's time has been spent driving up engagement with businesses. This will be covered in more detail later in the meeting.

3.14 Les Walton said it was important to remember small businesses. Sue said that the Skills Funding Agency recognises that they are key to apprenticeship growth and Nadhim Zahawi MP is leading this piece of work in this area. He has written to a number of organisations, such as trade bodies, challenging them to

use their communication channels with members to communicate the opportunities for apprenticeships.

3.15 When asked by Mark Farrar whether the 3 million apprenticeship target is likely to be met, Sue said she was confident that the Skills Funding Agency was on track to deliver their aspects and agreed to provide an update on the growth trajectory at the next meeting. **Action – Sue Husband**

3.16 It was noted that the Sainsbury Report will be published after the referendum.

Funding and Programmes

3.17 Kirsty Evans began by highlighting that, in spite of the organisation going through some big changes, staff have been very committed to delivering the huge programme of work to adapt systems, and put in place the necessary processes to ensure the successful operation of the levy based apprenticeship system from April 2017.

3.18 A key milestone is the development of the Target Operating Model for how the levy system will operate in the first year.

3.19 The first meeting of the Fraud Risk Scrutiny group took place on 20 June. The group will consider appropriate safeguards.

3.20 Kirsty also highlighted a piece of work that the Skills Funding Agency has led, in conjunction with BIS, looking at options for allocating the adult education budget to localities. These will now be considered by the Minister.

Intervention

3.21 Peter Mucklow highlighted that the Area Review programme is now at its halfway point. 22 Area Reviews have been started, with 10 completed. The reports have not been published yet. Following publication, Peter said he expected the scrutiny to move away from process and onto outcomes.

3.22 Some of the more intractable college cases are likely to require structural change solutions and it is expected that there will be a number of mergers.

3.23 Peter said that the two objectives to the Area Review process were to ensure that provision meets the needs of the local area, as well as examining the financial sustainability of institutions.

Transactions Unit

3.24 Matt Atkinson explained that his team are working on procedural issues, recruiting the team, and ensuring that the appropriate legal advice is in place.

3.25 He said that a funding committee has been established. This will be the main decision body but will also be the first test of the Transaction Unit's assessment of a case.

3.26 HMT are involved at each stage of the process.

3.27 Matt also advised that the Transactions Unit has met with the external advisory panel, and they will act as a commercial check on the Transactions Unit's work.

3.28 Matt said that he was working closely with Helen Knee on communications.

Update from the recent ARC meeting

3.29 The Audit and Risk Committee's annual report, and the update paper from the last Audit and Risk Committee meeting were noted.

College resilience and sector financial health

4.1 Jacqui Smillie began by advising the Advisory Board that the next health assessment of financial forecasts is due in July.

4.2 Jacqui said that it was important that her team challenged assumptions being made by colleges in their recovery plans.

4.3 Changes have been made to the assessments that are carried out and this is to better reflect a commercial focus.

4.4 Mark Farrar noted that the mid-year update appeared to be showing a small deterioration towards inadequate/satisfactory. Jacqui said that she would be able to update the Board on the position at the next meeting. **Action – Jacqui Smillie**

4.5 Martin Doel said that as well as there being incentives for providers to be optimistic in their financial forecasting, some of the penalties associated with inadequate financial health had sometimes affected provider behaviour.

4.6 Ian Kinder said that the degree of scrutiny from governing bodies was not always as robust as it should be, and Peter Mucklow said that Peter Lauener had recently written to governing bodies making it clear that they must test underlying business assumptions before signing off financial plans.

4.7 Les Walton commented that the word 'inadequate' could lead to defensiveness; he said the language doesn't motivate anyone.

4.8 Les also said that by judging an organisation purely on profit, an incomplete picture might be formed. He asked if, when financial health is evaluated, is investment in development evaluated too. Jacqui Smillie responded that the Skills

Funding Agency is trying to broaden what it looks at to give it a more rounded picture of colleges as a whole.

4.9 Les said that in his opinion some auditors lack sufficient understanding of the future requirements of the colleges that they are auditing. Jacqui said that her team has held seminars with some audit firms to help deliver some key messages.

Provider readiness for the Digital Apprenticeship Service

5.1 Kirsty Evans said that part of the work the Skills Funding Agency is doing around the levy is to ready providers for the changes. BIS are leading an equivalent strand of work on employer readiness.

5.2 Finding effective ways to engage the sector so that they understand the new system and the changes required of them to engage in that system, is something that the Skills Funding Agency is working on.

5.3 To help in this work, the Skills Funding Agency has set up a Provider Reference Group, which will be chaired by David Marsh of British Gas.

5.4 Kirsty said that she expected a lot of activity to begin following the publication of a number of key documents. This includes the draft funding rules and rates for apprenticeships; the strategy and approach to creating a Register of Apprentice Training Organisations; something specific around employer providers; and further detail on the Digital Apprenticeship Service.

5.5 Les Walton referred to the Terms of Reference for the Provider Reference Group, and suggested that the number of representatives on it might make it difficult to come to consensus on various topics.

5.6 Kirsty explained that the Group had been deliberately set up like this to be representative of all the people with an interest in the apprenticeships space. She expected a number of Task and Finish groups to be set up to look at specific issues.

Engagement with businesses

6.1 Sue Husband began by advising the Board that current activity is continuing as normal, and that the employer segmentation work is running alongside normal processes.

6.2 The National Apprenticeship Service (NAS) has traditionally engaged with large employers, encouraging them to become involved in the apprenticeship programme.

6.3 NAS has always had a small business team dealing with enquiries from small to medium businesses, and the team will now support them with levy queries.

6.4 The paper she presented to the Board examines how the NAS could work differently. She said that ten pieces of research have been undertaken, and she will share the outcomes of the research with the Advisory Board when they are available. **Action – Sue Husband**

6.5 Sue said that it was necessary to focus the NAS's efforts with those organisations who have the most potential for growth.

6.6 She also said that the role of NAS would be to help businesses spend their levy wisely.

6.7 The research has helped Sue and her team look at all organisations and help categorise them accordingly, thereby enabling the team to target their efforts in the most efficient way.

6.8 Sue said that she would update the Board on the work that her team have been doing around intermediaries at the next meeting. **Action – Sue Husband**

Any other business

Advisory Board recruitment

7.1 A submission has been prepared for the Minister to begin the public appointment process for a new Chair of the Advisory Board. It is hoped that the process for this will begin in July, followed by a staggered approach for the recruitment of additional Advisory Board members.

7.2 Helen Knee will keep the Board informed throughout this process. **Action – Helen Knee**

7.3 Peter Lauener said that he wanted to use this process as an opportunity to recruit people with specific expertise in areas that are currently of importance to the Skills Funding Agency, such as expertise in Change processes, Digital, Technology and IT systems.

7.4 Les Walton said there should also be a strong focus on quality and management change.

7.5 Helen explained that the SFA is working closely with the BIS Sponsorship team to progress this.

7.6 There was no other business and the meeting closed. The next meeting will be held on 18 October.

Actions

1	<p>Mark Farrar asked Sue Husband if the 3m apprenticeship target will be met.</p> <p>Sue agreed to provide an update on the growth trajectory at the next meeting.</p>	<p>Sue Husband</p> <p><i>Sue will provide an update on 18 October</i></p> <p>CLOSE</p>
2	<p>College financial health</p> <p>Mark Farrar noted that the mid-year update appeared to be showing a small deterioration towards inadequate/satisfactory.</p> <p>Jacqui Smillie agreed to update the Board on the position at the next meeting.</p>	<p>Jacqui Smillie</p> <p><i>Jacqui will provide an update on 18 October</i></p> <p>CLOSE</p>
3	<p>Engagement with businesses</p> <p>A number of pieces of research have been undertaken.</p> <p>Sue agreed to share the outcomes of the research when available</p>	<p>Sue Husband</p> <p>OPEN AND ONGOING</p> <p><i>The output of these pieces of research will be shared over the next few meetings; intermediaries being the first, and on the agenda [see below]</i></p>
4	<p>Intermediaries</p> <p>Sue said that she would update the Board on the work that her team have been doing around intermediaries at the next meeting.</p>	<p>Sue Husband</p> <p><i>Item on the agenda for 18 October – to be presented by Joe Billington</i></p> <p>CLOSE</p>
5	<p>Advisory Board recruitment</p> <p>Helen will keep the Board informed of the recruitment process.</p>	<p>Helen Knee</p> <p>OPEN - ONGOING</p>

List of attendees at Skills Funding Agency Advisory Board Meeting
21 June 2016

Members:

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

In Attendance:

Peter Lauener	Skills Funding Agency
Alex Doyle (clerk)	Skills Funding Agency
Helen Knee	Skills Funding Agency
Jacqui Smillie	Education and Skills Funding Agency
Kirsty Evans	Skills Funding Agency
Matt Atkinson	Skills Funding Agency
Peter Mucklow	Education and Skills Funding Agency
John Dodds	BIS

Apologies:

Mark Dawe	AELP
Tim Ward	TSNLA
Jaee Samant	BIS
Keith Smith	Skills Funding Agency
Sarah Whitehead	Education and Skills Funding Agency