



Date Tuesday 18 October 2016
Subject Skills Funding Agency Advisory Board

1 Welcome and Introductions

1.1 Mark Farrar, interim Chair of the Advisory Board, welcomed Board members to the meeting. Apologies were noted from Matt Atkinson, Sarah Whitehead, Ian Kinder and Nigel Johnson.

Declarations of interest

1.2 There were no new declarations of interest.

2 Minutes

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

Actions

2.2 The actions from the last meeting were reviewed, and several will be covered during the meeting. Helen Knee advised that for action point 34 (advisory board recruitment), there was no further update.

3 Machinery of Government

3.1 Before updating the Board on Machinery of Government (MOG) changes, Peter Lauener advised colleagues that John Dodds, the Department's stakeholder representative for the Advisory Board, had recently died. Peter paid tribute to John, and said that he had performed the role of sponsor in a very capable and professional way. The Board noted the news of his death with sadness.

3.2 Peter Lauener reminded the Board that since the last meeting, the Referendum had taken place and there were MoG changes to now work through. He said that FE, apprenticeships and HE, policy and delivery, had moved across to DfE as a result.

3.3 Peter said that a change programme, already underway in DfE, had now expanded to consider how the new larger Department will work. He said that the key issue affecting the Skills Funding Agency (SFA) is whether or not to merge the EFA and the SFA.

3.4 Peter said that since being appointed Chief Executive of both Agencies, he had joined up a number of practical activities, particularly in the area of Intervention, and also in the development of shared services across the two funding Agencies.

3.5 Peter said that he was working with Directors to join up governance for the two Agencies. He had joined the management teams together and was looking to do something similar with the Advisory Boards from December. The two audit committees would remain until the end of the financial year at the very least as there is a need to produce separate accounts.

3.6 Martin Doel expressed concerned about retention of FE expertise and said it would be important to retain staff with specific knowledge and expertise.

3.7 Les Walton spoke about the different cultures of SFA and EFA, and the need to ensure that the focus and expertise in relation to FE remained clearly identifiable.

3.8 Helen Knee said that Peter Mucklow had recently brought two teams together, working across SFA and EFA, so has some experience that the SFA can draw on.

3.9 Peter Mucklow said that whilst SFA staff have been through a period of change, it was important to be able to tell a positive story to staff; for example, the benefits of being part of a bigger organisation with more opportunities for career progression.

3.10 Martin Doel spoke about the risks of having a mis-shapen workforce as a result of voluntary exit schemes.

3.11 Peter Lauener said that whilst every part of Government has its challenges, none of the programme challenges within the SFA have been made more difficult as a result of MOG changes, although he acknowledged that the post Brexit process had caused some delay in decision making, as new Ministers become familiar with their new briefs.

4 Business priorities

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

Chief Executive's office

4.2 Helen Knee advised the Board that Cheylesmore House will have DfE connectivity in November which should allow for a smooth transition to the new IT systems.

4.3 Peter Lauener advised that the closure of a number of SFA offices will result in significant savings.

4.4 Martin Doel said it would be useful for the Advisory Board to receive a note at a future meeting on the types of complaints that the SFA receives in order to understand the nature of them. **Action: Helen Knee to produce a paper on complaints to the next Advisory Board meeting.**

Transactions Unit

4.5 Peter Mucklow advised the Board that the Area Review process is now at the half way point.

4.6 The update from the Transactions Unit detailed the pipeline of cases that have emerged from the Area Reviews alongside their recommendations.

4.7 Martin Doel said that there could be a risk that the delays in making allocations from the restructuring facility could lead to colleges concluding that it was not available for reasonable requests, and that this could delay or forestall the implementation of recommendations from area reviews, particularly where the recommendations did not enjoy universal support.

4.8 Keith Smith advised that the statutory duties are held by the Secretary of State and these will not be devolved to colleges.

Apprenticeships and Delivery Services

4.9 Sue Husband began by advising the Board that work is underway to strengthen the business case for apprenticeships. At the next meeting she said she would bring some analysis of the expected benefits from apprenticeships. **Action: Sue to provide benefits analysis for the December meeting.**

4.10 The key thing that Sue pointed out was the amount of work being undertaken to help people get ready for the forthcoming changes. This included running events for businesses, and segmenting them into levy and non-levy employers.

4.11 She said that her team is working with intermediaries; using them to connect with smaller businesses, who deliver half of all apprenticeship starts. Sue noted that each Government department has a clear plan in place to contribute to the 2.3% target.

4.12 Martin Doel expressed concern in relation to end point assessment (EPA) organisations; that if the market does not respond, will it need to be incentivised to do so.

4.13 Kirsty Evans advised the Board that the SFA has gone through a process of registering a number of organisations as EPA delivery bodies but that from a market perspective, more needed to be done.

4.14 Martin Doel said it would be useful to receive some further information about school contractors, for example the materials being presented to schools. Sue agreed to circulate some materials after the meeting. **Action – Sue to circulate some materials around school contractors.**

Funding and Programmes

4.15 Tim Ward referred to the paragraphs in the update report concerning AEB procurement. Given the scale of the task, he suggested that it needed to be included on the risk register and it was agreed that AEB procurement should be added to the next iteration. Kirsty advised that the timing of the procurement was fixed, and is a requirement of public contract regulations.

4.16 Mark Dawe said that AELP members were unhappy that this is a procurement exercise that anyone can bid into, and felt it was a process that was biased against them.

4.17 Peter Lauener confirmed that the SFA would not be within its 1% tolerance for this financial year, however the reasons for this are well understood, and reflect ministerial decisions not to allocate the full adult education budget in February 2016.

4.18 Keith Smith advised the Board that as a result of work within the SFA, the latest ESF error rates are down to less than 1%. This is the lowest of any co-commissioner in the country and is a real success story.

Performance and Risk report

4.19 The Board noted the contents of the Performance and Risk Overview for June to August 2016.

Audit and Risk Committee update report

4.20 The Board reviewed the update from the recent Audit and Risk Committee meeting.

4.21 Mark Farrar drew attention to a key point about financial tolerance. In future years, trying to land levy receipts within a 1% tolerance will be very difficult. Peter Lauener highlighted that some very good work has been undertaken on the financial management of the levy budget. Challenges remain, but Peter was clear that the SFA would not 'drift' into an overspend or underspend position.

4.22 Mark Dawe referred to the recent PAC hearing, specifically in relation to gender balance across different sectors. Peter Lauener said that whilst the

Committee has raised some important questions, no commitments were made, however he recognised that more work was needed in this area.

5 College financial health

5.1 Mark Farrar invited Jacqui Smillie to update the Board on college resilience and sector financial health.

5.2 She began by saying that whilst there hasn't been a significant decline, there has been no significant improvement either.

5.3 Moderation of college financial plans is currently underway, with Intervention teams reviewing overall messages. Additional information is being sought from some colleges.

5.4 'Weak satisfactory' has been an area of particular focus, and is broadly in line with last year's results. Intervention teams are looking to see if there are any emerging trends.

5.5 Jacqui said that there was still an element of unwarranted optimism in some plans.

5.6 Whilst the situation regarding overall health is not getting worse there are still a number of external risks that could impact on the sector, for example bank attitudes to lending and pension liabilities.

5.7 Letters confirming individual ratings will be sent to colleges in October 2016.

5.8 The next update report will contain more detailed analysis.

6 Working with Intermediaries

6.1 Mark Farrar invited Joe Billington to deliver a presentation on working with intermediaries.

6.2 Joe began by acknowledging that the SFA has a history of using intermediaries to access a wider network of employers.

6.3 Previously, intermediaries have directed audiences to the SFA, who have subsequently taken on the promotion/guidance role. This approach has now shifted, and the onus is on intermediaries themselves to provide the advice and guidance.

6.4 There has been a tendency in the past to work with a particular type of intermediary. Thought is now being given on how to engage more with professional advisers, such as lawyers, accountants and HR advisers. Apprenticeships needs to be recognised as being part of the landscape, and if

professional advice is being offered, the apprenticeship offer needs to be wrapped up within that.

6.5 In response to a question about how well this piece of work is being received by intermediaries, Joe cited examples of the Freight Association and Nuclear National Skills Academy, who have been very proactive so far, and have begun to develop their own materials.

6.6 Work is also underway with the national skills LEP network, but the success to date has been variable. Joe spoke of the aim to create a single relationship and model that works for all LEPs.

6.7 Tim Ward suggested that liP professionals would be a network to approach. Mark Dawe said that local provider networks appeared to have been overlooked. It was suggested that smaller organisations would utilise Trade Associations to receive advice on skills, but that in a larger organisation specific staff would be responsible. In many large organisations, heads of HR or financial directors are often the key influencers.

6.8 Joe emphasised to the Board that this piece of work is one strand of a much wider strategy around employer engagement. The strand of work targeting large employers, particularly levy payers, is much more driven by the SFA, with a number of staff focused particularly on this activity.

6.9 Martin Doel suggested that if there is any money available, a procurement exercise to Trade Associations on behalf of their members, to produce a central set of information, might be worth exploring, with the aim of making Trade Associations 'trusted agents'.

6.10 Mark Farrar thanked Joe for his presentation and invited Board members to contact him directly if they had any further thoughts.

7 Apprenticeship Funding Reform and Levy

7.1 Mark Farrar invited Keith Smith to update the Board on the latest funding reform developments.

7.2 Keith began by saying that he was very confident that all advice to Ministers has reflected what the SFA will be in a position to deliver.

7.3 He advised the Board that a decision on the Register process was imminent, and by the end of next week announcements would be made to the sector.

7.4 Mark Farrar identified that there appeared to be more work for HMRC to do in respect of their systems. Keith said that although the technology has been built and tested, HMRC will not deliver their system changes to collect the levy until

early next year, however there is an assurance regime in place, and this is being kept under constant review.

7.5 Peter Lauener said that the Digital Apprenticeship Service had entered live beta checking with real users, and this was encouraging. He said he was comforted by the fact that on 1 April 2017, most of the apprenticeships programme will still be delivered through existing contracts and that this will be a gradual switchover.

7.6 Keith expressed confidence that the system is one that employers can engage with, and during user research testing, the feedback has been that the system is simpler than had been expected.

7.7 Martin Doel questioned the predictability of funding and suggested that it would be helpful to understand the impact, if any, of those consequences and that a piece of work to look at this should be carried out at a later date.

8 Any other business

8.1 There was no other business and the meeting closed.

8.2 The next meeting will be held on 8 December.

Actions

1	<p>Complaints</p> <p>Martin Doel said it would be useful for the Advisory Board to receive a note at a future meeting on the types of complaints that the SFA receives in order to understand the nature of them.</p> <p>Helen Knee agreed to produce a paper on complaints to the next Advisory Board meeting.</p>	Helen Knee
2	<p>Benefits analysis</p> <p>Sue Husband advised the Board that work is underway to strengthen the business case for apprenticeships. She agreed to bring some analysis of the expected benefits from apprenticeships to the next meeting.</p>	Sue Husband
3	<p>Information, Advice and Guidance</p> <p>Martin Doel said it would useful to receive some further information about school contractors, for example the materials being presented to schools.</p> <p>Sue Husband agreed to circulate some material after the meeting.</p>	Sue Husband

List of attendees at Skills Funding Agency Advisory Board Meeting
18 October 2016

Members:

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

In Attendance:

Peter Lauener	Skills Funding Agency
Alex Doyle (clerk)	Skills Funding Agency
Elisabeth Cuthbertson	DfE
Helen Knee	Skills Funding Agency
Jacqui Smillie	Education and Skills Funding Agency
Joe Billington	Skills Funding Agency
Keith Smith	Skills Funding Agency
Kirsty Evans	Skills Funding Agency
Peter Mucklow	Education and Skills Funding Agency

Apologies:

Jennifer Coupland	DfE
Matt Atkinson	Skills Funding Agency
Nigel Johnson	
Sarah Whitehead	Education and Skills Funding Agency