

Skills Funding Agency

Skills Investment Strategy briefings for colleges and providers

David Hughes

8 December 2009

Welcome

- Purpose of this briefing:
 - overview of the Skills Funding Agency
 - joint work with Regional Development Agencies
 - strategic priorities: Skills Strategy, Apprenticeships and 16-18
 - Skills Investment Strategy
 - implementation and implications

Programme

- Programme for the day:
 - Morning focused on strategy and priorities
 - Afternoon focused on implications and operational implementation
 - Opportunities for questions and answers throughout the day

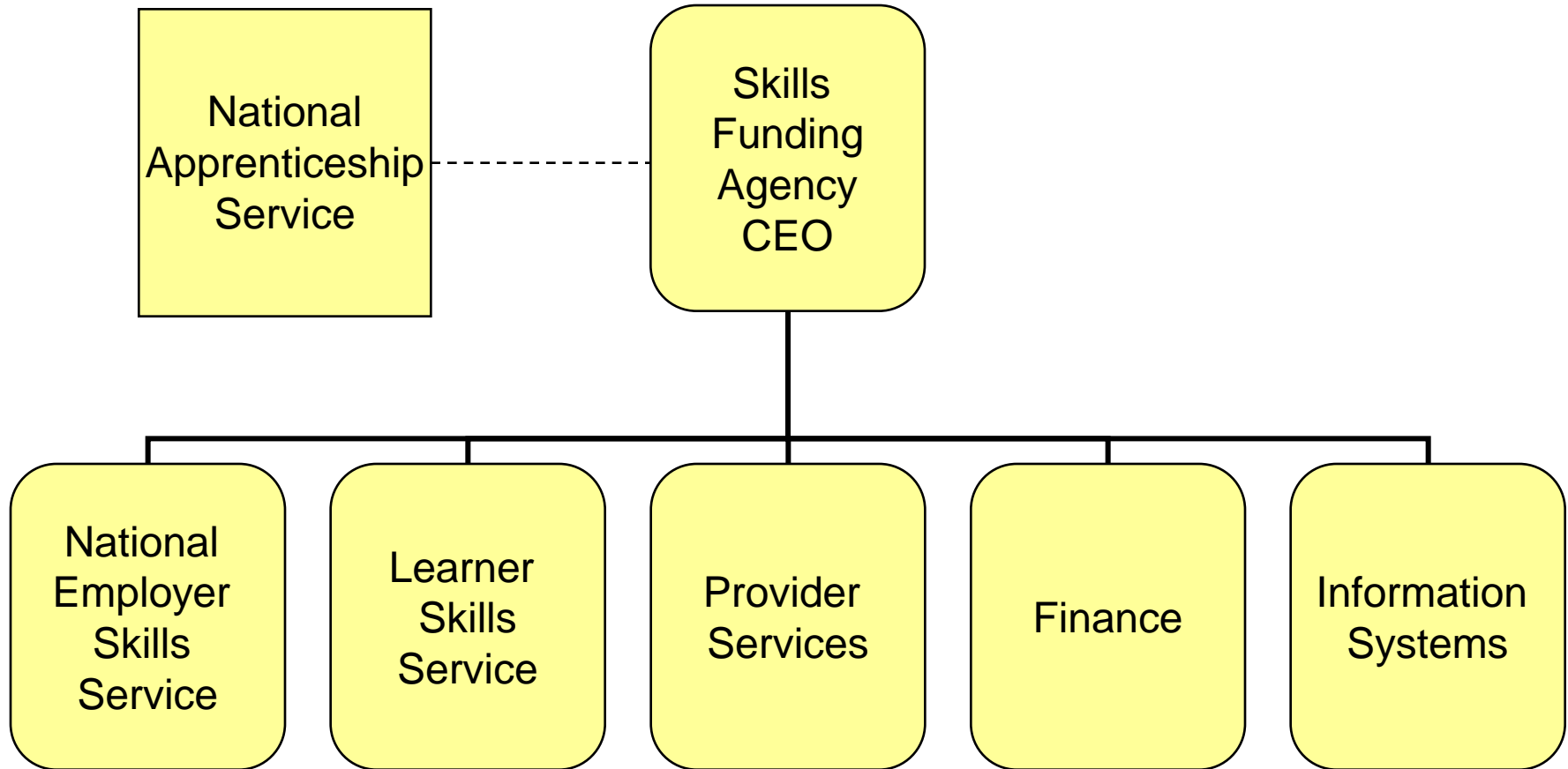
Skills Funding Agency

- Responsible for all Government/public funding in adult skills and learning (except higher education)
- Ensuring individuals and employers can access the skills they need to:
 - develop their career
 - grow their business
 - contribute to economic recovery

Skills Funding Agency

- Delivery organisation
 - large scale programmes delivered efficiently and consistently across the country
 - national organisation with the capacity to respond to regional priorities
- Simplification
 - Account management – single interface with each provider
 - Regional Councils and regional governance abolished
- Opportunities
 - skills central to economic recovery
 - more autonomy and responsibility for colleges and providers

Structure



Customers

- Help customers make best use of public funding
- Ensure they receive a high quality service
- Secure the best value for what the customer has invested
- More choice will be provided through:
 - Skills Accounts
 - reliable and up to date information and advice on what is available (face to face, online and phone)
 - more flexible routes to learning
- Backed by specialist customer services – National Apprenticeship Service, Adult Advancement and Careers Service, National Employer Service

Providers and the delivery system

- Maintain a network of approved providers
 - Guarantees customers quality and availability of approved providers and provision in all areas and sectors
- Help providers deliver a high-quality service to customers through the single account management system and increased budget flexibility
- 21st century IT solutions

Skills Funding Agency and Regional Development Agencies

**Stella Okeahialam
London Development Agency**

Background

- Machinery of Government / Apprenticeships, Skills, Children and Learning Bill
 - Dissolve LSC introduce Young People's Learning Agency / Skills Funding Agency / National Apprenticeship Service
- 31 July letter from Lord Mandelson to SEEDA outlines intention to consult on transferring skills strategy functions to RDAs
- Formal intention to proceed published in Skills White Paper – “Skills for Growth” November 2009.

Skills for Growth

- *“In April 2010 we will create a Skills Funding Agency that will switch more funding into the sectors and markets where it can make a demonstrable difference in underwriting necessary skills development”*
- *“RDAs, working in partnership with the SSCs, local authority leaders and sub-regional bodies, will take responsibility for producing regional skills strategies that will articulate employer demand and more closely align skills priorities with economic development. The Skills Funding Agency will contract with colleges and providers to deliver the skills priorities in these strategies.”*

Together we can ...for business and individuals

- *“We will:*
- Ensure demand from businesses and learners shape our understanding of these [New Industry New Jobs] strategic priorities
- Our expectations of business will rise
- We will strengthen the role of SSC and RDAs, together, they will work with individual employers to create a new energy behind ensuring an excellent supply of courses and training, to direct Skills Funding Agency funding
- This process will start from 2010/11 with the new focus on priority sectors... The Skills Funding Agency will deliver these [...] priorities through commissioning colleges and training institutions across the sector to deliver these programmes in response to skills needs”.
- *‘Skills Investment Strategy 2010/11’*

RDA response

- RDAs delighted to be a core part of taking forward the “Skills for Growth” agenda - businesses constantly tell us that skilled people are their most critical asset
- “Skills for Growth” is a critical element of our economic development role - skills a key driver of both business productivity and individual progression
- RDA lead in engaging business within and across regions will help to put business in driving seat of articulating demand giving a fantastic opportunity to link skills more closely with RDAs’ agendas on innovation, enterprise and inward investment
- We look forward to receiving and welcoming staff from the Skills Funding Agency/LSC to help us with this important task.

Some detail...

- London Skills and Employment Board has formal strategy setting powers in London and will work with others to identify skills priorities to drive business productivity and individual progression, especially
 - Sector Skills Councils
 - UKCES
 - Business Link, and
 - sub-regional partnerships
- The Regional Skills Strategies will be part of the new integrated regional strategies, and will be in partnership with Local Authority leaders - in London, the LSEB Skills and Employment Strategy will fulfill the RSS function
- London will not be developing a new integrated regional strategy as the Mayor's strategies – Economic Development Strategy, London Plan etc will remain
- Partnership work with Skills Funding Agency, RDAs and BIS on how “Skills for Growth” will operate in practice

Implementing the Skills White Paper

- All parties keen to engage for 2010/11 and beyond:
 - To implement the re-prioritisation indicated in “Skills for Growth”
 - Begin the direction of travel from the Skills Investment Strategy
 - Ensuring it is productive and meaningful for business, employers and individuals
- LSC London Investment Plan has been developed and will be discussed and agreed by the LSEB
- Continue to build on the London Infrastructure which has the three main agencies working closely together – LDA, JCP and LSC (SFA)

Skills for Growth

The national skills strategy

David Hughes

The country's future can only be built by educated,
enterprising and skilled people

“Skills is the most important lever within our control to create wealth and
reduce social deprivation (Leitch, 2006)

Effectively utilised skills

Increased productivity

Higher employment levels

For example, a 1% point increase in the proportion of employees trained is associated with
an increase in productivity of 0.6% points, or £6bn a year to the economy

Improved health

Reduced crime

Increased civic participation

Greater social mobility

The skills challenge

Short term economic recovery

- Skills development for the economy to come out of the downturn stronger
- Effective utilisation of existing skills to maximise productivity

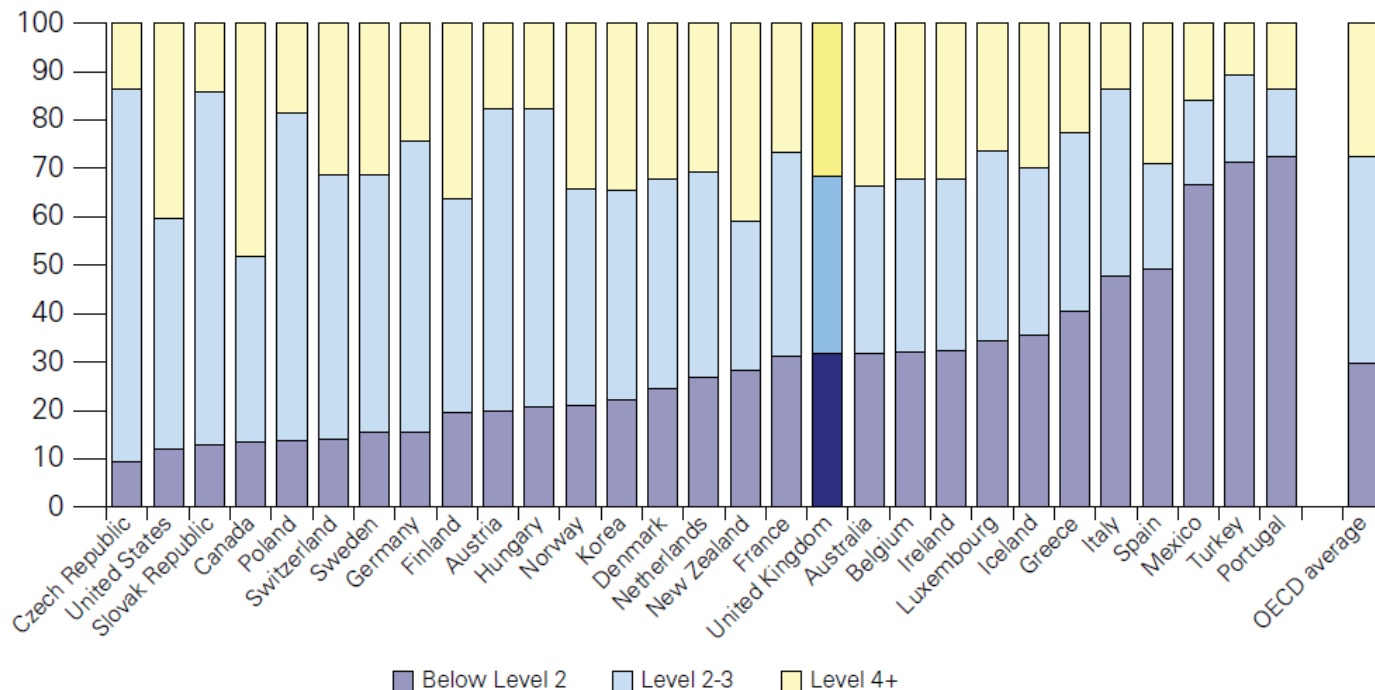
Long term prosperity

- Identifying sectors of strategic national importance
- Developing and retaining skills in these areas to drive productivity and growth

	Current level (2008)	2011 Target	2020 Ambition
Qualified to at least L2	71%	79%	90%
Qualified to at least L3	51%	56%	68%
Qualified to at least L4+	31%	34%	At least 40%
Literacy & numeracy skills			95%

The UK lags behind other OECD countries in terms of the quality of our skills base, with a particular weakness at Levels 2-3

Chart 1: International Comparison of Workforce Qualifications, 2007: Percentage of population aged 25-64 that has attained the equivalent of Below Level 2, Level 2-3 and Level 4 respectively



Source: OECD Education at a Glance 2009, Tables A1.2a and A1.3a

We have made progress in improving our skills to deliver our twin goals of economic growth and individual prosperity

Since 2001, over 2.8m adults have improved their basic skills and gained a qualification

A fourfold increase in the number achieving a first full L2 qualification since 2002-03

Over 2m people have started an apprenticeship since 1997

Through Train to Gain, people have started over 1.4m qualifications since 2006

Pre-recession employer investment in skills at record levels - £38.6 billion in 2007

Over 220,000 workers helped into learning by Union Learning Representatives and Unionlearn

Since 2007, 20,000 employers have taken the Skills Pledge, covering over 7m employees

But we need to do more if we are to narrow the skills gap
and deliver our goals

Improving
training at the
heart of a
simpler system

Promoting skills
for economic
recovery

Expanding
Apprenticeships
to build a new
technician class

Raising business
investment in
workforce
productivity

The key themes of
“Skills for growth”

Equipping
adults for future
jobs

Responding to
businesses and
key sectors

Headline announcements under each theme:

Skills for economic prosperity

- Three quarters of young people to participate in HE or complete an advanced apprenticeship or equivalent technician-level course by the age of 30

Building technician class

- Almost doubling advanced Apprenticeship places
- Apprenticeship scholarships fund

Responding to key sectors

- Match funding training for L3 and L4 in priority sectors
- New National Skills Academies bidding round

Equipping adults for future jobs

- Skills accounts trebling access to training institutions
- Improving information about likely real-world benefits of taking courses

Headline announcements under each theme (cont):

Raising business investment

- Giving people the right to request time to train
- Promote skills and apprenticeships through public procurement
- Championing skills utilisation and leadership and management skills

Improving training

- Simpler funding and monitoring arrangements for best providers
- More publicly available data about performance

Simplifying the system

- New role for Regional Development Agencies
- Reducing number of skills agencies by over 30

Looking ahead

An additional 35,000 advanced and higher apprenticeship places over two years

Apprenticeship scholarships fund - £1,000 for 1,000 of the best apprentices seeking HE

Joint Investment Scheme fund of up to £50m (matched by employers) targeting priority sectors

Over £16m available for National Skills Academy programmes in 2010-11

Increase to 1,500 the number of institutions accessible through skills accounts from 2011

From April 2010, 11m employees to have the right to request time to train

20,000 apprenticeship places over 3 years through Government procurement contracts

Qualifications and Credit Framework to be fully populated by the end of 2010

Reduction in the number of separate publicly funded agencies by over 30

Implications

- Pre-budget report not yet published
- Apprenticeship – the “Big Ticket”/future-proof
- Impact of priority sectors/Joint Investment Fund – incremental – modest impact on 10-11 budgets
- Prioritisation and public expenditure – co-funding and longer term move to price differentials
- Prioritisation v. provider flexibilities
- No more hard wiring – implications for target regime
- Consolidation of Sector Skills Councils/Role of UK Commission
- Choice – Skills Accounts and Adult Advancement and Careers Service

Our
future.
It's in
our hands.



Apprenticeship Priorities

Vic Grimes

Priorities for the National Apprenticeship Service

- Our vision is ‘that by 2020 every employer will value an Apprenticeship as the key route to equipping them with the skills they need for their business’
- Promoting Apprenticeships and their value to learners and employers and working through the account management system to open up new opportunities with colleges/providers
- National Apprenticeship policy in terms of delivering the skills strategy (working with Joint Apprenticeship Unit)
- Defining the funding and delivery priorities for Apprenticeship places - working with account managers who will carry out allocations process and performance management of providers
- Responding to the specific challenges in funding 16-18 Apprenticeships in each LA/SRG/RPG

The Skills Strategy and a new focus on Advanced Apprenticeships

- Significant expansion of Advanced Apprenticeships is the Government's 'central plank' for meeting the needs of higher level jobs
- Will enable more unemployed people to get back into work and deliver advanced vocational skills, and give employers the skills they need at the technician and professional level – creating a new 'technician class'
- Will boost the numbers and availability of Level 4 Apprenticeship frameworks
- The funding to be invested will rise from £17m in 2010-11 to £155m in 2014-15 and make a significant contribution to upskilling the workforce

The Skills Strategy and Apprenticeships (cont'd)



- *Apprenticeships, Skills, Children and Learning Bill* will put Apprenticeships on 'statutory footing' for the first time
- Work with DCSF will see the development of 'University Technical Colleges', increase the flow of young people with vocational skills and increase the number of young people progressing from an Apprenticeship to an Advanced Apprenticeship
- Progression into HE for Apprenticeships - stronger pathways into higher education for Apprenticeships
- Delivery of a new 'Apprenticeship Scholarship Fund' for the best apprentices seeking to enter higher education
- From April 2011 all Level 3/4 frameworks must have UCAS tariff points

Planning and performance

- Working with Local Authorities and Regional Planning Groups to determine demand from young people. 16-18 numbers agreed for each RPG will be contractual for every college and provider
- Ensuring Apprenticeships are effectively promoted and we understand the need to support development of new areas
- Understanding regional demand from adults and agreeing plans to meet identified requirements
- Apprenticeship delivery statement will set Apprenticeship contracting priorities
- Quarterly reconciliation carried out to redirect funding to meet NAS delivery priorities

Young People's Learning Agency and commissioning for 16-18 year olds

Mike Pettifer

Progress with the National Statement of Priorities (1)

- Will cover priorities for 16-19 year olds only (including 19-25 LLDD)
- Produced by LSC, but foreword by Les Walton as Chair of its YLPA Committee
- Secretary of State endorsement, published alongside the Grant Letter
- More of an LA-focused document: recognises that although LSC will commission for 2010/11, LAs will be responsible for delivery

Progress with the National Statement of Priorities (2)

- Awaiting decisions from DCSF regarding budget settlement, learner numbers and changes in funding policy
- Currently working to publication and launch during December
- Impact and response to slippage being considered – Plan B drawn up
- Grant letter will be re-issued to the YPLA when it is established
- YPLA will also have to ‘adopt’ the Statement of Priorities, as the LSC cannot publish on behalf of the YPLA

Commissioning Approach

2010/11 (1)

- LSC remains accountable for commissioning and allocations in 2009-10
- Commitment will remain to ensuring that the commissioning strategy encourages existing and successful providers to develop and be innovative
- Negotiated commissioning is our preferred route for securing provision – including provision displaced by MLP
- There will be circumstances where tendering will be used
 - » to fill gaps
 - » to replace poor provision
 - » to cater for new / niche provision to meet ESF commitments

National Commissioning Framework

The NCF is intended to help the system provide the best outcomes possible for all young people to enable them to reach their potential and gain the skills needed for employment and rich fulfilling lives. The main objectives for the commissioning process are to:

- Determine the education and training needs of young people in each area and to ensure that;
 - **provision is available for all young people to progress in learning, including delivery of the learner entitlements.**
 - **the quality of provision at least meets minimum standards (e.g., of accreditation), and continues to improve.**
 - **provision is commissioned within the framework of the national funding system.**
 - **provision is affordable.**
- Enabling the respective parties to the commissioning process to deliver their responsibilities for handling and accounting for the revenue and capital funds invested in young people's learning

National Commissioning Framework

- Timetable for delivery
 - Development, including testing in 2009
 - Consultation period: November 2009 – February 2010
 - Consultation report – February 2010
 - Revised version for approval - March 2010
 - Published by YPLA – April 2010
 - Guidance applies to planning process for provision to be delivered in 2011/12 Academic Year
 - Some aspects, including funding flows, apply from April 2010

Further information

- Please e-mail
[NSOPQuestions @isc.gov.uk](mailto:NSOPQuestions@isc.gov.uk)

Questions and answers

David Hughes
Stella Okeahialam
Philippa Langton
Vic Grimes
Mike Pettifer

Lunch

A new role: a new landscape

- Skills Funding Agency facilitative role
 - managing a system that promotes responsiveness
 - focusing on making services meet customer needs
- Providers become the strategic players
 - developing and implementing local strategies
 - balancing identified priorities with local demand
- Providers will operate with flexible budgets
 - able to direct funding within programme areas
 - earning the ability to vire across programme areas
 - rewarded for performance and meeting priorities

What will be different?

- Single business model – national consistency
- National Account Management structure replaces old partnership team model
- Performance management rather than partnership management
- Lighter touch - management and intervention differentiated by risk
- Single Account Management System
- Putting the onus more on colleges and providers to meet local, regional and national priorities *as they see fit* rather than top-down planning
- Providing more flexibilities and freedoms

Skills Investment Strategy

Targeted efficiency savings

- Pressure on public finances – savings of £340m to be made across Business Innovation and Skills
- Equates to about £240m savings from Skills Funding Agency participation budget
- Overall, investment going up: £3.5bn (total participation in 10-11 compared to £3.4bn in 09-10)
- Reprioritisation is key...

Adult learner responsive

- Threefold increase in funding for programmes for the unemployed – £48m to £160m
- Offset by reductions to Developmental Learning
- Need to define what constitutes priority provision
- LLDD will be protected
- Focus on numeracy – some competitive tendering
- 3% cash reduction in rates
- Programme weighting for all Skills for Life provision (except target-bearing numeracy) – reduced from 1.4 to 1.2
- Reduction in UFI budget
- Programmes for the unemployed remain ring-fenced budgets - Employability Skills Programme, 6 month offer, 2 elements of Young Person's Guarantee and Response to Redundancy

Employer responsive (1)

- Modest increase in overall budget for employer responsive provision

Train to Gain

- Removal of premium funding increase (3%) applied in 08/09
- Further 3% reduction to rates
- Remove funding for units
- Reintroduction of co-funding for Train to Gain repeat Level 2s
- Reduction in rates for provision delivered to large employers
- Within Train to Gain, c£100m focused on training for New Industries
- Significant increase in volumes through co-funding: 50% assumption could yield an additional £100m

Employer responsive (2)

Apprenticeships

- Money moved from Train to Gain to Apprenticeships – to support expansion of 19-30 places
- 3% cash reduction in rates for adult Apprenticeships
- 10% reduction in rates for 25+ Apprenticeships
- Reduction in rates for provision delivered to large employers

Implementation and implications

- Employer responsive quarter 1 review underway
- Adult learner responsive reconciliation and rebasing underway
- Ensure funding is moved in line with performance and priorities
- Significant impact on some providers
- We want to work with you to ensure future review processes are refined and improved
- Skills Funding Agency Delivery Plan published in January 2010 will set out the 'rules of engagement' for providers – including performance management

Allocations 10/11

Adult Learner Responsive

- Programmes for the unemployed already contracted
- Developmental learning reductions
- Rates and reprioritisation
- Review of 2008/09 performance to inform 2010/11 allocations
- Identify delivery against priorities for that year:
 - PSA targets
 - Skills for life
 - Foundation learning
 - Level 4
 - LLDD
 - Trade union learning, Initial Teacher Training
- Cash allocation to be based on this simple calculation, but with sensitivity to stability of colleges and providers
- Cash allocation to be used for 2010/11 to meet national, regional and local priorities and needs

Allocations 10/11

Employer responsive – Train to Gain and 19+ Apprenticeships

- Review 09/10 performance using period 5 data
- ‘Offer’ of reducing April to August 2010 contract in order to smooth profiles, in return for that money being added to the August to March 2011 contract
- i.e. renegotiate April to August portion of 09/10 contracts and increase 10/11 contract by that amount
- Agree indicative 16 month profile to support easier management of the contract
- Calculate costs of carry in learners into 10/11
- Re-allocate remainder of funds to meet strategic priorities e.g. New Industry sectors
- 16-18 Apprenticeship requirements set out by Local Authorities/National Apprenticeship Service and contracted by Skills Funding Agency

Impact

- Significant impact on providers
- Earned autonomy:
 - All institutions (except new/poor performing) - full virement flexibilities within (although not between) their ER and ALR budgets
 - Outstanding providers - identified on the basis of Framework for Excellence indicators - ability to vire between budget streams
 - Colleges and providers need to reflect national and regional priorities
- We need to work with you to ensure this gives you the flexibility you need to manage the scale of change – consultation from January 2010

Timeline

- Quarter 1 review of employer responsive provision begins – November
- Adult learner responsive reconciliation/rebasing begins – November
- Letter to providers setting out allocations process – December
- Changes to 2009/10 maximum contract values – January/February
- Account management dialogue with providers – begins in January
- Minimum levels of performance data used to inform 2010/11 allocations – January/February
- Notification of allocation to providers – March/April
- Contracts issued to providers - May/June

Challenges

1. Funding rates, prioritisation, next 3 years
2. Delivering level 3 craft/technician ambition
3. Supporting key sectors to aid recovery
4. Step change in receipt of fee income from employers and learners
5. Autonomy v priorities
6. Skills accounts roll out leading to opening of ALR market

Questions and answers

David Hughes
Jill Lowery
Clare Arnold

Close and thank you