

Skills Funding Agency Transition: An Update

The Learning and Skills Council has been instrumental in delivering improvements in education and training for young people and adults and has made excellent progress in driving up participation and achievement amongst all age groups. There is, however, still much further to go if we are to ensure that every 16 and 17-year-old has the opportunity to participate in education or training (as set out in the Education and Skills Act 2008, which also raises the Participation Age) and if we are to ensure that we have the highly skilled workforce that we need (as highlighted in the Leitch Review). The current economic climate means that it is more important than ever that the skills system is able to respond quickly and effectively to the needs of employers and individuals.

For young people we need to:

- deliver on raising the participation age to 19;
- improve attainment;
- give Local Authorities a coherent lead on all children's services to age 19 (supported by the new Young People's Learning Agency).

For adults we need to:

- move towards a demand-led system where funding flows according to the actual choices made by individuals and employers;
- build a coherent lead agency on adult skills, which acts on the articulated demands of both employers and learners.

Coherent Lead

From April 2010, (subject to legislation) the Skills Funding Agency will take responsibility for funding post-19 learning in England (with the exception of Higher Education). The Skills Funding Agency will be an agency of BIS, its staff will be civil servants, and the Chief Executive of Skills Funding will be a statutory post holder. This model places the Skills Funding Agency at a 'shorter arms length' from BIS, enabling a faster and more effective response to policy, while reinforcing the autonomy of the FE sector.

The Skills Funding Agency will route around £4 billion of funding swiftly, efficiently and securely to FE colleges and other providers, including the Third Sector, primarily in response to customer (employer and learner) choice on programmes such as Train to Gain. It will operate through customer-focused gateways:

- National Apprenticeship Service (NAS) – which will have end-to-end responsibility for the Apprenticeship programme;
- Employer Skills Services – a national skills service to all sizes of business in all sectors via Train to Gain and the National Employer Service;
- Learner Skills Services – enabling access for learners through providing an adult advancement and careers service, building Skills Accounts and funding FE colleges and other providers.

Simpler (while robust) processes

The new system will improve the ways in which FE colleges and training providers access funding for adult skills training by reducing bureaucracy. The Skills Funding Agency will have a single account management process to manage funding and performance management of providers - which is proportionate, with clear rules for intervention and removal of the existing variations across the regions which adds to bureaucracy. A number of other measures are being taken to ensure systems are streamlined for colleges and providers operating across the pre- and post-19 areas:

- There will also be a single national performance management framework for providers operating across the whole post-16, including FE, sector.
- Data collection from and reporting on the FE sector will be streamlined with data collected once and shared where appropriate.
- There will be new management systems to transform the services received by business, students and prospective students, so that they receive tailored advice, learning and support and which will also support providers, eg, a streamlined payment (settlement) system.

These reforms respond to Sir Andrew Foster's recommendations about the FE system and feedback from the sector on the need for simplification. We recognise, however, that any change brings the potential for new burdens or complexity and we are committed to working with learners, employers and providers to make sure that the processes and systems developed are as streamlined and coherent as possible across the Further Education sector.

Demand-led and customer focused

The Skills Funding Agency will, at every level, be dedicated to fulfilling the needs of individuals and employers, ensuring that provision supports strategic areas of the economy and releasing the FE sector from predict and supply planning. Under the former system, providers had to work with block grants based on estimations of training demand but in future, they will receive a broad annual funding envelope based on previous performance and will draw down funding as and when students enrol, working with a dedicated account manager at the Skills Funding Agency across the whole range of their adult business. Train to Gain and Apprenticeships already operate in this demand-led fashion and it is giving colleges, learning providers and employers the freedom to innovate while providing a much clearer picture of the skills needs of the nation.

Strategic Skills

Subject to work currently being undertaken on the details following Lord Mandelson's letter to SEEDA in August, the Skills Funding Agency will facilitate delivery of the skills our economy needs to prosper in the future by implementing:

- a National Investment Strategy set by BIS to deliver national priorities as identified by the UK Commission for Employment and Skills and the Sector Skills Councils;

- a regional plan for skills set by Regional Development Agencies (in conjunction with Local Authorities) as part of their Single Integrated Regional Strategy. With statutory Employment and Skills Boards and self-organised networks of colleges and providers, the RDAs will identify strategic skills gaps and what investment employers need to develop areas of economic importance and jobs of the future in each region.

Location

The Skills Funding Agency will be a national organisation, with the main office located in Coventry. Further staff will be located around the country. The National Apprenticeship Service will have a field-force based in a number of additional locations, ensuring their services are available to employers and individuals across the country.

Progress Update

We continue to make good progress working closely and effectively with colleagues in the LSC. Major milestones on the journey to April 2010 are highlighted below:

- The creation of the Department for Business, Innovation and Skills carried through the commitment in the Government's recent New Industry, New Jobs strategy for a more active industrial policy, aligning all government policies to support UK competitiveness, productivity and excellence.
- The creation of BIS also meant synergies between the Skills Funding Agency and Regional Development Agencies could be realised. Following Lord Mandelson's letter to SEEDA, work is in hand to look at extending the role of the RDAs so that they can ensure each region's unique skills needs are identified and met. This means a small amount of LSC staff are now likely to transfer to the RDAs. Work is now being taken forward in the LSC, BIS and the RDAs to ensure the many opportunities of this change are realised.
- The settlement system programme has now been defined and work is underway. It will support colleges and other providers in their relationship with their dedicated Skills Funding Agency account manager. The interim operating capabilities associated with Contract Management and Account Management will be available to the SFA from the outset in April 2010. Further system capabilities, however, will be developed over time so that a fully operational service is in place by 2013. The system will include: the accreditation of the colleges and providers the Skills Funding Agency will fund; the contracting processes; the allocation of funding 'envelopes'; contract management; the processes for making payments (settlement); and the performance management of colleges and learning providers.
- To ensure the views of key stakeholders are heard at senior level, we have set up a Provider Reference Group and an Employer Reference Group. These groups have already begun to identify key areas where the Skills Funding Agency can deliver real benefits for learners and employers.
- With the majority of future Skills Funding Agency staff now matched to posts, the shadow arrangements can now begin to be put in place as future Skills Funding Agency staff begin to explore exactly what the new agency, their role within it, and their status as a civil servant, means to them.

Legislation Forward Look

Royal Assent for the Apprenticeships, Skills, Children and Learning Bill is expected in Autumn 2009. Subject to this, the Skills Funding Agency will be established in April 2010.

Until then the LSC remains legally responsible for post-16 funding. The LSC will therefore play a critical role in helping employers and individuals through the economic downturn. We are committed to managing the change programme carefully in order to ensure that the LSC can focus on delivering its work programme, including meeting our targets for 2009/10 and providing vital support to all those who need it.

Further Information

- Visit: http://www.dius.gov.uk/further_education/fe_reform/skills-funding-agency-transition, call Jane Parsons, BIS press office on 020 7215 5947 or e-mail the Skills Funding Agency transition team at skillsfundingagency@bis.qsi.gov.uk