Date: 5 November 2009
Subject: Adult Skills and Apprenticeships Committee
Location: Cheylesmore House
Time: 10:30
LSC office: National Office
Publication intent: INTERNAL DOCUMENT

Present
Gareth Cadwallader
Claire Ighodaro
Jill Youds
Maggie Galliers
Matthew Nicholas

LSC staff
David Cragg
David Hughes
Priya Gossain
Pete Sanders

Apologies
Apologies have been received from:
Robert Hough
Susan Pember

Item 1. Welcome and introductions
1.1 The Chair welcomed the members and noted the apologies. It was noted that there was no representative from NAS present due to an away day; members reiterated the importance of having a representative present.

Item 2. Minutes of last meeting and Matters Arising
2.1 The minutes were approved without amendment
2.2 Item 3.5 – A letter has now been sent to all colleges and ALR funded organisations setting out the tighter funding conditions that will now apply. Colleges which overstated their end year out-turn at mid year will be rebased and the tolerance for under-performance in the in-year reconciliation will be reduced. It is unlikely that over-performance will be paid for this year. This will reduce the impact of the over-allocation mistakes which were made early in the year by up to £25million.

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2.3 Allocations have been miscalculated for providers on the transitional rate. Work is ongoing to resolve this issue which will impact on the amount of clawback received.

2.4 Programmes that are profiled to underspend this year but overspend next year, such as the six month offer for the unemployed, can now shift money from this financial year into the next financial year without losing it.

2.5 At the last meeting the Committee was informed that there was a potential £70million overspend in the ALR budget. There are measures in place to clawback £40million, however this is likely to take 2 months. The risk report has been updated this week and ALR budget has moved from red to amber, by January it is likely to be green.

2.6 Item 2.4 – The remit has been redrafted and a copy was tabled. It was felt that Geoff Russell should receive a copy and resolve how responsibilities are delegated to Officers, and how to ensure they are carried out.

2.7 This Committee must ensure that the executive are not distracted by the post LSC and remain focused on the LSC responsibilities. Members were reminded that they cannot look beyond 31 March 2010.

2.8 It was noted that BIS will be writing to the LSC in regards to the Skills Strategy; this work must be taken forward now. Members also reminded the executive that the necessary efficiency savings can only be achieved if action is taken now.

2.9 It was agreed that the Committee must be able to feed any risks into the Chair’s Committee, and further if necessary. The remit will be redrafted and circulated to the members for further comment.

Item 3. Declarations of Interest

3.1 There were no declarations of interests that have not previously been recorded on the Register of Interest.

Item 4. Transition Update

4.1 David Cragg tabled a presentation and drew attention to the following points.

4.2 The staff transfer has been much more successful than first hoped. There are only 12 members of staff who remain unmatched due to geographic and functional factors. The contingency plan to cover the potential redundancies has been presented to Ministers; any costs will be covered by DBIS.

4.3 Kevin Brennan MP met with PCS last week and was informed that the transition has been managed brilliantly.

4.4 SFA tier 2 posts have now largely been filled. The Regional Directors have not yet been offered roles.

4.5 David Cragg is the interim Chief Executive of the SFA, this is very different to being the Chief Executive designate. David has been appointed until 31 March but he has offered to step aside early if necessary. David expects to set up the infrastructure of the SFA regardless of whether a future Chief Executive is appointed or not.
4.6 Members were reminded that the SFA will be an agency of BIS but the powers and statutory responsibilities will be given to the Chief Executive. This is an unusual situation but not a unique one, the Information Commissioner is also set up in this way. This setup creates a legal separation between the Secretary of State and the Chief Executive, who will legally be a sole corporation. Staff will be employees of the Chief Executive, not the Department.

4.7 The SFA will be fully staffed when it goes into operation. The functional surpluses will be tackled next; there are vacancies which will be managed as a pool. There is no risk of further redundancies.

4.8 It has been agreed to second not transfer staff to the RDA. Priority will be given to the 300 staff in skills roles but everyone will be able to express an interest. Approximately 50-60 roles will be seconded.

4.9 Members were impressed with the process to date and congratulated the executive. Shadow working will begin in January.

Item 5. Skills Strategy

5.1 The Skills Strategy will be formally published on the 11 November, the headlines set out in the paper are unlikely to change before then. The strategy will set out how skills can help with economic recovery and long term economic growth. This will also support the New Industry, New Skills strategy.

5.2 It was noted that social inclusion programmes and programmes for economic recovery do not necessarily align and tensions will be created between the two.

5.3 Skills accounts will be set up for approved providers under the Framework for Excellence. A contracting model will be used from 2012 which will be similar to that used in the Train to Gain programme. This will be a fundamental change and will have a significant impact on providers. Members were assured that lessons have been learnt from the implementation of the Train to Gain programme and mistakes will not be repeated. Changes will be kept to a minimum next year.

5.4 Providers will be benchmarked to enable individuals to make choices about the provider and programme. Furthermore, there will be a system of earned autonomy whereby there will be less ring-fencing of budgets within a block, and the ability to vire money between budgets for good providers. For outstanding providers a single budget line will be considered.

5.5 There will be a lot of implications to the sector which will need careful consideration. Some providers will be affected more severely than others. This must be discussed further at the January meeting.

Item 6. Skills investment Strategy

6.1 David Hughes introduced the paper which sets out how to achieve the required efficiency savings. The options in the paper were highlighted.

6.2 Members were concerned by the term ‘premium rate’ in paragraph 6a. It was felt that the increased rate was an acknowledgement that the actual cost of
the delivery was higher, and was not a premium in order to boost demand. If was confirmed that the increased rate costs approximately £40million a year.

6.3 Moving UGI to demand led funding would save £10million this year and approximately the same next year.

6.4 Members were informed that point H on the paper would no longer be done. Members were satisfied with points C, E and G; however they felt that the implications of point D have not been fully considered and should not be recommended.

6.5 The LSC will not implement any of these actions as each of them would start on 1 April 2010. The LSC would however need to communicate these decisions before then. There will be strong lobbying against all of these proposals. These are not actions that the Executive wishes to take, but actions that need to be taken.

6.6 The process of allocations will be crucial; all provider allocations will be based on a lower baseline but good providers will be entitled to additional funding above that level.

6.7 It was noted that the Department wanted to stop funding of all provision below the quality threshold. The LSC wanted more flexibility in the system in order to allow provision the opportunity to improve, and to prevent gaps appearing. Whilst it was agreed that this would be a sensible approach, questions were raised as to whether it would save money.

6.8 An “invest to save” fund will be available which will enable colleges to make changes to their provision and move to the new priorities. The fund will be repaid by the college.

**Item 7. Performance and Risk**

7.1 The mitigation of risk 13 to the Settlement System was queried. The Settlements Programme Board will report to the Core IM Group which in turn is overseen by the Operations Board. It was felt that there was a lot of delegation of responsibility. It was confirmed that the changes needed on 1 April will only be a minor evolution of the current position to bring together all of the LSC systems coherently.

7.2 The system has been carefully specified to meet the requirements and the current system will act as a fall back if necessary. Jill Lowry is working with CapGemini on this and the system will be as simple as possible. David Hughes assured the Committee that the system will be robust and fit for purpose.

7.3 Risk 13 is currently listed as a future risk; it was confirmed that there are regular discussions regarding the system and listing it as a future risk is simply a way of flagging a concern. It will appear on the full risk register in future if necessary.

7.4 The Committee was updated on the risks to BIS Capital and Specialisation. Fund will be injected into Colleges to ensure they remain financially viable. The process is being devised at the moment and it must be robust. There are far reaching implications for both general FE and Sixth Form Colleges.
The headline figures are potentially frightening; the 28 colleges currently in financial difficulties could increase to around 77 colleges.

**Action:** A paper must be brought to the January meeting. The implications for General FE colleges and Sixth Form Colleges must be addressed separately. Maggie Galliers should be sent the paper two weeks ahead of the meeting to ensure the paper covers all the issues.

**Item 8. Any other business**

- **Mid Year Review**
  
  - **8.1** The Mid Year Review was tabled and attention was drawn to the key issues on page 5. Members were invited to e-mail any comments or questions to David Hughes or Paul McGuire. The Committee was reassured that there are stringent controls on all budgets, and that budgets will balance nationally.

  **Action:** Paul McGuire will present a paper on the Administration Budget at the January meeting.

  - **8.2** The Chartered Institute of Public Finance and Accountancy have carried out a health check review inspection on the LSC, the findings were strongly supportive of LSC controls. The report has already been shared with the Audit Committee members who were pleased with the outcomes.

  - **8.3** The Gateway Review of the Framework for Excellence has been carried out and has been assigned a green/amber. The amber is due to the reliance of the whole system of School 6th Forms, which are the responsibility of DCSF and are therefore beyond our control. The rest of the Framework was green and is highly regarded.

**Item 9. Date of next meeting**

9.1 The next meeting of the Committee will take place on 14 January 2010.

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**Publication no.**

**Meeting chair** Gareth Cadwallader

**Minute taker** Pete Sanders

**Date created** 11 November 2009

**Document ref.** \lsc.local\User$\CVH\sandersonsp\ASAC\adultskillsandapprenticeshipscommittee-minutes-05nov2009.doc