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- [Events](#)
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- [FAQs](#)

## Governors 06/10

24 June 2010

To: College Chairs, Governors, Clerks

### Briefing contents:

- 1 AoC/LSIS Review of Governance and Strategic Leadership in English FE**
- 2 Emergency Budget sets level of cuts for departments**
- 3 Government focuses on shared services**
- 4 Vince Cable's letter to SFA confirms £200m re-investment in FE**
- 5 Skills debate in Parliament 17th June**

### **1 AoC/LSIS Review of Governance and Strategic Leadership in English FE**

The AoC Board recently considered the outcomes from the consultation held into the recommendations contained in the Schofield Report. AoC's formal response to the Schofield Report is being prepared and will be discussed with the Department of Business, Innovation and Skills (BIS) with a view to taking a number of recommendations forward.

Further information concerning AoC's response, and the work of the Governance Portfolio Group underpinning the AoC Board's deliberations, will be provided shortly.

### **2 Emergency Budget sets level of cuts for departments**

In the Emergency Budget statement made on 22nd June, George Osborne said:

*"Because the structural deficit is worse than we were told, my Budget today implies further*

*reductions in departmental spending of £17 billion by 2014-15.*

*We have committed to providing the National Health Service with real increases throughout the Parliament and we will honour our international aid obligations to the poorest in the world.*

*Once these are taken into account, the Budget figures imply that other departments will face an average real cut of around 25 per cent over four years.*

*Clearly, if we can find any additional savings to social security and welfare beyond those which I will shortly outline, then that will greatly relieve the pressure on these departments and that 25 per cent figure.*

*Of course, not all departments will receive the same settlement.*

*I recognise, for example, the particular pressures on our education system and on defence.*

*Final departmental settlements, and the final split between departmental expenditure and annually managed expenditure on welfare, will be set in the spending review. “*

The cuts announced in unprotected departmental budgets of “around 25%” compare with planned reductions of 20% made in the March 2010 Budget by the last Government. The Chancellor’s full speech can be read on the [HM Treasury website](#).

Details of cuts affecting BIS and DfE over the period of the current Parliament will emerge in the Comprehensive Spending Review (CSR), which will be held on Wednesday 20th October. The framework for the CSR can be read on the [HM Treasury website](#).

Following the Budget announcements, **AoC will be issuing a full briefing regarding the implications of the Budget for the sector**, which will be accessible on the members’ web-pages. In addition, AoC will be:

- Preparing a submission to the Comprehensive Spending Review.
- Consulting members regarding the review of public sector pensions being led by John Hutton.
- Engaging with the review being led by Will Hutton of high public sector pay.

### **3 Government focuses on shared services**

Speaking at City and Islington College on 17th June, John Hayes said that *“With freedom comes a fresh challenge, as the costs of compliance is reduced I will be looking for colleges to find efficiencies. This may be, for example though the use of shared services and new approach to procurement. And colleges freed from constraints will also find new, better and more efficient ways of responding to local needs”*. The full text of the speech is accessible on the [BIS website](#).

Also on 17th June, Vince Cable wrote to the Skills Funding Agency (SFA) to announce that *“To support the sector to deliver genuine efficiencies, we are allocating an additional £15m in 2010-11. I would like you to work with the Association of Colleges and the sector to deliver an innovative suite of shared service solutions. This is a fantastic opportunity for the sector and offers the potential for large reductions in back office and procurement costs”*.

The last Budget of the Labour Government earmarked £15m towards increasing shared services between Colleges, and the £15m allocated to the SFA to deliver efficiencies will double the funding to support initiatives in this area. AoC will be taking up the issue of shared services with SFA and BIS on behalf of the sector.

The AoC Governors’ Council will be discussing the governance implications of shared services at its next meeting on 6th July. If you wish to forward any written comments on

the issue to the Governors' Council, please forward these to [Kevin McGladdery](#).

Members of the former Learning Skills Council (LSC) Procurement Team have recently joined AoC, and (among other things) the Procurement Team have spent the last year encouraging and funding local collaborative activities between Colleges. The AoC Procurement Team is currently working with AoC Management Services to run a number of events for College leaders on how shared services might be taken forward, and details of these will be provided on the "events" section of AoC's web-site.

#### **4 Vince Cable's letter to SFA confirms £200m re-investment in FE**

The outcome of the £6bn savings to be made in 2010-11 announced on 24th May was that, unique amongst all sectors, the Government had decided to re-invest in FE.

In his letter of 17th June to Geoff Russell, Chief Executive of Skills Funding at SFA, Vince Cable confirmed that £200m of Train to Gain funding would be "refocused" to provide:

- £150m to deliver 50,000 additional Apprenticeships focused on SMEs. The Government's support for increasing numbers of Apprenticeships indicates to the sector the likely focus of future, successful bids for funding.

- £50m of capital funding, which is additional to the uncommitted £200m capital funds within the current Comprehensive Spending Review period. BIS states that "Around 150 colleges yet to benefit from the Government's capital building programme will be able to bid for £225,000 under the £30 million Renewal Grant". BIS has set criteria for Colleges wishing to submit a bid for a share of the funding, which include (i) the condition of the College and its facilities, (ii) the benefits to learners, and (iii) how the bid will help regenerate local communities. Also, the College cannot have received more than £5 million of funding for building projects in the past from SFA (formerly the Learning and Skills Council), and must show that the building project can be completed by September 2011. SFA will collate the bids and allocate funding to successful projects, and details are expected very soon. AoC are working with SFA on the case for more capital expenditure in Colleges.

Vince Cable's letter is accessible on the [BIS website](#).

#### **5 Skills debate in Parliament 17th June**

Following his speech and statement this week on [Further Education and Training Organisations](#) the Minister for Further Education, Skills and Lifelong Learning, John Hayes MP (Con, South Holland and The Deepings) led a Government debate in the House of Commons on Skills. The Minister reiterated his commitment to Colleges and skills training saying that "As a result of the conversations we had and dialogues we enjoyed, we learned important lessons about the indispensability of further education as an engine of social and economic change".

Further information on the debate, and other relevant Parliamentary FE business, can be accessed via AoC's "FE in Parliament" briefings on the members' section of [AoC's web-site](#).

#### **Queries and Comments**

For further information about any aspect of this Briefing, please contact [Kevin McGladdery](#).

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