

Working Together for Success: A Handbook of Good Practice in LSC/College Relationships

October 2006

Of interest to all area and regional LSC staff and
Governors and Senior Managers of further
education colleges

This document was written in the first half of 2006 on the basis of interviews with people in the LSC and colleges, supplemented by a number of meetings. It is impossible for a document of this sort, however long or well researched, to capture the complexity and subtleties of relationships between the LSC and colleges across the country, or to make definitive statements about roles, responsibilities or the documents that people involved should read. It is simply intended to record some good practice, share some good ideas and foster the idea of a constructive relationship to solve shared problems.

i For information

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Preface

We are delighted to be able to introduce *Working Together for Success*, a document that aims to strengthen the relationship between colleges and the Learning and Skills Council (LSC). The Government has shown its commitment – in *Further Education: raising skills, improving life chances* – to developing a new and productive college/council relationship. That commitment builds on the work of agenda for change, Sir Andrew Foster’s review of the future role of further education colleges and Sir George Sweeney’s Bureaucracy Task Force. We are determined to ensure that the relationship between two of the key stakeholders in post-16 education is positive and enduring.

This document has been produced as a joint initiative by the LSC and the Association of Colleges. It has been prepared with the help of senior staff from colleges, the Association and the LSC, as well as college governor representatives, colleagues from the Department for Education and Skills and external experts. They have also helped with work on simplifying the financial memorandum. We would like to express our gratitude to those who supported this work – not only those who helped as readers and members of the reference group, but also the LSCs and colleges that played host to researchers at interviews and regional meetings.

The education scene is constantly changing; references to specific documents and systems will no doubt need updating and each year will provide a new crop of significant case studies and points of good practice. However, one thing will endure – the importance of joint working. Providing real help to those putting it into effect up and down the country is surely the right idea, and we hope this document will provide a positive contribution to that great work.



Chris Banks CBE
Chair, LSC



Margaret Morgan
Chair, Association of Colleges

Chapter 1

Looking in the Same Direction: The Goals of the LSC and Colleges

“One of the main reasons the college is the success it is, is due to our relationship with the LSC.”

Principal (East of England Region)

1.1 This document aims to set out the basis of the relationship between the Learning and Skills Council (LSC) and further education (FE) colleges. It is a vitally important relationship. The LSC deploys £10 billion of public funding to secure the post-16 education and training that the country needs. Developing the right skills contributes not just to a more efficient and competitive economy, it also gives opportunities for personal progression and growth. Colleges are essential to achieve both these aims. They meet the needs of more than 3 million learners: 700,000 16 to 18-year-olds gaining a foundation for their working life, and nearly 2.5 million adults improving their skills and opening opportunities.

1.2 This job needs to be well resourced. On average, 80 per cent of college income is from the LSC, amounting to more than £4.7 billion. So, an effective LSC is very important to colleges and successful colleges are central to the goals of the LSC. The relationship is enduring and developing, and not just concerned with an annual budget round or intervention in cases of weakness. And the relationship will thrive when based on shared understanding and trust as much as legal rights and administrative procedures.

1.3 Of course, each college has its own history and issues, just as the LSC at local and regional level can have distinct priorities. But we hope this statement of principles and practice will bring the partners closer together, building a more effective force to deliver the nation's ambitions. It can also offer an opportunity to those working together to consider how best they can

link the various aspects of the LSC/college relationship: governance, planning, funding and finance, standards, collaboration and communications.

“We're quite clear that the colleges are an enormously valuable part of the local infrastructure, and have a distinguished local history. Our job is supporting them.”

LSC Director (South West Region)

1.4 There is now a consensus on the need to work on a new relationship between colleges and the LSC. The LSC's *agenda for change* and the *Further Education: raising skills, improving life chances* White Paper look to establish a 'new relationship' which will cut burdens and develop a self-improving system. The key to a positive and developing relationship is partnership based on respect and trust, and a shared sense of purpose. The LSC has committed itself to the approach outlined in *Getting the Best from Each Other*, a government initiative led by the Department for Education and Skills (DfES) which sets out the framework for relationships with those providing programmes. The three key elements of this approach are: a needs-led approach focused on objectives, continuous improvement, and modernised funding and contracting.

1.5 The need for a fresh approach has also been highlighted in a series of public documents:

- Sir George Sweeney's group on bureaucracy in the sector produced three reports, concluding that improvements were to be found, not in quick fixes to information or funding systems, but in a new atmosphere based on trust. Which is not to say that technical improvements are not worthwhile: that was the work of a Bureaucracy Review Group under Sir Andrew Foster, which published its own report, *Action to Reduce Bureaucracy* (November 2004), much of which has been taken forward in the LSC's *agenda for change* programme.
- Sir Andrew Foster's FE review, *Realising the Potential: a review of the future role of further education colleges*, was published in November 2005 and made a number of recommendations: for the Government – a new national learning requirement; for the LSC – improved commissioning and better information; and for the inspectorates – greater simplicity and a lighter touch for strong colleges. The review favoured a mission for FE based on skills and employability. The review looked at overseas examples (Australia, Denmark and the USA) where community colleges thrive within a less centralised and regulated framework, and looked in the medium term for a decisive move towards self-regulation, rewarding responsive colleges that can demonstrate excellence and value for money.
- The National Audit Office report on strategic leadership, *Securing Strategic Leadership for the Learning and Skills Sector in England* (May 2005) asked for clearer responsibilities and improved communications for governing bodies, improvements in the relationship with colleges to address the perceived ability to set a strategic direction, more collaboration at a local and regional level, and continued work on joint audit and inspection regimes.

1.6 This document aims to show how all those ambitions can be delivered in day-to-day working. It is not announcing any changes either in LSC policy or the position of colleges. Its aim is to explain the formal powers of the LSC, DfES and colleges, and point the reader to the key documents that underpin them. But, just as important, it attempts to show how these powers are exercised in reality. We hope this will help those working in the sector to reach a clearer understanding of the roles and responsibilities of each partner.

Each chapter features case studies that show how the two partners are working together effectively, delivering much more together than either could individually, and there are tips for good practice identified in visits and interviews around the country. We hope this guide will be part of a wide programme making college and LSC working more effective, relevant and responsive.

"It depends on people and the relationship they have. Our local LSC has good people – trustworthy, open, reliable, challenging, with an LSC Director who believes in further education and understands the college contribution."

Principal (North East Region)

"Let me give you an interesting example that I think shows the improving relationship. One of our colleges in difficulty was appointing a new principal and made it a condition – part of the job description – that there should be good relationships with the LSC locally, which paid off in support for cost restructuring and recovery."

LSC Regional Director

What are the key documents?

The major documents remain the *agenda for change* (LSC 2005) and the White Paper *Further Education: raising skills, improving life chances* (DfES 2006). Both are readily available from the appropriate website (www.lsc.gov.uk or www.dfes.gov.uk). The DfES *Five Year Strategy*, also available from the DfES website, provides the background to many of the current changes in policy and practice.

Getting the Best from Each Other is rather old as government documents go (the consultation took place in 2001) but has much good practice, having been praised by the Treasury, and is still available from the DfES website. Similarly, the *Principles of Good Regulation* – transparency, accountability, proportionality, consistency and targeting – are very relevant and are to be found on the Cabinet Office website at: www.cabinetoffice.gov.uk

The LSC Bureaucracy Task Force chaired by Sir George Sweeney published three reports: *Trust in the Future* (November 2002), *Building Trust* (November 2003) and *Extending Trust* (May 2004). These are available from the Success for All website at: www.successforall.gov.uk, as is the supporting work of Sir Andrew Foster on bureaucracy which preceded his major work on FE review.

The FE Review *Realising the Potential: a review of the future role of further education colleges* (DfES 2005) is available in hard copy and from the web in the full form and in a cut-down 'overview' version. There is also a wide range of supporting papers which were not published but are available from the website at: **www.dfes.gov.uk/furthereducation/fereview**

The National Audit Office report *Securing Strategic Leadership for the Learning and Skills Sector in England* (NAO May 2005) is also available in both executive summary and full editions, from the National Audit Office website at: **www.nao.org.uk**

Chapter 2

Clear about the Basics: The Legal Position of the LSC, DfES and Colleges

"When it was established, I worried that LSC would bring back interventionism but we have been pleasantly surprised ... there are a lot of tensions in theory between an independent corporation and a planning regime – governors are charged with setting the mission, which could be a problem with LSC desire to lead colleges and fit their contribution into local plans – but it hasn't actually caused a problem in reality."

Principal (West Midlands Region)

What's the aim?

2.1 The LSC and FE colleges are statutory corporations, so they must act in accordance with the law under which they were established. Any protocols or procedures for governing the relationship between the LSC and FE colleges need to take account of and build upon this. The purpose of this section is to set out the legal framework within which the LSC and colleges work, including their relationship with the Secretary of State for Education and Skills. The legal powers of the LSC and colleges may change in 2007 or later, as a result of a possible Further Education Bill, but it is likely that most of the information in this section will still be valid. Later sections of this document will look at practical and often informal ways to improve joint working. However, before moving to that, it is important to be straight about the powers of each partner.

"I suppose the tensions are there, legalistically, if people look for them but if the processes are open and participative and supported by credible data, that soon melts away."

LSC Regional Director

"The senior people in the LSC are well aware of the position of the colleges – and have worked with us as partners. There have been some staff at a lower level, though, who saw the college as their retail outlet!"

Principal (North West Region)

The LSC's legal framework

2.2 The LSC was established by the Learning and Skills Act 2000 and, as a statutory corporation, may only do those things that the Act specifies and comply with the duties it imposes. The primary statutory duty is to secure the provision of proper or reasonable facilities for post-16 education (excluding higher education) and training suitable to the requirements of learners in England. In determining whether facilities are proper or reasonable, the LSC must consider the quality and quantity of such facilities as well as a number of other factors set out in the 2000 Act. These include:

- the places where facilities are provided, the character of facilities and the way they are equipped;
- the different abilities and aptitudes of different persons;

- the education and training required in different sectors of employment;
- the need to make best use of its resources.

2.3 When the LSC was established, it received a remit letter from the then Secretary of State setting out its goals and responsibilities. For example, the LSC has a duty to encourage individuals to undergo education and training, and encourage the participation of employers. The LSC has a particular duty to take account of the needs of those with learning difficulties and/or disabilities and to secure residential courses for these learners if it can't otherwise secure proper or reasonable provision for them.

2.4 The LSC fulfils its duties by exercising its power to fund providers of post-16 education and training. The LSC receives its grant from the Secretary of State, subject to such conditions as s/he thinks fit. The Secretary of State can also give the LSC directions: objectives that the LSC should achieve in carrying out its functions and time limits within which it should achieve these objectives. These conditions and directions are contained in the LSC's original remit letter, the financial memorandum with DfES and the annual grant letter.

2.5 The LSC is required to formulate a strategy to work to in securing its goals (such as raising the skills of the workforce), and to keep that strategy under review. The strategy must show how the LSC will achieve any objectives contained in directions given by the Secretary of State within the given time limits. How the LSC does this is covered in the next chapter.

2.6 The LSC works at local, regional and national levels. The National Office leads on relationships with national partners and develops policy jointly with central government, reflecting the thinking in Whitehall and Westminster. As part of the *agenda for change*, the LSC National Office will concentrate on what it makes sense to do nationally, and devolve the bulk of operational activity to the regions. The regions provide the right level to balance strategy and operations, policy and delivery, national framework and local variation. The regional approach also allows the LSC to identify and address the skills issues that threaten to impede our economic competitiveness. The regional tier is the link between the LSC's national and local levels, and can also provide expertise in matters like property and finance that cannot realistically be available at a local area level.

Establishing regional centres enables the LSC to take a wider perspective over learner needs and specialist provision to meet skills needs. Operating at this level enables the LSC to operate coterminously with key economic stakeholders (Regional Development Agencies, Regional Skills Partnerships etc). It is recommended that the LSC continues to develop its regional centres.

Realising the Potential, paragraph 202

2.7 The 2000 Act required the LSC to work through local councils, adjusting provision to local needs, creating the ability to have real knowledge and impact on the ground, and gain a sense of what works and what does not. Local councils are currently required to produce local plans that take into account the education and training needs of the local population and the needs of local employers. This is changing as the LSC develops local partnership teams, supported by economic development teams, to improve the quality and relevance of learning to meet local needs and deliver the LSC's planning responsibilities.

2.8 The LSC has a cadre of non-executives on its councils who support the work of its staff at national, regional and local level: people from the worlds of industry and commerce, the voluntary sector, local government and education. They play a significant role by challenging and contributing to the LSC's strategy and delivery. They are advocates for young people and adults, and champions for businesses who look to the post-16 sector to develop the skills they need and can be its door openers and ambassadors in wider links. A streamlined accountability structure is being developed to reflect the changing emphasis of the LSC.

The strengthened regional and local tiers, and stronger links between jobs, training and skills in cities means that the current structure of 47 local LSCs will need to change. We will ask the Chair of the LSC to advise on a new streamlined accountability structure that secures strong engagement of employers and other stakeholders.

Further Education: raising skills, improving life chances paragraph 7.35

FE colleges' legal framework

2.9 Colleges are FE corporations established under the Further and Higher Education Act 1992. They are formally 'exempt charities', which means they do not come under the scrutiny of the Charities Commission (although the LSC may assume some powers as charities law is reformed). Their powers and responsibilities are laid out in Sections 18 and 19 of the 1992 Act, and were amended by the 2000 Act. The principal powers of an FE corporation are the provision of FE and higher education (HE) and the supply of goods or services in connection with their provision of education.

2.10 FE corporations are independent bodies responsible for the conduct of the institution they run, though the Secretary of State has the formal power to establish and dissolve them. S/he can also intervene in the management of FE colleges by removing all or any of the members of the governing body, appointing new members to the governing body if there are vacancies and giving directions to the governing body as to the exercise of their powers and performance of their duties if s/he is satisfied that:

- the affairs of the college are being mismanaged;
- the governors have failed to discharge a responsibility imposed by legislation;
- the governors have acted unreasonably, or are planning to; or
- an inspection report indicates that the college is unlikely to give a satisfactory standard of education.

2.11 There is a proposal in the *Further Education: raising skills, improving life chances* White Paper to transfer some intervention powers from the Secretary of State to the LSC, such as the power to direct a governing body to dismiss a weak principal. These changes require legislation that has not been enacted at the time of writing.

Intervention by the Secretary of State is rare, but it has happened. A corporation in the Eastern region excluded one of its governors without due process, and the Secretary of State instructed them to reinstate.

2.12 The Secretary of State prescribes the Instrument and Articles of Government for FE colleges. The Instrument and Articles set out the respective responsibilities of the governing body and the principal, and lay out the rules for the conduct of the college's business. The supreme authority in a college lies with the governing body: 'the corporation'. The Instrument and Articles make clear that some functions are too important to delegate. These are:

- the determination of the college's educational character and mission;
- the approval of the annual estimates of income and expenditure;
- the safeguarding of the college's assets, and ensuring its solvency; and
- the appointment and dismissal of the principal and the clerk.

2.13 The governing body has wide discretion over its use of public funds and it is ultimately responsible for the proper stewardship of those funds. It needs to ensure that it uses that discretion reasonably, and takes into account guidance on accountability or propriety from the LSC, the National Audit Office or Parliament. The financial responsibilities of the governors in relation to the LSC are to:

- require the principal to take personal responsibility, which shall not be delegated, to assure them that there is compliance with the financial memorandum and all terms and conditions referred to above; and
- ensure that the LSC's funds are used only in accordance with the Acts, the financial memorandum and any other conditions that the LSC may from time to time describe.

The relationship between the LSC and FE corporations

"Colleges are created by statute for a public purpose, and use public assets. The role and ownership of the assets are in the end a matter for the Secretary of State, and I suppose there is an extent to which the LSC is acting on behalf of the owner. But we must be clear we are not the owner or manager – and we have tried to work within the atmosphere of 'Trust in FE'."

LSC Director (London Region)

2.14 The LSC's funding decisions for providers follow its statutory duty to secure the provision of post-16 education including ensuring the quality of the provision it is paying for. Legally, it can only exercise its power to fund providers of education and training where it is satisfied that the provision that will be delivered will enable it to fulfil its duties and will meet the objectives specified by the Secretary of State and identified through its own planning process. Therefore, the LSC is entitled to specify requirements in relation to LSC-funded provision, which FE colleges deliver, to ensure that provision does meet the LSC's statutory duties and fulfils its objectives. The 2000 Act does not distinguish between FE colleges and other providers of post-16 training in respect of the LSC's powers to provide, and impose conditions on, funding.

2.15 Although the LSC has a wide power to impose conditions in relation to the funding it provides, such conditions should be reasonable and related to ensuring that the LSC is able to demonstrate the proper use of public funds for the delivery of education and training. These conditions usually apply generally to all FE colleges: the LSC could impose specific conditions to deal with a specific issue arising at a particular college, but this is very rare. The key document setting out the terms on which the LSC pays funds to colleges is the financial memorandum, which is covered in Chapter 4.

2.16 The LSC can only intervene in the affairs of an FE college in circumstances where it has specific statutory authority to do so. At the time of writing, the 2000 Act and 1992 Act give the LSC powers to:

- require an FE corporation to provide education for named individuals who are over compulsory school age but who have not reached the age of 19;
- require an FE corporation to provide it with information, as it requires for the exercise of its functions;
- propose to the Secretary of State the establishment or dissolution of an FE corporation;
- require the LSC's consent if a college:
 - wishes to borrow money (in practice, this only applies over a certain limit);
 - wishes to acquire shares or securities in a company established for the purpose of delivering education or training funded by the LSC; and

- appoint up to two persons to be members of the governing body of an FE corporation.

"Following an adverse inspection, the LSC discussed with a local college whether to insist on its right to appoint LSC-nominated governors. The college decided to help move on to the real task of quality improvement by inviting the LSC to nominate governors – who made a strong contribution to the college's recovery plans."

Principal (South West Region)

Elsewhere, in a South East region college, governors who had initially been placed on the board at the insistence of the LSC were asked to stay on at the end of their term.

2.17 College Instrument and Articles of Government also provide that the LSC can give directions about the information to be contained in the statement of accounts and make requirements about the way the external auditors of an FE corporation audit the accounts. They make clear, though, that it should not impose conditions of funding to intervene directly in the management of the college or to exercise authority which properly lies with the corporation.

2.18 Any chapter on the legal relationship between the LSC and colleges is bound to concentrate on legalities and powers, but as in life elsewhere, relationships are in a bad way if each side is looking at the law. The relationship between colleges and the LSC is best developed in a spirit of co-operation that recognises common goals and mutual respect which is the picture in most areas of the country. In many places, as we shall see, the LSC and colleges have taken a lead in establishing effective and respectful ways of working together.

"We reckon we've developed a good structure for governor training here, and we also have an FE Forum – an informal meeting of the non-executive chairs (or their nominees) of college corporations. This happens normally twice a year. The agenda has limited items and attendees are invited to contribute items. Senior executives of the local LSC are invited to attend to present to agenda items: at least one item is for non-executives only."

LSC Director (London Region)

Good practice in working together

- The LSC and colleges are entitled to expect that their counterparts will conduct business with each other at all times to the highest standards required of public bodies.
- Colleges should make sure that governors are aware of the powers and goals of the LSC. This is part of standard governor training but may need updating now and then. Similarly, the LSC needs to ensure that non-executive and executive members understand the independent status of FE colleges and the legal framework within which the LSC relates to colleges. Joint training for governors and LSC non-executives can be a productive way of developing understanding.
- In taking decisions that affect the interests of the other, the LSC and the college should act reasonably on the basis of the evidence available, taking into account the views of the other and their statutory remits. The LSC and college should be open and transparent and give proper reasons for any decision which affects the other party.
- The LSC and colleges should pay particular regard to sensitive and confidential information, obtaining clearance before any onward transmission and letting each partner know of possible clashes of interest.
- The LSC should not require colleges to supply information, or evidence of procedures or systems, unless these are required by the financial memorandum or are plainly relevant to operations or policy development.
- The LSC should continue to review and, if necessary, revise existing guidance to ensure that old rules and instructions are retained only where necessary.
- Although the appointment of the principal is a matter for the governing body, it makes sense to engage the LSC in the process – for example, briefing candidates about local learning needs or partnership arrangements.
- College corporations are often eager to appoint governors with specific skills, experience or backgrounds. The LSC could undertake joint advertising for FE governors, approaching employer bodies or keeping a list of potential candidates.

- Many colleges copy minutes and papers from governors' meetings to a senior LSC officer, and invite the LSC to governors' meetings.

What are the key documents?

The obvious documents that should be on the shelf of any college or LSC office are the Learning and Skills Act 2000 and the Further and Higher Education Act 1992. The legal position is explained in some excellent Association of Colleges (AoC) training materials for clerks and LSC materials for governors: see www.professionalclerks.co.uk

Model Instrument and Articles of Government for FE corporations are to be found at:

www.dfes.gov.uk/furthereducation

Revised versions have been circulated following the release of the *Further Education: raising skills, improving life chances* White Paper. Guidance from the AoC will also be available as the changes are made at:

www.fegovernance.org

The original split of responsibilities between the national and local LSC was laid out in LSC Circular 01/03 *Corporate Governance*, but this was already under substantial review (involving, for example, the regional dimension) even before *agenda for change* and, crucially, the *Further Education: raising skills, improving life chances* White Paper sought further streamlining.

A brief explanation of the role of the accounting officer can be found in the Government's handbook in *Getting Better Delivery: guidance for effective working with the front-line* (DfES 2003). The Chartered Institute of Public Finance and Accountancy (CIPFA) guide to the role of the college finance director seems to have gone out of print; however, the higher education guide (www.cipfa.org.uk/panels/fehe/download/role.pdf) remains useful.

As far as probity is concerned, the Nolan Report which enshrined the Seven Principles of Public Life and the regular reports of the Committee for Standards in Public Life are available at:

www.public-standards.gov.uk/

Chapter 3

Getting the Provision Right: Planning and Allocations

“Local areas have to resolve a range of challenging conflicts involving national priorities, initiatives and targets, regional priorities and the needs and demands of the local community and businesses. The judgements are hard.”

National Audit Office, Securing Strategic Leadership for the Learning and Skills Sector in England

What's the aim?

3.1 The planning process enables colleges to deliver the programmes needed by employers and communities through ensuring that provision meets the highest standards, is relevant and affordable, and links through to the right actions on staffing, premises and equipment. From the LSC side, planning makes sure that resources are used effectively to meet local needs and national priorities. The dialogue between the two partners is important; college plans reflect their own assessments, choices and strengths, whereas the LSC is tasked to deliver its own local, regional and national priorities and government objectives within a limited budget.

What's the role of the LSC?

3.2 Chapter 2 showed how the Learning and Skills Act requires the LSC to make and publish a plan for each of its financial years before the year starts. The plan must show how the LSC intends to achieve the objectives set by the Secretary of State within the available budget. To achieve its goals, the LSC needs to ensure that college plans dovetail with its priorities and aims. There have been frequent changes in the systems the LSC and colleges have used to link their plans, and no document can be 'future proofed' on a dynamic process. Recent documents have featured the introduction and updating of the business cycle, and the *Planning for Success* approach will be followed by a new strategic planning and modelling system in the autumn of 2006. Nevertheless, it

is worth considering the essential elements for a workable and successful planning dialogue.

3.3 Government targets form the critical factor for the LSC. Its planning is expressed in the *Annual Statement of Priorities*, which is published in the autumn of each year following the Secretary of State's grant letter. Colleges can use the Public Service Agreement (PSA) targets and the grant letter to get an advanced view of priorities and policy directions, because of the way these inform the LSC's process of allocating mainstream funding. Colleges need to recognise the importance of national targets to the LSC: this lies behind what may appear to be local inflexibility. The national and local plans for the 14–19 age group will also impact on colleges, with the implications of academy developments and the mix of local provision, including possible new sixth forms.

3.4 College plans belong to the college but can be greatly helped by a dialogue with the LSC at a local level. The *Further Education: raising skills, improving life chances* White Paper seeks to keep plan discussions brief and business-like. This creates an obligation on the LSC to ensure that, in its discussions about college plans and annual review, it realistically represents likely provision required and consequently the funding and allocation decisions for the future. It is also helpful when the LSC pulls together statistics on local needs such as demographic and labour market trends as well as the regional performance in relation to PSA targets such as Level 2 attainment, higher education progression and numbers not in employment, education or training (NEET). The role of the LSC in setting out clearly what is required for the area benefits all providers when the LSC feeds back its views about gaps and overlaps in provision to the local network through regional and local strategic briefings.

The North East Region of the LSC arranged a series of road shows explaining the planning calendar for the coming year and clarifying the implications for colleges of LSC policies and priorities, such as Train to Gain.

ACER, the Eastern Region of the AoC, invited the regional director of the LSC to give a presentation specifying the region's position in relation to the attainment of PSA targets early enough for college leaders to represent needs, strengths and priorities in their plans for the coming year.

3.5 The actual allocation to a college will reflect a number of factors. One obvious one is the amount of cash available, allocated from regional budgets and based on local needs and ambitions. You can check this from the web reference at the end of this chapter. Bearing in mind the available budget, the LSC will look at their college partners, and the decisions about allocations will take into account:

- the balance and mix of provision;
- the fit with the priorities identified by the LSC;
- past performance (how well they meet targets) and, in the future, minimum levels of performance; and
- how well they are meeting the required quality standards.

Changes in policy, for example prioritising Level 2 within adult funding, that will impact differentially on different providers will need to be modelled. The LSC needs to take into account a range of issues: demographic factors, or changes in other sources of income such as overseas students, the Higher Education Funding Council or European funding. Funding sources such as Train to Gain or work-based learning also need to be factored in.

3.6 The criteria are laid out in a number of LSC documents. Recent settlements and allocations for the future are likely to represent a more forceful delivery of government and LSC priorities, so it is important for college leaders to stay abreast of policies and systems, and for LSC staff to clearly explain what lies behind decisions and likely moves for the future. A key source is paragraphs 48 to 54 of *Planning for Success* and section 3 of the *Annual Statement of Priorities* for 2006. *Managing the Mix of Provision, Regional Allocation Frameworks* and *Funding Guidance* are also very relevant.

"We made sure any changes were modelled – for example to see the effect of the ending of very short courses, policies in Skills for Life and the Level 2 entitlement. Alongside this, we made clear the priority areas and had a dialogue where that caused problems. There have been significant changes without any rows – the perception I hope is that the process is tough but fair."

LSC Regional Director

"There was some really excellent work from the region and locally briefing us on this year's changes. The new allocations process has been a great improvement – supported by clear explanations, out much earlier, coherent and clear."

Principal (East Midlands Region)

3.7 The continuity of the FE business needs to be recognised: it is easier to grow provision than reduce it, and many students are on two or three-year programmes. The need for college stability was recognised in recent consultation by the LSC; however, the LSC will want to talk to colleges about shifting the balance of courses towards the high-priority areas. It may be sensible to find a way to share risks where, for example, the LSC, Regional Development Agencies or Sector Skills Councils want providers to make local changes or innovations that do not appear to be backed by learner demand. For some colleges, there will be a need to take account of any overlap with neighbouring LSC areas (or sometimes regions); this will be particularly true where colleges have a regional recruitment or travel-to-learn patterns do not reflect LSC boundaries.

3.8 The LSC may not allocate all its resources in the initial indicative allocation. They need to retain some funds in order to develop new areas of work, fund growth or bring new providers into the system, either to meet new needs or replace existing provision that doesn't match the quality that is required. When this happens, the amount and reasons will be made clear through a strategic commissioning process, and the criteria for new provision will follow national guidance. The *Further Education: raising skills, improving life chances* White Paper gives further information on prospects for new providers.

3.9 Annual planning and allocation forms a centrally important process for both partners, and the process works best with transparency both ways. Colleges know that the LSC cannot allocate money it does not have. What they reasonably expect is for the LSC to make clear the basis for its choices at an early stage. A simple checklist might include:

- setting out a plan for an area with key changes needed to provision, accounting for demographic changes, needs assessment and budget as the basis on which allocations will be made;
- ensuring that local decisions and priorities reflect clear national, regional and local policies which have been consulted upon and announced with sufficient notice;
- making sure that all guidance is published and available to LSC staff responsible for the work and to each local college;
- providing consistency, using the national formulae (for example, for shortfalls or overshoots in recruitment, out-of-district arrangements, tapers, fee targets) in the same way to all providers; and
- making sure that definitive allocations are published and easily available. This should show the allocations to all providers: colleges, private providers, higher education, Local Authorities and schools.

3.10 It is important to ensure that thought is given (from both sides) as to how to align the timing of college and LSC plans. The introduction of the business cycle has helped, specifying the annual round and bringing a firmer indication of allocations earlier in the year. The funding settlement for the coming year will have all sorts of implications for colleges which have to do the actual job of delivering the service to learners. Staff will need to be recruited or retrained, equipment ordered, premises adapted, and new programmes must be accredited with awarding bodies and marketed to clients. That's why it's important that plans are agreed and allocations are made as early as possible, even if it's a provisional allocation with a 'health warning' about possible variations.

3.11 The LSC has some discretionary funding available to support local initiatives and projects. This is less than previously but not inconsiderable and still provides a useful resource to back collaborative projects or support innovation. In order to make effective use of time and resources, projects funded this way need to support the main priorities, be limited in number and be allocated substantial funds. It is important to ensure that discretionary funding, for local or national initiatives, is allocated in a rational, transparent and non-bureaucratic way. The design of the projects can often be shared. But, whatever the source of the initiative, its evaluation and scrutiny should be proportionate to the sums involved.

The LSC in some areas has established modest discretionary funds aimed particularly at collaborative work between providers. To support this ethos, it splits the pot between project proposals from the LSC and those coming up from provider groups themselves.

What's the role of colleges?

3.12 Chapter 2 made clear the legal independence of colleges. Colleges will have their own planning process and it is important to realise that the strategic plan is the property of the college and its corporation. It will be based on their assessment of local and regional needs, and their experience of working with a range of clients. Many of these will not be LSC funded; some colleges raise as much as half their income from fees, overseas students, European Social Fund or Regional Development Agency programmes, customised employer training or higher education. But most colleges are heavily dependent on LSC funding for their activities, so it is important to align the college view of the future with the LSC. To make sure this happens, the LSC requires the colleges it funds to prepare a development plan that links the college strategy and performance record to the LSC allocation round.

"We talk about demand-led provision but see a lot of central planning that could lead to turbulence and constrain college planning – how can we make planning sit better alongside demand-led provision?"
College governor comment, AoC briefing spring, 2006

3.13 There is extensive guidance on the preparation of college strategic plans and development plans. Annex A of *Planning for Success* is the main source. Other key documents are listed at the end of this section, and readers are referred there for more detailed guidance on planning. However, a guide dealing with LSC/college relationships needs to underline how important it is for colleges to make an assessment of the effects of changed priorities on their operations. This will inform the discussions about college plans and allocations discussed above.

3.14 It is always useful for colleges to share their developing strategic ideas with their main funder, maybe sharing a draft of the plan with key LSC staff on a confidential basis. College plans are developed and owned by their own senior managers and governors, but cannot be brought to fruition without LSC funding

and support. So it is important for the two partners to agree how to work together. The relationship must be ongoing, being closer at times of plan preparation and review. LSC officers should respond to discussions with brief and timely comments, respecting any confidential matters they are informed of. From their side, colleges need to make sure that the LSC knows of any significant changes in the factors that will affect the planning and allocations process, for example recruitment. If there are any in-year changes, such as enrolments in a particular area going substantially above or below plan, it is worth informing the LSC. Candour and openness works well for both sides. The LSC is better informed about trends and likely calls on expenditure, and can adjust future planning to meet real needs. From the college side, keeping a key partner informed builds trust and allows smoother transition planning.

3.15 There will always, of course, be issues outside the control of the college, and it is important to consider how they might impact on its work. This is why the LSC requires the college to undertake a risk management plan. Central to this is the sensitivity analysis, which assesses the impact that the risks could have on the operations of the college, especially its financial health, if they were to happen. As part of the process of risk analysis, the LSC requires the college to have in place a contingency plan to cope with major disasters that could affect the day-to-day running of the college. The process to be followed in the case of such a disaster should be formally documented, with individual responsibilities clearly allocated.

A college in the Yorkshire and Humber Region discovered that its recruitment and success rate numbers had been misrepresented. It immediately told the LSC of the problem, and a settlement was quickly reached which enabled both sides to work through the financial and planning consequences with least damage to provision for individuals and employers.

3.16 The *Further Education: raising skills, improving life chances* White Paper introduced a more active approach to encouraging the entry of new providers across the whole sector to improve quality or expand provision. This will include the use of competitive tender and competitions to reach out to potential new providers and give greater scope for high-performing providers to expand. As proposals are developed and competitions are trialled over the next couple of years, it will be important for colleges to continue the dialogue with the LSC so that they can understand

what is required and can compete to deliver the elements of LSC-funded provision that are opened up in this way.

Good practice in working together

- Many colleges invite LSC officers to a session during their strategy 'away days', either to present briefings on priorities or to contribute to discussions on the shape of the college offer.
- Principals can work closely with the LSC, taking part in open-ended 'future-gazing' sessions discussing how government strategy will impact on their institution with local senior LSC staff.
- Colleges need to make sure their development planning is consistent with their financial planning and, where relevant, accommodation strategy.
- The LSC can play a valuable role by bringing together and publishing the implications of all the plans of the colleges and other providers in their local delivery area. Only they read all local institutional plans so they are in a position to give an overview of gaps and overlaps, strengths and weaknesses of provision in an area.
- The LSC should also discuss and agree how overlaps with neighbouring areas and regions will be handled.
- Colleges need to let the LSC know as soon as possible where there are any significant changes that will affect their ability to deliver their strategic plan and the funded targets in their development plan.

What are the key documents?

The current planning system is outlined in *Planning for Success – a framework for planning and quality* (LSC 2005) and section 3 of the *Annual Statement of Priorities* 2006. The annual planning round is based on a business cycle that has been widely publicised; the latest version can be found on the LSC website.

The Treasury's PSA targets are important in the formation of the DfES goals; they are available along with a current assessment of progress at: www.hm-treasury.gov.uk. The original remit letter was sent to the LSC as it was established in 2000 and is still worth a read as background. More relevant for each year's work is each November's grant letter (an annual

statement of government policy and priorities for the LSC). Both documents are available on the LSC website in its documents section.

The LSC translates the directions indicated by the Secretary of State in *Raising Our Game: Our Annual Statement of Priorities* (LSC 2006). The changes to the planning system presaged by agenda for change have been the subject of consultation; this is summarised in *Agenda for Change Funding Reform: LSC consultation outcome and next steps* (LSC 2006).

There are a number of background documents useful for understanding the system. Circular 03/09 *Success For All: Implementation for the framework for quality and success* explains the requirements for the three-year development plans that arose from the *Success For All* White Paper. Circular 01/01 has been superseded but the financial forecasting parts of that circular are still relevant. *Financial Planning Handbook 2006 to 2009*, published April 2006, sets out guidance on financial planning information that the LSC needs to receive from colleges.

The LSC framework used to allocate funding around the nine English regions in this academic year can be found at: <http://readingroom.lsc.gov.uk/lsc/2006/funding/streams/nat-regionalallocationframework-ps-200607.pdf> and baseline comparisons of FE allocations for this year as against the previous year, by region, at: <http://readingroom.lsc.gov.uk/LSC/2006/funding/streams/nat-fe-allocation-comparison-da-31jan2006.xls>

Chapter 4

Sorting out the Money: Financial Matters

"The biggest single message to give to a management team is the understanding that they are working with public money distributed for public purposes."

Principal (West Midlands Region)

What's the aim?

4.1 World-class education and training needs to be well resourced. With an annual spend running into billions, getting the finances right is crucial to the success of the LSC as much as it is for colleges with their multi-million pound budgets. This comes down basically to two important areas: making sure that funds are used appropriately (for the right purposes) and wisely (to secure the best value). These aims are easier to secure when colleges and the LSC work together with trust and transparency. Colleges need adequate budgets they use well and the LSC needs value for money from colleges that are prosperous and financially healthy.

What's the role of colleges?

4.2 The Instrument and Articles of Government are clear that the financial responsibilities of a college lie squarely on the governors and the principal. The college principal is defined as the accounting officer (the person accountable for the operation of an organisation and preparation of its accounts) and, as such, may be required to appear before the Parliamentary Committee of Public Accounts, alongside the accounting officers of the LSC and the Department, on matters relating to the college's use of LSC funds and public funds. But the main financial role of the college is to demonstrate sound management, which would be needed under any funding agency, or none. This involves:

- accurate records that are consolidated into annual accounts prepared in accordance with the professional statements of recognised practice and audited by qualified independent accountants;

- regular, timely and reliable management accounts;
- budget disciplines, matching expenditure to income and ensuring that allocations delegated to budget holders' resources are respected;
- clear plans including forecasts using the LSC's financial template, which is available from its website;
- a commitment to probity and value for money, and management controls adequate to enable governors and managers to discharge their responsibilities, listed in the college's financial regulations; and
- having regard to guidance issued by the relevant government agencies and professional bodies.

4.3 Colleges need to ensure that the people who are responsible for delivering these objectives are equipped for the task. Obviously that starts with a financially aware principal and an expert finance director (or, in some sixth-form colleges, bursar), but responsibility for effective financial performance and value for money needs to be widely owned. This includes lay governors; it is useful to have members with financial skills but there are good governor training materials and programmes that can bring non-expert governors up to speed on the task they face. Staff at all levels need to understand the financial foundations of the college. Very many more college difficulties are caused by poor planning and reporting, unrealistic assumptions or weak controls on spending, than are ever due to technical accounting problems. Finance is too important to be left to the finance director or the Finance Committee.

4.4 All significant organisations use auditors to check propriety and value for money. There is an obligation on the governing body to appoint an Audit Committee that will appoint auditors in line with the relevant guidance and arrange to provide for internal and financial statements audit, including regularity audit, in accordance with the LSC's Audit Code of Practice and any other directions drawn up and published by the LSC in consultation with colleges. Colleges must follow the mandatory requirements of the Audit Code of Practice as a condition of funding. Of course, the vast bulk of transactions are never audited so the main assurance in these respects will be the integrity of the college's own processes. Colleges have worked hard on these; most have a good record of taking action on audit recommendations from a commitment to value for money and probity.

4.5 As part of the financial planning process, colleges have got used to being awarded a financial grade. This flows from the financial plan and is confirmed by the finance record. The definition of the three groups can be found in supplement A to the LSC Circular 01/01 *Planning*; briefly, these are as follows:

- Grade A providers appear to have sufficiently robust finances to implement their strategic plan and deal with most circumstances that are likely to occur.
- Grade B providers show signs of financial weakness that might limit their ability to implement their plans if they encounter adverse circumstances during the planning period.
- Grade C is a category that covers colleges whose operations are (or may become) dependent on the support of others, such as a bank loan or LSC discretionary help.

4.6 There are current discussions to review this grading as part of the development of an overarching *Framework for Excellence*. But though definitions may change as time passes, an assessment of vulnerability will continue to form a useful check for college managers. Colleges need to keep a close eye on their solvency, especially projecting realistic assessments into the future when capital spending is in prospect or funding priorities change. The questions to ask are:

- Are we plainly able to resource our plans?
- Could we be knocked off course by relatively small changes in recruitment or funding policy?

- Do we need to take radical action to free the resources needed to deliver the service we want?

4.7 It is necessary to include a paragraph that covers what happens if things go wrong, even if that covers events that are very rare in the sector. From time to time irregular transactions may be discovered by college managers or their auditors. Colleges need to investigate and should involve the police and (if uncovered by managers) the auditors. Colleges need to report to the LSC all significant cases of internal and external fraud or suspected fraud or irregularity (as defined in the Audit Code of Practice). The LSC reserves the right to review the college's fraud investigation files. As far as imprudent conduct is concerned, at an extreme, the principal is responsible for advising the governing body in writing if, in his or her opinion, any action or policy they are considering is incompatible with the terms of the financial memorandum. If, after considering their response, the principal still considers that the action proposed is in breach, s/he must write to the LSC accordingly.

What's the role of the LSC?

4.8 The LSC allocates funds to colleges as a grant-in-aid. Private organisations are not normally in this position; their provision is purchased as needed. Grant-in-aid funding by contrast is assumed to be continuous, requiring deliberate action to end it. Although grant-in-aid funding gives the LSC a high degree of interest in all aspects of colleges' operations, it is a relationship well suited to trust and to colleges' autonomy. It also offers the LSC the flexibility to fund colleges in a way that recognises their position in the wider community.

4.9 The LSC has a role in scrutinising colleges' financial performance because of its special relationship with colleges for a number of reasons, not just DfES requirements and the grant system, but also the supervising role otherwise undertaken by the Charities Commission. The LSC requires colleges to prepare a financial plan each year and has the right to inspect a college's accounts and records at any time during the year. This sort of power is seldom exercised and is easily avoided by open dialogue between college and LSC.

4.10 A college's particular obligations towards the LSC are spelled out in the financial memorandum, which requires that the college:

- keeps proper accounting records and prepares a financial statement in respect of each financial year in a shape determined by the LSC;

- provides the LSC with copies of its audited financial statements signed by the principal and chair of governors within five months of the year end – in a formal sense, the accounts are ‘laid before Parliament’;
- makes reasonable arrangements to make copies of its accounts publicly available (which is anyway a requirement of charities legislation);
- ensures that it has an effective policy of risk management (including appropriate insurance arrangements) reflecting the key principles given in LSC guidance;
- keeps the LSC in the picture about the college’s finances, notifying them in writing if at any time there is a significant deterioration in the position;
- gets the necessary approvals for any borrowing; and
- complies with relevant UK and European regulations and requirements for capital developments, acquisition of goods and services, and work contracts.

The financial memorandum can be used to attach individual conditions to a college such as a tougher limit to borrowing when a college is in financial difficulty, but this has been very rare.

4.11 Colleges and the LSC are keen to increase the efficiency of their operations. *Agenda for change* shows the LSC’s determination and direction. Colleges too need to consider how the LSC might help them secure greater value for money and push money away from back-office costs towards the front line. The LSC provides financial benchmarks that enable colleges to contrast their financial performance with their peers. The information about property costs and utilisation found on the eMandate database, for example, allows institutions to compare their performance against other colleges, and so improve efficiency and conditions for staff and learners.

In one area, the LSC has funded a joint benchmarking study by external consultants, which has allowed local providers to make better judgements about the balance of their spending.

4.12 In a few cases, college managers or the LSC may conclude that there is a significant risk to a college’s financial position. It may be that the college will need special financial support from the LSC. When a college is in this position the LSC will require a credible and time-limited recovery plan to be prepared. The LSC will give clear guidance on this and the arrangements for support. The recovery process will involve regular meetings between LSC officers and the college’s managers to check progress. There will be a greater need for the college to disclose to the LSC the measures that are being taken to get back on track and their effectiveness. The LSC might take a number of measures to support the recovery, including:

- attending the governing body or its Finance Committee;
- requesting financial information more often; and
- adjusting the pattern of payments or repayments to and from the college.

A college in the Yorkshire and the Humber Region made a strategic decision to radically reduce its work under European funding, which governors felt was diverting them from the core purpose of raising skills via well-managed educational programmes. This decision led to short-term financial difficulties, but the college kept the LSC fully informed of the decisions from the start and were supported in their journey back to financial strength.

“The issue isn’t using the LSC to help run the college – but to give them the confidence that the college can progress.”

Principal (London Region)

4.13 Audit gets a lot of attention in the relationship between colleges and the LSC, and forms a major check for governors. However, it is in truth a small part of college work. Colleges spend much more on insurance or security than they ever do on audit. In any case, there has been a substantial reduction in recent years in the audit of college income, although some checks must remain in place to satisfy the LSC about the regularity and propriety of the college’s expenditure. This reflects the recommendations of the Bureaucracy Busting Task Force led by Sir George Sweeney. The move towards the plan-led funding system, which aimed to give colleges a greater sense of stability through time,

removed the need to account for funding on the basis of precise delivery. It is likely that more recent government policy on demand-led funding will reverse this for a portion of the LSC's funding.

4.14 The LSC may from time to time need to carry out audits at the college and, very rarely, the National Audit Office or DfES may also visit. The European Commission also occasionally arranges audit checks on their projects. When this happens, the college is obliged to provide their visitors with access to all relevant books, records, information, explanations and assets. The LSC may also arrange for a Provider Financial Assurance (PFA) team to visit the college at the time of inspection. The assurance officer will not be a member of the inspection team but will provide the Ofsted lead inspector with the result of their visit.

4.15 Getting the right pattern of provision, and supporting quality improvement in a college may require premises development that involves substantial capital investment. Colleges will generally seek capital help from the LSC for any development. The LSC and the Government have made clear their commitment to developing 21st-century buildings for a 21st-century quality education: it is likely that £4 billion will be spent getting our FE stock up to the right standard. A successful capital project will need to satisfy three tests:

- The business (that is, educational) case: does it meet the future education and training needs of the college?
- The property case: does the building deliver value for money, with the right type and amount of space for the job in hand?
- The financial case: the LSC has a standard investment appraisal tool on its website to see whether the proposed development is economically viable; this involves looking at a number of alternatives, including a base, 'do-nothing' case.

4.16 Because of the importance of their support, it's a good idea to involve the LSC from the start. The *Further Education: raising skills, improving life chances* White Paper makes clear that LSC capital strategies will be used to support local and regional needs. The approach is planned to:

- ensure capital investment fits the regional strategy – proposals that come individually without regard to the regional and local network stand little chance of support;

- improve quality, choice and diversity locally and regionally;
- support the local development of high-quality specialist 14–19 diploma programmes, helping high-performing FE and sixth-form colleges to expand vocational provision for 16 to 19-year-olds;
- open access to capital to new providers; and
- allocate capital to support quality specialist provision in national skills academies, Centres of Vocational Excellence (CoVEs) and colleges seeking a sharper mission.

4.17 The LSC will be fully involved in developing and drawing up the local vision as it affects colleges, and will ensure it is consistent with the regional capital strategy. Regional LSC staff will supply expertise in capital planning and make the case to national level where the final arbiter is the National Capital Committee, chaired by the Deputy Chair of the LSC, which considers major projects. Projects over £20 million have to go to the full National Council to discuss and approve the recommendations of the National Capital Committee. The LSC will publish a new capital prospectus in the autumn of 2006. It has already published *From Here to Sustainability*, showing how capital development can help sustainable solutions. Whatever the system, though, it needs to recognise that drawn-out decisions can add significantly to project costs.

A strategic area review by the LSC in the West Midlands, chaired by a local employer, identified the need for a specialist construction centre and supported the realignment of programmes from a number of colleges into a single new centre built with substantial LSC capital support and run by one college. The LSC supervised the transfer of some of this college's work to the other colleges as part of an overall rationalisation.

A college in the South West Region discussed their capital plans with the LSC at an early stage – and 'bouncing the ideas around' changed their ideas dramatically as they moved to a £70 million rebuild.

4.18 Discussions on funding need to look beyond the ways we allocate and control the existing pot of money, and consider how we might enhance the resources for the system. The LSC is working with colleges currently to establish effective fee policies, for

example, which aim to increase the contribution of employers and individual learners. The partners can also work together to see if there are alternative public funds to support training and capital development. Several areas have been able to pull in funds from Regional Development Agencies, and at least two LSC areas have worked to achieve transfer of local authority land. Another approach is to see how better value for money and improved service to the public might be secured by reducing administrative and back-office costs. Good practice guidance and support for procurement is available on the LSC website.

"The LSC has been very supportive of our desire to replace some time-expired buildings. They've helped us involve the Regional Development Agency who may buy our old sites for redevelopment."

Principal (Yorkshire and the Humber Region)

"Should we not look at shared services leading to reduced costs – such as e-procurement, HR, IT, payroll, scheduling – a managed service across several colleges?"

Governor comment at AoC event, spring 2006

- The LSC and colleges should work together to see if there are additional sources of capital funding, for example Regional Development Agency funds, employer partnerships or local authority support via the Building Schools for the Future initiative.
- The need for recovery must be established by reference to objective data, such as movements in financial well-being or inspection reports. Financial support for recovery should be allocated in a fair and open manner, and linked to a recovery plan with effective deadlines and targets.
- Scrutiny of spending by the LSC should be proportionate to the sums and risks involved: it makes no sense to require endless reports on small discretionary projects.
- Benchmarking should be used by colleges to see how their performance stands against the best of the sector. There are well-developed academic, financial, fee income and now property benchmarking products available from the LSC, and commercial products too.

Good practice in working together

- The financial relationship is much easier to manage if each side is open and transparent about what is happening. Colleges that have experienced difficulties need to engage with the LSC about the reasons for the difficulty, its effects and the remedial action taken.
- The financial memorandum should cover all the transactions between a college and the LSC, with matters like work-based learning contracts or pilot projects, if necessary, appended in an annex.
- The LSC needs to recognise the disruption caused by audit and other visits and be clear about the reasons for any visits, giving the maximum notice of times, nature and officers involved, especially if there is NAO input.
- Colleges should fit their capital plans to local and regional priorities, and avoid individually based planning.
- The LSC should appreciate the costs and problems caused by delay in building programmes, and work to ensure the speediest turnaround of decisions consistent with proper scrutiny.

What are the key documents?

The key document describing the LSC/college financial relationship is the financial memorandum. This has just been revised at the time of writing and will be re-issued to colleges shortly. The *Framework for Excellence* currently under consultation will be the overarching measure of a college's performance, including financial performance. The consultation documents can be found on the LSC website.

The financial circulars that give guidance and instructions on the date and format of returns vary from year to year. Circular 05/03 *Further Education Colleges: Financial Plans and Risk Management 2005 to 2008* sets out guidance for the financial planning and risk management information for July 2005 and consulted on the form of future plans. The LSC issued a revised 10-year financial plan and accompanying guidance in May 2006. A copy can be downloaded from the documents section of the LSC's website.

Circular 04/07 *Audit Code of Practice* explains the mandatory audit arrangements governing FE colleges. Circular 03/13 *Capital Handbook: feedback from consultation and arrangements for 2003/04* gives guidance on capital project grant arrangements. *The Review of Further Education Colleges' Financial Plans 2005–08* summarises the information from colleges. The *Accounts Direction to Further Education Colleges for 2005/06* does what it says on the label and can be found at:

www.lsc.gov.uk/National/Documents/Series/Circulars/accounts-direction_fe-colleges_0506.htm

On capital development, the arrangements for five-year capital appraisal were updated in April and placed on the LSC website at the end of May 2006. *From Here to Sustainability* is also available from the LSC website.

The eMandate website giving property benchmarks will be on **www.emandate.co.uk** from May 2006.

Chapter 5

Delivering on Standards: The Quality Relationship

"The AoC supports the imperative of securing high standards of achievement in all areas of learning delivery, and of embedding a culture of continuous improvement in colleges."

AoC response to Realising the Potential

'Responsibility for quality improvement rests with colleges, underpinned by a streamlined quality improvement infrastructure.'

Realising the Potential

What's the aim?

5.1 Colleges and the LSC are both committed to deliver provision of the highest quality. Quality is increasingly being measured not just by success rates and inspection grades, but in relevance to national priorities and customer satisfaction. The aim is to have consistently strong provision, with effective action to drive up quality. Strong colleges deserve recognition and can help the drive for higher standards: effective turnaround, or replacement, is needed for those with unsatisfactory performance. Colleges share responsibility for the 'standards agenda' with LSC, DfES, the inspectorates and the Quality Improvement Agency; however, as the National Audit Office remarked in a recent report, 'performance reviews by others, for example inspectors or the Learning and Skills Council, can be most efficient and effective if they are able to draw on good governance in the organisation they are reviewing'.

What's the role of colleges?

5.2 The responsibility for the quality of provision belongs clearly to the college, its leaders, governors and staff. Their record is good: success rates are up from 59 per cent in 1998/99 to 75 per cent in 2004/05, well ahead of Government targets; levels of satisfaction from students and employers are routinely above 90 per cent; inspections suggest that less than 3 per cent of provision is unsatisfactory. So, the claim of Circular 02/06 that 'all colleges have the capacity to improve and to plan for continuous improvement in quality' does not seem over-ambitious. The job in hand is to push satisfactory work to being good, and good to outstanding. Nevertheless, there remains some poor work even in otherwise satisfactory providers, and a few failing institutions.

5.3 The key to high standards is widely recognised to be an institution-wide commitment to improvement, led by the senior team and shared across the college, supported by good systems and, crucially, evaluated by a robustly accurate self-assessment report (SAR). The expectation is that the SAR will be closely aligned to the Common Inspection Framework (CIF), answering all of its key questions. The report needs to include the key data that supports the college's judgements and be linked to a plan (currently the Quality Improvement Action Plan) that shows how the college will build on strengths and address areas for improvement.

5.4 Colleges, the inspectorates and the LSC have worked to create a comprehensive structure supporting the development and assessment of quality. Ofsted's annual assessment visit (AAV) is growing in credibility. From the LSC's side, the annual planning review forms the central spine of the relation with colleges, and the review is beginning to be valued for the opportunity it gives for a college to present its view of its performance to an outside audience and to hear well-informed comment on strengths and weaknesses in return. The best annual reviews relate directly to the development/quality improvement plan and are supported by strong evidence to back judgements about how well the college plans are being delivered. For this reason, it's good practice to agree an agenda at least a week ahead of the meeting, with any supplementary material needed to support the analysis circulated alongside it.

5.5 Annual review needs to look at the broad pattern of success in delivering strategic objectives. Assessment of recruitment numbers will be important, but should not dominate the dialogue. There are sometimes good reasons why a college has not hit expected numbers, though a wide variation between prediction and reality should worry both sides. Analysis of success rates should be made in the light of benchmarks from similar providers and using any insights that can be drawn from work on value added and distance travelled under the LSC's *New Measures of Success*. Differences in success rates may reflect curriculum mix as well as social context or performance in teaching and learning, because some courses have a lower national pass rate than others. The LSC and college managers should therefore look at curriculum-adjusted success rates as well as raw scores when making judgements about college performance. After the meeting, a brief transcript with agreed judgements should be prepared and sent to those attending within 10 working days.

"In the past we had some unhelpful review meetings with low-level staff – this year was much better with me as Principal making a presentation showing our record in enrolment, success, staff skills and employer engagement to an audience of senior LSC and college staff."

Principal (London Region)

"The LSC Chair and Director came to college and had a thoroughgoing meeting with our Chair and Principal – much better than previously and better than any tick-the-box system."

Principal (North East Region)

5.6 There were two criticisms received about annual review when researching the current document. One was lack of preparation. There were examples where review took place with no advance agenda at all, whereas a week should be the bare minimum for documents to be considered before such an important event. The other note of criticism that cropped up was a review process disconnected from the processes of planning, allocations and inspection. Both sides need to work to ensure that the review is not an empty routine and that it is developed as the central point of the LSC/college relationship. This will be all the more important when it is placed in the context of the new relationship announced in the *Further Education: raising skills, improving life chances* White Paper.

"What matters crucially to the college's senior team is the resource allocated to the college: the articulation between the review and the allocation process needs to be worked on. Right now it can seem pretty weak."

Principal (London Region)

"The review was fine but didn't lead to anything – there wasn't a relation between decisions currently made on allocations or structures and the review's quality assessments."

Principal (East Midlands Region)

"The debate did not really inform the allocation process – the LSC did not bring to the discussions the realism that was needed, so we had discussions of provision that was in the event unfunded."

Principal (Yorkshire and the Humber Region)

5.7 External reporting by Ofsted/the Adult Learning Inspectorate (ALI) provides a useful check on standards of provision. Inspectors follow the *Common Inspection Framework for Inspecting Post-16 Education and Training*: there is a full explanation of the college inspection system on the Ofsted website. The LSC needs to be at the inspection debriefing and colleges should ensure that the area team has the opportunity to comment on the post-inspection action plan before it is presented for the approval of Governors. Colleges may decide that one appropriate reaction to inspection, or for that matter internal quality judgements, would be to withdraw from some areas of provision. In this case, the LSC needs to be informed and involved in the decision to avoid gaps in the local pattern of provision.

A London Region college responded effectively to an adverse inspection, with nearly all its areas being graded well at re-inspection. Just one area had not improved sufficiently. Arrangements were made, in consultation with the LSC, to close that section and transfer the work to a nearby college which had a CoVE in that vocational area.

"We invite the LSC to our validation committee that moderates the self-assessment grade. I think it works well – for them as much as for us – for it shows how self-critical we are."

Principal (Yorkshire and the Humber Region)

5.8 Many colleges have provision of high quality. Where the work of the college is outstanding right across the board, moving to Beacon status will not just confer prestige. It will plug the college into a network that will sponsor participation in sector-wide improvement. Colleges can expect to be compensated for the costs involved when they are asked to take part in measures designed to raise standards elsewhere.

5.9 The improving performance of the sector has led to increasing support for an approach of 'intervention in proportion to need': the idea that LSC and inspectorate involvement in college quality issues will vary according to the local context. However, when poor provision is revealed, effective and speedy action will be expected of colleges. Colleges will be expected to have a purposeful plan to eliminate areas of weakness; an accurate and realistic plan will be the start of a rebuilt relationship with local stakeholders. Though the responsibility for quality remains with the college, LSC support (possibly including financial help) will be available. The key is an open and focused dialogue that identifies and delivers the actions that will bring about rapid improvement.

"Our relationship with the local LSC was crucial in moving from inadequate to good – we worked transparently and openly with them to meet shared objectives. They trusted the new college leadership team, and we offered secondment opportunities to LSC staff to work alongside us. The speed and depth of the turnaround wouldn't have been possible without that shared approach."
Principal (East of England Region)

"Quality is important – if only because what kills you these days is a bad Ofsted report rather than poor financial figures."
Principal (West Midlands Region)

5.10 The most important customer for colleges is the learner. Governors and stakeholders have welcomed the fact that colleges have increasingly developed effective ways of assessing the perceptions of the learner about their experience, inside and outside the classroom, via questionnaires, focus groups, student representation and much more. This information is extremely useful in shaping the improvement plans, designing staff training and prioritising premises and equipment spending. It is important to respect customer views, but listing college percentages in a league table to distinguish between good and bad is unlikely to be useful, given differences in student type and sample sizes. It might lead to perverse

consequences like managers excluding responses from problem sites and courses. Perhaps a future direction might be greater alignment between the national survey and local feedback, to establish satisfaction benchmarks in particular settings and courses. Learner feedback in FE is overwhelmingly positive, but there must be a way of dealing with complaints fairly and speedily. Sometimes learners or other stakeholders complain directly to the LSC. Where this happens, the LSC will generally not be involved in an investigation, but will wish to be assured that the college's complaints procedure was followed properly.

What's the role of the LSC?

5.11 The LSC does not have operational involvement in further education inspection or quality improvement. However, it clearly has responsibilities to fund only learning provision of satisfactory quality. This includes:

- taking quality into account when agreeing college plans and allocations;
- working with colleges before and after inspections;
- celebrating and promoting excellence and facilitating the spread of good practice for the sector alongside the Quality Improvement Agency;
- targeted action where colleges are failing; and
- taking action to bring in new providers where necessary.

5.12 As part of its work in monitoring and improving the performance of colleges, the LSC carries out regular reviews of performance which are now encompassed in the annual planning review described earlier in this chapter.

5.13 The *Further Education: raising skills, improving life chances* White Paper in March 2006 announced the development of an integrated model, the *Framework for Excellence*, which will form the basis of future assessments of college performance. The model is currently under consultation, but would involve a balanced assessment based on three main performance elements:

- finance – assessed from financial grade and audit;
- quality – judged by inspection reports and self-assessment; and

- responsiveness – derived from success in plan delivery, learner satisfaction and employer engagement.

5.14 The LSC is also already bringing forward with Ofsted and DfES a suite of measures of quality under the heading of *New Measures of Success*. These feature greater emphasis on value added and distance travelled. Benchmarks showing the performance of colleges in different social contexts can be accessed via the provider quality gateway and calculations of curriculum-adjusted success rates are also in place.

5.15 The LSC is involved in a number of programmes aiming to celebrate and use the success of many colleges in the sector. The Learning and Skills Beacons identify outstanding providers, including colleges, and encourage them to use their expertise in spreading good practice. STAR awards recognise outstanding work by individuals in the sector. In addition to these awards, the LSC is developing an Employer Quality Mark that can assure employer clients of a college's strength in delivering vocational provision with flexibility and quality.

5.16 Inspections will, of course, continue to provide a periodic check on performance and on the workings of a college's own quality systems. The main work at inspection will be undertaken by the inspectors in association with the college team. To minimise the administrative burden on colleges, the LSC provides Ofsted with all the relevant information they hold about the college, such as performance against targets and contribution to the skills agenda. This data is shared and checked with colleges when it is submitted. At the end of the inspection, the LSC is invited to the feedback meeting of the college and reporting inspector.

5.17 The LSC is a key partner in the work after an inspection to address any weaknesses. They will work with the college team to identify the support that could come from the Quality Improvement Agency. This will include agreeing the nature of the support needed and any available funds. The aim is to have a clear system that shows how much support is available and how it can be accessed. Though the responsibility for improvement action remains with the college, it is important that LSC staff involved have the expertise and experience to contribute credibly. The resources of the AoC can also help, for example, with its work on leadership and governance.

5.18 Major intervention in case of poor performance will sometimes be called for. The thresholds for intervention are explained clearly in Circular 02/06; briefly, it will be necessary when:

- the college does not, or is not able, to recognise and remedy its weaknesses; and
- existing guidance and support has failed to bring about improvement.

5.19 The *Further Education: raising skills, improving life chances* White Paper makes clear that intervention will not be confined to colleges in crisis, recognising that the priority now is much more about raising the standards and ambitions of under-performing institutions. Though the criteria are national, support will be managed locally or regionally. The first step in intervention will be a clear written communication setting out the grounds for concern, the reasons why previous plans or responses are thought inadequate, and the action that is now required. The opportunity for further discussion will be made clear, as will the options for support. The LSC's support in response to colleges in difficulty will be tied in to an agreed action plan: it will give guidance on the shape and style of the recovery plan document.

5.20 The LSC expects to move to an increasingly clear linkage between planning and quality; it has made it clear that it does not plan to fund low-quality provision in future. Minimum levels of performance will be published in autumn 2006. The intention is that provision that does not meet or exceed those standards will not be supported beyond September 2008, and funds freed may be used to bring in new providers.

5.21 The long-term aim of the LSC and colleges is a system of professional self-regulation, where colleges can themselves develop the skills and systems that assure high standards of performance. This ambition comes out of the Sweeney Report. The authors of that report aim at more than 'earned autonomy'; they make it clear that they advocate something more powerful: a shared responsibility across institutions and between institutions and the LSC to meet the needs of learners. Self-regulation is presaged in much of the work of colleges that already use external moderation to help prepare and validate their self-assessment reporting. It is anticipated that the 'balanced scorecard' approach of the *Framework for Excellence* and the increased use of external and peer review of self-assessment will help further in the sector's journey to professional self-regulation.

A South East Region college involves a number of external groups – including the area’s college federation, and Rolls Royce – in moderating its self-assessment work. Other colleges have brought in senior staff from neighbouring colleges and inspectors from the local authority to validate their judgements.

“There also needs to be some serious thinking about the future of performance improvement and review. In the longer term, some form of robust peer review of colleges might prove the best way of guaranteeing that they provide and sustain appropriate, high-quality learning”

Sir John Bourn, Auditor General

“We may not be ready for self-regulation yet, but we must get started. It does sort the wheat from the chaff.”

Governor comment at AoC consultation, spring 2006

Who else is involved?

5.22 Action has been taken recently to reform the quality improvement structure of the learning and skills sector. The Quality Improvement Agency was established in April 2006 to lead the development and implementation of a single integrated quality improvement strategy for the sector and commission services to support action by colleges.

5.23 The inspectorates will continue to have a key role. The ALI is coming together with Ofsted to form a single organisation in April 2007. The major impact will continue to be via quadrennial inspections, supported by summary documents that review work across the sector, and the work of the attached inspector (which is explained in paragraphs 96–99 of the Inspectors’ Handbook). The plan is for inspections to move to a graduated system, with stronger colleges having a less intense inspection. The LSC and the inspectorates are committed by a concordat to support each other in the shared objective of raising standards in LSC-funded provision.

Good practice in working together

- *Further Education: raising skills, improving life chances* makes clear that the quality discourse between the LSC and college must take place within the overall framework of the annual planning review and the self-assessment report. The aim must be a single conversation. The LSC and colleges should ensure that review connects to the discussions and decisions on

allocations and strategic planning. Demands for paperwork or review outside this process should be avoided.

- The college SAR should have an open and self-critical approach to the provision that can be shared with stakeholders, the LSC and college staff. The college should share emerging difficulties on a confidential basis with the LSC.
- The LSC should discuss with colleges the shape of the self-assessment report, and may have a role in encouraging peer and cross-review of the process.
- The LSC should recognise the importance of the Governors’ Standards Committee.
- Assessments of college quality need to be based on a broad range of evidence. Both sides should look at curriculum-adjusted success rates and value added/distance travelled measures, where possible. For some institutions, particularly those with a challenging mission, a commitment to high standards and intolerance of failure must lie alongside an appropriate assessment of social context.
- Colleges should contact LSCs at an early opportunity if new information suggests that existing assessments of quality need to be revised.
- The LSC should provide the college with a copy of any assessment they make which is shared with an external body such as the DfES or the inspectorate.
- Colleges with outstandingly good provision or practice should be ready to take their role in improving the sector’s performance, but the LSC needs to be sensitive to the costs that sometimes result and respect the decisions of those who worry that Beacon contributions may weaken their core work with their own clients.
- The LSC and colleges should agree how student satisfaction ratings will be used and might work together locally to agree benchmarks for customer satisfaction. Similarly, common work on destination surveys could provide additional information that an individual college might find difficult to secure.

- Colleges should ensure they make speedy and full responses to LSC showing how they have dealt with a complaint and should respect the agreed turnaround times for information under the Freedom of Information Act.

What are the key documents?

The *Further Education: raising skills, improving life chances* White Paper contains a clear statement of the directions of current government policy on post-16 quality. Much of the *Success For All* strategy, especially the emphasis on curriculum and professional development, remains valid, as the work of the Standards Unit has been absorbed by the QIA. At the time of writing, the www.successforall.gov.uk website was continuing to provide a useful source of many documents and innovations.

The LSC documents relating to quality reflect its position as an organisation that is keen to fund only provision of high quality. The *Planning for Success* circular – especially paragraphs 30–34, 51–53 and Annex A – show that importance. The annual planning review toolkit is to be found on the LSC website. Circular 02/06 *Quality Improvement: intervention to improve the performance of providers* outlines the way the LSC works with providers causing concern. Updates on the development of *New Measures of Success* are also to be found on the LSC website.

The draft Quality Improvement Strategy for the FE sector *Pursuing Excellence* can be found on the QIA website www.qia.org.uk. The final version of the strategy and the implementation plan will be on the website from autumn 2006.

There is a full explanation of the process of inspecting colleges to be found on the Ofsted website (www.ofsted.gov.uk), including the *Common Inspection Framework for inspecting education and training* and the revised *Handbook for Inspecting Colleges* applicable from May 2006 onwards.

The Learning and Skills Beacons website is www.beaconstatus.org. It contains details of how to apply for Beacon status, and gives examples of the innovative work undertaken by award-holders. The Centre for Excellence in Leadership is found at: www.centreforexcellence.org.uk

Chapter 6

Building the Network: Development, Collaboration and Competition

“Collaboration is the key – it can reduce duplication and bureaucracy at the same time as increasing choice through more diverse opportunities.”

National Audit Office, Securing Strategic Leadership for the Learning and Skills Sector in England

What’s the aim?

6.1 The ambitious aims set for the learning and skills system cannot be achieved by colleges, schools and other providers working in isolation: there needs to be a real sense of partnership. This means more than just working together; it involves viewing the totality of local provision to get the right balance and finding the right roles and niches for individual colleges so that local learner and employer needs can be met.

What’s the role of the LSC?

6.2 The LSC plans provision at a local level and funds a broad range of providers: FE colleges, work-based providers in the private and charitable sector, as well as adult and community education providers and school sixth forms. While each of these providers will bring distinctive strengths and specialisms to the local education scene, it is helpful to see them as a network that can deliver best when working together. The LSC will often play an important role in bringing partnerships together and encouraging collaborative working.

6.3 *Success for All* in 2002 required the LSC to conduct strategic area reviews (StARs) with the aim of developing systems of provision to meet local needs. This task was undertaken in differing ways to fit local

circumstances, with some areas working on an age group basis, elsewhere by employment sector or locality. StARs were completed by the appointed date of March 2005, and the LSC will keep an up-to-date view of the right configuration of local capacity through its annual planning process. The *Further Education: raising skills, improving life chances* White Paper states that, as part of its core commissioning role, the LSC will review provision in each area every five years to see whether the range, quality and location is still fit for purpose, or whether competition is needed to raise standards, promote innovation or expand provision.

6.4 To develop the provision supported by local review, the LSC will provide statistical background and labour market information to help college managers and their boards in their strategic planning. This will be important, too, to guide the college response to Local Area Agreements, which are being rolled out in a second phase in 2006, and the development of city region strategies. In some areas, the LSC has supported research and marketing initiatives that have enabled FE colleges to identify new needs and engage new clients.

In the North West Region, the LSC was keen that local colleges should develop work with the burgeoning Manchester Airport, but wanted to ensure that colleges did not trip over each other in marketing work – so the LSC funded a joint campaign to bring the services of the colleges to the attention of airport employers.

6.5 Local partnerships across the school and college sectors have been increasingly important in the delivery of greater choice and quality for young people in the 14–19 age group. Many colleges and the LSC will have experience of such working and there are volumes of reports and suggestions for effective partnership working that this publication would not seek to duplicate. The DfES 14–19 website, listed at the end of this section gives more information, including lessons from the 14–19 pathfinder areas, a useful manual of good practice prepared by Ecotec Consulting and interesting experience from the *Success for All* test beds. Running effective partnerships between confident, independent organisations – schools, colleges, local authorities and work-based providers – will sometimes offer real challenges and the LSC has a role in providing the support needed to give stability and shape. This may include providing resources and setting targets: value for money suggests the LSC should link support for partnership to the attainment of clear outcomes for learners, and straightforward line management and accountability for securing them. Partnerships are not just restricted to 14–19, of course, and many LSC areas support the development of learning partnerships locally which manage a great deal of communication activity and relevant business in a co-ordinated way and supplement the one-to-one LSC/college relationship.

6.6 The Foster Review argued that colleges should focus on providing the skills to help people prepare for and succeed in the world of employment. The LSC can support local colleges in shaping their work to this role in a number of ways. CoVEs, based in colleges which display particular strength in one or more industrial areas that enable them to make appropriate provision for employers and provide good practice for regional colleagues, are now well established. The LSC will guide colleges through the approval process. Additionally, a new national quality mark for colleges and other training providers to recognise excellence in the delivery of workforce development services to employers is being rolled out as part of *agenda for change*. The standard will apply to specific areas of provision, and is to be closely aligned to the existing programmes for CoVEs, National Skills Academies and Train to Gain programmes. Train to Gain alone will attract £1 billion of government funding over three years. Clear guidance will be given on the criteria for this award and the steps that can lead to it.

6.7 There will be times when thoroughgoing reform of the local network will be needed, something that goes beyond developing specialism or enhancing partnership. For example, it may be worth exploring mergers between colleges, perhaps to safeguard the provision in a weak provider, to gain economies of scale or to respond to demographic changes. Wherever the

impetus is from, the issues need to be discussed between the LSC and colleges as soon as the option is identified. The aim must be to create the structure that will best meet local needs, and so each side should be able to consider dispassionately all the alternatives that meet the concerns. The LSC's approach to considering provider reorganisations is described in Circular 02/09 *Provider Reorganisations*, which explains how it has delegated decision making to the local level. When the LSC moves to formal considerations of capacity, it is good practice to consult colleges about local reviews and keep in touch with any concerns about administration and conduct of reviews. When the move comes from the college side, institutions need to discuss proposals with the LSC at the earliest opportunity, even when no financial assistance is sought, to allow the LSC to fulfil its responsibilities. It is bad practice for the LSC to 'lean on' colleges to take part in mergers just as it is for colleges to develop proposals without involving their key local stakeholder.

6.8 The *Further Education: raising skills, improving life chances* White Paper introduced the concept of contestability. There is already a process for running competitions for 16–19 provision where there is a need for a substantial increase in local provision, allowing strong providers to expand or new entrants to increase choice. The White Paper extends this idea to the wider range of provision, with pilots from 2007/08 testing the idea of formal competition. By 2008, the LSC will bring in systems to switch provision away from unsatisfactory or barely adequate providers.

Role of DfES

6.9 The Department for Education and Skills has a number of formal powers in relation to colleges, which have been discussed in Chapter 2. In respect of mergers, there are essentially two options. In one, two college corporations are dissolved to create a new and separate institution. In the other, one corporation is dissolved and its assets and work transferred to another. The Secretary of State needs to approve college merger proposals and will take considerable notice of the recommendations of the LSC. For this reason, LSC advice on mergers will be shared with the colleges involved.

What's the role of colleges?

6.10 The *Further Education: raising skills, improving life chances* White Paper emphasised the importance of clarity of mission, as did Sir Andrew Foster's *Realising the Potential* review. And just as *Success for All* had required the LSC to undertake a hard look at the local networks via the StAR process, it asked colleges to consider their mission. As with StARs, this will not be a one-off process. Colleges will find that local markets

and opportunities change, as will their own particular strengths. Colleges should therefore keep their mission under review and engage the LSC in discussions as part of that process. As we have seen, capital support may be available for colleges looking to adapt premises or upgrade equipment in support of a more sharply focused mission.

6.11 Colleges have worked in partnership for many years, with schools, local authorities, communities, employers and, not least, other colleges. Formal or informal arrangements for college leaders to stay in touch with each other are common. Principals often meet on a rotating basis to exchange views on policy issues, administrative and managerial matters, and local needs. There are also specialist groups: college finance directors, human resources directors or student services. It is worth considering how the LSC can be kept informed of the work of these groups; it may prove to be a more effective way to meet key college contacts than creating extra meetings. College groups often invite senior LSC officers to all or part of their meetings, but the LSC needs to respect the fact that such meetings are owned and run by the colleges: it is emphatically not the place for LSC colleagues to be 'telling my colleges' or 'making it clear to my principals' any new policies or prescriptions. Regional meetings, often orchestrated by the AoC, can also provide a good forum for briefings and discussions on LSC directions and trends.

6.12 Formal links between colleges have been established in some areas of the country. This can help with marketing, for example in Tyneside where colleges have pooled expertise to meet European Social Fund (ESF) and commercial contracts, or in London at **londoncolleges.com** which provides a common portal for students to find out about provision in nearly 50 colleges. The LSC has often supported the development of these relationships, including through providing pump-priming funding.

"Previously the colleges tended to be adversarial and this has been changed by a shared approach to strategy – and I think the FE consultative forum for the region works brilliantly."

LSC Regional Director

"The Federation of Gloucestershire Colleges (FGC) was set up by the colleges – the LSC also attends when key quality issues are under debate, and stays in contact when the specialist groups in marketing, human resources and finance get together. FGC and the LSC also supported the appointment of 'target champions' to raise the awareness – and move towards the achievement – of national targets."

Principal and LSC Director (South West Region)

6.13 Planning for 14–19 provision is a particular challenge, as it involves not just colleges and work-based learning providers but also schools and the local authority, as well as agencies like Connexions, and brings forward a new range of legal and policy responsibilities. School linkages will usually be undertaken in the context of formal partnership agreements. Local authorities and Children's Trusts are soon to gain a duty to establish partnerships at 14–19. Colleges need to be clear that arrangements, for example for Increased Flexibility 14–16 provision, follow best practice. Involving the LSC in discussions with the local authority and partner schools will provide an added element of assurance to this process, ensuring that pastoral, curricular and financial arrangements are firm enough to support enduring provision of quality.

6.14 Lastly, there are many other partnerships that will involve colleges, for example local strategic partnerships, which bring together all the major community stakeholders and Lifelong Learning Networks, which seek to improve access to higher education. Colleges and the LSC might wish to discuss how they can maximise their joint impact on these external partnerships.

Good practice in working together

- The LSC and colleges should work together to scan their area and create partnerships that have a clear remit. There should be targets for outcomes as much as for activity and the LSC should consider the right performance indicators for partnerships. Regular review of the worth of partnerships, including a hard-headed assessment of costs and benefits, should be undertaken.

- When establishing partnerships, the LSC should have regard to the volumes of work as well as the number of providers. It makes no sense to set up a system where a college with 20,000 learners could be outvoted by six schools with small sixth forms.
- The LSC should discuss with colleges how they plan the continuing review of capacity announced in *Further Education: raising skills, improving life chances*. This may include federation or merger and each side should enter these discussions with a central concern for the opportunities for learners. Arrangements for competitions should be clear and applications should be judged on merit.
- Colleges and the LSC should work together to look at the major employers and sectors where a joint marketing approach could be helpful.
- The LSC should provide effective support for colleges who are candidates for CoVE status, or aiming to enter the academy programme.
- Colleges should keep the LSC in the picture when they review their mission.
- Local FE networks of principals, or specialists like finance or human resources directors, should consider how best to keep the LSC involved and informed.
- Colleges and partnerships should ensure that the LSC is fully informed on contractual arrangements for pastoral, curricular and financial matters.
- The LSC and colleges should review all the community forums in which they are represented to better achieve their shared goals and consider whether there can be economy in representation.

The good practice guide to partnership for the younger age group is to be found on the DfES 14–19 website at: [www.dfes.gov.uk/14–19](http://www.dfes.gov.uk/14-19). The Nuffield Foundation's work on 14–19 structure and practice is also very much worth a look, at: [www.nuffield14–19review.org.uk](http://www.nuffield14-19review.org.uk)

Lifelong Learning Partnerships aim to support the achievement of the Government's higher education target. *Partnership, Provision, Participation and Progression: the Learning and Skills Council's Strategy for Higher Education* is available from the LSC website.

Advice on pitfalls to avoid in local target setting is found in *Delivering Quality and Choice: how performance indicators help and how performance indicators hinder* (Perry and Simpson 2006), available free from the Learning and Skills Network or from its website (www.lsneducation.org.uk).

Circular 02/09 Provider Reorganisations Criteria and procedures for Learning and Skills Council consideration of reorganisations explains the policy in regard to reorganisation, though it reflects the position before the 2006 White Paper's proposals.

What are the key documents?

Section 5.35 of *Further Education: raising skills, improving life chances* is on local planning and collaboration. Understanding the Every Child Matters strategy will be important for effective working with local authorities and Children's Trusts. It has its own website at: www.everychildmatters.gov.uk. The latest information about Local Area Agreements can be found at the website of the Department for Communities and Local Government at: www.communities.gov.uk

Chapter 7

Working Well Together: Review and Communication

What's the aim?

7.1 It is clear that colleges and the LSC need to communicate on a number of levels, from high level strategy and planning on to the details of delivery and casework. After all, colleges provide most of the outputs for the LSC, the skills the country needs and that they are charged to deliver, and the LSC provides the bulk of funding for FE colleges. The relationship will have some natural strains arising from the LSC's role as regulator, planner and funder, but it can be helped considerably by the quality of communication; both sides making sure that there is appropriate attention to the right timing, accuracy and respect. The aim should be open and transparent communication, with no surprises on either side. Discussion and openness about each other's objectives, priorities and issues throughout the year should help to achieve this.

What's the role of the LSC?

7.2 Colleges receive communications from a number of LSC sources: different teams within national office, regional communication, the LSC at a local level. Any developing organisation will be involved in changing its structure and improving its systems. What the LSC can do is to make clear the roles of the national, regional and local tiers, including the nascent local partnership teams, so that it is clear where communications will come from. The *Further Education: raising skills, improving life chances* White Paper announced a commitment for the LSC to work with the sector to introduce a Gateway group to filter communications between colleges and the LSC, following up the success of the counterpart in the schools sector.

7.3 The LSC is committed to ensure that changes of policy are highlighted and discussed with colleges before they enter routine documents and practice. National policies are usually preceded by a round of consultation, either in formal circulars, in meetings with focus groups of college leaders or informal roadshows. Major initiatives will be incorporated in substantial documents, and hard copies supplied to providers and other stakeholders. There is a particular need to communicate well at a time of change, which is why the LSC has recently been active with roadshows for new initiatives, briefings for governors and principals. In general terms, of course, the LSC is subject to the same laws as colleges in matters like Freedom of Information and Data Protection: the relevant policies are available on its website. The LSC will sometimes need college information to make a reply under Freedom of Information law; their expectations are contained in the financial memorandum.

7.4 Communicating at the right level of an organisation is courteous and, as important, gets the job done by passing issues to those who have the authority to resolve them. Generally senior staff in colleges should be dealt with by senior staff in the LSC, and vice versa. The LSC and colleges need to inform each other of changes to senior staff and key personnel; indeed colleges are obliged to inform the LSC of changes in key posts like principal, finance director, chair of governors or clerk to the governing body. Communications with colleges will sometimes need to be duplicated to ensure that the principal (and sometimes the chair of governors) are informed of developments. When that happens, the communications need to make clear who is responsible for action and who is being copied in.

7.5 Tone matters too. Colleges and the LSC will, of course, have irritations, but they are jointly involved in a nationally significant work. Communications should reflect that comradely approach. For example, just as annual review allows the LSC the opportunity to comment on college performance, then colleges should be encouraged to say which aspects of the LSC's service they value, and which fall short. As with many other topics in this document, informal communications (joint attendance at events, shared staff training, a cordial word in the ear) can create an environment where there will be few abrasions. There have been rare examples of bullying behaviour both ways, which must of course be avoided: more common is insensitivity and thoughtlessness.

7.6 The LSC will from time to time be asked to supply data or comments on colleges to other organisations, such as the DfES or inspectorates. They should copy colleges in with such communications, allowing them to comment: this already happens with pre-inspection assessments and is good practice that should extend to other communication areas. Similarly, if college principals or governors are asked to meet DfES staff or ministers, they should let the local LSC know the topics under discussion and the college view that was expressed.

"We need to exchange information without fear. My worry is not about colleges that share their concerns or weaknesses – but those who are reluctant to engage with the LSC in discussions. We need to develop the attitudes and habits that make that very rare indeed."

LSC Director (London Region)

7.7 The *Further Education: raising skills, improving life chances* White Paper made proposals to improve LSC/college working; most significantly that formal meetings should be kept to a minimum around preparing and reviewing the college plan, and a 'single conversation' approach that makes clear the first point of contact for each area of work. This is plainly the right way forward, as multiple channels create problems. The Gateway group, announced in the White Paper, will help avoid a blizzard of communication, asking each time whether the contact is really necessary and whether there are other ways to get the information needed: generally no newsletter or publicity materials should be issued unless justified in impact. Useful projects and innovations need to be disseminated, but care should be given to how this is done. It is worth considering whether updates and evaluations can be included in routine newsletters or contacts.

7.8 The LSC and colleges need to consider what will be the most appropriate method of communication: formal meetings, letters, emails, telephone calls, face-to-face informal contact or through websites. Both sides need to remember that time is important when communicating and if either partner cannot turn information or a decision around in the expected time, they should keep each other informed about the reason for delay and the revised time of delivery. Telephone calls are often the best way to get speedy news through, but all substantial decisions and news items need to be followed up by written confirmation within 10 days. This is particularly necessary for sensitive issues, such as following through news on inspection, capital projects, CoVE applications or staff changes. There may be a case for an explicit agreement about service standards both ways.

The National Audit Office report *Securing Strategic Leadership for the Learning and Skills Sector in England* recommended that the LSC develop protocols for dealing openly with the issues that may arise and cause tension between the LSC and college governing bodies. This led to LSC staff and college principals in the North East discussing the development of a local protocol to cover good practice and expectations in their relationship.

"We need to be clear about what happens if things go wrong. We can't plan on the basis that all will be well and there will be no fallings out."

Principal (North West Region)

7.9 All but the most informal meetings should be preceded by an agenda and meeting papers giving sufficient time for those attending to read and consider the issues. College governors generally regard a week as the minimum period for this. Papers need to be clear about the purpose of agenda items, and specify options when decisions are needed. There is much to be said for clear (if brief) written recording of all significant contacts between the LSC and partners: full minutes may not always be needed but decisions should be recorded and agreed.

7.10 How meetings are managed often sends unspoken messages about power and trust. Seating arrangements that range one side's representatives opposite each other, like government and opposition, can look like 'them and us' rather than collaborative endeavour. Similarly, senior staff in colleges or the LSC staying behind their desks rarely encourages open dialogue. Alternating chairing arrangements and

meeting places can often be effective, as can shared minuting of outcomes. It is worth thinking about such apparently minor matters when arranging working parties, committees or even informal contacts.

7.11 In recent years we have all become dependent on emails: they have many advantages. Items can be stored until the recipient has time to deal with them, documents can be sent and the speed allows exchange of views and document versions. However, there are drawbacks: lengthy documents are sometimes sent that no one would dream of attaching to printed meeting papers; emails can go astray (important items should be sent with a receipt request). The technology needs to be used sensitively: there is an element of discourtesy in attaching high importance flags to day-to-day documents, or copying a communication beyond those who need to know or act on it.

7.12 All significant LSC documents and data are held on the LSC website although users may find that web search engines like Google are at least as good as the in-house search facility for finding them. The LSC recognises the need to ensure good access and functioning and is committed to keeping the design under review, possibly increasing opportunity for two-way communication and feedback. It has recognised that busy LSC staff, college managers and governors do not have time to surf through each day and offers a useful email alerts service.

7.13 Clarity, appropriateness and candour will keep problems in the LSC/college relationship to a minimum. But with nearly 400 colleges and 148 partnership teams, there are bound to be times when communications go wrong and decisions need to be challenged. When that point is reached, it's good practice to recognise that the relationship needs extra work to move forward, perhaps with the involvement of a trusted outsider or conciliator. This can often be successful in rebuilding the atmosphere that is needed for continued partnership. There may, in extreme circumstances, be the need for a formal complaint or appeal. The LSC is committed to maintaining and supporting a system that provides a speedy and fair resolution of issues. The procedure is attached as an appendix. There is a separate procedure for complaints about providers which can be found on the LSC website.

"Of course the basis of our day-to-day relationship with the LSC is trust and informality – but sometimes we do need to get it in writing. It's frustrating to have to balance incorrect or mutually incompatible guidance on, for example, funding mid-year enrolment or for particular provision."

Principal (North West Region)

What's the role of colleges?

7.14 The main responsibility for colleges is to keep their LSC contacts informed of significant developments. This will normally be covered by the routine returns that show things like the volume of enrolments, the success rates of students and the financial position of the college. Most colleges attach the right importance to the accuracy, clarity and timeliness of these returns. It is not just that they give the information needed for effective decisions: they are regarded widely within the LSC and DfES as a sign of managerial competence. Beyond the standard round of returns, the aim should be no surprises; if there is evidence that comes to light between the agreed check points, this should be shared with the LSC.

7.15 Colleges need to make clear which members of staff will be the contacts for the various aspects of LSC-related business. This makes business much more efficient. Just as the LSC needs to communicate at the right level, colleges need to ensure that enquiries are directed to the right tier of the LSC, and not send things to the highest available level. There is a place for colleges to have a considered communication strategy that makes all its LSC contacts and systems explicit, linking in to the idea of a 'single conversation'. Part of that will be making governors and staff aware of the role and goals of the LSC: LSC staff will often welcome the opportunity to have an input to governor or staff training events.

7.16 There is a particular responsibility on both the LSC and particularly colleges for keeping stakeholders informed and involved when dealing with items that reflect credit or problems on an LSC-funded programme or that might reflect on a college's public image. These matters could form a section of the risk assessment exercise that colleges undertake routinely as part of their strategic planning. If difficulties have been caused by public policy changes, colleges' first instinct should be to explain the change rather than blame the LSC. Least of all should problems or complaints be raised with others (such as ministers, MPs or local press) until there has been a substantial effort to resolve them between the partners involved.

7.17 Many LSC officers have strong experience of work in the sector either as senior managers, inspectors or local authority and TEC executives. Nevertheless, there is a continued need for help with capacity building: some LSC staff do not have frontline experience, and even where they do, experience has a shelf life. To help, colleges have often provided work placements or shadowing opportunities for LSC staff, which can be a useful part of their professional development. The LSC has also benefited from inward secondments from college staff. These exchanges are not pure altruism; success for colleges requires talented and well-informed LSC staff, and LSC decisions need to be based on the reality of delivery.

A London Region college welcomed a senior LSC staff member to deliver a time-limited six-week project within the college, working as a college SMT member.

A Yorkshire and the Humber Region college manager joined the LSC to support value-added pilots: in exchange a senior LSC staff member joined the college for a day a week for six months to give advice on reshaping 'other provision'.

Good practice in working together:

- Colleges and the LSC need to think of ways that they can represent their partnership in communications – for example, alternating the chair and venue of routine meetings.
- Colleges and the LSC should have an explicit understanding about communication, including who is the first contact and who should be copied in to letters and reports. They should consider a local protocol that agrees minimum standards for response to letters, requests for information or turnaround of allocations.
- The LSC should consider numbering its communications for ease of reference and further developing its website to enhance access and functionality.
- College managers should subscribe to the LSC email update service.
- The LSC and colleges should, in general, have a policy of open files – letting either party see the material relevant to them upon request.
- Colleges and the LSC should ensure that an adequate number of key documents are available without charge for their partners.
- The LSC should use a repertoire for consultation: not just surveys and consultation circulars but focus groups and key contacts, and follow the *Principles of Good Regulation* guidelines when it comes to consultation.
- The LSC should agree with colleges a protocol of relations with governors that encourages board members to meet those on other corporations and on the LSC board.

- The LSC needs to avoid changes of format in information; asking colleges to translate data already supplied into new formats works against good relations and wastes management time.
- The LSC should give opportunities for colleges to comment on their own performance, publicise the results and put in place measures to build on strengths and remedy weaknesses.
- Cross-secondments, which were common at the establishment of the LSC, should be maintained to keep both sides up to speed with their partners' policy and implementation issues.

What are the key documents?

As before, *Further Education: raising skills, improving life chances* is a key document, especially with its announcement in Chapter 7 of a new relationship with providers. At the time of writing, work is under way to develop the Gateway proposal.

Although the reports are now several years old, the deliberations of the Sweeney Committee (*Trust in the Future: Bureaucracy Busting Task Force Report, 2002*) are still worth reading as background.

The report by former Chief Inspector Jim Donaldson CBE on the dispute between Nottinghamshire LSC and South Nottinghamshire College deals with an extreme example of the relationship breaking down, but it shows the importance of respect and trust alongside efficiency. That report indirectly led to some of the work in the current document and can be found in the documents section of the LSC website.

The *Principles of Good Regulation* is to be found on the Cabinet Office website: www.cabinetoffice.gov.uk

Annex A: Colleges and LSC Working Calendar

Timing	Partners involved	Activity
October	LSC	<ul style="list-style-type: none"> Secretary of State issues grant letter LSC publishes key strategic documents: <i>Annual Statement of Priorities/Priorities for Success/Planning for Success</i>
November	College LSC	<ul style="list-style-type: none"> External audit completed Approval of annual accounts Strategic briefings on priorities to providers
December	College	<ul style="list-style-type: none"> Deadline for annual financial statements Finance record due for submission to LSC Individualised Learner Record (ILR) for current year to be submitted Self-assessment report to be posted on Provider Gateway
Nov–Jan	LSC and providers	<ul style="list-style-type: none"> Annual review of three-year development plan Review of previous year's performance against targets Current year forecasts National, regional and local priorities and regional commissioning plan Indicative allocations
January	LSC	<ul style="list-style-type: none"> Start open competitive tender process for certain types of provision
February	College	<ul style="list-style-type: none"> Final ILR for previous academic year due for submission (with achievement data) Mid-year financial update (if requested by LSC)
March	LSC College	<ul style="list-style-type: none"> Local and regional LSC annual plans approved Fit local plans to national funding limits Respond to indicative allocation Provide draft development plan for next academic year
April	LSC	<ul style="list-style-type: none"> Cross-check against national targets Consolidation and reconciliation of local and regional funding Award contracts through open competitive tender
May	LSC	<ul style="list-style-type: none"> Issue guidelines on financial forecasts Issue final allocations to providers
June	LSC and providers	<ul style="list-style-type: none"> Variations in funding agreements Development plan finalised and uploaded to Provider Gateway
July	College	<ul style="list-style-type: none"> Approval and submission of financial forecast
September	College	<ul style="list-style-type: none"> External audit usually starts ILR for previous year due for submission

Annex B: The LSC Complaints Procedure (August 2005)

Key principles

- 1 The Learning and Skills Council (LSC) should be receptive to genuine expressions of dissatisfaction.
- 2 Complaints should be dealt with promptly, fairly and proportionately.
- 3 The LSC should seek to learn from complaints that are upheld and make changes where necessary.
- 4 Action taken as a result of complaints should help to improve the quality of the LSC's administration.
- 5 In dealing with complaints, the LSC will take account of its duty to promote equality and diversity.

Complaints procedure

- 6 When we will investigate

We will usually investigate complaints about the LSC's administration. This includes administration by the national office of the LSC, and by local LSCs. Complaints may include allegations of:

- unsatisfactory, incompetent, arbitrary or unfair treatment
- undue delay
- non-compliance with published procedures, including those in relation to dealing with complaints about learning providers
- non-compliance with the LSC's Publication Scheme under the Freedom of Information Act 2000 and non-compliance in relation to the other requirements of the Freedom of Information Act

- non-compliance in relation to the requirements of the Data Protection Act 1998.

- 7 When we will not investigate

We will not investigate certain complaints:

- from LSC employees where the LSC's grievance procedure would be appropriate
- which are contractual disputes
- which are being, or have been, considered by a court or similar body
- about learning providers, for which there is a separate complaints procedure. If the complaint is about how the LSC has investigated a complaint about a learning provider, we will not re-investigate the substance of the original complaint but will only consider if it was dealt with appropriately
- where the complainant has not exhausted other available appeals procedures within the LSC.

- 8 The LSC will not usually investigate complaints more than three months after the decision or action was taken.

- 9 The LSC reserves the right not to investigate complaints considered to be vexatious or malicious.

Who will investigate

- 10 Complaints should be made in writing to the Council Solicitor, Learning and Skills Council, Cheylesmore House, Quinton Road, Coventry CV1 2WT or by email (complaints@lsc.gov.uk). The Council

Solicitor or the Complaints Administrator will take responsibility for acknowledging the complaint and responding once the complaint has been investigated.

11 The Council Solicitor may:

- ask the appropriate National, Regional or Executive Director to investigate any complaint (investigating director) and provide information to the Council Solicitor to enable a response to be given to the complainant
- conduct the investigation into a complaint or ask another member of the Legal Team to conduct the investigation
- pass the complaint to the LSC's Internal Audit Investigation Unit if it relates to fraud or allegations of financial irregularity
- appoint external investigators to assist with any investigation.

What we will do

12 If a complainant needs assistance in putting their complaint in writing, the Council Solicitor or Complaints Administrator should consider how the LSC might assist.

13 On receipt of a complaint in writing, the Council Solicitor should:

- check that the matter is one which the LSC can investigate
- check if the decision or action complained about occurred more than three months ago. Where this is the case the LSC will not normally investigate unless the complainant has good reason for the delay in making the complaint
- determine who should carry out the investigation.

14 Within five working days of receipt of a complaint in writing, by email or fax, the Council Solicitor or Complaints Administrator should acknowledge receipt and send a copy of this procedure to the complainant. The complainant should be told whether the complaint is one which the LSC will investigate and the target date for determining the complaint.

15 Within 10 working days of receiving the complaint, the Council Solicitor or Complaints Administrator should prepare a summary of the complaint. The summary should be sent to the complainant for approval.

16 The complainant should be given five working days to provide any response to the summary of the complaint, and the Council Solicitor or Complaints Administrator should consider any response from the complainant and, if appropriate, amend the summary of the complaint. The agreed summary should be forwarded to the investigating director.

17 The investigating director, Council Solicitor or other person appointed to carry out the investigation should send a summary of the complaint to the relevant director who has responsibility for the action or decision which is the subject of the complaint. The relevant director should be asked to provide within 10 working days:

- a response to the summary of the complaint
- copies of all correspondence and other documentation relating to the matter being complained about
- confirmation that the information provided can be shown to the complainant.

18 If the person conducting the investigation cannot resolve the position using the information available, he or she shall arrange for the complainant and any other person to be contacted to obtain such further information as is required. If necessary, the person conducting the investigation can arrange to meet with the complainant or the relevant director.

19 The investigating director should, on completion of the investigation, provide the Council Solicitor with:

- the conclusions of their investigation
- copies of relevant correspondence and documents in relation to the complaint.

20 All investigations into a complaint **should normally be completed within 20 working days of agreeing a summary with the complainant.** If an investigation will take longer than this then the Council Solicitor should inform the complainant, setting out an explanation and a revised timetable for a response.

21 Once a provisional decision has been made in relation to the complaint, the Council Solicitor should finalise the LSC response and consider what steps should be taken to respond to any aspects of the complaint which have been upheld, with regard to the key principles set out above.

22 Action may include the LSC agreeing to review, reverse or amend an earlier decision. When complaints are about the conduct of an investigation of a complaint about a provider by a local LSC, the National Employer Service (NES) or made by the Learning Difficulties and Disabilities (LLDD) Team in the Learning Group of the National Office, the Council Solicitor can request that the local LSC, NES or LLDD Team re-investigate the issue within defined timeframes.

23 A final response should be sent to the complainant within five working days, together with details of any action to be taken. This concludes the complaint investigation.

24 If the complainant remains dissatisfied, they may complain to the relevant bodies set out below.

Complaints about non-compliance with the Freedom of Information Act 2000 or the Data Protection Act:

To the Information Commissioner, Wycliffe House, Water Lane, Wilmslow, Cheshire SK9 5AF. Telephone 01625 535745 or email data@dataprotection.gov.uk.

More information is available at www.dataprotection.gov.uk/index.htm

It is a matter for the Commissioner as to whether he will investigate your complaint.

Other complaints about the administration of the LSC:

Through your local Member of Parliament to the Parliamentary Commissioner, Millbank Tower, Millbank, London SW1P 4QP. Telephone 0845 015 4033 or 020 7217 4163.

More information is available at www.ombudsman.org.uk

Notes

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