



Government Investment Strategy 2009–10, LSC Grant Letter and LSC Statement of Priorities

Investing in our future
through learning and skills

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Leading learning and skills

November 2008

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Throughout this document, we write financial years as 2008–09 and academic years as 2008/09.

**Government Investment
Strategy 2009–10,
LSC Grant Letter and
LSC Statement of Priorities**

Investing in our future through learning and skills

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Endorsement

DIUS and DCSF Secretaries of State

Investment in further education skills and training for our young people and adults has never been more important and this Statement of Priorities sets out how that investment will continue to increase as we respond to the current economic conditions. More young people will have the opportunity to progress into high-quality education and training, and employers will be able to access the training they need to prepare their businesses to deal with the current economic climate and emerge from it stronger than ever.



John Denham

John Denham
Secretary of State for
Innovation, Universities and Skills



Ed Balls

Ed Balls
Secretary of State for
Children, Schools and Families

The investment from the Government will improve the opportunities for all young people and adults, equipping them with the skills they need to progress into further education or employment. This will include increased participation at 16 and 17 and major improvements to the Apprenticeships programme as we continue to expand it to include increasing numbers of young people and adults. Those who are at risk or who are unemployed will be supported to get back into work as soon as possible and then supported to gain further skills once in employment through a more flexible Train to Gain programme.

The increased investment set out here for 2009 will allow us to meet the challenges that we face while we continue to make progress on our longer-term aims for both young people and adults.

Government Investment Strategy



Department for
Innovation, Universities & Skills

The challenge

The depth of the economic challenges facing us has become more apparent daily. This Government has taken decisive action and made it clear that we will do whatever it takes to respond, by helping and working with our businesses and our people to get through these more difficult times. Education and skills are a key part of this response and it is for this reason that our policies need to adapt to meet our more immediate challenges. However, even as we adapt and respond to these new pressures, we must not lose sight of our longer-term goals. Our vision remains focused on improving the skills of our people, our businesses and our communities.

We are passionate about learning and skills and we believe that now is the time to accelerate our efforts to improve the knowledge and skills of both those seeking to enter employment and those already in work so that we emerge from this downturn in a much stronger position. However, we are also sensitive to the day-to-day issues affecting households and businesses – we are listening to these and adapting our policies accordingly. This strategy sets out the way in which we intend to invest our £12.2 billion in 2009–10, to respond both to the immediate challenges facing our country, and to continue with our wider programme of reform. We believe both approaches are crucial if we are to deliver our overall ambitions for this country's future economic and social prosperity.

Our ambition for young people

Our ambition is that all young people are given an education that unlocks their talent, stretching and challenging them to be all that they can be – whether that means going on to further or higher education, undertaking an Apprenticeship or entering employment.

To do this, we need to ensure that all young people – regardless of their gender, race, disability and background – have the opportunities they need to succeed. Our priority is to ensure that there is suitable provision for learning in every part of the country to meet the needs of all young people. We want every young person to take advantage of the learning opportunities available to them. This is why we introduced our extensive programme of 14–19 reform.

Already we are seeing remarkable success: more 16- to 18-year-olds than ever before are participating in education and training, and the proportion of young people not in education, employment or training

(NEET) is falling. And increasing numbers are achieving Level 2 and 3 skills that are vital to their own success by the age of 19. Curriculum and qualifications reforms have been key to this increase in quality and choice – for example, Apprenticeship completion rates reached an all-time high of 63%¹ in 2006/07; the first 5 lines of the new Diploma have been introduced and we are on track to develop the remaining 12 lines. And we have increased both universal and targeted support for young people to support their learning and development.

We believe that we can, and must, go further. *Delivering 14–19 Reform: Next Steps* (published by the Department for Children, Schools and Families (DCSF) in October 2008) sets out how we will work with our partners to deliver the transformation programme over the next five years. Our future investment needs to deliver higher participation, reduce the number of young people who are NEET and raise attainment rates, putting us on track to raise the participation age to 17 by 2013 and 18 by 2015.

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¹ This is the 'current framework completion rate' which will be replaced in future publications with the new measure 'overall framework completion rate' as announced in the *LSC's Our Statement of Priorities* in November 2007. The overall framework completion rate in 2006/07 was 60%.

'Our ambition is that all young people are given an education that unlocks their talent, stretching and challenging them to be all that they can be.'

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Increasing our investment in young people – 2009–10

In recognition of the critical importance of these goals, and in particular our priority of providing a place in learning for every 16- to 18-year-old who wants one, we have increased funding for learning for young people to £6.69 billion in 2009–10. By 2009–10 our investment in learning for young people will be over £2.75 billion higher than in 2002–03 – an increase of 71%.

We plan to increase the numbers of 16–18 learners by 37,000 – from 1,447,000 in 2007/08 to 1,484,000 in 2009/10. This will increase participation by young people (17-year-olds) to 84%. This increase represents 31,000 more 16- to 18-year-olds in learning in 2009/10 than announced in last year's Grant Letter and results in the 17-year-old participation rate being over one percentage point higher than previously planned (see Table 3).

Within this we plan to increase investment in work-based learning so young people have wide opportunities to pursue work-based training routes, including investing £675 million in Apprenticeships in 2009–10 as part of our Apprenticeship commitment.

We will invest £620 million in learner support in 2009–10 – over 630,000 young people will benefit from EMAs in this period to help them stay on in education and training.

Guaranteeing places and increasing participation

We want this investment to translate into real opportunities for young people – including those who are most disadvantaged. Our investment strategy is therefore about getting the Learning and Skills Council (LSC), colleges, providers and other partners to do even more with this resource – engaging more learners, delivering even greater quality, securing more success. We would like the LSC to continue to prioritise activity to make sure the September Guarantee for 16- and 17-year-olds is fully implemented.

This should include stimulating a diverse and innovative offer that meets the needs of individual young people and engages and motivates those young people within the NEET group or those at risk of dropping out.

In particular, we will look for greater progress in promoting and securing more flexible and responsive provision and extending the Entry to Learning pilots, which start this autumn, so that more young people can benefit from strengthened links between re-engagement provision and formal learning.

It is particularly important that the most vulnerable and those learners with learning difficulties and/or disabilities (LLDD) receive the right provision and support. The LSC, local authorities and colleges and other providers will need to work in partnership to ensure that our investment in learning and skills is part of the total package, including health and other social care services, for these young people.

Routes for young people

In *Promoting achievement, valuing success: a strategy for 14–19 qualifications* (published by the DCSF in March 2008) we set out our expectation that young people will be able to choose from any one of the four routes: Apprenticeships; Diplomas; general qualifications (such as GCSEs and A-levels); and the Foundation Learning Tier (FLT). The LSC will work with 14–19 partnerships to build capacity to deliver 14–19 priorities in their areas and to secure progress towards the delivery of the entitlement for all young people to the new curriculum and qualifications from 2013.

Apprenticeships

Apprenticeships are a key work-based route for young people as well as adults and without question a badge of quality. Apprenticeships have been going from strength to strength, and over the past decade we have more than doubled the number of young people and adults starting Apprenticeships. But we need to go further to increase both the number and quality of Apprenticeships on offer in order to meet demand from young people for Apprenticeships places and to deliver the entitlement to an Apprenticeship place for each suitably qualified young person from 2013. Our aspiration is that by 2019/20, one in five young people will have started an Apprenticeship before the end of the academic year in which they reach their 18th birthday

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Diplomas

The National Entitlement for Diplomas in 2013 is a critical component of our strategy to improve participation and attainment by providing innovative styles of learning designed by higher education institutions and employers combining theoretical study and practical experience. The LSC will work closely with local authorities and 14–19 partnerships to ensure that there is a sufficient supply of Diploma places through the phased build-up to the National Entitlement in 2013.

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Foundation Learning Tier

Investment to support raising the participation age (RPA) includes investment in the Foundation Learning Tier so it becomes firmly established as one of the four routes for 14–19 learners, and the critical route for those working at Entry Level and Level 1 who are not yet ready for GCSE/A-levels, Diplomas or Apprenticeships. The LSC and the Qualifications and Curriculum Development Agency (QCDA) will work together to make sure that the successful characteristics of the current programmes for these learners, such as Entry to Employment (E2E) and Key Stage 4 (KS4) engagement and those learning courses funded directly by activity and learning agreements, are incorporated into the FLT as well as emerging good practice from Entry to Learning.

'We need to go further to increase both the number and quality of Apprenticeships on offer.'

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High-quality information, advice and guidance

Ensuring that young people are supported to choose the appropriate course for them is crucial to the achievement of the Public Service Agreement (PSA) targets. The LSC, as part of the local 14–19 partnership, will agree strategies with schools, colleges and other learning providers which will ensure that all learners have access to the high-quality, comprehensive and impartial information, advice and guidance (IAG) they need to make the right learning choices. A key element of local IAG for young people will be the 14–19 Prospectus. All partners will work together in supporting delivery of the 14–19 Prospectus and the introduction (from 2010) of a common application process. We will publish a Forward Action Plan for the 14–19 Prospectus and the common application process and each 14–19 partnership area will develop a high-quality 14–19 Prospectus and make progress towards introducing a common application process from 2010.

Delivering high-quality opportunities for young people

The LSC plays a vital role in ensuring the quality of post-16 provision through its strategy for identifying and managing underperformance. It is important that institutions are held to account for the outcomes of their learners and that institutional performance is compared equally across the sector. To support a common assessment process across all post-16 providers, the LSC will develop the Framework for Excellence so that it can be piloted for use in school sixth forms from September 2009. Until the Framework for Excellence applies to school sixth forms, the LSC will develop a more coherent approach to the quality assurance of these institutions, building on the school sixth form challenge and support programme.

Leading through change

Placing the strategic leadership for young people with local authorities is of great strategic and practical importance, and we share with local authorities a real desire to deliver excellent opportunities for young people. The significance of 2009–10 as a year of great change should not be underestimated. The LSC retains its important statutory remit for providing high-quality and wide-ranging choices of provision for young people, including delivering the September Guarantee, through the network of schools, colleges and other providers. At the same time, we look to the LSC executive and non-executive to continue to work with local authorities in 14–19 partnerships and, in the context of the Children's Plan, to drive forward the outcomes for young people and to prepare for 2010 when the local authorities' legal responsibility will be extended to include all 14–19 provision.

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Our ambition for adults and skills

This Government has recognised the scale of the skills challenges that face us, as a nation, if we are to continue to compete globally and successfully. This has helped us take some tough decisions over the last three years, even as we have increased the overall level of investment in adult skills. As we move forwards, we know that we face equally tough decisions but, again, we know that our investment in skills continues to rise. In 2009–10, funding for adult skills through the Learning and Skills Council will rise to more than £4.5 billion – helping to support over 3 million adult learners in 2009/10. This is a welcome increase, but one that we must continue to prioritise carefully if we are to deliver the skills this country needs now, and in the future.

In recent years, we have put skills at the top of the political agenda, demonstrating their critical contribution to wider government goals to reduce child poverty, promote social mobility, improve innovation and business productivity, and support higher levels of sustainable employment. In doing so, we have been passionate advocates of the importance of all types of learning, which we know secures all kinds of benefits to the individual, the community and society as a whole. At the same time, our investment strategy has been clear. We have introduced demand-led funding – putting real purchasing power in the hands of employers and individuals. We have focused our funding on those who are most vulnerable in society and in the labour market: those on the margins of sustained employment; those without a Level 2 qualification;

those without basic literacy and numeracy skills. And we have sought to encourage more progression, so that all people have the ability to unlock their talent and progress to Level 3, Level 4 and beyond, into and within sustainable employment. We have deliberately targeted our investment on those skills and qualifications with proven work-related benefits to individuals. And we have underpinned everything we do with a set of challenging skills targets to drive progress in developing the skills which are essential for our future prosperity and to take us towards the 2020 world-class skills ambition that is at the heart of our strategy.

However, we know that we are entering a period of uncertainty, with a series of different challenges including a toughening economic climate. We need to act rapidly to help individuals and businesses through these difficult times. Skills support should be at the heart of this response, so we recently announced a package of flexible support to help individuals facing redundancy, and to support employers through the Train to Gain service.

In the short term, this will make it harder for us to deliver the priorities that we have identified, but it does not mean that we are changing our focus – the ambition to create a world-class skills base remains as central to our work as ever.

Our investment strategy therefore sets out how we are adapting to the changing environment, so that we are better able to help businesses and individuals, and so that we ensure we emerge stronger and more skilled – well-equipped for future challenges.

Increasing our investment in adults for 2009–10

In recognition of the critical importance of these goals, and our commitment to them, funding for adult participation will increase to £3.3 billion in 2009–10, an increase of 4.2% compared with 2008–09.

This will include investment of around £1.5 billion in pre-Level 2 learning; £925 million in 2009–10 in Train to Gain – an increase of around 16% compared with 2008–09; over £360 million in Adult (aged 19 or over) Apprenticeships – an increase of around 12% compared with 2008–09.

Helping small- and medium-sized enterprises to survive and succeed

Two-thirds of the existing funding in Train to Gain supports small- and medium-sized enterprises (SMEs). As part of our recent announcements to reshape access to Train to Gain, private sector SMEs will be encouraged to access the increases in funding for 2009–10 to build the skills and expertise of their workers. Private sector SME staff will be entitled to free training for a full Level 2, whether they have reached this level or not. There will also be more funding for staff training to Level 3.

For the first time, Train to Gain will also support private sector SME staff with funding for or towards accredited units of qualifications and 'thin' qualifications at Levels 2 and 3. The focus for this will be a specified list of subjects – such as risk management, business improvement and customer services – that we know bring quick and proven benefits to SMEs.

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A flexible approach

These new flexibilities show our willingness to respond to the challenge of the times. And we will not hesitate to introduce further radical reshaping of the skills system if it is needed. We believe, now more than ever, that securing those improvements to our skills base is essential to our future competitiveness. However, even as we respond to the current challenges, our long-term commitment remains the achievement of our 2020 skills targets. That is why we continue to invest a significant proportion of our adult skills budget into our priority areas of basic literacy and numeracy, full Level 2 and full Level 3 qualifications.

To ensure that colleges and providers can respond flexibly to the needs of local learners, employers and communities, we will introduce greater flexibility for provision below Level 2. Colleges and providers will still be expected to deliver Skills for Life priorities, but will have flexibility across all their pre-Level 2 budgets in delivering these priorities and responding to local circumstances. We realise the importance of these flexibilities and therefore these changes will be introduced within the current academic year.

We are very interested in exploring with colleges and providers ways in which their budgets can be used flexibly within key priorities where the learning programme delivers sustainable employment outcomes. This will include exploring ways the

Giving people the skills they need to get jobs

We are already working with the Department for Work and Pensions (DWP), the LSC, Jobcentre Plus (JCP) and providers to integrate our range of employment and skills activities, so that we are better able to meet the needs of the long-term unemployed. We are increasing this focus through the targeted use of additional European Social Fund (ESF) funds, which will enable us to work with those at risk of redundancy, or who have recently been made redundant.

We will intervene swiftly, to ensure they get the immediate support and access to the training that they need to ensure their quick return to employment.

The ESF contribution will be used to pay for anything from new skills or qualifications to get people ready for work, to on-the-job training in an entirely different field. There will be no restrictions on whether these are people's first qualification or whether they are full qualifications in order to access these funds, but they will be carefully targeted to help meet people's needs.

'In recent years, we have put skills at the top of the political agenda.'

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funding approach can reward colleges or providers where they are able to demonstrate this outcome. Such an outcome could be keeping the newly unemployed in touch with work through structured work experience and providing them with tailored programmes that lead to sustainable employment. These programmes would not necessarily have to lead to a target-bearing qualification outcome in the first instance but it would be expected that the learner would continue training through Train to Gain when they have moved into employment.

Continuing to upskill the workforce

There has never been a more important time to boost the skills of our adult population. Three-quarters of those who will be at work in 2020 have already left compulsory education. We simply cannot meet our future needs if employers do not use and develop the skills of the people they already employ.

So the coverage and funding of our two flagship programmes will continue to grow over the next year.

- **Apprenticeships.** We have made significant progress to improve and expand the Apprenticeships programme. Apprenticeship completion rates reached an all-time high in 2006/07 of 63% compared with 24% in 2001/02. The total number of completions has risen from 39,000 in 2001/02 to 112,000 in 2006/07. In 2006/07 the number of starts increased by over 5%, and is forecast to grow by a further 21% in 2007/08 to deliver a new record high for starts.
- Funding for Adult Apprenticeships will continue to increase from nearly £330 million in 2008–09 to over £360 million in 2009–10.
- April 2009 will see the launch of a fully operational National Apprenticeship Service, which will be responsible for increasing the size of the Apprenticeship programme including achieving the ambition of one in five young people participating in Apprenticeships over the next decade. Alongside this we are supporting new models to support the expansion of Apprenticeships such as the Group Training Company approach being pioneered by Westminster College.

- **Train to Gain** has greatly strengthened the employer-led element of the provision of skills. And the funding available for Train to Gain will continue to increase, reaching £925 million in 2009–10. The service has already helped over 570,000 workers gain a qualification and engaged over 101,000 employers; 43% of learners have reported that they received a salary increase as a result of the skills achieved through Train to Gain.

Both of these services are warmly supported by employers, with Train to Gain receiving a major endorsement from the UK Commission on Employment and Skills (UKCES), led by Sir Mike Rake. At the same time, however, we recognise that there is more to do to simplify the system for employers and learners. We have recently accepted the UKCES proposals to make the skills system in England easier for employers to use. We will look to implement and build on these proposals as we continue to strive for further simplification.

A more strategic approach to meeting future skills needs

While we have rightly introduced a more demand-led approach to skills training, we recognise that, in certain situations, there is a need for the Government to take a more strategic approach to future demand. For example, we recognise that government policy can and should be a major influence on employer investment in skills. That can happen through government backing for major programmes like Crossrail and the Olympics, which help to create demand for new jobs and improved skills. We need to ensure we stimulate and support Apprenticeships and other training opportunities if we are going to meet these challenges. Through the Building Colleges for the Future and Building Schools for the Future programmes we have already announced a requirement for successful contractors to have formal training plans in place and provide access to Apprenticeships for their workforce.

Our current skills strategy can increase the number of learners, but we need to develop it further to tackle real labour shortages and bottlenecks in supply. If individual employer demand alone will not produce what we need, we must adapt the skills system accordingly. That will increasingly mean some very specific and targeted interventions of the following sorts:

- more backing for sectors like manufacturing and programmes like the Thames Gateway because they are creating thousands of new jobs
- more backing for industries that contribute to a vision of a greener and better Britain, including in the low carbon sector
- more powers for genuinely employer-led Employment and Skills Boards linked to multi-area agreements
- more sector skills compacts with the aim of eventually covering all 25 sector skills councils (SSCs).

This is not a move away from a demand-led approach; rather, it creates the space for intelligent intervention to ensure we are always developing the right skills in the right places at the right time.

Our network of FE colleges and providers must be fully equipped to meet new and emerging demands. A significant proportion of our capital investment of £2.3 billion through Building Colleges for the Future will support the increased specialisation of further education (FE) colleges and other providers. This will ensure that businesses have access to a wider range of development opportunities for their current and future employees.

Helping adults progress

The introduction of demand-led funding for adults was a key element of our reform programme designed to help more adults get the skills and opportunities they need to progress. Our vision is that every adult should have the same rights and opportunities to continue their education, to learn new skills and to get on in life. We know that better skills for adults improve social mobility, boost earnings and opportunities and, critically, improve the educational performance and life chances of their children too. We are already giving every young adult (to age 25) rights to public funding to support the development of their education and skills. In addition, we are embedding everyone's entitlement to a basic literacy and numeracy and a first full Level 2 qualification in law.

And we will continue to invest in areas of learning that we know help to engage those who have been turned off from education or training, for whatever reason. This will include continued investment in English for speakers of other languages (ESOL) and for learning below Level 2 through the Foundation Learning Tier. We also believe that there is a critical role for informal adult learning. Our recent consultation has highlighted the importance of offering a broad range of learning opportunities, styles and delivery methods through the informal learning route.

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We also recognise the important role the FE system has in helping people develop higher-levels skills and in supporting innovation, enterprise and knowledge transfer. We will support those learners wanting to progress to higher level skills and will increase our offer for Level 4 within Train to Gain. This complements the expansion of Foundation degrees and reflects our commitment to broaden and widen participation in higher education.

Our Adult Advancement and Careers Service (AACCS) is being trialled progressively from 2008/09 to 2010. This will create a single system through which people are able to access information about skills and careers, get advice about learning and job options, assess their skills against career aspirations, and plan the steps they need to take to get on in work and life.

Our ambition for the further education system

The FE system has a crucial role to play in enabling this country to meet current and future challenges. The sector as a whole has shown, time after time, just how adept it is at delivering across a spectrum of needs and in changing circumstances. Our vision for the FE system is therefore an ambitious one: FE is at the heart of our actions to unlock the talent of individuals; to build strong and inclusive communities; and to develop the skills and innovation employers need to compete successfully. While not every college or provider will deliver on all of these agendas, many will.

As we look to the year ahead, we expect the sector to continue to develop ever more innovative ways of meeting the needs and aspirations of individuals, employers and communities. Earlier in this section we have set out our willingness to introduce new flexibilities in response to recent challenges. However, we do not think that our response could or should be enough on its own. Rather, we are expecting our colleges and providers to rise to the challenge of the day – by being proactive and taking the lead to meet the needs of local employers and communities. Already, we have been heartened by the way in which many organisations are even now reaching out to help those who are affected by the downturn, working with them and other local partners to ensure they get the skills and support they need.

We want to make sure that we support colleges and providers to be entrepreneurial in responding quickly to set up new courses that meet the changing requirements of employers and employees. We will work with the LSC to ensure that the operation of Train to Gain and the contracting process for employer-related activity encourages and rewards this behaviour.

We must continue to prioritise public funding for those who need it most. This means that we will continue to promote the concept of a shared responsibility for meeting the costs of education and training – one shared across government, employers and individuals. We expect colleges and providers to continue to increase their income through fees and full-cost activity in efficient and innovative ways to enable them to increase income while improving support for

those who need it most. We also continue to expect colleges to play an important social role by opening up their facilities and resources to the community, where there may be no direct grant but in response to local needs.

We will want to continue to incentivise and reward those colleges and providers that achieve value for money in its widest sense. This will include changing the way we work with colleges and other providers so they have less bureaucracy and more self-regulation over budgets by operating on multi-annual contracts/ grants where possible, and having greater flexibility in delivering learning outcomes. The launch of the Learning and Skills Improvement Service (LSIS) supports this agenda by increasing self regulation and streamlining quality improvement through a sector-led body.

The creation of the Skills Funding Agency (SFA) in 2010 will support the development of a fully demand-led system that will respond to the needs of learners and employers. The new agency will be a more streamlined body that will ensure that the demand-led mechanisms of Train to Gain and Skills Accounts respond rapidly and effectively to meet the needs of employers and learners and that funding flows efficiently and securely to support the choices made by employers and learners. The creation of a flexible and demand-led system is vital in both responding to the current climate as well as making progress to achieve our 2020 world-class skills ambitions. This will be the key role of the SFA.

Christopher N Banks CBE
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18 November 2008

Dear *Chris*

LSC Grant Letter: 2009-10

Making the best use of everyone's talent, and enabling and exploiting innovation is crucial to our success in meeting the challenges of the current economic climate and ensuring success in the future. Creating a strong economy, and enabling everyone to take part in it, also provides the best chance of achieving social justice. Our two Departments have a central role in supporting some of the most important pillars of a strong economy – skills, science and research, and innovation – as well as directly supporting individuals and hard working families. This focus is vital for building economic resilience and providing firm foundations for growth as the economy recovers; and means that we must flex our policies to meet the needs of the most vulnerable and to ensure that our investment is used as effectively as possible.

We are determined to build a world class skills base for a competitive future, ensuring that all young people and adults have the skills needed for employment and progression, and supporting stronger, more productive and more competitive businesses. Investing in our future is even more important as we move into a more challenging economic climate. The work you have done over the last few years puts us in a good position to now escalate our plans to support those who need education and skills the most. We look to the Council to play a leading role both in meeting the current skills challenges and driving up performance on adult and young people's learning, whilst also working with us to develop the new delivery arrangements, and to support local authorities as we build their capacity to fulfil their new role and duties.

Priorities for 2009-10

This grant letter sets out the overall post 16 financial package for the Council for 2009-10 and should be read in conjunction with the DIUS and DCSF investment strategy. In summary, the funding for 09-10 will be £12,157,882,000 (£12.158bn), which is a 4.5% increase compared with 2008-09. This increase will fulfil our ambition and support our young people's learning and adult skills ambitions.

14-19

The 14-19 reform programme remains a key priority for Government, and the Council must ensure that we remain on track to deliver our targets to increase participation and reduce the proportion of young people not in education, employment or training (NEET); to raise attainment across all providers and to narrow achievement gaps; to build the capacity of 14-19 partnerships locally to deliver our priorities; and to secure progress towards the delivery of an entitlement for all young people to access the new curriculum and qualifications from 2013, putting us on track to raise the participation age.

It is especially important, in the context of the work to ensure a successful transition of 16-19 funding to local authorities, that the Council continues to ensure there is a strong focus on delivering for all young people in the system now. We look to the Council to prioritise the actions agreed through the Joint Targets Delivery Plan for delivering higher participation and attainment, as well as continuing to support implementation of the NEET Strategy published in November 2007 and the priority review recommendations into NEET and attainment at Level 3.

The Council must continue to work with Local Authorities to deliver the right provision for all young people, including the most vulnerable. Continued support for those with learning difficulties and disabilities (LLDD) must remain a priority for the Council and it will be important to maintain progress in partnership working to improve support and progression.

A key aspect will be ensuring that providers prepare early and that the September Guarantee for 16 and 17 year olds is fully implemented; and to support the development of the Entry to Learning pilots, which will be starting in four local authorities from this autumn. It will be important to make further progress in promoting and securing flexible and responsive provision in all areas, including flexible start dates, so that learners who drop out can be re-engaged quickly.

The Council must also work closely with local authorities and 14-19 Partnerships to ensure sufficient supply of Diploma places through the phased build up to the National Entitlement in 2013. This is a critical component of our strategy to improve the participation and attainment of young people by providing an innovative style of learning, designed by employers and HE and combining theoretical study and practical experience.

We also look to the Council to support participation and achievement by continuing to secure the effective delivery of Entry 2 Employment, the Foundation Learning Tier, Young Apprenticeships and Key Stage 4 engagement programme. The Council will also be expected to work with the Qualifications and Curriculum Development Agency to establish and run the new Joint Advisory Committee on Qualifications Approval which will recommend to the Secretary of State appropriate qualifications for public funding.

The Council must continue to work in partnership with Her Majesty's Prison Service and the Youth Justice Board to deliver appropriate education and training for young people in youth detention and to improve outcomes for this group of young people. The Council's contribution to transferring responsibilities for juvenile education in young offender institutions is critical to the success of this change programme, and we look to the Council to continue to work with us and other partners to help support and implement these reforms.

Ensuring young people are supported to choose the appropriate course for them is crucial to the achievement of the PSA targets. We expect the Council as part of the local 14-19 Partnership to agree strategies with schools, colleges and other learning providers to ensure all learners have access to high quality, comprehensive and impartial information, advice and guidance. The 14-19 Prospectus is a key part of this, and the Council must continue to support its delivery, and the introduction from 2010 of a Common Application Process, working with DCSF and 14-19 Partnerships to develop and secure delivery of a Forward Action Plan.

We also look to the Council to deliver an effective, high quality package of learner support programmes for those 16-19 year olds in greatest financial need, ensuring that these are focused on increasing participation, reducing drop out and ensuring progression in learning, and that issues relating to delivery of learner support this year are resolved.

Ensuring that young people can access education and training through effective transport provision is also a priority. The Council must continue to carry out the responsibilities set out in the 2007 Statutory Instrument, to produce and publish guidance on the development of transport policy statements, informed by good practice and complaints investigation, reporting monthly to DCSF and where necessary mediating in disputes.

Increasing success rates across all forms of provision and a focus on quality in every setting is crucial to raising achievement and narrowing gaps across all learning pathways. The Council must drive improvement in the quality of school sixth forms through their challenge and support role with local authorities. This will involve a greater focus on the use of data so that schools and local authorities recognise underperformance, and develop specific action plans to deliver better outcomes for learners. The Council must also continue to work with both Departments and other key stakeholders to develop a common performance management system across all post-16 providers so that it can be piloted for use in school sixth forms by September 2009.

In addition to prioritising the actions needed to drive higher participation and attainment for those in the system now, the Council must build the capacity of 14-19 Partnerships to secure progress towards delivery of the entitlement to the new curriculum and qualifications from 2013. At a national level, this will involve helping to shape and communicate clear messages about the roles and responsibilities of key players in the changing landscape, in order to provide clarity and a sound basis for effective partnership working; and contributing to good practice sharing and wider support for 14-19 Partnerships including through guidance on effective 14-19 Partnerships and 14-19 Plans.

Apprenticeships

The Council must continue to drive up progress on apprenticeships, in line with the ambitions in 'World Class Apprenticeships' and support delivery of the 2013 young people's apprenticeship entitlement. Key priorities in 2009-10 will be to establish the new National Apprenticeship Service (NAS) and national vacancy matching service. The NAS should be fully in place by April 2009. Strong measures are also needed to protect existing apprentices, including through support for sector and group approaches, and by building on the regional network of co-ordinators established by the Council to identify apprentices at risk of redundancy and to source new employer places or training.

We also look to the Council to support the Government's drive to take forward skills based approaches to procurement. The Council will need to ensure that as part of the DIUS and DCSF college and school building programmes, successful contractors have a formal training plan in place and provide access to apprenticeships for their project workforce.

Adult Skills

The Government continues to be committed to the 2020 ambition for world-class skills, and to making progress towards the interim measures for 2011, established through the skills Public Service Agreement. However, we recognise that in the current economic climate the Council needs flexibility in the way it allocates resources, so that it can respond quickly and effectively to help businesses and individuals through this downturn; and to help those made redundant to develop the skills they need to get back into work quickly, and then to gain further skills once they are in a job. We have already announced proposals to support small and medium sized enterprises (SMEs) in the private sector, through Train to Gain, from autumn 2008, building on the core Train to Gain offer, and the flexibilities already being introduced through compacts. This support should last for as long as it is needed, by agreement with DIUS, and we must be ready to further flex the service to meet changing employer needs. The SME package must be implemented quickly, effectively and with the absolute minimum of bureaucracy.

The impact of these short-term flexibilities will make progress against the skills PSA indicators more challenging to achieve. However, it is still important that we focus on the programmes of learning and qualifications that will deliver most benefit to individuals and the economy. So the Council must maintain its focus on developing a demand-led system and aligning funding with Government's key priorities; and continue work to increase overall investment levels so that public funding can be targeted at those who need it most, while at the same time increasing flexibility so that providers are able to offer what is needed to support employers and help individuals back into sustainable employment.

The Council must continue to respond to strategic demand, in line with the messages set out in John Denham's speech to the CBI of 24 October 2008. This includes direct intervention to tackle skills bottlenecks and a strengthened approach to strategic skills, including through continued support for major infrastructure projects such as Cross-rail and the Thames Gateway, and for the 2011 WorldSkills and 2012 Olympic and Paralympic Games. The Council will need to work with the UK Commission for Employment (UKCES), Regional Development Agencies (RDAs), employers and others to understand the impact of these developments on employer demand for skills, to boost levels of employer investment in skills, and open up new opportunities for those affected by the economic downturn. Capital investment will need to support specialisation to ensure that businesses and training providers are able to access the training opportunities they need for both their current and future employees.

The Council must continue its work with Jobcentre Plus (JCP) to develop approaches to integrating employment and skills (IES) to help jobless people into sustainable employment. This will include maximising the potential from existing European Social Fund resource, aligning it with economic priorities and ensuring that it complements all public investment in learning and skills.

The £100m announced in October 2008 by DWP and DIUS will support this approach, providing targeted support to individuals affected by the economic downturn, including through skills health checks to assess immediate skills needs, and personalised training and re-skilling. The requirements on “firstness” for those who are unemployed will be relaxed; and we look to the Council to flex the content and delivery of training, and to provide this training free. We aim to help at least 80,000 people in England gain the skills and training needed to move back into work quickly.

Securing the smooth transfer of skills brokerage to the RDAs / Business Link from April 2009 will be essential. Sector-based approaches are also being explored by the new Labour Market Task Force, and we will look to the Council to reflect these in its work, and to work closely with the UK Commission for Employment and Skills to deliver a response that is consistent with the broader UK-wide approach.

Higher level skills remain vital to our competitiveness, and the Council must continue to engage with HEFCE where sector compact proposals have a higher level skills element, and to implement the proposals in Higher Education at Work. Continuing to work with HEFCE to secure more flexible routes to higher education and higher vocational learning, including supporting the Higher Education Diploma and working with the Quality Assurance Agency will also be important. The Council must also continue to support the work of the Joint Forum for Higher Levels on establishing areas of commonality between further and higher education credit frameworks, and work with HEFCE to assess and report progress on this to the Joint Progression Strategic Forum.

For those young adults who choose not to go to University, we announced in “Work Skills” an additional £60 million to give a clear entitlement to vocational training at Level 3 for those aged 19-25. The Council has an important role in implementing this.

Skills Accounts will provide a core part of our support package for individual learners, building on the entitlements to education and training, and our proposed Time to Train legislation. Helping those in work to succeed remains a top priority for keeping the economy moving in the right direction, and we look to the Council to continue the roll out of trials across all nine regions from September 2009, building on those in the South East and East Midlands. Close integration with the adult advancement and careers service is essential. We must ensure that the new Service is fully operational from September 2010, and is shaped within an integrated employment and skills system, building on the trials currently underway.

Responsibility for delivering the Qualifications and Credit Framework (QCF) will transfer to the LSC from April 2009. The QCF must support the reform of vocational qualifications, ensuring that they all have real economic value, that learners can progress through building units to gain full qualifications, and that the system is clear and simple for learners and employers to use, with clear links to Skills Accounts and the Adult Advancement and Careers Service. The Council must continue to work closely with the Qualifications and Curriculum Authority, Ofqual, Awarding Bodies and Sector Skills Councils to deliver that; and to ensure that the full range of units is available from the QCF from early in the New Year.

The Council must also continue to play a central role in delivering the Government’s Skills for Life strategy. To realise our Skills for Life ambitions, we need a renewed effort on numeracy, and we must realise the commitment made in Work Skills to focus support on those with the greatest need to progress, and to refocus mainstream Skills for Life provision on what people need to help them find and progress in work. The Council will need to build on the success of the ‘Get On’ campaign to raise demand for Skills for Life provision as part of its contribution to our Skills for Life strategy.

The Council must continue to build on the Foundation Learning Tier pilots, and plan for the effective roll-out of progression pathways to adult learners working at Entry and level 1 from August 2009, working towards full implementation in 2010.

The Council must also continue to support offender learning, recognising their particular needs and delivery requirements. We expect the Council to work with the National Offender Management Service and Offender Learning and Skills Service (OLASS) to ensure offender learning is focussed on employability, and that the needs of offenders are recognised in integrated employment and skills services; and to help colleges shape and strengthen their services to offenders in the community, building on lessons from the two Reducing Re-offending test bed regions.

We have set an ambitious new vision for Informal Adult Learning, and look to the Council to work with partners to maximise the full range of opportunities available, including new approaches with public, private, voluntary and self-organised learning organisations, and coordinating better information about the opportunities that are available. This must be linked to our drive to encourage people to become more actively engaged in their communities, including through the citizenship agenda in further education colleges and through our English for speakers of other languages (ESOL) strategy. Following our recent consultation, we will be setting out the next steps for the development of ESOL, building on the trials in 2008/09, and will expect the Council to work with local authorities and other strategic partners to identify priorities and align funding to ensure that provision supports both our PSA targets and our goals for community cohesion.

The LSC must continue to support colleges and other providers to use benchmarking and best practice guidance in order to increase value for money. In particular the Council must continue to support colleges and other providers to be more efficient in the way they generate and collect fee income from learners and employers who are expected to contribute towards the costs of learning. This will facilitate colleges to continue to offer a full range of adult learning while continuing to support learners who need the most help.

It is vital that we have an infrastructure which can respond quickly and effectively to changing education and skill needs, including through increased specialisation. In July 2008 we published our organisational policy framework which set out our expectations for the future shape of the FE landscape. We expect the Council to support colleges as they assess these business models and to take forward the new strengthened process by which organisational proposals are developed and assessed.

Colleges also have an important role in driving forward equality and diversity, and supporting community cohesion. Following the consultation on the role of FE providers in promoting community cohesion, we will be actively working with the sector to look for ways to strengthen their role in these aspects of their work. We look to the Council to identify work it can do with the sector in addition to the current programme on equality and diversity that will help colleges to maintain and build their role in community leadership and cohesion, promoting tolerance and shared values, and preventing violent extremism.

The UK Commission for Employment and Skills has made proposals to simplify the skills system in England which have been accepted by the Government. The programme fits with the direction of work already in hand to establish a more employer responsive system, and we propose to deliver this through existing delivery arrangements wherever possible. The Council should work constructively with the Government and the Commission to develop the programme and to implement this effectively to an agreed timetable. The Council must also support the work of the Information Authority and FE Data Service to the agreed levels.

Conclusion:

Maintaining the capacity of the Learning and Skills Council and the sector more widely will be vital to the delivery of this challenging agenda. We look forward to continuing to work with you on this, and to develop the new delivery arrangements that are needed to support the further achievements of all young people and to build a strong and lasting world class skills base.




John Denham
Secretary of State for
Innovation, Universities and Skills




Ed Balls
Secretary of State for
Children, Schools and Families

Annex A: KEY TARGETS

The Public Service Agreements (PSAs) announced in the 2007 CSR continue to set the priority outcomes that the Government wants to achieve in the remainder of this current spending period (2008-11).

The PSA targets and underpinning performance indicators which are most relevant to the LSC are:

Young People's PSA targets:

To raise the educational achievement of all children and young people so that by 2010/11:

- 82% of young people achieve L2 by the age of 19;
- 54% of young people achieve L3 by the age of 19.

To narrow the gap in educational achievement between children from low income and disadvantaged backgrounds and their peers:

- The gap between the initial participation in full time higher education rates for young people aged 18, 19 and 20 from the top three and bottom four socio-economic classes.

In addition the LSC to lead on:

- increasing the numbers of 17 year olds in education or training so that 86% are participating in 2010/11;
- reducing the inequality gap in attainment at levels 2 and 3 so that, by 2010/11, 62% of those in receipt of free school meals at 16 achieve L2 by the age of 19 and to reduce the gap in attainment at L3 by age 19 between those young people who were in receipt of free school meals and those who were not by 1.8 percentage points.

Increase the number of children and young people on the path to success so that everyone achieves their full potential, makes a positive contribution and makes a successful transition to adulthood. In particular by:

- reducing the proportion of young people NEET by two percentage points by 2010 (from a baseline of 9.6 per cent at end 2004).

The LSC is also expected to contribute to increasing the take up of Diplomas in every local authority area; and to work towards the target of 1 in 5 young people participating in an Apprenticeship.

PSA Targets for adults

To improve the skills of the population, on the way to ensuring a world-class skills base by 2020

Working towards this target, the Government has set the following interim targets¹. By 2010/11:

- 597,000 people of working age (defined as all adults aged 16-64 inclusive) to achieve a first level 1 or above literacy qualification, and 390,000 to achieve a first entry level 3 or above numeracy qualification.
- 79% of working age adults (men and women aged 19 to state pension age, including both economically active and inactive) are qualified to at least full Level 2 qualification; and 56% to at least full level 3 qualification².
- 130,000 apprentices to complete the full apprenticeship framework in 2010/11³.

The Council is also expected to help **increase the number of people moving into sustainable employment and progressing**. In particular, the Council must support a new joint target which is being developed with the Department for Work and Pensions (DWP) and Jobcentre Plus to move more people into sustainable employment; and the ambition set out in 'Work Skills', the Government Command Paper published in June 2008, for supporting 100,000 people into sustainable employment and the achievement of a recognised qualification in 2010.

Science and Innovation: help achieve the Government's ambition to deliver world class science and innovation in the UK through:

- The number of young people in England taking "A" Levels in mathematics, physics, chemistry and biological sciences.

The Council is expected to lead on these targets.

We also expect the Council to support the higher education sector to achieve the HE PSA participation target by encouraging many more young people from all backgrounds to gain the qualifications and aspiration for higher education.

In addition, we expect the LSC to lead on delivery of agreed key indicators, including:

- An apprenticeship completion success rate target for 2008/09 of 65%⁴.
- An FE Learner Success Rate of 80% for FE colleges by 2010/11, while also continuing to drive improvements in success rates of key priority areas, including functional literacy and numeracy, full Level 2 qualifications and full Level 3 qualifications.

- A balanced scorecard for FE, being developed through the CSR period through the Framework for Excellence, covering (once data is available):

- employer and learner satisfaction
- employer engagement with FE
- student success rates and employment outcomes

and to contribute to the indicator to:

- Increase the proportion of low-skilled into employment and increase their wages (to be developed over the CSR period).

1. We remain committed to making progress towards the interim measures for 2011, but recognise that the flexibilities set out in this letter will make progress against the skills PSA indicators more challenging to achieve.

2. In working towards the 2011 target, the Council will be expected to make progress towards the CSR 2004 Level 2 target for 2010.

3. Further detail on measurement and definitions relating to this set of skills indicators is contained in the measurement annexes to the skills PSA Delivery Agreement.

4. Although the apprenticeships completion target of 65% is reasonable on an historic basis, we cannot yet properly factor in the effects of the current economic downturn and recognise that apprentices made redundant could suppress completion rates.

Annex B: LSC budget 2009–10

| Budget Line | 2008-09 £000s | 2009-10 £000s |
|----------------------------------------------------------------------------------|------------------|-------------------|
| Youth Participation | | |
| of which for planning purposes: | | |
| School Sixth Forms | 2,085,184 | 2,095,837 |
| 16-19 FE | 3,290,280 | 3,519,295 |
| 16-18 Apprenticeships | 628,021 | 675,054 |
| Entry to Employment | 171,365 | 180,780 |
| Specialist Provision for Learners with Learning Disabilities and/or Difficulties | 204,311 | 221,311 |
| TOTAL YOUTH PARTICIPATION (DCSF) | 6,379,161 | 6,692,277 |
| Adult Learner Responsive | | |
| of which for planning purposes: | | |
| Foundation Learning Tier | 220,652 | 222,481 |
| Skills for Life | 562,219 | 608,899 |
| Full Level 2 | 237,212 | 259,172 |
| Full Level 3 | 339,084 | 378,889 |
| Developmental Learning | 376,340 | 230,447 |
| Employer Responsive | | |
| Apprenticeships | 328,323 | 366,514 |
| Train to Gain (including FE NVQs) | 797,281 | 925,661 |
| Employer Responsive Sub Total | 1,125,604 | 1,292,175 |
| of which for planning purposes: | | |
| Foundation Learning Tier | 9,229 | 6,818 |
| Skills for Life | 35,410 | 57,688 |
| Full Level 2 | 525,673 | 625,737 |
| Full Level 3 | 119,275 | 161,496 |
| Apprenticeships | 328,323 | 366,514 |
| Developmental Learning | 19,769 | 14,921 |
| Adult Safeguarded Learning | 210,000 | 210,000 |
| Offender Learning & Skills Service | 122,203 | 124,770 |
| TOTAL ADULT PARTICIPATION (DIUS) | 3,193,315 | 3,326,833 |
| Block A - Total Participation | 9,572,476 | 10,019,110 |

| Budget Line | 2008-09 £000s | 2009-10 £000s |
|--------------------------------------------------------|-------------------|-------------------|
| Block B - Learner Support and Development | | |
| LSC DCSF non-participation | 771,030 | 730,429 |
| LSC DIUS non-participation | 382,424 | 378,372 |
| Block B - Total Learner Support and Development | 1,153,454 | 1,108,801 |
| Block C - Capital Grants | | |
| 14-19 Capital Grants (DCSF) | 210,000 | 210,000 |
| 19+ Capital Grants (DIUS) | 484,400 | 609,800 |
| Block C - Total Capital Grants | 694,400 | 819,800 |
| Block D - Administration (DIUS) | | |
| | 214,775 | 210,171 |
| TOTAL DCSF FUNDING | 7,360,191 | 7,632,706 |
| TOTAL DIUS FUNDING | 4,274,914 | 4,525,176 |
| GRAND TOTAL | 11,635,105 | 12,157,882 |
| European Social Fund | 240,800 | 250,100 |

Note 1. The Adult Learner Responsive budget for 2009-10 includes just over £145m per annum to support Ufl/Learnirect provision.

Note 2. Tailored more intensive support for those requiring employability skills is included within the Adult Learner Responsive budget, this amounts to £36.5m in 08-09, £48.6m in 09-10.

Note 3. The Train to Gain budget includes FE NVQs and brokerage costs of £37m. For 2009-10 brokerage costs will transfer to the Regional Development Agencies

Note 4. Apprenticeship funding includes £17m per year for Skills for Life delivered as part of the Apprenticeship Framework

Note 5. Around £8m per year is available to support level 4 within Train to Gain

Note 6. European Social Fund provided to the LSC is used to support two priorities; (1) extending employment opportunities; and (2) developing a skilled and adaptable workforce – both of which are match funded from appropriate LSC budgets.

Note 7. The adult skills budget for the London Region in 2009-10 is £635m and is subject to the delivery of targets agreed as part of the London Employment and Skills Board strategy.

Note 8. The School Sixth Form budget detailed above does not include funding for Sixth Form Academies of £72m in 08-09 and £113m in 09-10 which is routed directly from DCSF.

Note 9. The LSC cannot vire between DIUS and DCSF programmes or between Budget Blocks without the agreement of the Departments.

Note 10. The European Social Fund budgets do not include the additional funding available following the revaluation of the ESF programme.

Note 11. £15m of the Specialist Provision for Learners with Learning Disabilities and/or Difficulties funding is now being categorised as capital and is included within 14-19 capital grants

Annex C: LSC planned outputs/volumes

| Budget Line | 2008/09 | 2009/10 |
|---------------------------------------------------------------------------------|------------------|------------------|
| Block A - Participation | | |
| of which for planning purposes: | | |
| School Sixth Forms | 383,000 | 372,000 |
| Academies | 16,000 | 27,000 |
| 16-19 FE | 786,000 | 786,000 |
| 16-18 Apprenticeships | 213,000 | 223,000 |
| Entry to Employment | 75,000 | 75,000 |
| Total Youth Participation | 1,474,000 | 1,484,000 |
| Adult Learner Responsive Sub Total | | |
| of which for planning purposes: | | |
| Foundation Learning Tier | 370,000 | 373,000 |
| Skills for Life | 839,000 | 866,000 |
| Full Level 2 | 125,000 | 133,000 |
| Full Level 3 | 121,000 | 123,000 |
| Developmental Learning | 551,000 | 271,000 |
| Employer Responsive | | |
| Apprenticeships | 243,000 | 254,000 |
| Train to Gain (includes FE NVQs) | 900,000 | 949,000 |
| Employer Responsive Sub Total | 1,143,000 | 1,203,000 |
| of which for planning purposes: | | |
| Foundation Learning Tier | 10,000 | 9,000 |
| Skills for Life | 357,000 | 382,000 |
| Full Level 2 (Excluding Apprenticeships) | 689,000 | 702,000 |
| Full Level 3 (Excluding Apprenticeships) | 118,000 | 130,000 |
| Apprenticeships | 243,000 | 254,000 |
| Developmental Learning | 12,000 | 12,000 |
| Safeguarded Adult Learning | 630,000 | 605,000 |
| Total Adult and Employer Responsive including Safeguarded Adult Learning | 3,399,000 | 3,277,000 |
| Total European Social Fund Learners | | |
| Of which estimated additional ESF learners | 50,000 | 47,000 |

Note 1. The learner number figures are based on national assumptions of what our investment would deliver in terms of learner volumes in each of these areas. These figures are indicative on the assumption that colleges and providers have flexibility to deliver a different mix of priority activity in responding to local demand, this includes responding to meet the needs of private SMEs.

Note 2. Employer Responsive and Adult Learner Responsive sub totals do not total to the planning totals as they include learners who may be included in more than one category. For instance a learner could be undertaking a Full Level 2 and a Skills for Life course.

Note 3. Apprenticeship Learner numbers are presented in this table for consistency with other areas of provision. However, the expectations of the Apprenticeship programme in terms of starts and completions are set out in the Annex D

Note 4. The total learner numbers cannot be directly compared with those published in the 2008-09 Grant Letter as some are calculated on a different basis. In particular – FE NVQ provision is now integrated into Train to Gain (in 2007/08 it was part of the Adult Learner Responsive provision).

Note 5. The number of learners supported through European Social Funds does not take account of the impact of the revaluation of the ESF programme. Total ESF funding will support additional activity for some learners already accessing mainstream provision. These learners will already be included in the total learner numbers supported by LSC funding. However, there is an estimated proportion of learners shown in the table who are supported by ESF funding who are not included in the other categories and are therefore additional.

Note 6. Extra volumes of 16-18 learners were funded in 2008/09 above plan. This is not reflected in the 2008-09 budget as shown above as FE colleges received some of this funding in the 2007-08 financial year.

Note 7. Funding for Academies is not routed through the LSC. However, as Academies volumes contribute to overall participation they have been included.

Annex D: Apprenticeships

| Apprenticeship Starts | 2008/09 | 2009/10 |
|----------------------------|----------------|----------------|
| 16-18 | 108,000 | 116,000 |
| 19-24 | 91,000 | 93,000 |
| 25+ | 29,000 | 29,000 |
| Total | 227,000 | 237,000 |
| Apprenticeship Completions | | |
| 16-18 | 68,000 | 72,000 |
| 19-24 | 47,000 | 49,000 |
| 25+ | 4,000 | 8,000 |
| Total | 118,000 | 129,000 |

Note 1. The numbers in the table above may not sum due to rounding.

Statement from the LSC Chair and Chief Executive



Christopher N Banks CBE
Chair
Learning and Skills Council



Mark Haysom CBE
Chief Executive
Learning and Skills Council

This important Statement underlines our commitment to respond to the prevailing economic conditions. In learning and skills, our focus must be on ensuring that government investment is directed towards areas of greatest need, for the benefit of young people, adults and employers. That means making sure that all young people are equipped for employment and higher education, by growing a learning and skills offer that is relevant and attractive to all. It means introducing greater flexibility into the sector, to make it ever more demand-led. That way, we can better support businesses to find the skills they require and help individuals to train, retrain and secure sustainable employment.

Building on firm foundations

We are able to adopt this greater flexibility because of the successes of recent years. 2007/08 saw a considerable increase in 16–18 participation, a major expansion of Train to Gain and overall success rates reaching an all-time high. The foundations for this success lie in the hard work of the sector to raise standards, develop their offer and support learners. Our future priorities build on those foundations.

More for employers, more for learners

In 2009 we will see the launch of the new National Apprenticeship Service, with a remit for raising Apprenticeship participation at all ages and increasing employer involvement. The service, including a new web-based vacancy matching system will roll out from December 2008. This will be backed up, for employers, by further expansion of Train to Gain.

Our commitment is to deliver an effective and comprehensive learning offer for young people in every area, in partnership with local authorities, schools, colleges and providers. We will be setting ever higher goals to ensure we achieve this.

'The current economic climate also reaffirms the need to focus on quality and improved operations.'

A particularly significant area of investment is numeracy: government funding will support an increase in numbers of learners here, as part of the new Foundation Learning Tier. Alongside this, the new Adult Advancement and Careers Service will focus on learner progression – again, essential in the current economic climate.

Focus on quality

The current economic climate also reaffirms the need to focus on quality and improved operations. We are working towards reform of the vocational qualification system and further reductions in bureaucracy for providers and learners. At the same time, we will continue with our programme of targeted capital investment.

This Statement provides more detail on all of these priorities, setting out how and when allocations to providers will be managed and showing how feedback from the sector, from employers and from partners has played a vital role in developing our approach. Collecting and acting on this feedback is now one of the tasks facing our National Council and new Regional Councils, alongside maintaining standards and ensuring delivery. These Councils are an essential part of our new structure, which will better meet the needs of employers, learners and providers. Over the coming pages, you can find out how.

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LSC Priorities for Delivery

Introduction

Following the Machinery of Government changes, by 2010 there will be new structures and arrangements for the planning and allocation of funds for education and training in both 16–18 (through local authorities and the Young People's Learning Agency) and 19+ (through the Skills Funding Agency, incorporating the National Apprenticeships Service) age groups. We are committed to ensuring that we hand over excellent services, relationships and effective and efficient delivery.

The current slowdown in the economy poses major challenges to individuals and employers. It also presents challenges for the education and skills agenda. However, it creates opportunities too. The further education (FE) and skills sector is ideally placed to respond to the changing needs of those who are most vulnerable from the effects of the downturn, whether as employers or individuals. Through our provider network, we must ensure that we respond flexibly to meet the needs of those employers and individuals.

The LSC National and Regional Councils will provide leadership to guide the organisation through these and other coming challenges. Our focus in this next period is on three key priorities for delivery:

- meeting the needs of young people
- improving adult skills
- reforming the FE system.

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Priority 1: Meeting the needs of young people

Our Public Service Agreement (PSA) targets define young people as those aged between 16 and 19. However, our work includes those aged between 14 and 16 and those aged between 19 and 25 with learning difficulties and/or disabilities (LDD).

All the LSC's work with young people falls within, and is informed by, the Every Child Matters agenda. We are fully committed to the goals set out in the Government's 2007 Children's Plan of making this the best place in the world where children and young people can grow up and learn.

Throughout 2009/10, we will continue to work closely with the Department for Children, Schools and Families (DCSF), the Department for Innovation, Universities and Skills (DIUS) and local authorities (LAs) to ensure a smooth transition to the new arrangements from 2010. The Machinery of Government changes will mean a more integrated service to young people and enable a seamless transition from the pre-19 system into adult learning.

We will:

- work with LAs and in 14–19 partnerships to deliver the 14–19 reforms set out in the DCSF document *Delivering 14–19 Reform: Next Steps*, published in October 2008
- support providers to ensure that the system maintains its effectiveness and efficiency, delivering value for money throughout the transition and once the new arrangements are in place
- work with LAs throughout the transition year to help them better understand the planning and commissioning process and build their expertise.

Priorities

Our main priorities for young people in the coming year are to increase both participation and attainment.

We will:

- continue to identify groups of young people facing complex and deep-rooted barriers to learning, and work with partners to overcome those barriers
- alongside LAs and providers, deliver the September Guarantee as part of our work to reduce the numbers of young people described as not in education, employment or training (NEET)
- encourage more flexible and responsive provision for young people
- tackle equality and diversity issues in work-based learning
- increase the number of Apprenticeships, particularly in occupational sectors which currently offer proportionally fewer places
- better meet the needs of learners with learning difficulties and/or disabilities
- deliver, through providers and partners the 14–19 entitlement, as described in *Delivering 14–19 Reform: Next Steps*
- deliver learner support which helps young people participate and attain
- continue to increase the numbers of young people achieving Level 2 and Level 3 qualifications by age 19
- narrow the gap in attainment at every level between those in high-income and low-income households.

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We will work to achieve more widespread understanding of the benefits of learning, and ensure that in response to increased demand arising from this, high-quality learning opportunities are accessible to all young people, from which they can progress into further learning and employment with training.

In the following sections, we set out the specific actions we will take to achieve these priorities.

Broadening the curriculum offer and ensuring provision is flexible and responsive

The curriculum offer must be attractive and responsive to all young people at all levels. We will:

- continue to develop and roll out the Foundation Learning Tier, including provision previously known as Entry to Employment (E2E)

- support the introduction of Diplomas and encourage providers to collaborate in Diploma consortia
- support work to communicate the opportunities available to young people – including Apprenticeships from the age of 16 – particularly through the area prospectus and impartial information advice and guidance
- work with LAs to ensure there is a coherent and planned approach across the whole 14–19 phase for work-related learning
- continue to pilot delivery of the highly successful Young Apprenticeship Programme using Higher Diplomas as the underpinning qualification.

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Providing an appropriate place in learning for every young person

Every young person must have access to a range of high-quality learning opportunities post-16. These opportunities must be relevant to their aims and aspirations, flexible and responsive to their changing circumstances, and help them acquire the skills and qualifications they need. Working with and through providers and employers, we will ensure that the supply of learning and learning support meets the needs of all young people, and that they have the impartial information, advice and guidance (IAG) needed to help them make the right decisions.

We will focus particularly on young people who are, or at risk of becoming, NEET. For 14- to 16-year-olds identified as being at risk, we will develop a new approach that concentrates on re-engagement, combining a targeted two-day programme of personal and social skills and functional skills development, with the wider Key Stage 4 (KS4) curriculum. We will work with LAs and other partners to build on existing projects involving the third sector in supporting young people back into learning, in particular through the Entry to Learning pilots.

Improving provision for learners with learning difficulties and/or disabilities

We will continue to develop the provision and support available to learners with learning difficulties and/or disabilities (LDD), so that we can realise the vision described in the *Learning for Living and Work* strategy that people with LDD have access to, and experience of, post-16 learning that is equal to that experienced by their peers without LDD. As part of that, we will:

- increase the numbers of young people with LDD who participate in Apprenticeships
- implement the refreshed Mental Health Strategy
- continue to use Investment for Change funds to develop high-quality local provision that leads to increased employment, or supported employment opportunities for young people with LDD
- respond to findings from the survey into adult (post-19) provision for learners with LDD

- find better ways to identify young people in learning who have LDD, and their carers, so that they are aware of the full range of provision and support available to them and are able to access it
- ensure that the Foundation Learning Tier incorporates appropriate Progression Pathways for young people with LDD
- continue to review ways of improving the use and application of funds to secure equity across the system and value for money.

Expanding Apprenticeships

Please see 'Delivering further success in Apprenticeships' under **Priority 2: Improving adult skills** for full details.

We will use the resources set out in this document to move towards ensuring that, by 2013, all suitably qualified young people who want one can have an Apprenticeship place. We will also continue our progress towards the ambition set by the Government: that by 2019/20, one in five young people will have started an Apprenticeship before the end of the academic year in which they reach their 18th birthday.

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The National Apprenticeship Vacancy Matching Service (NAVMS) will make it much easier for all young people interested in Apprenticeships to find out what opportunities are available in their area or occupation. We will work with 14–19 partnerships to ensure that we link the area 14–19 prospectus to NAVMS.

To provide progression routes to Apprenticeships, we will continue to support the Young Apprenticeship (YA) programme so that in 2009/10 around 18,000 young people in this age group will be involved with the programme.

Providing personalised guidance

To reduce the likelihood of dropping out of learning, young people need guidance and support that motivates them and helps them make the right choices. We will:

- continue to work closely with LAs, Connexions and the providers of IAG to ensure that impartial guidance is available in each area
- work with 14–19 partnerships and LAs to implement online prospectuses in each area
- trial the use of a Common Application Process for roll out in 2010.

Focusing learner support for young people

We will continue to develop the Learner Support Service, which helps young people find out about and apply for a range of financial support, including the Education Maintenance Allowance (EMA). We will evaluate the impact of policy changes introduced for 2008/09, and the trial of new criteria for defining what provision is eligible for EMA support. Work is under way to ensure that the system for delivering EMAs addresses the problems faced in 2008.

For young people in employment, we will continue to pilot Learning Agreements as a way of encouraging them to stay in learning. We will also support:

- Activity Agreement pilots, due to run up to September 2009, through working with the pilot projects to develop appropriate provision and opportunities to help more young people to re-engage in learning
- Entry to Learning pilots, testing different ways of re-engaging young people in formal learning.

The pilots will be evaluated to assess their effectiveness in engaging young people prior to any decision on a full roll out of the programme.

This is part of our overall work to ensure that financial support for young learners remains relevant and effective as the compulsory participation age is raised.

Improving quality, accountability and performance management

Provision in every type of setting must be of a high quality. We will take action to maintain and make further improvements in achievement rates, reviewing data and management information from inspection and other sources to inform intervention and to improve outcomes for learners. In order to secure delivery of the 14–19 entitlement, we will work with LAs to further develop and strengthen 14–19 partnerships, including encouraging employers to play a part. We will also extend our collaborative work with LAs to challenge and support secondary schools in order to improve outcomes for learners in school sixth forms.

We are developing a unified performance assessment framework for all types of post-16 providers as part of the Framework for Excellence, so that it can be piloted from September 2009 by school sixth forms. We are also creating new, more relevant performance indicators and adjusting existing indicators, with the initial phase of work to be completed by March 2009.

Priority 2: Improving adult skills

Adult skills are recognised as being vital to increasing national and international competitiveness for employers, and increasing economic and social inclusion. They are at the heart of government policy and provision is undergoing rapid, large-scale change to increase responsiveness to the needs of individuals and employers. These changes have been accelerated to respond to the current economic climate, where there is a need to support employers and individuals in more flexible ways.

Flexibility in responding to a changing economic climate

In the immediate term, as part of the Government's response to the toughening economic climate, we will direct government resources to programmes and actions that seek to support the most vulnerable and at risk from the downturn. In particular, we are focused on:

- encouraging employers to continue to invest in skills and training, when their financial and human resources are under increased pressure
- enabling individuals to develop their skills to increase their flexibility in the labour market.

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As announced on 21 October, we will implement new flexibilities in Train to Gain focused on private sector small- and medium-sized enterprises. We will support the Government's announcement on 15 October to spend £100 million to tackle redundancies. This will include targeted use of the European Social Fund (ESF) to flexibly support those at risk of redundancy, or made redundant, as well as use of Train to Gain funds to help employers provide potential employees with the skills they need to enter the workforce. There will also be support for those most at risk from the economic downturn by providing additional advice and guidance through *nextstep*.

Given the significant challenges posed by the current economic climate to employers and individuals we will create greater flexibility for providers to respond to needs by varying the mix and balance of their provision. While we will continue to agree with providers a statement of the targets to be delivered in the coming year, providers will have flexibility to respond to emerging needs and demand from both employers and learners.

Employer-focused provision

Our aim is for all employer-focused provision, including Train to Gain and Apprenticeships, to operate as a coherent and flexible single offer to employers. We will, in particular, ensure that Train to Gain and other programmes are used flexibly to support the needs of learners and employers arising from the current economic situation.

Delivering further success in Apprenticeships

Recent years have seen remarkable progress in Apprenticeships with success rates now at 63% and with greatly increased levels of participation. However, we want to push this figure higher.

April 2009 will see the launch of a fully operational National Apprenticeship Service, which will be responsible for increasing the size of the Apprenticeship programme including achieving the ambition that, by 2019/20, one in five young people will have started an Apprenticeship before the end of the academic year in which they reach their 18th birthday. We expect to see a steady increase in demand from 19- to 24-year-olds and have set our expectation for Apprenticeships for those over 25 at a much higher level than originally assumed, following a very successful first year of the offer.

Housed within the LSC, the National Apprenticeship Service will incorporate a field force and the National Apprenticeship Vacancy Matching Service (NAVMS). The field force will focus on helping more employers to offer Apprenticeships and ensuring that advisers to business and individuals have the information and resources about Apprenticeships they need. The NAVMS is a web-based system that will enable employers to find potential apprentices and vice versa. We will use the management information provided by NAVMS to monitor the extent to which potential apprentices' aspirations are being met through the site.

As part of its goal to promote the availability and quality of Apprenticeships to employer and prospective apprentices alike, in its first year the National Apprenticeship Service will:

- ensure that Apprenticeships for adults grow in response to demand and meet the priority needs of people facing significant employment and skills challenges
- work to stimulate demand, particularly given the downturn in the economy
- increase employer take-up, especially in the public sector
- work with sector skills councils (SSCs) to maximise the breadth and increase the flexibility and responsiveness of Apprenticeship frameworks
- improve the quality of advice, including working closely with Skills Brokers
- improve progression routes into Apprenticeships and from Apprenticeships into higher level skills
- oversee the increase of the minimum wage for apprentices from £80 to £95 per week from August 2009
- run the trials planned in World-class Apprenticeships, including developing Group Training Associations to encourage more smaller businesses to offer Apprenticeships.

Our National Employer Service will also work with blue chip companies to maximise their involvement.

We are also committed to ensuring that full-time vocational courses enable learners to progress to employment as soon as practical. In line with *World-class Apprenticeships*, we will prioritise funding to colleges who deliver vocational education that reflects the real working conditions of the target employment sector and who measure their success by progression to an employed Apprenticeship. We will also:

- ask Ofsted to amend their reporting for these programmes to focus on progression to employment
- ensure that Apprenticeships support progression into HE and to higher level skills.

World-class Apprenticeships has confirmed Apprenticeships bring significant benefits to employers and they are the Government's preferred work-based route for all young people aged 16 to 24. To support this, we will work to ensure that providers and employers offer Apprenticeships to as many employees in this age group as possible.

'Adult skills are recognised as being vital to increasing national and international competitiveness for employers.'

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Introducing more flexibility and funding for Train to Gain

Train to Gain is the Government's flagship service to help all employers get the support they need to increase the skills of their workforce and improve the performance of their business. We will implement flexibilities in Train to Gain delivery to respond to the needs of employers and individuals resulting from the economic downturn. We will offer more flexible support on specific qualifications and activities, and we will also strengthen the support for individuals to enable them to progress from pre-employment training to continue their training through Train to Gain once in employment. This builds on the approach begun with local employment partnerships and integrated employment and skills trials.

Funding for 2009–10 will be £926 million; this will support substantial learner achievements at all levels and ensure higher numbers of employers are engaged.

As part of a government-wide package, the support available through Train to Gain has been tailored and enhanced to better meet the needs of smaller businesses. A new package of support will help small- and medium-sized,

private sector businesses to get the help they need to help them survive and prosper during tougher economic times.

Some key elements of the new flexibility package for private sector small- and medium-sized enterprises (SMEs) are:

- from January 2009, smaller, focused training programmes in subjects demanded by businesses including business improvement, business systems and processes, team working and communications, sales and marketing, IT user, IT support, customer service, new product design, finance and credit, cash flow and profit management, and risk management
- from January 2009, fully funded Level 2 qualifications and partly subsidised Level 3, regardless of whether the employee already has a qualification at this level
- from November 2008, funding for leadership and management training extended to businesses with between 5 and 10 employees.

This offer will be supported by high-quality learning responding to the particular needs of private sector SMEs and we will be working with colleges and providers to deliver training in a place and way that makes it as easy as possible for private sector SMEs to

access the training they need. We will work with the sector to stimulate, as well as respond to, employer demand through an investment of some £30 million to support the capacity building of the provider base, in addition to the support available through the LSIS World Class Skills programme.

We have worked with SSCs to develop Sector Compacts, which focus support for employers on the most relevant qualifications for that sector. This means that funding is prioritised around the qualifications that best meet industry needs. At the same time, we are working to stimulate demand for higher volumes of skills in return for flexibilities in the Train to Gain service offer to employers.

For 19- to 24-year-olds, Apprenticeships remain the preferred route within Train to Gain, so we will ensure that providers and employers offer Apprenticeships as standard to this age group.

From April 2009 the Skills Brokerage Service will transfer to Business Link. Brokers will continue to work with employers to help them identify their skills needs in the context of their business requirements, and help them to identify the providers and funding to best meet their needs.

Integrating employment and skills

As part of our commitment to introducing greater flexibilities in the way that Train to Gain and other funds are used in order to address the needs arising from the current economic downturn, we will particularly focus investment upon supporting people who are unemployed to progress into sustainable employment with training.

In *Work Skills*, the Prime Minister clearly stated that 'when someone signs up for benefits, they also sign up for skills'. The publication also set out an aspiration for the financial year 2010–11 to see 'over 100,000 people helped to gain sustainable employment and to achieve a recognised qualification'.

In addition to these policy announcements, from summer 2009 pilots will be run to test circumstances where it will be compulsory for jobseekers to take skills health checks and attend suitable provision. The recently published welfare reform Green Paper, *No one written off*, contains further proposals to extend these requirements to other benefit claimants. If implemented, this would mean that colleges and providers will need to be equipped to respond to these referrals with flexible and relevant provision.

Colleges and providers will need to be in touch with the needs of the local labour market and tailor their offer accordingly. Common barriers to learning experienced by those seeking work often require an offer of flexible start dates, part time provision, and the ability to continue with their learning at the point of entering work.

However, integrating employment and skills services is about more than just helping individuals into Entry Level jobs. Instead, it aims to engage people in the development of their skills to improve their ongoing career prospects and help them enter sustainable employment. As part of our ongoing response to this, throughout 2009/10, we will expand trials of an integrated employment and skills (IES) service with a view to a national roll out by 2010/11.

In the early trials of IES in five regions from 2008/09, and in the national roll out by 2010/11, we will expect providers to build strong relationships with Jobcentre Plus and with employers to ensure that they are aware of the needs of the local labour market. This will enable them to play an active role in linking pre and post employment programmes and ensuring that learners experience a seamless journey, even if they secure employment before finishing their course. Colleges and providers should focus their offer on delivering the skills needed to provide learners with the best possible chance of sustainable employment and progression.

At the same time, we need to encourage employers to not only train but to recruit and train. Colleges and providers can help to do this by ensuring that the local labour pool is equipped with the skills employers and the local economy need, and by working with the LSC and Jobcentre Plus to further develop employer-led provision for those that are out of work, such as through local employment partnerships. We will work with Jobcentre Plus and the advice services to ensure there is mutual understanding of our respective offers and funding opportunities. That in turn will enable providers to offer a seamless recruit and train service, backed up by the developing adult advisory and careers service. The result will be a coherent overall offer to adult learners and jobseekers.

A new £100 million package to support newly redundant workers over the next three years building on IES trials was announced in October. The funding will be available for people who are currently facing redundancy and those looking for work to help them retrain and develop their skills, and will enable people to access a range of approved training providers with the aim of helping them move quickly back into sustainable employment.

2012 Olympics and Paralympics

The LSC is developing a national Olympics and Paralympics strategy that will support the raising of skills across all sectors, creating opportunities for the disadvantaged and providing relevant capital investment, to ensure the events are successful and that they leave a sustainable legacy of programmes and facilities.

Adult Learning

The Education and Skills Bill currently going through Parliament will amend the Learning and Skills Act 2000 to place new duties on the LSC in relation to adult learners. Subject to the successful passage of the Bill, it is intended that the new duties will come into force in readiness for the 2009/10 academic year. We will work with DIUS to implement these changes.

Level 2 and Level 3 learning

We have skills indicators for 2011 to significantly expand the proportion of the adult population qualified to at least Level 2 (79%) and Level 3 (56%) as part of the Government's commitment to world-class skills.

While there will be a strong focus on meeting more flexibly the skill needs of small businesses and learners threatened with unemployment, the Government's ambition on raising the skills of the adult population remains. Qualifications at Level 2 and Level 3 provide a firm foundation for business productivity, for sustained employability and progression.

Improving literacy and numeracy

We will ensure that by 2010/11:

- 390,000 learners achieve their first Entry Level 3 or above numeracy qualification
- 597,000 learners achieve their first full Level 1 or above literacy qualification.

To boost numeracy achievement, we will be encouraging providers to offer numeracy assessments to their literacy and language learners. We will also be encouraging more embedding of literacy and numeracy as part of a number of actions supporting the refreshed Skills for Life strategy which will be set out in DIUS' forthcoming delivery document.

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English for speakers of other languages

Following the public consultation on focusing ESOL more effectively on community cohesion, we will test and roll out a new approach to ESOL provision. We will prioritise the engagement and progression of those people identified at local level as being the most vulnerable and at risk of exclusion and for whom better English skills will improve employability, access to services and integration. Provision will be shaped to respond to these locally identified priorities and contribute to improved community cohesion.

Developing the Foundation Learning Tier

In 2009/10, Progression Pathways within the Foundation Learning Tier (FLT) will become part of mainstream provision. This will have an impact on both 16–18 and 19+ provision. Progression Pathways support the FLT strategy to increase engagement among young people and adults, raise learner achievement and improve progression into further learning and/or employment, such as a first full Level 2, skilled work (including an Apprenticeship), or supported employment or independent living.

It is expected that, over time, all learners working at Entry Level and Level 1 will be doing so within the context of a Progression Pathway.

During 2009/10, Progression Pathways will begin to replace current programmes like Entry to Employment and Foundation Learning in FE. As a guide, in 2009/10 we expect at least 30% of starts in Foundation Learning to start on Progression Pathways. The revised Prospectus for Progression Pathways provides the 'blueprint', identifying what options there are for learners within Progression Pathways and how learners should be supported to progress. An accompanying catalogue will identify the full range of eligible and appropriate qualifications for inclusion in Progression Pathways.

Investing in Developmental Learning

We will continue to invest in Developmental Learning, to support additional curriculum flexibility. We expect a key priority for funding in 2009/10 will be provision for LLDD whose needs may not be met by Progression Pathways, Skills for Life or provision at or above Level 2. Developmental Learning will also support trade union provision and broadly maintain the current volume of Level 4 learning.

Supporting Adult Safeguarded Learning/ Former External Institutions and Specialist Designated Institutions

In recognition of the importance of learning for its own intrinsic value, in 2009/10 we will maintain the annual budget available to support Adult Safeguarded Learning – that is, learning for cultural, leisure, community development and personal fulfilment purposes. In line with the principle of general access to personal, community and developmental learning (PDCL) provision, appropriate levels of fees should be set and collected from learners who can afford to pay.

The PCDL partnerships formed in 2007 have matured into coherent co-ordinating bodies for PCDL activity and are working to create an offer of needs-led, high-quality and cost-effective programmes. The next

'To boost numeracy achievement, we will be encouraging providers to offer numeracy assessments to their literacy and language learners.'

phase in the development of the partnerships is to expand their planning remit to the other components of adult safeguarded provision in their area.

Safeguarded learning also covers activities such as Neighbourhood Learning in Deprived Communities (NLDC) and Family Literacy, Language and Numeracy (FLLN).

We have undertaken a review of Specialist Designated Institutions and Former External Institutions funded through the adult learner-responsive budget. Many of these providers play an important role in delivering adult safeguarded provision, and the review has highlighted the important interdependencies between the personal and community development curriculum and the wider FE offer. Recommendations falling out of this review, therefore, will be taken forward in line with the outcomes from the consultation on informal adult learning.

The funding for adult safeguarded provision will be maintained for 2009/10.

Supporting offender learning

Offenders in custody and those serving their sentence in the community are among the most disadvantaged groups in our society – not least because disproportionately high percentages have no qualifications, inadequate literacy and numeracy skills or suffer from mental ill health. As such, offenders remain an important investment priority for us.

We will continue to work closely with the National Offender Management Service to ensure that offenders have access to a core learning and skills offer that reflects the offer in the wider mainstream learning environment.

The process for re-tendering the Offender Learning and Skills Service will be completed by August 2009 when new five-year contracts will be in place in each of the nine English regions.

Setting up the Adult Advancement and Careers Service

Following the publication of the White Papers *Opportunity, Employment and Progression* (2007) and *Work Skills* (2008), we are working towards establishing a new Adult Advancement and Careers Service (AACS) in England by autumn 2010. In preparation, we have put in place enhanced careers and information and advice service, branded *nextstep*, and transferred the learndirect national telephone and web careers advice service to the LSC, where it has become the Careers Advice Service. We will:

- strengthen the capability of local *nextstep* services and the links with young people's information, advice and guidance services
- develop the national Careers Advice Service
- build referral systems to ensure that transfer between national and local systems is seamless.

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In addition, we have commissioned ten 'prototypes' for the AACS (as announced in the prospectus *Shaping the future – a new adult advancement and careers service for England* published on 29 October 2008).

The prototypes will test innovative ways of joining up wider sources of advice at local level. Findings from these will help to shape the new service going forward.

The new AACS will be the place to which people turn when they need advice and support on anything involved in getting on in learning, work and life. Through telephone, web and face to face services, it will provide a universal offer – for all those in and out of work – and will also provide targeted support, focusing on those who face specific barriers to progression, including the low-skilled in work and those facing redundancy. It will also work hand in hand with Jobcentre Plus to provide a seamless service for those who are out of work and on benefits, to help them into sustainable employment.

Introducing Skills Accounts

Skills Accounts are being developed during 2008/09 and 2009/10 for full roll out from 2010 through to 2015. They are an integral part of the offer to individuals, together with the Adult Advancement and Careers Service, and will over time become the single way in which individual adults access public funding to support their learning. They will also be a key vehicle for raising demand among all adults.

Skills Accounts will give people:

- early confirmation of how much financial support they could be entitled to and a voucher with which to request training from a provider
- a record of their skills and qualifications that they can take with them through life
- a clear statement showing how much the state, employers and they are investing in their training.

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They will also be offered to all Jobcentre Plus clients receiving an integrated employment and skills offer in partnership with *nextstep* services, to support further progression when in work.

We will operate trials in all regions in England in 2009/10, involving online access to Accounts and working with colleges to extend the use of Skills Account vouchers as a trigger for course enrolment.

Balancing costs between government, employers and learners

We will continue to focus on ensuring that colleges and other providers secure financial contributions towards the costs of learning from employers and learners. The aim is that, where learning is not fully funded, the costs for learning are shared 50/50 between government and the employer or individual. We have been working towards this level since 2004. In 2009/10, the assumed contribution from employers or individuals will be 47.5% and we will reach our ambition of 50% in 2010/11.

In 2008, we introduced a national framework for setting and monitoring income generation targets for adult learner responsive provision across college providers. This introduced national consistency and a robust benchmarking system. We also included targets for fees and privately generated full-cost income on the principal funding schedule in the Summary Statement of Activity for each provider.

We are now reviewing progress against our ambitions and assessing the impact of policy changes such as the extensions to the Train to Gain service. For 2009/10, we will concentrate our efforts on supporting those colleges and other providers whose relative performance on income generation is below the national average.

Our programme of support will continue and intensify over the next two years and we will:

- conduct further work into target setting and fee structures
- review and communicate examples of good practice
- further develop the supporting toolkit and support package
- review how performance on income generation is assessed within the Framework for Excellence.

Priority 3: Reforming the FE system

To underpin the major changes in policy across programmes for young people, adults and employers we will implement a range of changes to the FE system.

Supporting specialisation

Specialisation policy is about helping providers respond more effectively to employer needs. We will sponsor a range of programmes to support increased specialised training provision, including National Skills Academies, the Training Quality Standard, capital funding to support specialisation and innovation, and Innovation Pathfinders.

Targeting capital investment

Capital investment is a key part of our drive to boost productivity, innovation and competitiveness. We will build upon the major success of recent years and will invest £2.3 billion to 2011 to support modernisation, reorganisation, the creation of world class facilities and enable colleges and providers to respond to strategic skills needs. We will ensure that through DIUS and DCSF's college and school building programmes that successful contractors have a formal training plan in place and provide access to Apprenticeships for their project workforce.

In particular the capital programme will support the following objectives:

- delivering transformational change in the learning environment and experience for learners and employers, including (where appropriate) access to other services through co-location of facilities on school and college sites
- securing the right organisational solution in each local area
- ensuring that qualifying 14–19 capital projects in the FE and schools sector are funded appropriately
- supporting projects to enable colleges and providers to offer specialist training to respond to strategic skills needs
- supporting sustainability and reduction of the FE sector's carbon footprint and encouraging innovation in sustainable design and construction
- ensuring capital investment as a catalyst for community regeneration
- extending the availability of capital to private providers and encouraging new providers as part of securing new high quality provision
- enabling appropriate partnership working at local level so that maximum value can be secured from both LSC and Building Schools for the Future (BSF) investment to deliver the 14–19 offer across an area.

Raising quality and delivering the Framework for Excellence

The quality of learners' experiences is of paramount importance to us. The sector has continued to mature and demonstrate improved standards, but there is further to go. Our expectations remain high, and we want to secure continuous improvement across the sector.

To do this, we will implement the Framework for Excellence (FFE). As part of our strategy to commission the best provision, we will continue to analyse providers' success rates against minimum levels of performance and apply these levels to the latest available full-year data.

Minimum levels of performance represent the absolute minimum success rate performance, and as such will continue to be reviewed annually and raised and differentiated to reflect improvements made by the sector.

For 2008/09, we set an indicative minimum level of performance for Train to Gain. This indicative level will continue for one further year, giving colleges and providers more time to familiarise themselves with the success rate methodology introduced in 2007. The minimum level will then be applied to 2008/09 performance data for all employer responsive provision (excluding Apprenticeships, which will operate under a separate minimum level). This will ensure a consistent approach across all colleges and providers.

For Apprenticeship provision, our decisions about continued contracting, growth and tendering will be driven by performance at sector subject area level rather than framework level. This approach links better to our desire for sustainable relationships with colleges and providers by allowing us to focus our attention on performance in the context of their wider capacity and capability.

We are also supporting more coherent approaches to quality assurance of school sixth forms. Building on the work undertaken to date as part of the School Sixth Form Challenge and Support programme, we are working on the development of comparable data on achievement and retention for all post-16 provision. This data will be used to inform the joint LSC/LA dialogue and assist LAs in briefing their school improvement partners to help school self-assessment. We will ensure that the FfE is aligned with the balanced scorecard approach announced by the Secretary of State for Children, Schools and Families.

Reforming the vocational qualification system

The development and implementation of the new Qualifications and Credit Framework (QCF) is the centrepiece of vocational qualification reform and the LSC has now formally been given responsibility – working with QCA, OfQual, SSCs and Awarding Bodies – for the delivery of the QCF service.

Table 1: Minimum levels of performance for 2008/09 and 2009/10

| Programme/qualification type | 2008/09 | 2009/10 |
|-------------------------------------------|---------|---------|
| FE long qualification Entry and Level 1 | 55% | 60% |
| FE long qualification Level 2 | 55% | 60% |
| FE long qualification Level 3 | 55% | 60% |
| A-levels | 75% | 75% |
| FE long qualification Level 4 or higher | 55% | 58% |
| FE short qualification (all levels) | 62% | 62% |
| Apprenticeships (full framework) | 45% | 50% |
| Advanced Apprenticeships (full framework) | 45% | 50% |
| Train to Gain | 65% | 65% |

We are working with key partners to ensure that the planning, funding and performance systems to support the QCF are put into place and that all parties have a full understanding of how to use the framework. This is particularly important in relation to current information, advice and guidance services and the new Adult Advancement and Careers Service, so that they are able to support employers and learners to make the right choices. We will also be looking to integrate as far as possible the developing IT systems for QCF with Skills Accounts and on-line learner registration structures to create an integrated approach.

The QCF will be based on Sector Qualifications Strategies (SQS). All 25 sector skills councils (SSCs) have started the work of writing their own SQS, setting out the strategic requirements for qualifications within their sector. The SQS also includes an action plan which advises us which qualifications are priorities for public funding.

From August 2009, we will start to actively focus funding on qualifications that are within SQS action plans, accredited into the QCF and which meet our criteria for funding. We will publish a list of all QCF qualifications (where available) identified as priorities for public funding, alongside those National Qualification Framework (NQF) qualifications which will no longer be supported.

'We are working with key partners to ensure that the planning, funding and performance systems to support the QCF are put into place and that all parties have a full understanding of how to use the framework.'

Simplifying systems and processes

We will implement a range of measures in pursuit of simplifying systems and processes in the interests of learners and businesses. In 2009/10 we will:

- implement an integrated allocations process for 16–18 provision
- embed the fairer funding methodology to ensure more equitable funding for common activity across 16–19, adults and employers
- operate through a single contract with larger providers
- ensure the Train to Gain skills brokerage service is effectively embedded in the new integrated brokerage service to be offered by Business Link from April 2009
- develop and implement an employer engagement strategy to ensure employers receive a joined-up service
- implement the new Qualifications and Credit Framework
- apply the Framework for Excellence as a single performance management framework.

Supporting self-regulation **Supporting equality and diversity**

The LSC will support self regulation in and by the sector. We will continue to work with the FE sector through the Single Voice for Self-Regulation (in Further Education) to understand the proposition for self-regulation. In particular we will:

- consider the appropriateness of external versus self-regulation as we develop policies and processes that have a regulatory impact
- engage with the sector-led gatekeeping groups (*the information authority*, the Bureaucracy Reduction Group and the FE Communications Panel) to ensure that regulation is transparent, accountable, proportionate, consistent and targeted only where action is needed
- support development of self-assessment and peer review mechanisms
- implement commissioning and funding policies that give greater autonomy and freedom to individual colleges and providers to respond to the needs of the individuals and communities they serve.

Since the publication of our Single Equality Scheme in 2007, we have delivered a comprehensive programme of support to providers to help them take a single equality approach. This has been welcomed by providers, particularly in light of the proposed Equality Bill. To harness the best practice shared through this programme, we will produce a new toolkit for providers in 2008/09, and focus on ways to help the sector meet the needs of their diverse communities. We will particularly address the inequalities and under-representation in Apprenticeship provision, and work to break down occupational segregation and stereotyping.

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Investment and Allocations

This section sets out the planned investment for provision for young people, adults and employers, including the overall budgets and key changes in policy and rates.

Investing in young people

Tables 2, 3 and 4 cover funding for the main 16–18 participation programmes.

Table 2: Planned funding for 16–18 learning in England between 2008–09 and 2009–10 (£ million)

| | 2008–09 | 2009–10 |
|-------------------------------|--------------|--------------|
| Further Education | 3,290 | 3,519 |
| Apprenticeships | 628 | 675 |
| Entry to Employment/FLT | 171 | 181 |
| School sixth forms | 2,085 | 2,096 |
| Specialist provision for LLDD | 204 | 221 |
| Total | 6,379 | 6,692 |

Funding and volumes for Academies are the responsibility of DCSF, and funds will be routed directly from DCSF to schools. FE funding in financial year 2008–09 is lower than previously planned because of additional funding in 2007–08, as a result of re-profiling of expenditure. Academic year 2008/09 spending remains as previously planned.

Table 3: Projected numbers of young people learning in England between 2007/08 and 2009/10

| | 2007/08 | 2008/09 | 2009/10 |
|-------------------------|------------------|------------------|------------------|
| Further Education: | 775,000 | 786,000 | 786,000 |
| Full-time FE | 650,000 | 664,000 | 668,000 |
| Part-time FE | 125,000 | 122,000 | 119,000 |
| Apprenticeships | 207,000 | 213,000 | 223,000 |
| Entry to Employment/FLT | 74,000 | 75,000 | 75,000 |
| School sixth forms: | 391,000 | 399,000 | 399,000 |
| Maintained | 383,000 | 383,000 | 372,000 |
| Academies | 8,000 | 16,000 | 27,000 |
| Total | 1,447,000 | 1,474,000 | 1,484,000 |

Planned learner numbers for 2009/10 represent an increase of 31,000 over previously published figures. In our previous Statement of Priorities, we showed a total young people's learner number figure of 1,495,000. For comparison with the 2009/10 figure in Table 3, this earlier figure needs to be adjusted downwards by 31,000 because of a technical adjustment relating to counting of apprentices at age at start of their programmes and a further downward adjustment of 11,000 relating primarily to the definition of starters in FE under the demand-led funding methodology. This gives a revised figure of 1,453,000 previously planned for 2009/10. The revised figure of 1,484,000 shown in Table 3 above therefore represents an increase of 31,000 over previous plans. The numbers in the table may not sum due to rounding.

Table 4: Projected participation in learning among 16- to 18-year-olds in England between 2007/08 and 2009/10

| | 2007/08 | 2008/09 | 2009/10 |
|-----------------------------------|---------|---------|---------|
| Proportion participating at 16 | 88% | 92% | 95% |
| Proportion participating at 17 | 79% | 81% | 84% |
| Proportion participating at 18 | 56% | 56% | 56% |
| Proportion participating at 16–18 | 74% | 76% | 78% |

Increasing investment to increase participation

The last six years have seen unprecedented increases in investment for education and training for young people. Since 2002–03, funding for 16- to 18-year-olds has increased by over £2.75 billion. This has contributed to an increase in the number of young people in learning of over 10%, exceeding the milestone of 1.5 million young people in all types of training and education (including independent education and provision funded by employers) and putting us ahead of the participation projections published in *Better skills, Better jobs, Better lives*.

- In 2008/09, we funded sufficient places for participation to increase to 76% of all 16- to 18-year-olds. In 2009/10 we are planning for a further 2 percentage point increase in participation.
- The 16- to 18-year-old population will decline by 33,000 between 2008/09 and 2009/10, yet we are planning to fund an additional 10,000 places.
- For 2008–09 and 2009–10, we will invest almost £13 billion in 16–18 education and training, increasing our 16–18 budgets by approximately 5% in each year. In 2009–10, we will spend just under £6.7 billion.

Responding to increased costs

In addition to base rate increases, costs have risen by around 2% per year. More learners are attending full-time FE courses (84% of 16–18 FE learners were full-time in 2007/08, compared with 79% in 2005/06), and success rates have improved steadily, increasing by an average of three percentage points per year since 2004/05. In 2008/09, the introduction of 14–19 Diplomas has also increased costs.

These positive developments, while welcome, create pressures on the budgets which are set to continue and, in the case of Diplomas, accelerate over the next two years. This makes it vital we monitor performance, control unit costs and improve value for money in all the provision we fund. In particular, we will look closely at the breadth of full-time students' programmes to ensure that they are affordable.

Applying the national funding formula

During 2008/09, we introduced the LSC national funding formula for all providers of 16–18 provision. It is the first ever standard funding methodology across 16–18 providers, creating greater consistency and transparency and removing anomalies from the separate historical systems.

During implementation of the model, we have reviewed the impact of the formula on different types of provider and have not identified any factors that need to change for 2009/10. This means the formula will remain in its current form for 2009/10, giving time for it to be embedded into the allocation and review cycle. The only significant changes affecting the 16–18 model will be in refining the approach to Additional Learning Support described below and in the rates for some individual learning aims, as part of the annual review of funding rates which takes place each autumn. Any such changes will be announced by the end of the year.

Success rates are a major influence within the formula and we are working with the Success Rate Harmonisation Group (which includes DCSF, DIUS and Ofsted) to co-ordinate and refine the success rates used. This may lead to changes in the future. For school sixth forms, we are working with DCSF to improve the range of qualifications used in the calculation of the formula.

Delivering Additional Learning Support for young people

Our investment in Additional Learning Support (ALS) for young people increased by 2.3% for 2008/09 and continues to rise by about 3% for 2009/10. These increases recognise that recruiting learners currently not in education, employment or training (NEET) will increase the demand for ALS.

ALS became formula-funded for the first time in 2008/09, with funding based on learners' GCSE points scores in English and mathematics. This means that schools and colleges which recruit learners with lower GCSE grades receive increased allocations for ALS. All funding for schools and 60% for colleges is already allocated via this formula.

We have previously announced that we would increase the proportion for colleges to 75% in 2009/10. However, based on our experience thus far, we have decided that more time is needed for the sector to adjust to formula-driven ALS and so we will maintain the proportion at 60% for 2009/10.

We are progressing with plans announced in *Delivering World-class Skills in a Demand-led System* to reform the funding arrangements for all ALS funding over £5,500, which will be developed in line with the new system for learners with learning difficulties and/or disabilities from 2010/11. The formula used for 2008/09 will be adjusted to ensure that it fully takes into account the first £5,500 of funding for those learners who require funding above this level. We will adjust the funding values for Entry to Employment (E2E) to exclude ALS, thus reducing the funding rate and bringing it into scope of ALS. This will not change the overall level of funding available.

Ensuring funding follows the learner

The LSC's current funding methodology for 16- to 18-year-olds participating in grant-funded providers is designed to ensure that funding matches learner choices while providing stability for providers. Grant-funded providers have an agreed allocation which is not varied during the year. This provides financial stability for providers and enables them to plan learning for the year with certainty around the funding they will receive.

However, while providing stability for providers this may be at the expense of a fair system that ensures funding matches learner choices as quickly and as closely as possible. It may also not encourage providers to be as ambitious in recruitment targets as they could be or to be robust and realistic in their assessment of the learners they are likely to recruit the following year. While the current system presumes any under- or over-recruitment in learning in one year will be reflected in allocations for the next year, it is unclear whether this is providing the right degree of incentive.

DCSF therefore proposes to establish a group involving the LSC, providers and their representatives to look into whether a more flexible system of funding is needed. As well as considering whether the current system best serves the interests of learners, the group will also consider what the implications of any new system would be in terms of the financial stability of providers and audit requirements. We will consult on any changes to the funding methodology proposed by the group.

Funding 14–19 Diplomas

To support the implementation of the new Diplomas for young people, in 2008/09 we allocated £39 million to fund 7,000 learners to complete one of the three levels of Diploma. Our investment will increase to £262 million in 2009/10.

In 2009/10, we will maintain the funding arrangements for Diplomas announced in December 2007. However, we intend to review the funding methodology during the year, examining the actual delivery patterns of the pathfinders, particularly around the Higher (Level 2) Diploma, and concentrating on how consortia arrangements are developing in practice.

Increasing emphasis on numeracy and communication

The review of the Level 3 at age 19 target has shown that gaining GCSE English and mathematics has a significant impact on achievement of a Level 3 by age 19. For that reason, schools, colleges and providers are strongly advised that learners who have not achieved a GCSE at grade C or above should be given priority for funding to achieve Level 2 standard in numeracy and communication through taking Functional or Key Skills or other appropriate qualifications at Level 2.

Research conducted by the Learning and Skills Network (LSN) for the LSC has reinforced the fact that providers, learners, employers and universities all recognise the value of additional qualifications for learners aged 16–18. However, the research also showed

that in some areas, learners themselves could not identify the added value.

Additional qualifications must be closely aligned to the needs of learners, and be affordable. We will include in the funding guidance for 2009/10 a section outlining the principles for funding additional qualifications.

Building Progression Pathways

Progression Pathways, developed as part of the Foundation Learning Tier (FLT), will progressively replace E2E and Foundation Learning in FE during 2009/10 and 2010/11 and our investment will follow this trend.

For 2009/10, we expect all providers of foundation learning to start developing Progression Pathways and to convert as much foundation provision to Progression Pathways as is practical. We expect at least 30% of starts in Foundation Learning (learning below Level 2, excluding Skills for Life) to be on Progression Pathways.

The E2E funding methodology will continue to be available for the 2009/10 academic year but will cease to be available at the end of that year. By 2010/11 we expect there to be full coverage of Progression Pathways, and the majority of Foundation Learning in all settings (including Independent Specialist Colleges) should be through Progression Pathways. All delivery in 2010/11 (including any carry-over learners) will be funded using the FLT funding methodology.

Reducing the gap between school and college funding

Since 2004/05, we have significantly closed the gap in funding between schools and colleges, reducing it by an estimated 8.6 percentage points by 2008/09. This has been achieved primarily through management of rate increases and changes to the funding methodology. For example, the introduction of the common 16–18 funding system in 2008/09 significantly reduced and simplified the calculation of the funding gap, and differences in the treatment of retention, achievement, disadvantage and Additional Learning Support have all been removed. The residual impact of these historical differences can now be seen in the different funding rates for school sixth forms and FE colleges.

The funding rates gap, including schoolteachers' pension payments, now stands at 5.6%.

Changing funding rates

As announced in *Better skills, Better jobs, Better lives*, the minimum funding guarantee for schools, colleges and other providers for 2009/10 is 2.1%. Therefore our national base funding rate per standard learner number (SLN) will increase by 2.1% to £3,007 for schools and £2,920 for colleges, Apprenticeships and all other 16–18 providers.

| Year | 2004/05 | 2005/06 | 2006/07 | 2007/08 | 2008/09 | % change |
|-------------|---------|---------|---------|---------|---------|----------|
| Funding gap | 14.21% | 12.34% | 9.02% | 8.39% | 5.61% | -8.6% |

The Government remains committed to closing the funding gap as resources allow.

Protecting providers through funding transition

To moderate the effect of introducing the new funding system, we will continue to apply transitional arrangements, limiting the variation in funding per SLN to +/-2.1% in real terms. The result of this is that no institution will have a cash value of funding per SLN lower than in 2008/09, and the maximum increase in funding per SLN will be 4.2% in cash terms. A small minority of schools and colleges, who due to historical guarantees receive significantly above or below the national rate, will be converging towards the national rate more quickly and therefore may face some overall cash reduction.

The protection applies to funding per SLN only. Where learner numbers or SLNs are planned to increase or decrease, budgets will be adjusted accordingly.

Benefiting from the European Social Fund

We have secured approximately £187 million over the three calendar years 2008 to 2010 from the European Social Fund to support young people not in education, employment or training. This will be used to enhance provision already being delivered to existing learners, and to work with those at risk of becoming NEET or not yet accessing mainstream provision.

Table 5: Planned ESF funding for learning for young people in England between 2007–08 and 2010–11 (£ million)

| | 2007–08 | 2008–09 | 2009–10 | 2010–11 | Total |
|------|---------|---------|---------|---------|-------|
| NEET | 38.6 | 54.8 | 55.8 | 38.1 | 187.2 |

Table 6: Projected numbers of ESF-funded young people learning in England between 2007/08 and 2010/11

| | 2007/08 | 2008/09 | 2009/10 | 2010/11 | Total |
|----------------------------------------|---------|---------|---------|---------|--------|
| NEET | 16,005 | 17,916 | 17,477 | 7,284 | 58,682 |
| of which estimated additional learners | 4,802 | 5,375 | 5,243 | 2,185 | 17,605 |

It is expected that the majority of ESF-funded learners in this area are either being supported towards mainstream activity, or receiving additional support once in mainstream activity, and therefore there is only a small proportion of learners shown above who are not already included in mainstream learner numbers.

Investing in adult learning

Introduction

We will continue to invest in the skills that will bring both economic benefits and improve social cohesion. We are committed to the 2020 ambition for world-class skills. We also remain focused on making progress towards the interim measures for this ambition, set out in the skills Public Service Agreement.

However, in the current economic climate, we need to be flexible in the

way we allocate our resources, to respond quickly and effectively to help businesses and individuals through this downturn and to help those made redundant get back into work quickly and to gain further skills once in a job.

As a result, we will be introducing new flexibilities, following recent government announcements, that focus funding on those most vulnerable to the changes in the economic climate. This includes more flexible support for private sector small- and medium-sized enterprises (SMEs) through Train to Gain and additional support for adults at risk of unemployment.

The impact of these short-term flexibilities will make progress against the skills PSA indicators more challenging to achieve. However, it is still as important as ever that we focus on the programmes of learning and literacy and numeracy, full Level 2 and full Level 3 qualifications that will deliver most benefit to individuals and the economy. We will continue to align resources with the Government's key priorities and target public funding at those who need it most.

Table 7: Funding for adult learning in England between 2008–09 and 2009–10 (£ million)

| | 2008–09 | 2009–10 |
|---------------------------------|--------------|--------------|
| Adult learner-responsive model | 1,736 | 1,700 |
| Adult employer-responsive model | 1,126 | 1,292 |
| Adult Safeguarded Learning | 210 | 210 |
| Offender Learning and Skills | 122 | 125 |
| Total | 3,193 | 3,327 |

Table 8: Numbers of adult learners in England 2007/08 to 2009/10

| | 2007/08 | 2008/09 | 2009/10 |
|----------------------------|------------------|------------------|------------------|
| Total learners | 3,306,000 | 3,399,000 | 3,277,000 |
| of which | | | |
| Adult learner-responsive | 1,712,000 | 1,626,000 | 1,469,000 |
| Adult employer-responsive | 934,000 | 1,143,000 | 1,203,000 |
| Adult Safeguarded Learning | 660,000 | 630,000 | 605,000 |

Delivering Level 2 and Level 3 ambitions

We remain committed to the Leitch ambitions that, by 2020, over 90% of adults are qualified to at least Level 2 and 68% are qualified to Level 3.

Qualifications at Level 2 and Level 3, including those at Apprenticeship and Advanced Apprenticeship, provide the key to a well-trained, productive workforce and to improving individuals' future career prospects.

We are increasing investment in these priority areas of learning to support more learners to take up learning and progress to achieving their first full Level 2 or Level 3 qualification.

At the same time, we are responding to the changing economic climate, introducing flexibilities for employers through the Train to Gain service to allow full funding for repeat Level 2 qualifications and for small units of qualifications. These flexibilities will make progress against the skills PSA indicators more challenging to achieve, but we are committed to making progress against these indicators, and we want as many individuals as possible who are pursuing qualifications through smaller units of learning to progress to full Level 2 and Level 3 programmes.

Investing in adult learner-responsive provision

Pre-Level 2 provision

Within adult learner-responsive provision, there will be greater flexibilities focused on learning below Level 2 in line with the priorities set out in the Government Investment Strategy (see page 4). These flexibilities will be delivered through the allocation process where we will agree the contribution of colleges and providers to the key Skills for Life targets in Level 1 literacy and Entry Level 3 numeracy, and indicative overall Skills for Life, Foundation Learning Tier and developmental learning numbers. However, colleges and providers will have flexibility across these areas to respond to local requirements, provided that they meet the agreed Skills for Life targets. This may involve delivering more or less Skills for Life, FLT or developmental learning than the indicative figures agreed during the allocations process. The allocations process will ensure that colleges and providers are funded on the basis of maintaining provision in key priority areas such as provision for learners with learning difficulties and/or disabilities and trade union learning but there would not be specific requirements or targets set for these areas.

This is the approach that we will be taking for the allocations process for 2009/10 as set out later in this section. However, we have confirmed in our funding guidance that we will also be building flexibility into the in-year reconciliation process for 2008/09 which will start from February 2009. We will look at the overall delivery and make an assessment on that basis rather than the performance in each individual area, although we will look at the performance in priority areas when agreeing any additional funding in-year.

We will be working with colleges and providers who respond to the Government's interest to support programmes that colleges and providers believe can deliver sustainable employment outcomes and making this a key deliverable alongside the Skills for Life target activity outlined above. This will link to the ongoing work on Integrating Employment and Skills and we will be looking for models where payment is contingent on the successful job outcome to incentivise packages of activity which support people back into sustainable employment.

Table 9: Numbers of adults learning in England through the learner-responsive model between 2007/08 and 2009/10

| | 2007/08 | 2008/09 | 2009/10 |
|--------------------------|------------------|------------------|------------------|
| Total learners | 1,712,000 | 1,626,000 | 1,469,000 |
| of which | | | |
| Foundation Learning Tier | 370,000 | 370,000 | 373,000 |
| Skills for Life | 698,000 | 839,000 | 866,000 |
| Full Level 2 | 115,000 | 125,000 | 133,000 |
| Full Level 3 | 106,000 | 121,000 | 123,000 |
| Developmental Learning | 730,000 | 551,000 | 271,000 |

Applying funding rates

The national rate for adult learner-responsive provision in 2009/10 will be £2,817 per standard learner number (SLN), an increase of 1.5% from the figure in 2008/09, in line with the expected increase set out in the 2007 Statement of Priorities.

Transitional protection was applied to the funding rates for adult learner-responsive provision in 2008/09. The basis of that protection was the pattern of provision delivered in 2006/07, and in the adult learner-responsive funding model the nature of the provision funded is changing rapidly over time. Therefore, apart from in exceptional circumstances, all provision funded through this model in 2009/10 will be funded at the national rate.

For those adult learners who are expected to contribute towards the cost of their learning, the assumed fee element will increase from 42.5% in 2008/09 to 47.5% in 2009/10 and to 50% in 2010/11, as set out in last year's Statement of Priorities.

Applying the national funding formula

Following the introduction in 2008/09 of the new LSC national funding formula for adult learner-responsive provision, we aim to keep changes to the formula to a minimum in 2009/10. The only significant changes will be in refining the approach to Additional Learning Support, as described below, and in the rates for some individual learning aims as part of the annual review of funding rates which takes place each autumn. Any such changes will be announced by the end of the year.

Delivering Skills for Life

The Government is currently refreshing its Skills for Life strategy in the context of its world-class skills ambition that, by 2020, 95% of the working-age population possess functional literacy skills at Level 1, and 95% possess functional numeracy skills at Entry Level 3.

To deliver these 2011 indicators, and to ensure that provision is helping employers and learners during the current economic downturn, we will work with partners to focus support on those with the greatest need to progress and to focus mainstream Skills for Life provision on what people need to help them find and progress in work. We will also renew our focus on numeracy. We will work with partners to stimulate increased demand for numeracy provision from employers and learners, and we will work with providers and partners to ensure that we are able to effectively respond to increased demand.

Supporting English for speakers of other languages (ESOL)

In recognition of the importance of ESOL not only in the workplace but also in our communities, the Government is committed to providing substantial support for ESOL learning. However, public funding for ESOL must be targeted more precisely where English language use and access are a barrier to active engagement in communities. Free tuition will continue to be focused on people who are in receipt of income-based benefits. In addition, we will explore how Skills Accounts could support people from priority groups to access provision and progress to further opportunities.

Building on the responses to the Government's public consultation to focus ESOL funding on supporting

community cohesion, we will trial locally-driven ESOL needs analysis to ensure the needs of local priority groups are better met. A document setting out the new arrangements for the policy will be produced by the Government later this year.

In respect of employers we will encourage them to adopt the ESOL for Work qualification for their employees with an ESOL need and find ways to embed the ESOL for Work qualifications into sector specific qualifications.

All international English language qualifications (including International English Language Testing System) continue to be ineligible for public funding and providers are expected to charge the full cost.

Funding Former External Institutions and Specialist Designated Institutions

In *Better skills, Better jobs, Better lives* last year, we indicated that we would be undertaking a full review of the strategic role of these providers. This review is nearing completion and the outcomes of this will be taken into account in the context of outcomes from the informal adult learning consultation.

Initial findings showed that Former External Institutions are increasing their priority provision, and we expect this to continue. For 2009/10, we will continue to ensure that Former External Institutions and Specialist Designated Institutions have reasonable budgetary stability. Former External Institutions will receive at least 90% of their 2008/09 adult learner-responsive budgets. The funds that Specialist Designated Institutions receive will be maintained. This protection will be subject to an assessment of the quality of provision, and any Notices to Improve.

Providing Additional Learning Support

Nationally we will make available for ALS at least the same level of funding per SLN in 2009/10 as we have in 2008/09. As explained in the section on ALS for young people, ALS became formula-funded for the first time in 2008/09 with 60% of funding being based on learners' level of learning and the remaining 40% on local negotiation. This means providers who recruit learners on lower level courses will receive increased allocations for ALS in future.

We have previously announced that we would increase the proportion of ALS based on the formula to 75% in

2009/10. However, based on feedback from colleges and providers, we have decided that more time is needed for the sector to adjust to formula-driven ALS and so we intend to continue with the 60/40 distribution for 2009/10.

We will be reviewing the formula to establish how it can better support the ongoing emphasis on achievement of literacy, numeracy, Progression Pathways and full Level 2 and 3 qualifications. This work will explore the feasibility of applying the formula to planned provision rather than the previous year's outturn. The outcomes of the work will inform decisions about the operation of the formula in 2010/11.

Benefiting from the European Social Fund

There is £215 million available over the three calendar years 2008 to 2010 from the European Social Fund to support adult learning, through a variety of routes including Integrated Employment and Skills, Skills for Jobs and the Offender Learning and Skills Service (OLASS). This will be used to enhance existing provision and work with those not yet accessing mainstream provision, addressing particular barriers or disadvantages they may face.

Table 10: Planned ESF funding for adult learning in England between 2007–08 and 2010–11 (£ million)

| | 2007–08 | 2008–09 | 2009–10 | 2010–11 | Total |
|---------------------------|---------|---------|---------|---------|-------|
| Skills for Jobs and OLASS | 44.2 | 62.9 | 64.1 | 43.7 | 215 |

Table 11: Projected numbers of ESF-funded adult learners in England between 2007/08 and 2010/11

| | 2007/08 | 2008/09 | 2009/10 | 2010/11 | Total |
|-----------------------------------------|---------|---------|---------|---------|--------|
| Skills for Jobs and OLASS | 27,520 | 24,427 | 22,118 | 8,717 | 82,782 |
| of which, estimated additional learners | 8,256 | 7,328 | 6,635 | 2,615 | 24,834 |

It is expected that the majority of ESF-funded learners in this area are either being supported towards mainstream activity, or receiving additional support once in mainstream activity, and therefore there is only a small proportion of learners shown above who are not already included in mainstream learner numbers.

Supporting Adult Safeguarded Learning

Adult Safeguarded Learning comprises four interrelated components, each with its own nominated budget.

Funding to support adult safeguarded provision will be allocated on a similar basis to that of previous years. However, because we are aware of perceived inequities in the inherited historical funding baselines in some local areas, we are working with DIUS to explore ways in which a more equitable approach could be achieved.

The report from the DIUS consultation on informal adult learning will inform a major policy paper scheduled for early 2009. The policy paper will have implications for all stakeholders involved in Adult Safeguarded Learning throughout 2009–10 and beyond.

In addition to the £210 million safeguard there is a further £9 million of funding per year from DCSF, identified as Family Learning Impact Funding, available to support family learning for 2009–10 in line with the announcement made in the Children's Plan.

Table 12: The Adult Safeguarded Learning budget

| Safeguarded component | Budget (£m) |
|-------------------------------------------------------|-------------|
| Personal and Community Development Learning (PCDL) | 153 |
| Family Literacy, Language and Numeracy (FLLN) | 25 |
| Wider Family Learning (WFL) | 12 |
| Neighbourhood Learning in Deprived Communities (NLDC) | 20 |
| Total annual budget | 210 |

Investing in employer-responsive provision

Applying funding rates

As part of the enhancements to Train to Gain announced in July 2008, we have added a further 3% to the previously planned 1.5% rates increases in 2009/10. Thus the 2009/10 base rate increase for Train to Gain will be 4.5%, £2,987 per SLN. Train to Gain programmes normally are a fraction of an SLN, so the funding rates reflect the size of the programme and other factors including the amount of training delivered.

Base rates will increase by 2.1% for 16–18 Apprenticeships and by 1.5% for 19+ Apprenticeships, equivalent

to £2,920 and £2,817 per SLN respectively. Apprenticeships are usually larger programmes delivered over longer periods of time than Train to Gain, including key skills and technical certificates as well as NVQ learning typically resulting in a higher SLN and therefore funding amount. Details of the funding rates for Train to Gain and Apprenticeships will be issued separately.

Following the integration of FE employer-based NVQs into mainstream Train to Gain in 2008/09, transitional protection of funding rates will no longer apply to this provision. Apart from exceptional circumstances, all provision funded through this model in 2009/10 will be funded at the national rate.

Table 13: Numbers of adults learning in England through the employer-responsive model between 2007/08 and 2009/10

| | 2007/08 | 2008/09 | 2009/10 |
|------------------------------------------|---------|-----------|-----------|
| Total learners | 934,000 | 1,143,000 | 1,203,000 |
| Of which | | | |
| Foundation Learning Tier | 12,000 | 10,000 | 9,000 |
| Skills for Life | 314,000 | 357,000 | 382,000 |
| Full Level 2 (excluding Apprenticeships) | 535,000 | 689,000 | 702,000 |
| Full Level 3 (excluding Apprenticeships) | 113,000 | 118,000 | 130,000 |
| Apprenticeships | 217,000 | 243,000 | 254,000 |
| Developmental Learning | 14,000 | 12,000 | 12,000 |

Transitional arrangements will continue for Apprenticeship and Train to Gain learners who started in learning prior to 1 August 2008 and are still in learning in 2009/10.

In Train to Gain, where employers are expected to contribute towards the cost of learning, the assumed employer contribution will be at the level of 47.5% of the Train to Gain rate in 2009/10. The expected employer contribution for 19+ Apprenticeships will reflect the projected trajectory towards 50% of the base rate by 2010/11. If the expected employer contribution is already greater than 47.5% of the 16–18 Apprenticeship rate, it will not be increased until the projected trajectory exceeds it.

Applying the national funding formula

Following the introduction in 2008/09 of the new national funding formula for employer-responsive provision, we aim to keep changes to the formula to a minimum in 2009/10. We are reviewing the rates for individual learning aims and ALS in the employer-responsive model, and will include any changes in our funding rates document to be issued by the end of the year.

Extending the Train to Gain offer

We will extend Train to Gain, with funding increasingly channelled to support priority qualifications identified by sector skills councils. In addition, funding will be focused on the new flexibilities in relation to 'fullness' and 'firstness'. For private sector SMEs, this will allow eligible employers to access specified units of qualifications; fully funded Level 2 qualifications and partly subsidised Level 3 for their employees, irrespective of whether qualifications are already held at this level.

Increasing investment in Apprenticeships

We will also continue to increase our investment in Apprenticeships, launching the National Apprenticeship Service and supporting capital projects that will help grow the Apprenticeship programme – including projects outside FE colleges. Apprenticeships bring significant benefits to employers and they are the Government's preferred work-based route for all young people aged 16–24.

We want Apprenticeships to be a mainstream option for 16- to 18-year-olds and will ensure that, by 2013, every suitably qualified young person who wants to undertake an Apprenticeship is able to do so. Apprenticeships are not just for young people and we will continue to focus investment in Apprenticeships at all age levels and to support progression in both Level 2 Apprenticeships and Level 3 Advanced Apprenticeships.

Providing Additional Learning Support

Providers will be allocated Additional Learning Support funding following negotiations based on historical delivery, future delivery plans and the existing needs of learners already with the provider. These funds will be used to support learners who require additional help with literacy or numeracy, have a social barrier impeding them from entering learning or require exceptional support in order to engage with learning.

Research is also being undertaken into ALS rates and process for employer-responsive provision, which will be used to inform future ALS policy.

Integrating employment and skills

An integrated employment and skills system must work effectively for employers regardless of their point of engagement. Learning providers will be expected to:

- work together and with brokers to provide a seamless service to employers, from recruitment through to higher skills development
- work closely with information, advice and guidance services, as well as wider support services, to help prepare individuals for suitable employment opportunities locally
- ensure that bespoke pre-employment provision opportunities are available to employers as part of a wider package of employer support
- manage and maximise progression opportunities for individuals, facilitating continuous skills development within employment.

We will continue to work to remove barriers wherever possible to the integration of pre- and post-employment training. Throughout 2009/10, we will expand trials of an integrated employment and skills (IES) service with a view to a national roll out by 2010/11. These trials will use a number of existing programmes, as well as mainstream provision, to deliver the desired outcomes for individuals. We will be exploring funding models where payment is linked to successful job outcomes.

In addition to ESF mentioned elsewhere, further funding has become available following a revaluation of the ESF programme. Ministers have announced a £100 million package of support focused on those most at risk from the economic situation. The funding will be made available

to support people who are currently facing redundancy and those looking for work to help them retrain and develop their skills so that they can quickly move back into sustainable employment, either in their existing sector or a brand new one. There will also be support for those most at risk from the economic downturn by providing additional advice and guidance through *nextstep*.

The Employability Skills Programme (ESP) will continue to be the main delivery mechanism of basic and employability skills for Jobcentre Plus customers. It will be further expanded in 2009/10 to 30,000 learners. We will work closely with DIUS, DWP and Jobcentre Plus to review ESP as indicated in *Work Skills* and as part of the evaluation of the IES pathfinders.

Introducing Sector Qualifications Strategies

As indicated, from August 2009 we will start to actively focus our funding on the qualifications identified by sector

skills councils (SSCs) as their priorities within their Sector Qualification Strategies. In autumn 2009, we will publish an initial list of the qualifications provisionally identified as priorities for public funding, as well as those that SSCs have said should no longer receive public funding.

We have started work on an implementation plan for QCF across the wider learning and skills sector. In addition, the recently announced package of measures to support private sector SMEs to train their staff in the current economic climate will offer funding for some specified units of qualifications from the QCF. We will be working closely with SSCs and awarding bodies to ensure that the full offer can be linked to the QCF.

Supporting employer provision through the European Social Fund

There is £426 million available over the three calendar years 2008 to 2010 from the European Social Fund

(ESF), to support employer provision, predominantly through Train to Gain and Apprenticeships. This will support approximately 269,000 learners.

Balancing costs between government, employers and learners

As noted, we will continue to focus on ensuring that colleges and providers secure financial contributions towards the costs of learning from employers and learners. The evidence that we have shows that the proportion of fees collected in connection with LSC-funded provision has increased as more colleges and providers continue to put in place more effective and efficient fee strategies. In 2009/10, colleges will be expected to continue to improve their performance in this area as the assumed contribution from employers and individuals increases to 47.5% towards 50% in 2010/11, as confirmed in the 2007 Statement of Priorities. Colleges have also significantly expanded the provision they deliver at full cost, demonstrating

Table 14: Planned ESF funding for employer-responsive learning in England between 2007–08 and 2010–11 (£ million)

| | 2007–08 | 2008–09 | 2009–10 | 2010–11 | Total |
|---------------|---------|---------|---------|---------|-------|
| Train to Gain | 82.4 | 123.1 | 130.2 | 90.5 | 426.3 |

Table 15: Projected numbers of ESF-funded employer-responsive learners in England between 2007/08 and 2010/11

| | 2007/08 | 2008/09 | 2009/10 | 2010/11 | Total |
|------------------------------------------|---------|---------|---------|---------|---------|
| Train to Gain | 77,621 | 82,140 | 77,327 | 31,775 | 268,863 |
| of which, estimated additional learners* | 34,929 | 36,963 | 34,797 | 14,299 | 120,988 |

* It is expected that the slight majority of ESF-funded learners in this area are receiving additional support onto or within mainstream activity, and therefore just under half of ESF learners shown above are not already included in mainstream learner numbers.

the added value that colleges can bring in the contribution they make to their local community, not just confined to LSC-funded activity. We want to encourage colleges and providers to continue to increase the income they can collect in connection with LSC-funded provision as well increasing full cost provision in line with the most efficient and best practice.

Support for service leavers

As announced in the Ministry of Defence (MoD) Service Personnel Command Paper in July 2008, all service leavers with over six years' service will have the opportunity to achieve their first full Level 3 qualification free from tuition fees. Alternatively, for those who want to progress to higher levels, the Government will fund all tuition fees for a first Foundation or full degree. This enhanced support will come into place from 2009/10, and we are working with MoD and DIUS to confirm the details of how the system will operate.

Investing in learner support

We spend approximately £810 million of our budget on learner support, helping young people and adults to participate in learning.

Most of the Learner Support Programme for young people and adults is now delivered through a national contractor, which runs a helpline, assessment and payment body (HAPB) to deliver learner support schemes. They cover:

- Adult Learning Grant (ALG)
- Education Maintenance Allowance (EMA)
- Care to Learn
- Residential Support Scheme
- Sixth Form College Childcare Scheme
- Dance and Drama Awards
- the new childcare scheme (Free Childcare for Training and Learning for Work).

This arrangement offers a single port of call for learner support and streamlines the processes for learners and providers.

In the White Paper *Raising Expectations: Enabling the system to deliver* it was stated that this single

port of call will remain, and that it will be administered through the Young People's Learning Agency until 2013.

Increasing learner support for young people

Following several policy changes in 2008/09, including the new payment and provision regimes and the introduction of the Education Maintenance Allowance (EMA) Guarantee, we expect to provide support to over 630,000 young learners in 2009/10. In the past two years, we have seen take-up of Care to Learn among eligible young parents increase by 2 percentage points. We expect to see this rate of increase maintained or bettered.

We are working with DCSF to ensure we develop the financial help available to young learners to meet the challenges presented by raising the compulsory participation age.

Improving learner support for adults

Building on the successful national roll out of the Adult Learning Grant in 2007/08, we anticipate take-up of the scheme will increase to around 33,000 in 2009/10. We are also continuing to trial the new scheme – Free Childcare for Training and Learning for Work – of providing free childcare for adults

Table 16: Projected numbers of learners benefiting from Learner Support

| Scheme | 2009/10 anticipated take-up |
|--------------------------------------------------------------------------|-----------------------------|
| EMA | 633,000 |
| ALG | 32,000 |
| Residential Support Scheme | 100–500 (approx.) |
| Sixth Form College Childcare Scheme | 500 (approx.) |
| Care to Learn | 10,000 |
| Dance and Drama | 500 new awards |
| Free Childcare for Training and Learning for Work (new childcare scheme) | 20,000 |

aged 20+ who are not in work, while they take up learning that can lead to sustainable employment.

The development of a Skills Development Fund will provide an opportunity not only to review the appropriateness and demand for such support, it will also enable individuals to have information up-front about the level and type of financial support they may be entitled to – so that they are able to make informed decisions about which learning opportunities to undertake.

Investing in learners with learning difficulties and/or disabilities

In 2007, the number of young people with learning difficulties and/or disabilities (LDD) in LSC-funded learning reached 109,600. A total of 298,000 adults with LDD were in all LSC-funded learning streams in 2006/07.

The budget for specialist LDD provision will have increased by nearly 100% from 2004–05 to 2009–10. This is partly due to a rise in learner numbers, but it is also explained by increases in unit costs and the increasing complexity and multiplicity of conditions experienced by people with learning difficulties and/or disabilities in specialist provision.

In 2008/09, we brought in a number of measures to improve value for money in this area. For 2009/10, these will be

continued and further measures will be taken to ensure that unit costs do not continue to increase, including:

- repeating the exercise to review exceptional funding cases by independent consultants
- introducing a small number of standard rates for support services/therapies delivered in independent specialist providers.

Investing in provision to age 25

Through a number of publications over the last few years, we have set out our aim of developing a fit-for-purpose funding system for LDD that is learner-focused, equitable across all areas of the FE system and provides appropriate levels of support for learning nationwide.

For 2008/09, we reformed the allocations process for lower cost Additional Learning Support (ALS) to reflect learner need. We also reviewed the good practice emerging from the East of England 'Improving Choices' Pathfinder.

This work has laid the foundations for further enhancement of the placement process, in independent specialist providers, individual learner funding and provider allocations. For 2009/10, we will continue to develop those elements of the reforms that align with the Machinery of Government changes.

Investing in 25+ provision

In 2009/10, we will maintain our funding commitment to those aged over 25 with LDD. Provision will be made across all LSC funding streams and a specific Progression Pathway has been developed within the Foundation Learning Tier which focuses on independent living and supported employment.

This is one of four Progression Pathways within the FLT identified as particularly suited to learners with LDD. During 2008/09, we are expecting all colleges and providers (including Independent Specialist Providers) to develop Progression Pathways with a view to at least 30% of starts below Level 2 commencing a Progression Pathway during 2009/10.

Finally, for some learners, non-accredited learning programmes such as those funded through the developmental learning budget may be more appropriate. Therefore a proportion of this budget line will continue to support the funding of such programmes for learners with LDD.

Controlling unit costs

As one of the measures to control unit costs, we are reviewing the current funding rates for provision delivered in independent specialist providers and these will be announced in the annual funding guidance to be published in December 2008. It should not be assumed that they will increase.

Table 17: Specialist LLDD budget 2004–05 to 2009–10

| Year | 2004–05 | 2005–06 | 2006–07 | 2007–08 | 2008–09 | 2009–10 |
|------------------------------------|---------|---------|---------|---------|---------|---------|
| Specialist LLDD budget (£ million) | 125 | 146 | 170 | 202 | 204 | 236 |

The budget for 2009–10 includes £15 million of capital expenditure.

Delivering value for money

To gain public funding, providers must demonstrate that they offer value for money, making every pound work as hard as possible through effective procurement, benchmarking, and shared services.

There is considerable benchmarking data already available to the FE college sector annually, generated from colleges' financial returns. Colleges receive an analysis tool each year which enables them to compare their financial performance and cost base with those of other colleges and the sector as a whole. A high-level performance indicator of cost efficiency for colleges has been included in version 1 of the Framework for Excellence, the new performance and value for money framework for the learning and skills sector as a whole. We are developing further performance indicators for colleges and possibly for other providers and will include these in future versions of the Framework.

The Gershon Review set efficiency targets for the FE college sector for the Spending Review 04 period in relation to procurement, capital and corporate services. Colleges have reported the efficiencies they have achieved both in their financial returns and in the Efficiency Measurement Model (EMM), a tool for capturing and reporting efficiencies. Current good practice will need to continue to ensure that the FE college sector can deliver the FE procurement and local collaboration services target of £40 million of efficiency savings realised by 2010–11 against a 2007–08 baseline.

The FE college sector now has considerable experience in benchmarking and in achieving and reporting efficiencies. The existing information and tools are becoming more widely used and established, and this will be further encouraged during 2008/09 and 2009/10.

Implementation

Introduction

This section describes the process and timetable for allocating funding to support 16–18 and adult provision for 2009/10. The publication of this document initiates the process of agreeing the funding that will be made available to colleges and other providers to deliver the Government's priorities.

2008/09 was the first year that 16–18 funding was allocated on a common basis for school sixth forms, sixth form colleges, FE colleges and other providers. Although the method for allocating funding were common across these providers, the timetable and available data was not consistent. Therefore for 2009/10 we are proposing to bring the timetable for 16–18 allocation together so that all final 16–18 allocations for 2009/10, including 16–18 Apprenticeship maximum contract values, are issued by 13 March 2009.

While it is possible to bring the timetable together for 16–18 allocations, there are differences between the data for different providers that we are not able to resolve for this process. However, we have set out in this section the data we will use to agree allocations for 16–18 provision. The process will be confirmed in detail in the allocation framework document that will be available shortly after the publication of this document.

It is not just the data that is available that it is important, but how this is used in the context of the discussion with the provider to determine the final allocation. It is therefore essential that local authorities play a greater role in the process of setting 16–18 allocations in 2009/10, in preparation for the arrangements following the Machinery of Government changes.

For adult allocations, the timetable is equally important to ensure that colleges and providers are aware of the funding they have available to respond to the demands of local learners, employers and communities. Therefore, we are seeking to bring forward the process for adults so that all adult learner-responsive allocations and employer-responsive maximum contract values for 19+ Apprenticeships and Train to Gain, other than those that are the result of the tendering process, are made by the end of March 2009. Employer-responsive provision contracts are now issued for three years (extendable to five).

In the context of the current economic climate, flexibilities have been agreed to support private sector SMEs as well as those recently made or at risk of being made redundant. The allocation of funding will therefore need to take account of these flexibilities alongside our existing priorities which aim to ensure that adults have the necessary skills in literacy and numeracy as well as full Level 2 and 3. However, in these circumstances the focus will be less on the performance against each individual priority but rather on giving colleges and providers the flexibility to respond within these priorities, altering the mix and balance of their delivery to respond to the demand of their local learners, employers and communities.

The Grant Letter sets out the planned levels of provision in our priority areas that the investment strategy can support. This will be the basis on which we will carry out discussions with providers in terms of the expected delivery in each of our priority areas. For provision below Level 2, there will be greater flexibility to use the funds allocated to deliver our priority outcomes for literacy and numeracy.

We will be setting out how the approach to flexibilities for private sector SMEs and redundancy within Train to Gain, as well as the flexibility for pre-Level 2 provision, will operate in more detail in the allocation framework document.

The commissioning cycle

During the 2008/09 academic year, the LSC will be purchasing provision for the 2009/10 academic year. Our commissioning strategy and allocations process are focused on the priorities and targets set out in this document. The commissioning strategy reflects the more stable nature of 16–18 provision and the need to meet the more immediate demands of employers and adult learners. Table 18 describes the features of the funding models.

Strategic commissioning approach

We are committed to ensuring that our commissioning strategy encourages existing successful providers to grow and innovate, and offers investment in new FE providers where required to meet gaps in provision.

From 2009/10, our commissioning strategy will prioritise negotiations with providers who deliver successful high-performing provision. We will not seek to limit the growth of providers

who have the capacity to expand, and will remove restrictions on growth funding where providers have the quality, performance and capacity to deliver. We will ensure that the operation of the Train to Gain and contracting approach can respond quickly and efficiently to changing employer demand.

To simplify commissioning and contracting, on 1 November 2008 we introduced a Qualified Provider Framework. All existing and new providers can now register (subject to

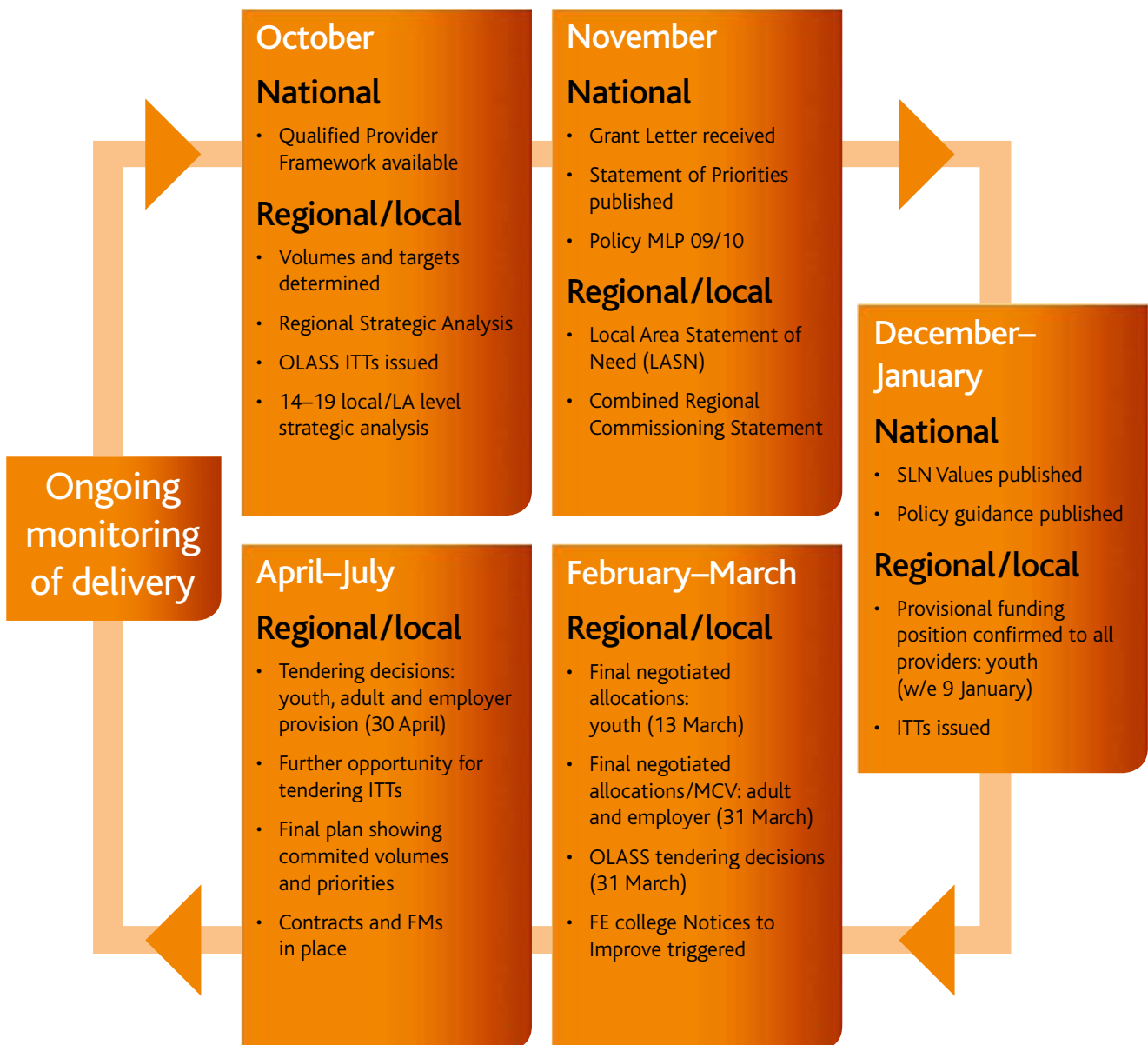


Table 18: Key features of each funding model (2009/10)

| | 16–18 schools, colleges and other grant-funded providers | 16–18 non-grant-funded providers | Adult | Employer |
|----------------------------|------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|------------------------------------------------------------------------------|
| | Grant-funded providers | Non-grant-funded providers | All providers | All providers |
| SLN volumes and mix | Virtually all negotiated commissioning with little open and competitive tendering (OCT) | Virtually all negotiated commissioning with little OCT | Virtually all negotiated commissioning with little OCT | Negotiated commissioning and OCT. Contracts adjusted on basis of performance |
| Reconciliation | No. Growth in participation is consolidated into the 2009/10 baseline subject to affordability | No. Contracts are reviewed quarterly and adjustments made to profiles and contract values. Growth in participation is consolidated into the 2009/10 baseline subject to affordability | Yes. Mid-year and end-year reconciliation with tolerances and a cap to growth | No. Funding earned based on actual delivery |
| Payment | Monthly to a national profile | Monthly to a national profile but adjusted in year where necessary | Monthly to a national profile but adjusted to reflect the outcome of the reconciliation | Actual paid monthly in arrears (with an achievement element held back) |

the quality criteria) and new providers can apply to join the framework at any time, with no restriction on location or region. Qualification is now only split by learner and employer-responsive provision, increasing in-year responsiveness for both Train to Gain and Apprenticeships. We will use the Qualified Provider Framework to determine with whom we will negotiate or from whom we invite tenders. The process for being on the framework and remaining an approved provider will be made clear using performance and financial criteria within our Framework for Excellence.

2008/09 is the first year of strategic commissioning for learners with learning difficulties and/or disabilities. We will seek to agree an average funding rate per learner and a number of places to be purchased with all providers who have learners with Learning Support needs over £5,500. The model and allocations process will follow that described for the 16–18 learner-responsive model.

Tendering

There will be circumstances where we will continue to use tendering – for example to fill gaps, replace poor provision or cater for new or niche provision and to meet ESF commitments. This will continue to be co-ordinated through our e-tendering solution and will follow a structured process. Where innovation in delivery is required for specialised or local services, we may use a less structured tender process to stimulate flexible approaches to delivery that should encourage new providers and those in the third sector to enter the market.

Contracting

We are streamlining the allocations and contracting processes based on feedback from the sector. From 2009/10, we will operate a principle of having only one relationship with each provider, moving towards only one contract with each provider, managed through a single point of contact. Providers operating in different regions will no longer have to agree multiple funding contracts or be restricted to where services to adults and employers are provided.

Allocations

Each year, we review the allocations process and actively seek and listen to feedback from providers and their representative bodies. The 2008/09 allocations process was the first year that allocations were made using the demand-led funding models. We recognise that while colleges and providers welcomed the increased transparency, there were still areas for improvement. In particular, this focused on the lack of clarity about what providers could expect at different points in the process and confusion over how different aspects of the calculation and negotiation of allocations were undertaken.

Based on this feedback, we have made a number of changes to the allocation process for 2009/10.

Earlier notification of allocations

We will bring forward the stages in the allocations processes and the dates for the confirmation of allocations. Allocations for schools and 16–18 providers have different data sources, but we have aligned timetables so that allocations will be confirmed at the same time. 2009/10 allocation timelines are now significantly earlier than in previous years. These are shown in Table 19.

Improved communications

We will also improve communications by providing clearer and timely information about how allocations are calculated. Throughout the allocations processes, we will work closely with local authorities and 14–19 partnerships as part of transition arrangements and to facilitate the issue of allocations. There will be more discussions with providers around the type and volume of provision, with initial discussions over volumes and draft budgets being held earlier in the allocations cycle.

National funding rates are incorporated in this Statement of Priorities and the key changes to the funding guidance will be published before the winter holidays 2008. Both of these are earlier than in previous years, giving greater certainty for providers.

Better use of data

We have reduced the number of data sources that will be used to calculate allocations.

- For 16–18 learner-responsive funding, we will use the individualised learner record returns for FE and work-based learning (for E2E) from 2007/08 and learner-responsive returns for 2008/09.
- For adult learner-responsive funding, we will use FE returns from 2007/08. We have taken steps to ensure that this data is received on time and is of a sufficiently high quality that will allow allocations to be made on time. Contingency arrangements are being developed should the data be late or unreliable.

- For employer-responsive funding, the allocations process has been considerably simplified through the introduction of three-year contracts which give providers greater assurance of continued funding. Provider performance will be reviewed at least quarterly and, subject to satisfactory performance, we will agree maximum contract values (MCV) for the year ahead.

Better systems

We have developed a robust allocation process for each funding model. Internally we have made a considerable investment in our systems for handling data. Providers will continue to be able to access up-to-date details of their own 2009/10 funding allocation through the Planning and Modelling System (PaMS).

Additional Learning Support

Allocations for Additional Learning Support (ALS) for both young people and adult provision will be organised in three strands:

- lower cost ALS (up to £5,500) calculated through the standard formula
- negotiated lower cost ALS
- higher cost ALS (between £5,500 and £19,000).

The allocations process for ALS will be fully integrated with the main allocation, directly related to the number of SLNs allocated and delivered to the same timetable.

Allocations for ALS for employer-responsive provision will be based on historical delivery, future delivery plans and the existing needs of learners already with the provider.

Fees and commercial income

Income from fees for learning subsidised by the LSC and learning that is fully funded by employers and individual learners is an important part of the sector's income. For this reason, target setting for both categories will be fully integrated into the allocations process. Targets will be agreed based on the number of co-funded SLNs agreed through in the adult learner-responsive allocation and taking into account local socio-economic factors and performance relative to national averages.

Table 19: Summary of key dates

| | 16–18 school sixth forms | 16–18 learner-responsive | Adult learner-responsive | Employer-responsive funds 16–18 Apprenticeships | Employer-responsive funds 19+ Apprenticeships and Train to Gain |
|----------------------------------------------|---------------------------------|---------------------------------|---------------------------------|--------------------------------------------------------|------------------------------------------------------------------------|
| | (Note 1) | (Note 2) | (Note 3) | (Note 4) | (Note 4) |
| Notification of provisional funding position | 9 January 2009 | 9 January 2009 | N/A | 9 January 2009 | N/A |
| Notification of final allocation | 13 March 2009 | 13 March 2009 | 31 March 2009 | 13 March 2009 | 31 March 2009 |

Note 1

The provisional funding position for each school will use data assembled in the autumn prior to receipt of the partial 2008/09 autumn census. It will be based on the learner numbers provided by the census. From January 2009, dialogue will take place, where necessary, with schools to understand recent infrastructure and other changes, and the potential for increases or decreases in planned 2009/10 learner numbers. Schools should be clear that the provisional funding position will not be a baseline from which they might expect their final allocation to increase. For example, if the 16–18 cohort declines in number, as is currently forecast, some schools will in future see a decline in planned learner numbers and their financial allocation between the provisional and final allocation stages.

Note 2

The provisional funding position for each provider is based entirely on a calculation using data available. This will form a basis for subsequent dialogue with providers. Dialogue with providers will take place from January 2009 onwards to understand recent infrastructure and other changes, and the potential for increases or decreases in planned 2009/10 learner numbers. For example, if the 16–18 cohort declines in number, as is currently forecast, some schools will in future see a decline in planned learner numbers and their financial allocation between the provisional and final allocation stages.

Note 3

Dialogue with providers will take place from November 2008 onwards to consider the historical position, 2008/09 performance and plans for 2009/10.

Note 4

Allocation figures will be developed around indicative maximum contract values for the next contract year, as discussed with providers at contract management meetings.

Annex

Equality Impact Assessments

As set out in our Single Equality Scheme, the LSC is committed to carrying out equality impact assessments on all our policies. As such, all of the policies covered in this document have undergone at least an initial screening. An initial screening is used to identify whether a policy could have differential or adverse impacts on different groups of existing and potential learners or LSC employees.

The following policies have undergone a full equality impact assessment, available from the LSC website:

- Demand-led Funding and Vocational Qualification Reform
- Framework for Excellence
- Statutory Intervention Policy.

Additionally, the following full equality impact assessments are scheduled for completion by the end of 2008:

- Offender Learning
- Identifying and Managing Underperformance.

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