

 For information

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Leading learning and skills

Our Statement of Priorities

**Better skills, Better jobs,
Better lives**

The Learning and Skills Council's priorities
and key actions for 2008/09 to 2010/11

November 2007

Of interest to people and organisations
involved in learning and skills

Better skills, Better jobs, Better lives

Our three national priorities are:

creating demand for learning and skills;

transforming the FE system to meet demand; and

delivering better skills, better jobs and better lives.

LSC investment for 2008–09 (£ million)

Participation among young people	6,373
Participation among adults	3,215
Learner support and development	1,093
Capital grants	694
Total investment	11,375

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



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Foreword



The last few years have seen performance across the learning and skills sector improve significantly.

Skills for social and economic prosperity

More people have achieved individual success, more employers have improved the skills and productivity of their workforce, and more colleges and providers have demonstrated the way in which a responsive further education (FE) system is central to delivering greater social and economic success, with success rates increasing by 20 percentage points in the last six years.

At the same time, reflecting on Lord Leitch's report (*Prosperity for all in the global economy – world class skills*, published by HM Treasury in December 2006), we know that there is more to do if we are to sustain and build our economic strength in the face of increasing global challenges, and if we are to ensure that more people reap the benefits of this.

At the beginning of this three-year Comprehensive Spending Review (CSR) period, there is a great opportunity to refresh our strategy and focus investment to meet the challenges outlined in Lord Leitch's report. Through the Train to Gain (TtG) service we have the opportunity to get more people qualified to Levels 2 and 3 (and increasingly Level 4), so that they can access greater opportunities within the labour market. We also want to work with even more businesses, to enable them to train and develop their staff.

We know that we must engage more people in learning (including learning below Level 2) to support their progression into further study and/or employment, and to enable them to realise the wider benefits that learning brings. We are therefore ensuring that £1 billion is available each year for more adults to enjoy a broad range of learning opportunities, including Foundation Learning Tier (FLT), Skills for Life, and personal and community development learning (PCDL). We will protect learning for learners with learning difficulties and/or disabilities.

Where people can afford to contribute towards the cost of their learning, we will expect them to do so. This will enable us to focus government resources on engaging and supporting those who are most excluded from the labour market, enabling them to develop the skills and qualifications that will improve their ability to succeed in work and in life.

Creating a culture of demand for skills

Collectively, we have to create a culture where young people, adults and employers demand skills and qualifications because they recognise the social and economic benefits that they bring. As well as being more innovative about the incentives that we use to increase participation and deliver greater achievements, we need to work across the FE system to stimulate demand from potential learners and employers. We will do this by making sure that they have access to diverse and high-quality learning and training opportunities that will meet their needs. Our five-year marketing and communications campaign 'Our future. It's in our hands' is designed to change attitudes positively towards learning and skills.

We are stepping up a gear for adults and employers, putting increased investment in TtG and skills accounts. This will put greater ownership and purchasing power in the hands of individuals and businesses.

The Government wants to ensure that every young person entering the workforce is equipped with the skills they need to fulfil their potential in work and life. That is why the 14–19 reforms (including general qualifications, the new Diplomas starting in 2008/09, functional skills, the FLT and the Apprenticeship entitlement) are so important.

The 14–19 reform programme will ensure that education and training will prepare every young person to make a success of their life. The critical aims of the reforms are to raise attainment and participation now, while narrowing achievement gaps; to ensure that routes are created for all young people, providing them with valuable and recognised qualifications; and to deliver an entitlement that will provide all young people with access to the routes that are most likely to lead to their success. We have a central leadership role in delivering all of these reforms, with key responsibilities for the first and third aspects and a strong interest in the second.

During this CSR period, we expect that legislation will be passed that requires young people to stay on in education and training until the age of 18. We will work with partners to make sure that there are learning opportunities in place for all young people.

Increased social inclusion: the role for skills

We have worked hard with colleges and other providers to deliver strong performance against our Public Service Agreement (PSA) targets. This will need to continue as collectively we deliver the social and economic prosperity that the Government aspires to. This means that we must do more to engage people with low or no skills – those who are more likely to be socially and economically disadvantaged. We must be more innovative in the way in which we excite and connect with those who are least likely to participate in learning.

We believe that raising skills levels and gaining new skills and qualifications is essential not only if we are to help more people to come off benefits and to enter and progress in work, but also if we are to reduce social and economic disadvantage and support greater social mobility. Only then will we truly raise demand to the levels that we need.

For young people, there needs to be a continued and relentless effort on reducing the number of those not in education, employment or training, so that they do not get left behind by their peers. This means being more flexible in the way in which we deploy public funding and funding available through the European Social Fund (ESF). It means working with the full range of colleges and providers to ensure that they are engaging with all sections of the community. It also means aligning our work with that of our partners, to integrate skills with better employment opportunities at all levels.

Focusing on priority groups

More people will study for qualifications through Skills for Life, Level 2 and Level 3. We want more people on these courses to come from our priority groups – for example, young people who are not in education, employment or training (NEET); those with low or no skills; lone parents; those who are on benefits; those who live in deprived neighbourhoods; and those who face issues of social exclusion. We realise that these are often the people who need the most support and encouragement both to engage with, and remain in, learning. We will use the opportunities created by the FLT to engage wider sections of the community and to support their progression into further learning and employment.

We need more people to progress to higher levels of learning and to higher education. The 14–19 partnerships will be critical to making this happen for young people. At the same time, the government strategy is to protect

Gaining new skills is essential if we are to help more people to come off benefits and to enter and progress in work

provision for those groups of learners that are most vulnerable – for example, learners with learning difficulties and/or disabilities. We will work closely with colleges and providers to honour our commitment to continued investment in this provision.

Developing a more commercial approach

The level of public investment in young people and adult skills is enormous – over £36 billion over three years. But if the FE system is to deliver the most from this funding, we must attract greater contributions from employers and the people who benefit from learning, stepping up our efforts to increase overall investment in skills. Where they are able to, we will expect more people to contribute to the cost of their learning, with more colleges and providers generating income from their ability to meet existing and growing demand. We want adult learning to thrive, but only in a context in which it is sustained by a combination of individual and government investment.

Similarly, we are clear that we expect more employers to contribute towards the cost of upskilling and reskilling their workforce through TtG. Although the service is only in its infancy, we are already seeing significant levels of employer and employee satisfaction. We have to do more to make the service as streamlined and

We are committed to working closely with our partners to ensure that learning and skills are positioned at the heart of economic development and community regeneration

as effective as it possibly can be. We will be publishing a *Train to Gain Plan for Growth* which will set out how we will do this, while also significantly improving overall performance.

As we move towards a system in which learners and businesses hold increasing purchasing power, we need more colleges and providers to develop their commercial expertise and acumen. We need them to be able to deliver more to businesses and individuals and, through wider investment, to increase the income that they are able to generate and the learning that they can sustain.

All of this presents a significant challenge to the way in which the sector operates. The goal is a self-governing sector operating in a simplified system – a system that clearly responds to the needs of businesses and communities, while continuing to deliver against government priorities and targets.

Responding to a changing landscape

The last 18 months have seen some fundamental changes to the learning and skills landscape. Not only the publication of Lord Leitch's report on skills and the Government's response, but also the creation of two new departments – the Department for Children, Schools and Families (DCSF) and the Department for Innovation, Universities and Skills (DIUS) – who share responsibility for learning and skills at all ages. One of the key developments arising from this is the intention to transfer 16–18 funding from the LSC to local authorities and the review of post-19 skills delivery. Our Statement of Priorities sets out our duties up to that transfer coming into effect.

We will continue to work closely with the two new departments, and all partners, in the context of the Sub National Review and supporting the development of regional economic plans, to support new arrangements and to ensure that our focus remains on the interests of learners and employers during this time of transition.

Putting skills at the top of the political agenda

These changes represent a significant opportunity to put skills at the top of the political agenda and to demonstrate how they contribute to wider government goals to reduce child poverty, promote social mobility, improve innovation and business productivity, and support higher levels of sustainable employment.

These are challenging times for the LSC and the sector as together we deliver a programme of significant transformation against a backdrop of further structural change. It is also a time of huge opportunity, offering a unique chance for us all to enhance the way in which learning and skills are delivered for the nation.

We are committed to working closely with our partners nationally, regionally and locally to ensure that learning and skills are positioned at the heart of local and regional economic development and community regeneration. This Statement of Priorities sets out how we intend to focus our efforts and resources to deliver **better skills, better jobs and better lives**.



Christopher N Banks CBE
Chairman
Learning and Skills Council



Mark Haysom
Chief Executive
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Our Targets and Priorities

Our Targets and Priorities

By raising overall achievement, we will also increase the achievement levels of the most disadvantaged

Our new targets

As part of the CSR the Government has set out four new strategic priorities for the period from 2008/09 to 2010/11.

- Sustainable growth and prosperity.
- Fairness and opportunity for all.
- Stronger communities and a better quality of life.
- A more secure, fair and environmentally sustainable world.

Under each of the priorities is a set of PSA targets, each containing a number of cross-government delivery agreements, which together play a vital role in improving the delivery of services. These targets are more challenging than ever before.

The LSC will indirectly support a number of these delivery agreements and targets, but we will also directly contribute to and lead on the following targets.

Young people

- We will aim to raise the educational achievement of all children and young people.
- We will aim to narrow the gap in educational achievement between children from low-income and disadvantaged backgrounds and their peers.

While our focus must be on all young people, our delivery targets will be measured by the proportion of young people achieving Level 2 and Level 3 by the age of 19. By raising overall achievement, we will also increase the achievement levels of the most disadvantaged. The target levels are:

- to increase the proportion of young people achieving Level 2 at age 19 from 71.4 per cent in 2006 to 82 per cent by 2011; and
- to increase the proportion of young people achieving Level 3 at age 19 from 46.8 per cent (in 2006) to 54 per cent by 2011.

By increasing the number of young people participating in learning, we will support the delivery agreement to **increase the number of children and young people on the path to success**. The specific delivery target is to reduce the percentage of 16- to 18-year-olds classified as NEET by 2 percentage points by 2010, from a baseline of 10 per cent at the end of 2004.

We also have an aspiration to increase participation in education and training among 17-year-olds – to a rate of 86 per cent by 2011. We will focus on narrowing the existing equality gaps in the achievement of qualifications at Levels 2 and 3.





2.25 million

We will continue to work towards meeting the target to improve the basic skills of 2.25 million adults

Adult skills

- We will aim to improve the skills of the population, as a step towards ensuring a world-class skills base by 2020.

The delivery targets for 2020 are as follows.

- Some 95 per cent of adults should have basic functional literacy and numeracy skills.
- More than 90 per cent of adults should be qualified to at least Level 2, with a commitment to achieve a rate of 95 per cent as soon as possible.
- Some 68 per cent of the adult population should be qualified to Level 3.
- Over 40 per cent of the adult population should be qualified to Level 4 or above.

We will work to deliver England's share of the UK ambition for 500,000 Apprentices. We will improve the quality of their learning and will increase success rates in order to boost the supply of economically valuable skills. Working towards these targets, the Government has set the following interim targets for **2011**.

Increase the proportion of people of working age achieving functional literacy and numeracy skills

From 2008/09, the targets are for an additional **597,000 people of working age to achieve a first Level 1 (or above) literacy qualification, and for 390,000 to achieve a first Entry Level 3 (or above) numeracy qualification**. These interim targets ensure that we will continue to work towards meeting the target to improve the basic skills of 2.25 million adults between 2001 and 2010.

Increase the proportion of working-age adults qualified to at least full Level 2 and 3

By 2011, 79 per cent of working-age adults should be qualified to Level 2 and 56 per cent qualified to Level 3. These targets will ensure that we remain on track to reduce by 40 per cent the number of adults in the workforce who lack a national vocational qualification Level 2 or equivalent qualifications by 2010.

In 2006, 69.7 per cent of adults achieved a Level 2 qualification and 49.2 per cent have a Level 3.

Increase the proportion of Apprentices who complete the full Apprenticeship framework

The target is for **130,000 learners to complete the full Apprenticeship framework in 2010/11**.

In 2005/06, 98,000 learners completed an Apprenticeship; in 2006/07, we expect that this number will have exceeded 100,000.

Increase the number of people moving into sustainable employment and progressing

Work will begin this year to clarify and set in train the new joint target with the Department for Work and Pensions (DWP) and Jobcentre Plus to move more people into sustainable employment. This will underpin the integration of employment and skills services.

The FE system has a crucial role to play in supporting wider government ambitions

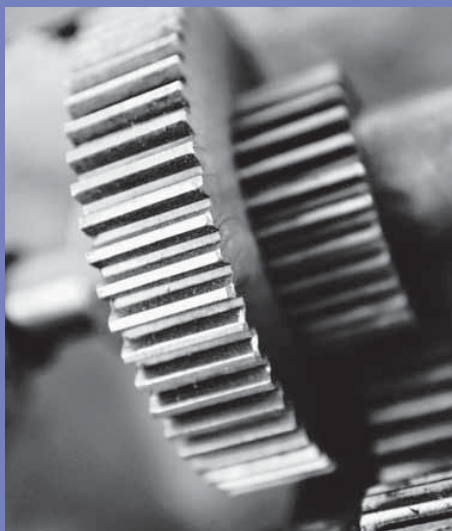
Supporting other government delivery targets

The LSC's focus is on delivering the strong performance needed to meet our targets. However, the FE system as a whole has a crucial role to play in supporting wider government ambitions; improving the skills of young people and adults will be critical to the effective delivery of at least 11 of the Government's 30 national delivery agreements, including the following.

- Raise the productivity of the UK economy.
- Promote world-class science and innovation in the UK.
- Deliver the conditions for business success in the UK.
- Improve the economic performance of all English regions and reduce the gap in economic growth rates between regions.
- Maximise employment opportunities for all.
- Halve the number of children in poverty by 2010–11, as a step towards eradicating child poverty by 2020.
- Improve the health and well-being of children and young people.
- Address the disadvantage that individuals experience because of their gender, race, disability, age, sexual orientation, religion or belief.
- Increase the proportion of socially excluded adults in settled accommodation and education, employment or training.
- Tackle poverty and promote greater independence and well-being in later life.
- Deliver a successful Olympic Games and Paralympic Games with a sustainable legacy, and get more children and young people taking part in high-quality physical education and sport.



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Priority 1: Creating Demand for Skills

Creating Demand for Skills

Our aim is simple: we want more people to demand more learning, because they are clear about the social and economic benefits that it brings.



We want people to recognise that investment in learning is an investment in their future earnings. We want nothing less than a cultural shift in the way we talk and feel about learning, with the acquisition and development of skills and qualifications being universally recognised as an essential part of a productive and fulfilling life.

- We want more **young people** to participate in a diverse array of exciting and motivating learning opportunities that enable them to progress into further learning and into work.
- We want more **adults** to participate in learning that they value sufficiently to invest in themselves – where they can afford to do so. Within this, we want to engage wider sections of the community, with the specific aim of enabling those adults who are most excluded from the labour market and society to gain the skills that they need to progress in learning and employment.
- We want more **employers** to invest in training and upskilling their workforce, because they recognise the role that increased skills will play in improving their productivity and competitiveness.

The following sections set out some of the actions that we will introduce (or build on) to raise expectations and demand for further learning. Some of these activities are cross-cutting, and will help to create demand. We recognise that certain groups of people – and certain employers or industry sectors – will require a different approach to stimulate demand. This means working in close partnership with others, for example with sector skills councils, to drive up employer demand for skills and employer investment in workforce development. The 'Our future. It's in our hands' campaign should help us to achieve this.

To increase demand for learning, we understand that we need to look beyond the learning opportunities and options funded by the Government, as these can only ever represent a small part of the total investment. If we are to be successful in expanding the market for learning, we need to increase the range and diversity of opportunities available – so that the spectrum of quality training and educational provision available is far greater than simply the training that is fully or partly subsidised by public funds.

Raising demand among young people

All young people aged 14–19 should have the opportunity to gain the skills and qualifications that they need to progress into further learning (including higher education) and into employment. This means that they must have access to a full range of high-quality courses to choose from. Key to this will be the further development of the work-based offer through Apprenticeships, as well as the further development of the Entry to Employment programme and other opportunities for those who are least engaged in learning. Coupled with the exciting development of the new Diplomas, this gives a real focus to changing the opportunities available for young people. We will be focusing on working with 14–19 partnerships to deliver these reforms locally.

Our focus on providing a rich and diverse local offer for all young people will provide a platform to deliver 100 per cent participation, with the proposed raising of the compulsory age for participation in learning. More innovative learning and training opportunities and support should be developed – for example, through enterprise development – to better engage all young people.

We are proud of the achievements that the FE system has already delivered – record numbers of young people are participating and achieving in LSC-funded provision – but we know that there are still too many who do not engage, and instead drop out at 16, 17 or 18 without realising their full potential. We are therefore committed to continuing to work towards increasing the levels of participation and attainment, while simultaneously closing the gap between those who achieve and those who don't.

We want to build on the excellent working relationships that we already have with local authorities to continue to support their strategic delivery of 14–19 provision for all young people, particularly as we develop and deliver joint plans and support the transition of 14–19 funding to local government.

To deliver our ambitions for young people, we are committed to the following goals.

Increased achievement at all levels

- So far, we have seen good progress against the existing **PSA targets** for achievement of Levels 2 and 3 at 19. We will work hard at all levels to strengthen this achievement, supporting our ambition for 85 per cent of 19-year-olds to achieve at least a Level 2 qualification by 2013.

Increased participation

- The Government already has a target for 90 per cent of all young people to be participating in learning at age 17 by 2013 and at age 18 by 2015. It has also announced the intention to legislate to raise the participation age. We will therefore continue to strive to **increase the numbers** of young people taking up learning; it is critical that every young person receives the offer of a suitable place at 16 and at 17. To make this a reality, we will work with Connexions and local authorities to ensure that the supply of provision (in relation to both the type and level of learning) matches the demand among young people in every area of the country.

85 per cent

Our ambition is for 85 per cent of 19-year-olds to achieve at least a Level 2 qualification by 2013

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We will continue to invest more to increase the overall numbers of young people participating in learning



- We will prioritise the promises of the **September guarantee** for 16-year-olds (the promise that every year 11 learner will be supported into an offer of a suitable learning programme – with a school, college, work-based learning provider or employer – or employment by the end of the September after the completion of year 11), so that every young person receives the offer of a place in post-16 learning before they take their GCSEs. We will work towards a similar offer for every 17-year-old before they reach the end of year 12.
 - We will continue to invest more to **increase** the overall numbers of young people participating in learning. Because the total number of young people is declining in many areas, we expect that this investment will also help us in our targeted efforts to reduce the number of young people who are classified as NEET.
 - We will ensure that young people who want one are able to access a **work-based learning** place.
 - We will continue to promote the effective delivery of the **learning agreement** pilot projects in 2008/09: we want to encourage more young people who are in work to take up further learning or training.
 - We will make significant progress this year where necessary in securing **greater flexibility of provision** – in particular so that it is easier for learners to start courses in January, rather than only in September.
- Increased choice**
- We will **commission high-quality provision** (including specialist provision) in order to better meet the needs of learners and potential learners.
 - We will work through the **14–19 partnerships** to ensure that all schools, colleges and providers are reaching out to the most disadvantaged and 'at risk' young people in their localities.
 - We will work with other public agencies in each area through the **Children and Young People's Plan** to offer more integrated and personalised support to each young person.
 - We will deliver an enhanced and expanded **Apprenticeship** offer by dramatically increasing the number and range of 16–18 Apprenticeship places available in each locality, and by enhancing the range of vocational progression routes (programme-led routes and pre-Apprenticeships) into Apprenticeships.

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- It is crucial that all young people who want one are able to access a work-based learning place. We will meet the commitments set out in this document to deliver the volumes of **Apprenticeships** needed to achieve the ambitions of Lord Leitch's report, including through implementing the recommendations of the Apprenticeship Review.
- Critically, we need to see Apprenticeship **completion rates** for young people continuing to rise as steadily as they have in recent years. But this should not be at the expense of access to Apprenticeships for those young people who might benefit from undertaking one. The driving principle of improving both participation and success rates applies across all forms of provision.
- We will ensure that an Apprenticeship **matching service** is rolled out nationally, effectively linking employers and young people.
- We will work with local authorities to ensure that the challenge and support provided to schools for student achievement in **sixth forms** is sustained and developed.
- We will work closely with 14–19 partnerships and local authorities to widen the choice of learning opportunities locally and to deliver a **national entitlement** to the revised curriculum and qualifications for all young people.
- Across the country we will be of key importance in ensuring that the foundations are laid and plans are in place for the implementation of the full entitlement to the new **Diplomas** from 2013.
- We will work with partners to ensure that each local area has a clear **Level 1 and pre-vocational** offer that is personalised and that supports wider engagement and progression.
- We will work with 14–19 partnerships to ensure that **prospectuses** are available covering the provision available across an area.

Increased progression

- We will support greater **progression** into FE and higher education and/or employment, ensuring that 14–19 partnerships set out clear progression routes for all young people and we will continue to challenge areas where this is not the case.
- We will work with the Higher Education Funding Council for England (HEFCE) – as well as with higher education and FE institutions and employers – to develop new and innovative progression routes and networks. These will enable more people to move towards **higher levels of learning**.

Increased opportunities

- We will work with partners to raise **achievement** and to narrow gaps across all learning pathways. As the numbers of people participating across all routes increase, we will ensure that achievement and completion rates are improved for all groups of young people.
- We will ensure that opportunities are available for young people with **learning difficulties and/or disabilities** (up to the age of 25) to access high-quality learning. We will deliver improved success rates among this group, narrowing the gap in levels of achievement between them and the mainstream cohort.
- We will use packages of **financial support** to overcome barriers to learning, including extending the Education Maintenance Allowance to more courses linked to the September guarantee.
- We will work closely with delivery partners to support the reforms set out in the **Children's Workforce Strategy Action Plan** – and the wider children and families agenda – ensuring that learning contributes to all of the wider reforms.

We will develop new and innovative progression routes and networks



We are passionate about increasing skills to drive social mobility

Raising demand among adults

We want all adults to have the same high chances of success in life and work – regardless of their background. We are **passionate** about increasing skills to drive **social mobility** – enabling more people to improve their employment and career prospects, and to boost their quality of life.

Currently, there is high demand for learning among adults, but much of this demand comes from those who are already skilled and qualified, rather than from those with low or no skills, those who are not in employment and those who face the most barriers to full engagement with society.

We need to redress this balance, and to be clear about how and where we prioritise public funding to achieve a more equitable investment in adult learning. To truly raise (and then respond to) adult demand for learning, we need those adults who are already qualified to Level 2 or above to invest in their own learning if they can afford to do so. We also need to focus on engaging those who are most excluded from the labour market.

We have always strived to protect and enhance any learning that provides opportunities for adults to take part in Entry and sub-Level 2 learning so that they can progress. We are in no doubt that everyone needs a certain level of attainment in order to get a job and stay in employment. These progression opportunities are critical to helping the most disadvantaged people to move forwards.

The pattern and shape of learning have changed dramatically over the past 30 years, as have the focus of government funding and expectations about individual investment. As we look to the future, we can expect demand and supply to change further. This means that we have to be more

innovative in how we think about and invest in adult learning, understanding the benefits of new technologies, community resources and buildings in providing diverse settings for learning and, perhaps, in reflecting new rights and responsibilities for learners. We need to think about the wider role of adult learning in the 21st century and look forward to the publication of the Government's consultation on this.

To deliver our ambition for adults, we are committed to the following goals.

- We will work with DIUS to develop a system of **skills accounts** that will increasingly change the culture of learning. Skills accounts will give learners greater ownership of and choice over their learning, building motivation for further achievement and progression into training and employment. Alongside improved advice and guidance, skills accounts will give learners purchasing power. Learners will know what support they can access while they are learning, including the targeted financial support that might be available.
- We will build on the forthcoming announcement from the Secretary of State for Innovation, Universities and Skills on the plans for further flexibility within **TtG** and the plans for its expansion. TtG will become a clear, high-quality service that supports employers in their skills needs. We will support more self-employed people to develop their skill sets, and we will ensure that local employment partnership clients receive appropriate training (including pre-employment training) through Skills for Jobs and TtG. A new offer will be created for employers for delivering more skills solutions (including Adult Apprenticeships). TtG has a key role to play in transforming the nation's skills base, productivity and competitiveness between now and 2020.

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- We will work with DIUS, DWP, the Trades Union Congress (TUC) and other partners to develop the new, universal **adult careers service**. This will be a key means of engaging more adults – particularly those in receipt of benefits – and of encouraging them into learning that will build their skills and enhance their employment prospects.
- We will work with Jobcentre Plus to join up **skills and employment** services locally so that people at the margins of the labour market and in disadvantaged communities receive the support that they need to access learning that will equip them for sustained employment and further learning.
- We will ensure that each local area has a core **adult offer** that reflects and responds to the spectrum of adult needs – including offering provision that is wholly or partly funded by fees, rather than through government support. This will include promoting the range of informal learning opportunities that are available to local communities.
- We will contribute to increased **social cohesion** by targeting public investment in the FLT, Skills for Life and Level 2 provision at priority groups of learners – such as those without qualifications, people who are on benefits and/or seeking work, and offenders.
- We will work with colleges and providers to ensure that the opportunities offered to adults are tailored to meet their **personal circumstances** in terms of both time and location, and that learning is used to get people on the journey to employment.
- We will raise awareness among priority groups of the **Adult Learning Grant** and other packages of financial support, to remove potential barriers to greater engagement in learning.
- We will increase the number of people taking **numeracy** courses, in recognition of the fact that numeracy skills are vital not only to progress in almost any career but also to succeed in most aspects of everyday life.
- We will significantly increase the emphasis on **income generation** by encouraging colleges and providers to increase the range of full-cost and part-subsidised provision that they offer, to increase the volume of learning delivered and to maintain wider choice locally.
- We will run a cross-governmental **skills campaign** to create a culture of learning that colleges, providers and partners can get behind and add to.
- We will promote the role of FE as a key resource for **local communities**, offering excellent facilities for a wider range of government-subsidised and full-cost learning. We will work with colleges to open up college buildings to wider community use.

We will significantly increase the emphasis on income generation



We have to do more to increase employer demand for and investment in skills

Raising demand among employers

We want more employers to recognise that there is value in investing in the skills of their employees – in terms of increased productivity (at both the individual and organisational level) and increased competitiveness. By getting employers to understand this, we can then help employees to access high-quality training that will develop their skills and support their career progression – again, increasing their life chances.

We recognise that **TtG** has helped us to make a positive start to achieving this ambition, but if we are to deliver our stretching targets we have to do more to increase employer demand for and investment in skills. We will shortly be boosting the successful TtG service with the ambitious *Train to Gain Plan for Growth*, which will set out, in detail, how we intend to engage more employers, including small and medium-sized enterprises (SMEs). The plan will include the following aims.

- We will expand the range of publicly funded training opportunities available to employers through the TtG service, by using ESF funds to enhance and broaden the offer.
- We will make literacy, numeracy and English for speakers of other languages (ESOL) qualifications available as standalone learning opportunities within TtG.
- We will secure employer contributions for ESOL for Work.
- We will integrate the Apprenticeships offer for those aged over 19 into TtG, increasing our investment in Adult Apprenticeships.
- We will extend the Level 3 offer to employers and will pilot arrangements for second Level 3 qualifications to be partly publicly funded through TtG, with the employer contributing towards the cost.

- We will encourage employers to recruit workless individuals through local employment partnerships by offering fully funded second Level 2 qualifications to retrain them and enable them to progress into employment.
- We will work with the Confederation of British Industry, the TUC and other employer organisations to create a commitment to training through the skills pledge and to ensure that all employers who sign up benefit from TtG.

In addition, to deliver our ambitions for employers, we are committed to the following goals.

- We will increase the number of employers and individuals accessing **leadership and management training**. This is particularly important for the development of SMEs.
- We will aim for FE to become the **first choice for employers**. We will enhance the offer available to employers by encouraging colleges and providers to increase their 'menu' of full-cost training, including customised training, additional qualifications and higher-level skills.
- We will progressively ensure that the **qualifications** we fund are those identified by sector skills councils as being the ones that employers want and value.
- We will build on the **TUC's peer support** programme to engage people in all levels of learning, particularly targeting low-skilled employees through the union learning fund.
- We will expand the number of employers offering high-quality **Apprenticeship** places, in particular in local and national government and in the NHS.
- We will lead a national **marketing campaign** in support of TtG, Apprenticeships and the skills pledge – as part of the cross-governmental skills campaign.

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Priority 2: Transforming FE

Transforming FE

As we raise demand, we need the FE system to be able to respond.

We want to ensure that the system reflects the needs and goals of more young people, more adults and more employers.

The system has already begun its transformation to reflect changing demand. We see this as part of a wider journey towards self-regulation, with the sector taking on much greater responsibility for and control of its own direction and effectiveness – something that we strongly support.

In enabling this transformation, we want to focus our efforts on those areas where we believe that we can add value to the FE system as a whole. In doing so, we will act on behalf of and will protect the interests of individuals and employers – ensuring that the system delivers more for them and for government. We will focus our activity on the following key strands.

- **Aligning funding with our priorities.**
- **Championing simplification.**
- **Investing in the capacity and infrastructure of the FE system.**
- **Strengthening the reputation of FE.**
- **Intelligent commissioning.**



Aligning funding with our priorities

The 'Our Investment Strategy' section sets out the way in which we have prioritised investment in line with government priorities, alongside the contributions made by individuals and employers. As part of this process of prioritisation, we expect more individuals and employers to make a greater contribution to the costs of learning, so that the sector as a whole can deliver more. To deliver this, we are committed to the following goals.

- We will clarify and align **fees policies** across publicly funded provision so that employers and individuals are clear about what they are entitled to and what they must contribute to. As more provision falls within areas of entitlement (Skills for Life, Level 2, Level 3, etc.), we will define the impact of this on each institution's ability to generate additional income and will be clear about those areas of provision that should be subject to fees (subject to an individual's ability to pay).
- We will encourage more colleges and providers to increase the level of **income generated** by fees and full-cost work. This will include building on existing research and disseminating best practice across the FE system – celebrating and showcasing those colleges and providers that have had considerable success in increasing their responsiveness and in raising the levels of individual and employer investment in provision.
- We will increase our focus on agreeing individual **income targets** with colleges that reflect the characteristics of the local area and employer base. This should encourage more institutions to generate greater income by responding to local demand for learning.
- We will fully integrate **ESF funding**, to maximise the overall investment in skills in each area, and to support a wider range of complementary local and regional priorities.



We will continue to review and simplify our business processes to remove unnecessary bureaucracy

Championing simplification

We recognise that new ideas and initiatives can sometimes create additional complexity for providers and learners. Our commitment is to make it simple for people and businesses to navigate the system and so gain the learning and training that they need. To deliver this, we are committed to the following goals.

- We will introduce a fairer **funding methodology** that moves towards more equitable funding for common activity across 16–19, adults and employers.
- We will continuously review and improve the way in which our **customers** – learners and employers – interact with the FE system.
- We will offer a single **brokerage** service to employers, by integrating skills brokerage with business brokerage through Business Link.
- We will promote the **New Standard** to employers as a way of simplifying the process of comparing and selecting training providers.
- We will establish the **Framework for Excellence** (a mechanism for assessing training providers) as a simplified and more coherent performance management framework that complements inspection and self-regulation.
- We will agree a single **skills strategy** in each region, working with the regional development agency, to ensure that this underpins the regional economic strategy.
- We will work with sector skills councils, the Qualifications and Curriculum Authority and other partners to develop the **Qualifications and Credit Framework** as a simple and flexible organising structure that allows achievement to be built incrementally through the accumulation and transfer of credit.
- We will continue to review and simplify our **business processes** to remove unnecessary bureaucracy and improve our effectiveness and impact, working closely with the Bureaucracy Reduction Group.

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£2.3 billion

We will invest over £2.3 billion between 2008–09 and 2010–11 to ensure that colleges have world-class buildings

Investing in the capacity and infrastructure of the FE system

We will work with key partners to support the development of leadership and capacity across the FE system, so that it is better equipped to respond to future change and challenges. We will underpin this by investing in capital to renew the FE estate: building colleges for the future, while supporting wider physical and community regeneration. To deliver this, we are committed to the following goals.

- We will invest over £2.3 billion in **FE capital** between 2008–09 and 2010–11 to ensure that colleges have world-class buildings, learners have great places in which to learn and communities have a public resource.
- We will investigate how capital investment could be extended **beyond colleges** to other places of learning so that learners and employers have a genuine choice of excellent facilities.
- We will embed and extend the use of **learning technologies** across the whole sector.
- We will work closely with the Quality Improvement Agency, the Centre for Excellence in Leadership, Futurebuilders England and Capacitybuilders to drive the **professional development** of the FE system as a whole. This will include working with leading colleges to develop a 'blueprint' for future business models to ensure success in a demand-led environment. There will be a greater emphasis on the ability of colleges and providers to generate income, to expand the learning offer available in a local area, and to improve the overall capacity of the system.
- We will continue to develop **specialist vocational provision** to respond to the skills needs of employers – for example, we will increase the number of national skills academies to 12 in 2008/09, moving towards one for each industry sector.

Strengthening the reputation of FE

We believe that colleges have a vital role to play in delivering economic success, greater social mobility and community cohesion. We want more people to recognise the contribution made by the FE system as a whole, and will work with colleges and other providers to champion successes and to strengthen the reputation of FE. The FE system itself (under self-regulation) should take the lead on this, but we will provide support to the FE Reputation Group and will also continue to undertake research in this area.

Intelligent commissioning

We want to improve the way in which we commission and procure provision, streamlining our processes where appropriate, so that we better meet the needs of learners and employers. To deliver this, we are committed to the following goals.

- We will identify those areas where the **market is not responding** sufficiently – for example, in meeting the specialist skills needs of employers, or in engaging particularly disadvantaged or excluded sections of the community in learning. We will ensure that our commissioning processes then encourage the market to respond to these needs.
- We will improve the way in which we recognise and build on **strong performance** in the sector, encouraging the best colleges and providers to expand delivery in those areas in which they are strong. This will include offering three-year contracts (with annual allocation discussions) to all providers delivering high-quality provision, above our minimum performance standards, that attracts learners and employers.
- We will work with the **third sector**, the Commission for the Compact and the Office of the Third Sector to agree a realistic set of guidelines for effective commissioning and procurement with the third sector in an open and competitive framework.

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Priority 3: Better Skills, Better Jobs, Better Lives

Better Skills, Better Jobs, Better Lives

By raising demand and also enabling the FE system to respond to that demand, we will increase skills levels and employability, which will in turn deliver greater social and economic success.

We will continue to deliver progress against our overall participation and achievement targets, while focusing on engaging more people from disadvantaged groups, prioritising and protecting investment (where necessary) to achieve this.

We want to increase the sector's focus on integrating skills with employment, so that more people get the training and qualifications that they need to come off benefits, enter work and progress – thereby supporting greater social mobility and every individual's right to better life chances. We intend to use more of our investment to give those not in work the skills and support that they need to become job-ready, for example by focusing training on addressing skills shortages in local labour markets.

Our aim is for more of the learning that we fund to result in job outcomes. This will mean delivering a more flexible and inclusive curriculum offer below Level 2, and supporting an integrated and multi-agency approach to meeting the needs of individuals.

To deliver this, we are committed to the following goals.

Protecting categories of provision to help more learners

- We will protect opportunities for **learners with learning difficulties and/or disabilities**, including places that bridge the gap between Skills for Life and Level 2.
- We will safeguard £210 million each year to support **PCDL, neighbourhood learning in deprived communities** and wider family learning for the next three years.
- We will maintain the investment in **ESOL** learning nationally, so that we can continue to help people to learn English so that they can play a full part in society and work.
- We will protect investment year on year in **learning below Level 2** that forms the **FLT**.





We will target our provision at those people who are most excluded from the labour market

Delivering against our targets, while helping more people from disadvantaged groups and neighbourhoods to achieve the target qualification levels and to fulfil their potential

- We will configure our activities and investment flexibly to ensure that they reflect and respond to the **skills and employment priorities** articulated through local and multi-area agreements, city strategies, Skills for Jobs, and the emerging employment and skills boards. This will include targeting provision – particularly the FLT, Skills for Life and Level 2 – at those people and communities who are most excluded from the labour market and those in 'vulnerable' employment.
- We will tackle the critical shortage of **numeracy skills** that hold people back at work by increasing the number of people taking numeracy courses.
- We will work with the National Offender Management Service to **improve offenders' lives** through learning. We will help to reduce re-offending rates by increasing offenders' skills and qualifications, improving their employability and helping them to move into sustainable work.

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We will work closely with Jobcentre Plus locally to integrate the range of support available for those not in work

Integrating skills training with job opportunities

- We will ensure that all young people take part in structured **work experience** – whether as part of a course or not – so that employers see the potential that young people can bring to the workplace and young people see the opportunities available and the expectations that employers have.
- We will work more closely with Jobcentre Plus to ensure the effective integration of **employment and skills services** at the local level. This will meet the needs of both employers and individuals – especially those individuals who are disadvantaged in the labour market. We will help to ensure coherence and simplicity for both individuals and employers in the services provided through local employment partnerships. This should encourage employers to recruit untrained or low-skilled staff, on the understanding that they will receive support to train them.
- We will use **local employment partnerships** to ensure that individuals have access to appropriate training (including pre-employment training) through Skills for Jobs and TtG.
- We will work closely with **Jobcentre Plus** locally to integrate the range of support available for those not in work, including Skills for Jobs and the employability skills programme alongside personal advisors and tailored support.
- We will be responsive in **times of crisis** (such as mass redundancy), making sure that we invest in the skills of any individuals affected, retraining and upskilling them to move into other employment.
- We will work with HEFCE to deliver the **higher-level skills** needed to support those in work, both now and in the future. This will include ensuring an integrated offer that will meet future skills and innovation needs.
- We will commission skills provision to meet the demand arising from the London 2012 **Olympic Games and Paralympic Games**. This may include providing more Apprenticeships in customer service, sport and leisure, construction and sporting excellence. It may also include enabling 1,000 people to graduate from the Pre-Volunteer Programme and to have the opportunity to become a Games volunteer.

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Becoming Demand-led

Becoming Demand-led

Delivering World-class Skills in a Demand-led System set out our proposals for a system in which purchasing power rests with learners and employers.

From 2008/09 we will use a common funding methodology to fund all 16- to 19-year-old learners in school sixth forms, colleges and private providers. It will help us to move towards comparable funding for comparable activity – irrespective of provider type. From 2008/09 we will create a firm and stable basis on which to take forward the Government’s plans to transfer responsibility for funding 16- to 19-year-old learners to local authorities. We will also provide a common, transparent approach for funding Diplomas and for allocating funding to both the 14- to 16-year-old and 16- to 19-year-old learners undertaking them.

In *World Class Skills: Implementing the Leitch Review of Skills in England* (published by the Department for Innovation, Universities and Skills in July 2007), the Government endorsed the recommendation in Lord Leitch’s report that we should aim to route all vocational skills funding in England (apart from funding for community learning and programmes for those with learning difficulties and/or disabilities) through Train to Gain (TtG) and skills accounts. However, doing so by 2010 would create unacceptable risks to the performance and stability

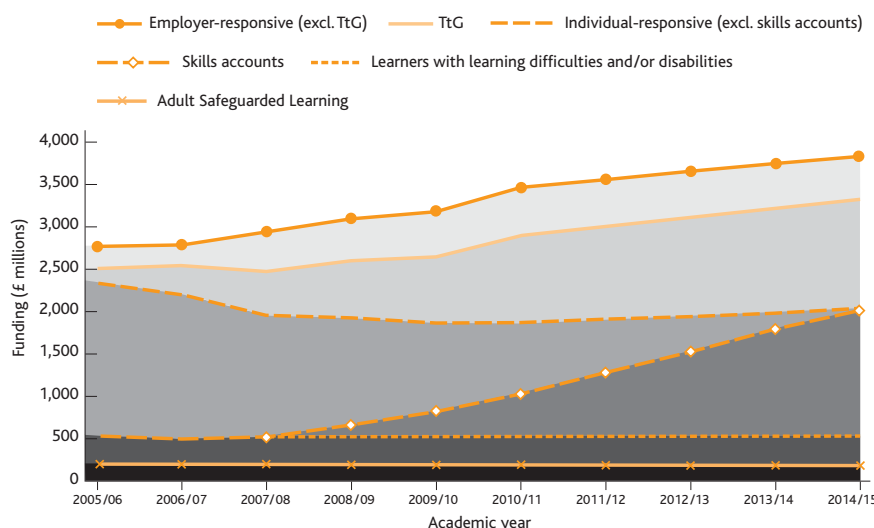
of colleges and providers. We are committed to further expanding TtG and to rolling out skills accounts over the period to 2010/11. These will allow greater choice over learning, and will help eligible benefit claimants to access training.

By 2010/11, we want learners with skills accounts to have access to around £500 million of funding, and to nearly £1.5 billion by 2015. This rate of growth in skills accounts and TtG is extremely ambitious, but we are committed to it. It will entail a radical shift in the pattern of provision – towards those colleges and providers that seize opportunities to serve learners and employers in new ways. To ensure that we do not jeopardise our own goals, we will review progress each year: we will assess with colleges and training providers the impact, the benefits and any unintended consequences. We will thus be in a position to determine the sustainable pace of change that will best serve both learner and employer needs (see Figure 1). We have assumed a 50:50 balance between employer and individual spending up to 2015.

This section sets out how we intend to progress towards these goals in 2008/09.

- We will use **commissioning** in a more sophisticated way to increase quality and choice, and to encourage a greater focus on engaging the most socially excluded in learning.
- We will introduce **new funding models** to ensure that money follows learner and employer choice.
- We will drive **qualification reform** to improve the offer to learners and employers.
- We will raise the bar on **quality**, guaranteeing better provision for both learners and employers.
- We will support the further education (FE) system to become **self-regulating** by 2012.

Figure 1: Projected expansion of demand-led funding between 2005–06 and 2014–15 in England



Source: LSC grant letter 2008–09

Commissioning and Funding

We have always worked on behalf of learners and employers, ensuring that they have access to high-quality provision that stimulates their demand and meets their needs, and at the same time ensuring that funding clearly follows the choices that they make.

In order for learners and employers to exercise their choices, a full range of provision must be available. To achieve this, we will continue to take an interest in the overall volume, pattern and range of provision in each area. We will commission provision on this basis, including intervening in areas of market failure.

Increasingly we will prioritise funding for the qualifications that sector skills councils identify as being valued by employers. For adult and employer provision, we will look to increase choice in the range of providers and provision available, while ensuring that excellent colleges and providers are able to expand their provision. We will also work with those employers whose in-house training programmes have been accredited by the Qualifications and Curriculum Authority (QCA) and are included within the Qualifications and Credit Framework (QCF).

Funding will follow the choices made by adults and employers. Local LSC partnership teams will work with colleges and providers to undertake mid- and end-year reconciliations of delivery and performance. This will be managed within a tolerance limit so that money can be moved to follow choice without the creation of excessive bureaucracy.

Commissioning on a regional basis

Each region will publish a regional commissioning plan, setting out investment priorities and identifying the areas where more providers are needed – whether to increase choice, improve quality or respond to regional sectoral priorities. Similarly, each plan will identify priority groups of learners

and potential learners, and set out how the region intends to engage these groups to increase equality of opportunity and social inclusion.

Plans will set out how each region intends to commission provision. Commissioning will be based on negotiation with existing providers, and open and competitive tendering processes. This approach will send clear signals to existing and potential colleges and providers about where and how we want to focus investment.

Commissioning 14–19 provision

We will continue to secure the 14–19 provision needed through detailed dialogue with 14–19 partnerships, local authorities, colleges, schools and work-based learning providers.

Where there are gaps of 200 or more learner places in a local area, we will work closely with local authorities to run competitions for 16–18 provision.

Where there are other gaps in provision, or niche provision is required, we will take action to meet this demand – through further negotiation, development support or specific tendering.

Commissioning adult learner provision

We will use a similar process of negotiation with existing providers to secure the majority of our adult learner provision, including provision for learners with learning difficulties and/or disabilities, Adult Safeguarded Learning, the Foundation Learning Tier (FLT) (and, until the FLT reaches full maturity, an appropriate mix of existing provision below Level 2), Skills for Life, full Level 2 and 3 qualifications and whole qualifications at Level 4. These negotiations will result in us agreeing indicative volumes of learners and a maximum funding allocation with each college and provider.

Gaps in provision and new or niche provision will be commissioned through further negotiation or tendering. We will ensure that local activity is not lost through this process. The offer to all local citizens, particularly in disadvantaged neighbourhoods, will be central to our commissioning decisions.

Commissioning provision for employers

We want to improve the way in which we commission provision for employers so that we can accelerate the expansion of the TtG service, streamline our processes and reward excellence. Where training is meeting quality standards and addressing employer needs, we intend to enable successful providers to deliver more provision within their existing contract.

Where employers select quality providers that we do not currently work with, we will set up new agreements promptly, to respond to employer choice. The actual funding received by providers will continue to be dependent on employers choosing their provision.

We will continue to offer opportunities for new providers to deliver TtG through open and competitive tendering. For future tendering rounds we intend to offer multi-year contracts, subject to quality requirements, where contract values will be varied up or down during the year based on performance.

Commissioning provision for the Offender Learning and Skills Service

In 2008, we will commence the process of re-tendering for provision for offenders in custody, in preparation for the next contract period (which starts in August 2009).

Qualification Reform

We will examine how the wider learning and skills offer can be used to enhance individuals' employability

Qualification reform is central to raising demand from individuals and employers, to deliver the skills that they need for social and economic prosperity. We need qualifications that are fit for purpose – both now and in the future – and that encourage greater completion rates by permitting learning in smaller chunks.

From August 2008, we will be progressively aligning funding with the vocational qualifications approved by sector skills councils within the context of their sector qualification strategies. These will be published at the end of November on the LSC website.

We recognise that it may take some time to enable colleges and providers to make the transition to new qualifications. We will set clear timelines for the date of last learner start and last learner completion (and payment) for those qualifications that will be removed for funding. This timeline will be based on our own risk analysis, allowing a manageable transition. We will similarly set out the expected first learner start dates for new qualifications.

We will work with QCA and the sector skills councils to support their moves to accredit employer- and provider-developed training provision into the QCF. The QCF will be fully operational by 2010.

National Occupational Standards Levy

The National Occupational Standards (NOS) levy is a charge levied on each national vocational qualification (NVQ) by awarding bodies, which is then passed to sector skills councils to fund NOS development work. *Delivering World-class Skills in a Demand-led System* proposed to replace this levy with a direct grant to sector skills councils from autumn 2008. This will lead to an overall reduction in the costs of NVQs from awarding bodies, as they will stop charging the NOS levy. There will be a corresponding reduction in the LSC's grant of £4.5 million from 2008/09 onwards.

Foundation Learning Tier

In 2008/09, we will begin to implement a refocused strategy for the FLT to increase engagement among young people and adults, raise learner achievement and improve progression to Level 2. We will also examine how the wider learning and skills offer below Level 2 can be used to enhance individuals' employability – with provision focused on helping more people to get a job. This will include the assimilation of some existing programmes – for example Entry to Employment (E2E), Foundation Learning in FE and First Steps – within the FLT by 2010/11. We will clarify the parameters for FLT investment as we move towards the full roll-out over the Comprehensive Spending Review period.

Over time, we envisage that the majority of formal learning opportunities eligible for funding below Level 2 will be made up of units and qualifications within the FLT (those accredited into the QCF at Entry Level and Level 1). The new organising structures within the FLT will eventually replace current arrangements in terms of programmes like E2E, Foundation Learning in FE (to include provision for those with learning difficulties and/or disabilities below Level 2) and First Steps.

Local LSC partnership teams will ensure that each locality has a sufficient offer of FLT provision, within the budgets available, to engage more people in learning that supports their progression into further learning and/or employment.

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Raising and Assuring Quality

We remain committed to raising quality by only funding provision that meets our performance benchmarks. We are committed to working with partners to **eliminate inadequate provision** across the FE system by 2008.

In 2007/08, we introduced **minimum levels of performance** to help us to identify and then remove funding from poor-quality providers. In 2008/09, we will extend the scope of this to cover more areas of provision, and we will raise the benchmarks from last year's levels to encourage continuous improvement within the FE system. The most significant change has been for A-levels, where a differentiated, higher level has been introduced to reflect high national performance.

We will assess performance against the minimum levels using the latest available data as well as self-assessment reports. For Apprenticeships, we will use the new overall measure of success as the main measure of success from 2008/09 onwards. It will be used by the LSC and the Office for Standards in Education, Children's Services and Skills (Ofsted) as part of college and provider performance reports.

Minimum levels of performance for Apprenticeship provision will be used by the LSC to inform contracting decisions, but it should be remembered that we are aiming to secure the best provision available. The mean achievement rate in all sectors for both Apprenticeships and Advanced Apprenticeships is now above 50 per cent, and we intend to move beyond this figure for the minimum level of performance in the near future.

For 2008/09, we have set an 'indicative' minimum level of performance for TtG. This will enable us to have robust discussions with providers about their performance but for this year will not result in the removal of funding. This reflects the fact that TtG has yet to complete a full year of operation and, as such, there is not a full data set at the time of publication.

While the minimum level of performance will be set at 65 per cent for TtG, we believe that it is important to send clear signals to employers and to the FE system about our commitment to ensuring high-quality provision across this service.

We will raise the benchmarks from last year's levels to encourage continuous improvement

To pursue this ambition, we expect all providers to move towards success rates of 80 per cent or above. We will therefore use the available data to analyse and discuss performance with colleges and providers.

Table 1: Minimum levels of performance across areas of provision in England

Programme or qualification type	Minimum level of performance (success rate)
FE long qualification Level 1	55%
FE long qualification Level 2	55%
FE long qualification Level 3	55%
A-levels	75%
FE long qualification Level 4 or higher	55%
FE short qualification (5–24 weeks – all levels)	62%
Apprenticeships (full framework)	45%
Advanced Apprenticeships (full framework)	45%
Train to Gain	65%

Source: *Identifying and Managing Underperformance* (due to be published in December 2007)

Moving Forward

Increasing the scope of Notices to Improve

In 2007/08, we have introduced **Notices to Improve** to tackle poor provision in FE colleges. These are issued where a substantial proportion of provision has been identified as inadequate or underperforming, either through inspection or through analysis of success rates against the minimum levels of performance.

In 2008/09, we plan to extend the range of triggers that could result in a Notice to Improve to include concerns about financial health and control. We will provide more information about this in *Identifying and Managing Underperformance*, which we are due to publish shortly.

As part of our arrangements to identify underperformance in all the provision that we fund – no matter where it is delivered – we are working in partnership with local authorities and their school improvement partners to **challenge and support the performance of post-16 provision in schools and academies**.

The LSC will contribute to the Quality Improvement Agency-led improvement strategy that sets out how we intend to improve the support offered to colleges and providers to help them to adapt to a demand-led system. This includes the expectation, set out in all of our contracts and funding agreements with providers, that they will ensure that their staff are appropriately qualified and trained, in accordance with new requirements. This supports the expectation that every college and provider should have a fully qualified teaching workforce by 2010.

The Further Education and Training Act 2007 provides the legal framework within which the intervention policy will operate. The LSC National Council

will have to publish an intervention policy to explain how and when powers of intervention will be used. We will consult on the policy in January 2008, and we will set out:

- our existing powers and the new powers conferred;
- how we will use these powers to identify and manage underperformance; and
- when and how we would intervene to ensure positive change.

Equality and diversity

In April 2007, we launched our Single Equality Scheme, which is our strategy for equality and diversity. We want all colleges and providers to work in the spirit of this strategy and to contribute to delivering its aims. We expect all colleges and providers to develop equality and diversity impact measures to set out what improvements they will be making to equality of outcomes for individuals in learning. We will review progress as part of our ongoing strategic dialogue. We continue to support colleges and providers through our support programme.

Driving towards self-regulation

We believe that the successful development of a demand-led system is the key to achieving self-regulation. The reforms and developments that we introduce therefore need to be seen in this wider context. Similarly, they need to be part of a new relationship between the LSC and the FE system.

We expect strong leadership and governance across schools, colleges and providers, with a renewed emphasis on delivering greater quality and stronger performance and responding positively and creatively to the challenges and opportunities of a demand-led system. This means a changed role for the LSC that builds on the principles of light-touch planning, moving us to a position where we no longer require colleges and providers

to agree development plans with us. We will expect to receive copies of their annual financial plans and business plans, though.

From 2008/09, local partnership teams will engage with colleges and providers in wide-ranging discussions about the balance of what they offer, and how that responds to the needs of learners, employers and communities. This will include sharing local labour market intelligence and analysis to agree where provision needs to be focused. Increasingly, there will be a greater emphasis on what colleges and providers can do to support the integration of employment and skills activity.

We will agree a streamlined summary statement of activity which will capture key delivery volumes and associated funding for all of the LSC's main funding blocks. Where specific delivery priorities have been agreed – for example working with a specific client group or sector – these will be added to the terms and conditions in the funding agreement or contract as necessary.

This process of negotiation and dialogue for the majority of our provision will offer a degree of stability of income for most providers. However, we recognise that demand-led funding will create financial planning challenges, particularly where there is greater competition and where funding is dependent on results. We will work with providers to model and communicate the financial effects of these changes. Through transitional arrangements and support programmes, we will seek to ensure that we do not undermine the overall capacity of the FE system.

We will also work with government departments and with the FE system to further refine and implement plans for self-regulation more broadly over the coming years.

Where we are concerned that the actions of providers or brokers could damage the reputation of the FE system, we will tackle this swiftly and decisively.



Our Investment Strategy

Our Investment Strategy

This section sets out how the LSC will use the funding allocated by the Government for 2008–09 to 2010–11, alongside the investment made by employers and the people who benefit from learning, to deliver the priorities and targets outlined in the 'Our Targets and Priorities' section.

We will take forward the process of reallocating funds towards the priorities set out in *Priorities for Success 2006–08* (published by the LSC in October 2005), *Raising our game: Our Annual Statement of Priorities* (published by the LSC in October 2006), *World Class Skills: Implementing the Leitch Review of Skills in England, Skills in England 2007* (published by the LSC in September 2007) and in the proposal to raise the participation age to 18. This will ensure that we get the best value for money from all the funds available from the Government and elsewhere, to meet the underlying goals of increasing participation and attainment among young people and raising the skills of the workforce.

From 2008/09, the funds announced in the Comprehensive Spending Review (CSR) for the learning and skills sector will be distributed using the new funding arrangements developed as a result of the White Paper *Further*

Education: Raising Skills, Improving Life Chances (published by the former Department for Education and Skills in March 2006) and *Delivering World-class Skills in a Demand-led System*. The new arrangements incorporate the following.

- The common 16–18 model for school-, college- and provider-based learning.
- The learner-responsive model for college- and provider-based adult learning.
- The employer-responsive model for employer-based provision, including Train to Gain (TtG) and all Apprenticeships.

The main changes arising from the CSR settlement set out in this section are grouped around these three models, details of which will be available on the LSC website this autumn.





£11.2 billion

Government funding for learning and skills has increased from £6.5 billion in 2001–02 to £11.2 billion in 2007–08

Government investment

Government funding for learning and skills has increased from £6.5 billion in 2001–02 to **£11.2 billion** in 2007–08 – an increase of £4.7 billion. During the CSR period 2008–09 to 2010–11, government investment is planned to increase by a further £1.2 billion.

Alongside this increase in government investment, the sector has started to increase the investment that it generates from employers and individual learners. Since 2005/06, funds generated by full-cost recovery work have increased substantially – as have the fees collected per taught hour. We will accelerate this trend to reflect the ambitions of *World Class Skills: Implementing the Leitch Review of Skills in England*.

Capital spending will increase by £110 million in 2007–08, by £235 million in 2008–09 and by £265 million in 2009–10. This will mean that government investment in world-leading facilities for the FE and skills sector will total over £2.3 billion over the next three years.

By 2010–11, an additional £734 million will be spent on provision for 16- to 18-year-olds, with the aim of raising participation at the age of 17 to just under 86 per cent. This should mean that major steps can be taken towards the goal of a full entitlement of Diplomas, Apprenticeships and general qualifications for all young people. Overall investment in adult learning will increase by £535 million, allowing us to provide a full range of adult learning (including learning directed towards achieving government targets for Skills for Life, Level 2 and Level 3 achievements – including Apprenticeships). The additional funds will also support the development of the FLT, protect provision for learners with learning difficulties and/or disabilities, and maintain funding for Adult Safeguarded Learning.

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16–18 Funding

86 per cent

We aim to increase participation among 17-year-olds from 79 per cent in 2007/08 to nearly 86 per cent in 2010/11

Increasing participation and achievement

As the 'Our Targets and Priorities' section explained, we want to continue to increase the proportion of young people taking part and succeeding in learning, as a step towards participation by all young people under the age of 18. We also want to ensure that all young people have the same high chances of success – regardless of their background. In line with the new Public Service Agreement targets, we will continue to focus on enabling more young people to reach Levels 2 and 3 at 19. This will fulfil the September guarantee for all young people to be in education or training after year 11, and will reduce the number of young people who are not in education, employment or training.

As a step towards full participation in education up to the age of 18, we aim to increase participation among 17-year-olds from 79 per cent in 2007/08 to nearly 86 per cent in 2010/11. Even though the 16–18 age group peaks in 2008/09 and then declines by 65,000 by 2010/11, we plan to increase the total number of learners in the 16–18 group funded by the LSC by 59,000 – from 1,457,000 in 2006/07 to 1,516,000 in 2010/11.

To maximise choice for young people, we have secured sufficient funds to enable schools, colleges and providers to continue to recruit from the declining 16–18 group, increasing participation among young people. The continuing improvement in GCSE results and the introduction of Diplomas will also encourage more young people to take up school and college places at 16.

As the proportion of young people participating in learning increases, we know that more will want to have the opportunity to pursue a work-based route. So we plan to engage more employers and expand Apprenticeship places to 281,000 by 2010/11 – an increase of 18 per cent. This will be a major step towards the Government's commitment to ensuring that, by 2013, all suitably qualified young people have the opportunity to undertake an Apprenticeship if they wish to do so.

The projected numbers for young people following the FE, school sixth form and Apprenticeship routes represent our best estimates of the needs of the 16–18 age group up to 2010/11. Actual take-up of places will be determined by the choices made by young people.

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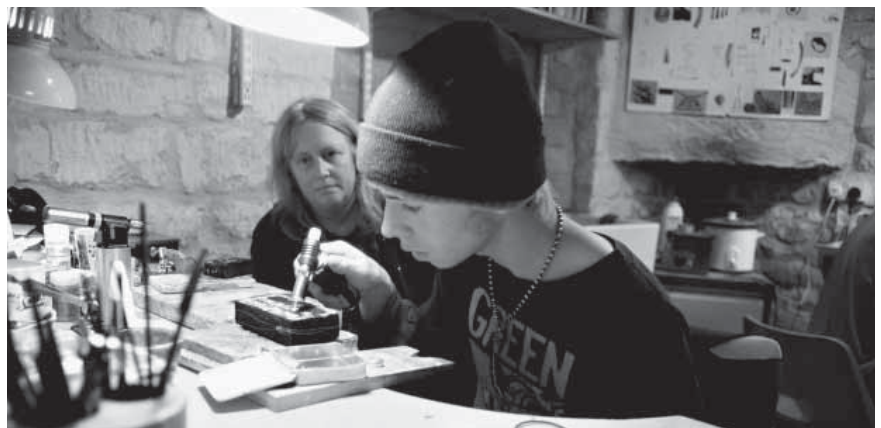


Table 2: Planned funding for learning for young people in England between 2007–08 and 2010–11 (£ million)

	2007–08	2008–09	2009–10	2010–11
Further education	3,046	3,300	3,416	3,556
Apprenticeships	624	637	705	776
Entry to Employment	198	185	186	191
School sixth forms	2,053	2,108	2,178	2,251
Maintained	2,023	2,054	2,082	2,101
Academies	30	54	96	150
Total	5,921	6,230	6,485	6,774

Note: Funding for academies is provided through the Department for Children, Schools and Families (DCSF).

Source: LSC grant letter 2008–09

Table 3: Projected numbers of young people learning in England between 2006/07 and 2010/11

	2006/07	2007/08	2008/09	2009/10	2010/11
Further education	760,000	773,000	773,000	773,000	773,000
Full-time FE	639,000	655,000	660,000	664,000	666,000
Part-time FE	121,000	117,000	113,000	109,000	107,000
Apprenticeships	246,000	238,000	240,000	260,000	281,000
Entry to Employment	66,000	70,000	70,000	70,000	70,000
School sixth forms	385,000	391,000	392,000	392,000	392,000
Maintained	379,000	382,000	376,000	370,000	364,000
Academies	6,000	9,000	16,000	22,000	28,000
Total	1,457,000	1,472,000	1,476,000	1,495,000	1,516,000

Note: the average numbers of people in learning on Apprenticeships are 149,000 in 2006/07, 151,000 in 2007/08, 160,000 in 2008/09, 172,000 in 2009/10 and 183,000 in 2010/11.

Source: LSC grant letter 2008–09

Table 4: Projected participation in learning among 16- to 18-year-olds in England between 2007/08 and 2010/11

	2007/08	2008/09	2009/10	2010/11
Proportion participating at 16	89.1%	90.1%	92.7%	93.9%
Proportion participating at 17	79.0%	80.0%	82.8%	85.8%
Proportion participating at 18	52.7%	53.0%	54.5%	56.7%
Proportion participating at 16–18	73.6%	74.2%	76.2%	78.3%

Source: LSC grant letter 2008–09

2.1 per cent

16–18 base rates in school sixth forms, colleges and E2E will increase by 2.1 per cent in 2008/09

Minimum funding guarantee and 16–18 unit costs

The minimum funding guarantee for schools in 2008/09 has been confirmed as 2.1 per cent. This will also apply to 16–18 provision in school sixth forms, colleges and Entry to Employment (E2E), so that base rates increase by 2.1 per cent. The Government has announced that the minimum funding guarantee for schools will also be 2.1 per cent in 2009/10 and 2.1 per cent in 2010/11. We envisage that the base rate increase for 16–18 provision will match these figures.

Funding rates for 16–18 Apprenticeships will increase by 1.6 per cent, as 0.5 per cent has been saved through the drive to reduce bureaucracy in Apprenticeships.

The CSR settlement includes funding to support the introduction of Diplomas, and for continuing improvements in success rates. But to enable us to offer opportunities for as many learners as possible, we need to control other unit cost increases, including those arising from the expansion of learners' programmes. With this in mind, we will make the following changes to our funding policies.

- We will remove the ability to claim for more than one learning aim in FE when learners transfer between aims in year. The new funding methodology will only allow funding for one or the other aim, not both.
- We will remove key skills from the funding rate for entitlement funding. This does not mean that the entitlement to key skills will change, but rather that schools and colleges will need to claim for this separately, and will only be able to claim when a learner has been registered for a key skills qualification.
- We will address the anomalies in funding rates for general national vocational qualification successor qualifications. As *Funding Rates – Changes for 2007/08* (published by the LSC in January 2007) pointed out, these qualifications are currently funded at a rate that does not reflect the awarding body recommended hours or actual practice. The rates will therefore be reduced in 2008/09.

We will continue to work with the DCSF to identify the key cost drivers and the ways in which costs per learner within the 16–18 group might be constrained so we can provide maximum funding to enable participation among all young people.



Introducing a common funding system for 16–18 learning

During 2008/09, we will introduce a simpler, more transparent, common 16–18 funding system for schools, colleges and providers. This will be based on a common measure of the size of qualifications or learning programmes – standard learner numbers (SLNs) – and a ‘provider factor’ that is unique to each institution. The common system will support better partnership and collaboration between institutions. For the first time, it will explicitly recognise the additional support needs of learners in school sixth forms.

There are four key aspects of the new formula that will have an impact on funding.

- A cap on funding has been established, based on the current maximum of 4.25 AS-levels plus entitlement funding. It will be applied at individual learner level. The LSC will not fund any learning above 1.75 SLN per year – equivalent to 22 hours per week.
- Success rates will be applied at individual institution or provider level, and incorporated into the ‘provider factor’. This will be new for school sixth forms, but a familiar process for FE and other providers.
- Disadvantage factors will be calculated using the most recent Index of Multiple Deprivation. This is a change from using free school meals for school sixth forms.
- A common system is being introduced for 2008/09 for additional learning support (ALS) below £5,500 (further details are included on page 54).

Apprenticeships for 16- to 18-year-olds will be funded from the 16–18 budget, and provision will be planned alongside the other options for young people at ages 16–18, under the guidance of the 14–19 partnership. As Apprenticeships are mainly delivered in the workplace, they more closely share the cost base used in the employer-responsive model, so funding will be calculated using that method in 2008/09. Payments will be made monthly in arrears, calculated on actual learner data for the previous month.

Introducing a standard funding system will also help us to narrow further the funding gap between school sixth forms and colleges. Research to be published by KPMG indicates that the introduction of the common funding approach could narrow the gap by 4 per cent between 2006–07 and the end of 2008–09. Following original research by the then Learning and Skills Development Agency, actions taken by the LSC in 2005–06 and 2006–07 have narrowed the funding gap by 4.5 per cent.

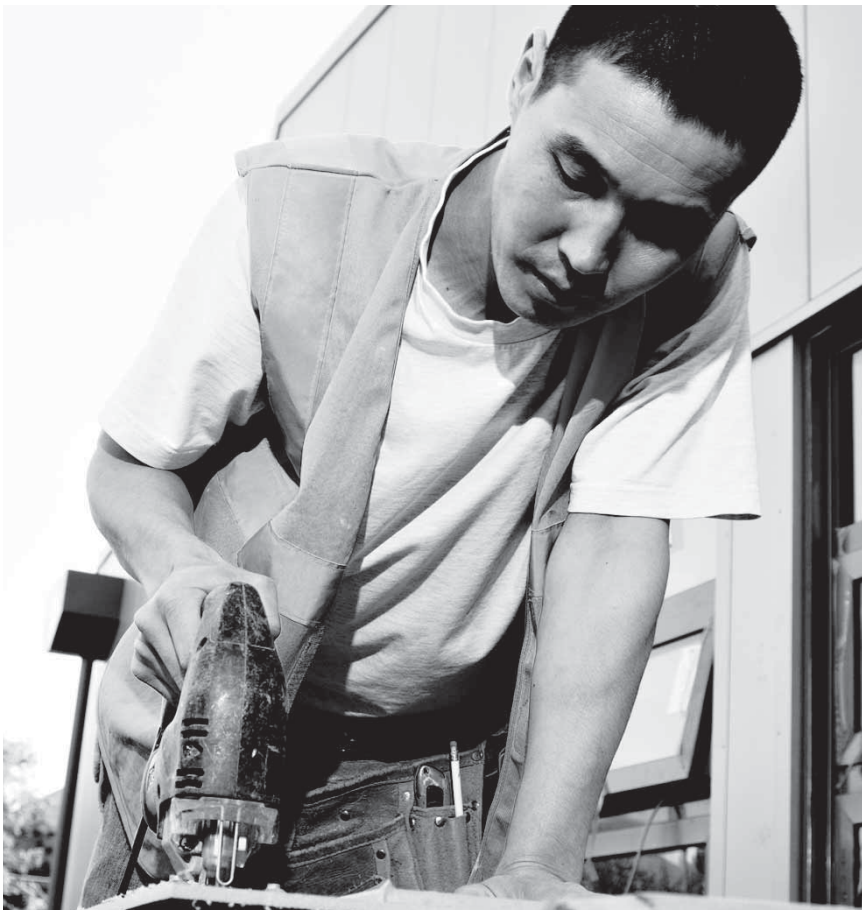
During 2008/09, we will introduce a simpler, more transparent, common 16–18 funding system



No institution will have a cash value of funding per learner (SLN) lower than in 2007/08

Transitional arrangements

We recognise that the new funding arrangements will have a differential impact on schools, colleges and providers. We will moderate this effect by limiting the variation in funding per learner (measured through SLNs) to +/-2.1 per cent in real terms. The result of this is that **no institution will have a cash value of funding per learner (SLN) lower than in 2007/08**; this will be achieved by limiting the maximum increase in funding per learner to 4.2 per cent in cash terms (2.1 per cent above the minimum funding guarantee of 2.1 per cent). The introduction of ALS as part of the funding formula for school sixth forms will be included in transitional protection so that the principles of the minimum funding floor are maintained.



These transitional arrangements are consistent with the minimum funding floor applied for school sixth forms. **The protection applies to funding per learner (SLN) only**; where learner numbers are planned to increase or decrease, budgets will be adjusted accordingly. We envisage that the transitional approach will bring a large majority of institutions into the normal funding arrangements within three years.

14–19 Diplomas

From September 2008, the first five new 14–19 Diplomas will be available for teaching in:

- construction and the built environment;
- creative and media;
- engineering;
- information technology; and
- society, health and development.

It is anticipated that there will be around 40,000 learners taking Diplomas in the first year, and the Diplomas will be delivered by 149 consortia of providers – all of which were successful in getting through the Diploma Gateway.

Following consultation, DCSF has decided that the LSC will fund Diplomas delivered to 16- to 18-year-olds, while funding for delivery in Key Stage 4 will be by local authorities – in line with instructions issued by DCSF to directors of children's services in August 2007.

Details of the funding rates assigned to Diplomas will be included in our operational guidance on rates, which will be published in December 2007.



Entry to Employment

For 2008/09, E2E will be funded using the new formula for 16–18 provision, with weekly payments being replaced by an SLN value for each week. E2E learners will receive entitlement funding, which will be funded from within the weekly SLN rate. Bonuses will continue to be paid for positive progression and achievement. E2E base rates will be increased by 2.1 per cent in 2008/09, in line with the minimum funding guarantee.

In summary

The 16–18 funding settlement for 2008–09 to 2010–11 will:

- increase overall participation among young people;
- support the next steps in the 14–19 reforms;
- maintain learner numbers in school sixth forms and colleges;
- increase Apprenticeship places;
- provide a basic funding rates increase of 2.1 per cent in 2008/09; and
- ensure that institutions have reasonable stability to manage change over the period up to 2010/11.

Adult Learning

Our investment in adult learning is focused on increasing social inclusion and economic success.

We will target public funding at those who are most excluded from the labour market

As the 'Our Targets and Priorities' section makes clear, improving skills not only helps to lift people out of poverty, but it also creates a better-skilled workforce for a more productive and competitive economy.

We will **target** public funding at those who are most excluded from the labour market, so that they have clear progression routes from below Level 2 to full Level 2 and on to higher-level skills. Our funds will deliver ambitious targets for Skills for Life, maintain expenditure on Skills for Life English for speakers of other languages (ESOL) in real terms, and support substantial increases in Level 2 and Level 3 achievements. We will widen our priorities to include the FLT as it is developed, and will safeguard the number of places for learners with learning difficulties and/or disabilities. We will also extend the range of financial support available to help people to learn.

These are our core adult learning priorities; we think a robust framework of skills development and qualification achievement has a crucial role in helping people to gain and remain in better-quality, sustainable employment. But we want to set these priorities within a comprehensive adult learning offer in each area.

For people who are qualified and able to contribute to the costs of their learning, we will work with colleges and providers to ensure that they can access a wide range of opportunities. These will be either part-funded by government with a matching fee contribution, or offered on a full-cost basis. We are extending the safeguard for personal and community development learning (PCDL), family literacy, language and numeracy and neighbourhood learning in deprived communities for the next three years.

These are challenging ambitions for the LSC and the FE system. We expect that while the total volume (measured in SLNs) of learning will be sustained, learners will on average be undertaking longer courses, and so the number of

publicly funded adult learners will reduce. This trend will bottom out over the CSR period as public funding is increasingly delivering priorities. However, there will be growth in the market for privately funded learning – from individuals, employers and overseas learners.

Adult learning funding system

From 2008/09, adult learning currently delivered through FE (other than employer-based national vocational qualifications (NVQs)) will be funded through the adult learner-responsive model. This will use the same funding formula as 16–18 provision, but there will be in-year and end-year reconciliation arrangements. There will be a direct link between the number of learners and the amount of funding received by a provider. The total funding for adult learning made available in the CSR allows increases of 1.5 per cent in base rates for adult learning for 2008/09, including 19–25 Apprenticeships, Apprenticeships for those aged 25 or over and TtG.

We will adopt transitional arrangements in the adult learner-responsive model in a similar way to the 16–18 model. The variation in funding per learner (measured through SLNs) will be limited to +/- 2.1 per cent in real terms. As the base rate increase will be 1.5 per cent, this means that the minimum funding per learner will be 0.6 per cent below 2007/08 levels, and the maximum 3.6 per cent above. As for the 16–18 model, the transitional arrangements apply to the funding **per learner** (SLN) only; increases or decreases in learner numbers will result in changes to budgets.

The continuing emphasis on our priorities for adult learning will require all institutions to consider how they can contribute most effectively to our strategy – offering a wider range of adult learning and contributing to the targets for Skills for Life, full Level 2 and full Level 3 achievements.

This will particularly be the case for local adult learning providers (including former external institutions) and specialist designated institutions. We propose to undertake a full review of the strategic role of these groups of providers, to help to identify how their important contribution to wider adult learning will be supported and delivered in the longer term. Pending this review, we will ensure that the institutions have reasonable budgetary

stability in 2008/09. Local adult learning providers (including former external institutions) will receive at least 90 per cent of their 2007/08 budgets. The funds that specialist designated institutions receive for delivering PCDL will be maintained.

This protection will be subject to an assessment of the quality of provision and any Notices to Improve, so that

we achieve the right balance between budgetary stability and securing high-quality provision for learners.

Later this year, the Government will consult more widely on informal adult education. This will mark a significant evolution of the strategy to ensure that more people engage in learning for its own sake.

Table 5: Funding for adult learning in England between 2007–08 and 2010–11 (£ million)

	2007–08	2008–09	2009–10	2010–11
Adult learner-responsive model	1,751	1,728	1,662	1,674
Adult employer-responsive model	990	1,155	1,309	1,587
Total	2,741	2,883	2,971	3,261

Source: LSC grant letter 2008–09

Table 6: Number of adult learners with learning difficulties and/or disabilities in England between 2006/07 and 2010/11

	2006/07	2007/08	2008/09	2009/10	2010/11
Further education, work-based learning, Train to Gain, adult and community learning and Ufi	361,000	378,000	378,000	378,000	379,000

Source: LSC grant letter 2008–09

Table 7: Numbers of adult learners in England between 2006/07 and 2010/11

	2006/07	2007/08	2008/09	2009/10	2010/11
Total learners	3,063,000	3,086,000	3,129,000	2,898,000	3,142,000
<i>of which</i>					
Foundation Learning Tier	371,000	375,000	378,000	381,000	384,000
Skills for Life	1,138,000	1,147,000	1,227,000	1,227,000	1,227,000
ESOL	272,000	275,000	261,000	255,000	251,000
Full Level 2	427,000	631,000	736,000	780,000	825,000
Full Level 3	160,000	210,000	273,000	301,000	521,000
Apprenticeships	92,000	106,000	113,000	123,000	125,000
Adult Safeguarded Learning	658,000	660,000	630,000	605,000	585,000
Developmental learning*	–	–	508,000	219,000	116,000

Source: LSC grant letter 2008–09

Table 8: Numbers of adults learning in England through the adult learner-responsive model between 2006/07 and 2010/11

	2006/07	2007/08	2008/09	2009/10	2010/11
Total learners	2,558,000	2,341,000	2,230,000	1,940,000	1,928,000
<i>of which</i>					
Foundation Learning Tier	361,000	364,000	368,000	372,000	374,000
Skills for Life	822,000	845,000	923,000	914,000	904,000
ESOL	271,000	274,000	260,000	254,000	249,000
Full Level 2	108,000	126,000	133,000	143,000	161,000
Full Level 3	109,000	122,000	137,000	157,000	165,000
Adult Safeguarded Learning	658,000	660,000	630,000	605,000	585,000
Developmental learning*	–	–	497,000	216,000	116,000

Source: LSC grant letter 2008–09

Table 9: Numbers of adults learning in England through the employer-responsive model between 2006/07 and 2010/11

	2006/07	2007/08	2008/09	2009/10	2010/11
Total learners	505,000	745,000	899,000	958,000	1,214,000
<i>of which</i>					
Foundation Learning Tier	11,000	11,000	10,000	10,000	10,000
Skills for Life	316,000	302,000	304,000	313,000	323,000
ESOL	1,000	1,000	1,000	1,000	1,000
Full Level 2 (excluding Apprenticeships)	319,000	505,000	603,000	637,000	664,000
Full Level 3 (excluding Apprenticeships)	51,000	88,000	136,000	144,000	356,000
Apprenticeships	92,000	106,000	113,000	123,000	125,000
Developmental learning*	–	–	11,000	3,000	–

Source: LSC grant letter 2008–09

* Developmental learning is defined as learning that is below Level 2 and outside the national qualifications framework, and learning that is above Level 3. Figures are indicative and subject to further modelling. Activity associated with developmental learning will form part of the consultation to be launched by the Secretary of State shortly to help to inform our approach to adult learning.



£1 billion

The total funding available for Skills for Life will increase to over £1 billion by 2010–11

Skills for Life

In order to meet our target of 95 per cent of the working-age population achieving the basic skills of functional literacy and numeracy, we will continue to prioritise certain groups of learners. These include the most excluded in society, those in receipt of income-related benefits (including Jobcentre Plus customers), the low-skilled in the workplace, and offenders.

The ambition for numeracy set out in Lord Leitch's report is particularly stretching. To reach the first indicator of 165,000 learners per year achieving at least Entry Level 3 by 2011, there will need to be a far greater emphasis on numeracy provision from all partners. All providers are therefore expected to offer numeracy assessments for their literacy and language learners, and endeavour to engage them in the most appropriate numeracy provision wherever possible.

To increase the rate of improvement in the literacy and numeracy skills of adults, Lord Leitch's report highlighted the need for provision to be delivered 'both through specific basic skills qualifications and "embedding" functional literacy and numeracy within other qualifications'. Although higher success rates can be delivered through embedded delivery, this should not be seen as a cheaper route to qualification achievement. Providers should view embedded delivery as an opportunity to make the learning more relevant to the individual, and to increase learners' chances of success.

The total funding available for Skills for Life will increase from £946 million in 2007–08 to £1,018 million by 2010–11.

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Table 10: Planned LSC investment funding between 2007–08 and 2010–11 (£000)

	2007–08	2008 09	2009–10	2010–11
Participation – young people				
School sixth forms	2,022,918	2,054,284	2,082,360	2,101,397
16–19 further education	3,045,790	3,300,077	3,416,064	3,556,140
16–18 Apprenticeships	624,299	636,847	705,251	776,153
Entry to Employment	197,810	185,170	186,010	190,714
Specialist provision for learners with learning difficulties and/or disabilities	185,869	196,311	236,311	275,647
Total participation – young people	6,076,686	6,372,689	6,625,996	6,900,052
Participation – adults				
19+ further education	1,612,655	1,576,452	1,504,867	1,510,199
Ufi/learndirect	113,625	122,100	122,000	122,000
Employability skills programme	24,409	29,102	35,529	41,770
Adult learner-responsive subtotal	1,750,689	1,727,653	1,662,396	1,673,968
19+ further education	194,287	208,275	214,352	230,559
Apprenticeships	275,010	290,068	317,024	333,646
Train to Gain	520,527	657,073	777,287	1,023,240
Employer-responsive subtotal	989,824	1,155,416	1,308,663	1,587,445
Adult Safeguarded Learning	210,000	210,000	210,000	210,000
Offender Learning and Skills Service	113,038	122,203	124,770	127,933
Total participation – adults	3,063,551	3,215,272	3,305,830	3,599,346
Learner support and development				
Learner Support Fund	811,874	759,279	739,279	739,279
14–19, adult skills and quality reform	548,247	270,816	253,368	239,514
Capacity and infrastructure	69,840	62,758	62,967	65,814
Total learner support and development	1,429,961	1,092,853	1,055,614	1,044,607
Capital grants				
Total capital grants	584,480	694,400	819,800	849,800
Total planned LSC investment	11,154,678	11,375,214	11,807,240	12,393,805

Source: LSC grant letter 2008–09

English for speakers of other languages

There has been high demand for ESOL provision over the last few years, so we have changed the funding policy for 2007/08. Automatic fee remission has been removed, and free tuition has been focused on priority groups (including people who are unemployed or in receipt of income-based benefits). The groups that are eligible for fee remission are set out in *Funding Guidance for Further Education in 2007/08* (published by the LSC in March 2007). The same policy will continue in 2008/09, with ESOL Skills for Life qualifications considered to be a subset of literacy qualifications, and counting towards the new literacy ambition at the appropriate levels.

However, the challenge of meeting the high demand for ESOL continues. Provision of English-language learning is widely acknowledged as crucial. *Our Shared Future* (published by the Commission on Integration and Cohesion in June 2007) signals the central significance of English as both 'an important part of our shared heritage, and a key access factor for new communities to the labour market and wider society'. It 'binds us together as a single group in a way that a multiplicity of community languages cannot'.

The Government is committed to providing substantial support for ESOL learning. Funding for 2008/09 will be based on projected spending in 2007/08 at £265 million, and will increase in real terms over the CSR period. However, public funding for ESOL must be targeted more precisely. We will be working with the Department for Innovation, Universities and Skills (DIUS) to support a consultation with

stakeholders over revised criteria for focused funding. This will be based on ESOL learner types, derived from the findings of the race equality impact assessment that we undertook earlier this year.

In 2007–08, £4.6 million has been added to the discretionary Learner Support for Hardship and Childcare fund to help to support learners who have been identified (by the race equality impact assessment) as being unintentionally disadvantaged by policy changes. DIUS and the LSC will be monitoring the impact of this additional funding in order to ascertain whether further support is required in 2008–09.

ESOL for Work

A new suite of international ESOL qualifications called ESOL for Work has been introduced. These shorter, work-focused qualifications are available in 2007/08 at Entry Level 3 and Level 1. DIUS and the Qualifications and Curriculum Authority will also be discussing the possibility of developing other levels. These qualifications are expected to extend learner choice and in particular to be suitable for people studying English language mainly for work purposes. They are funded at a listed rate with a programme weighting of 1.0 and no automatic disadvantage uplift.

As stated in the addendum to *Funding Guidance for Further Education in 2007/08*, international English-language qualifications are ineligible for public funding and providers are expected to charge the full cost. The one exception to this is the International English Language Testing System band 6/7; however, from 2008/09, this qualification will also become ineligible for public funding.

A new suite of international ESOL qualifications called ESOL for Work has been introduced

In *Raising our game: Our Annual Statement of Priorities*, we highlighted that we expect employers that have recruited workers from outside the UK to bear the full cost of any necessary English-language training. DIUS is continuing consultation with key partners and stakeholders to determine the processes for implementing this policy.

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Level 2 achievements will need to double, and Level 3 achievements will need to almost treble to meet our targets for 2010/11

Full Level 2 and Level 3 growth

One of the Government's key priorities is to increase the number of adults attaining Level 2 and Level 3 qualifications, including through Apprenticeships. Colleges and providers have increased full Level 2 achievements four-fold between 2001/02 and 2006/07, but we need to do more. Level 2 achievements will need to double, and Level 3 achievements will need to almost treble to meet our targets for 2010/11. In 2008/09, we expect to invest 28 per cent of the adult budget on full Level 2 provision, and 14 per cent on full Level 3. Building on the policy introduced in *Raising our game: Our Annual Statement of Priorities*, we will expect colleges and providers receiving significant adult funding to direct a minimum of 15 per cent towards full Level 2 and 10 per cent towards full Level 3 activity, with most providers directing more funding to these qualifications. We also want colleges and providers to focus on increasing the proportion of learners achieving **first** full Level 2 and Level 3 qualifications.

Integrating employment and skills

We will work with Jobcentre Plus to put into effect the new shared target of moving more people into sustainable employment and progression. Skills for Jobs is an umbrella term referring to all LSC-funded activity that helps people to get a job or improve their employability, and supports local employment partnerships. It includes various programmes and funding streams such as the employability skills programme and specifically commissioned Skills for Jobs activity. In addition, particular funding streams, such as the European Social Fund and neighbourhood learning in deprived communities, are increasingly being focused on supporting those who face disadvantages in the labour market, helping them to make the transition into work.



Income generation

Delivering the vision of *World Class Skills: Implementing the Leitch Review of Skills in England* depends on shared responsibility and investment between employers, individuals and the Government. In *Priorities for Success 2006–08* we announced our intention to raise individual contributions to around 50 per cent by 2010/11. This section outlines how the LSC will work with colleges to recognise the strategic importance of income generation, and expand the sector by increasing the contributions made by individuals and employers.

Independent research conducted for the LSC by RCU has found that the FE system has responded positively to the LSC's fees policy and has made progress towards implementing new fee structures. There is no evidence that fee increases, in themselves, have had an impact on the number of enrolments. The majority of colleges have increased their fees in line with the rising fee assumption – and some have gone further – without losing learner numbers. Ministers have therefore confirmed that the fee assumption will increase to 42.5 per cent in 2008/09, to 47.5 per cent in 2009/10 and 50 per cent in 2010/11.

We need, however, to redouble our efforts to increase privately funded learning. More income from fees and full-cost activity is essential if colleges and providers are to maintain and expand their capacity to deliver a comprehensive range of adult learning opportunities in every locality. Therefore, we are:

- adopting an additional fee income measure of fees collected per taught hour;
- significantly improving our focus on target-setting for both fee contributions and full-cost recovery;

- improving our data collection methods;
- including income generation as a measure within the Framework for Excellence;
- introducing employer contributions into the TtG service; and
- encouraging providers to be bold when setting fee levels.

We recognise that achieving these assumptions will be challenging, and have identified three strands of work that will support the sector to realise more income from fees and full-cost work.

- Further research will be published to assist the sector to understand the price elasticity of adult learning and to identify strategies to increase income.
- A sustained marketing and communications campaign will be used alongside the cross-governmental skills campaign to increase learner and employer awareness of the value of learning and enhance their willingness to pay.
- A package of developmental support from the LSC, Quality Improvement Agency and the Centre for Excellence in Leadership is being developed with the assistance of the Association of Colleges and the National Institute of Adult Continuing Education.

The first strand of work is already in progress, and the second and third strands will start in January 2008.

The overriding message from the research to date is that colleges should be bold in setting fee levels, and take a longer-term view of learner responses, rather than making judgements that lead to course closures on the basis of short-term drops in numbers.

More income from fees and full-cost activity is essential

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£210 million

There will be £210 million to support Adult Safeguarded Learning in 2008/09

Adult Safeguarded Learning

A total budget of £210 million is available to support Adult Safeguarded Learning in 2008/09 – the same as in 2007/08. A similar budget will be made available in each of the following two years (2009/10 and 2010/11), and this will provide a known level of stability to support forward planning. The safeguard is actually comprised of four discrete elements of provision; although each of the components is separately funded from within the total, we acknowledge that there may need to be some local flexibility in applying these discrete amounts to create a relevant and coherent Adult Safeguarded Learning offer.

- PCDL: £153 million.
- Family literacy, language and numeracy: £25 million.
- Wider family learning: £12 million.
- Neighbourhood learning in deprived communities: £20 million.

Funding to support the agreed programme of PCDL provision in 2008/09 will be distributed by LSC regions and is not expected to be allocated on a significantly different basis to that of previous years.

Continuing PCDL reform

The ways in which we now plan and fund PCDL were set out in *Raising our game: Our Annual Statement of Priorities*, and the reform process will continue in 2008/09. In line with those previously signalled changes, an agreed number of local PCDL partnerships will now operate in each region. The partnerships will assist in mapping all existing provision and then in planning where best to focus local funds to avoid duplication, eliminate gaps in provision and target those who, in the past, have benefited least from publicly funded learning opportunities. A support pack will be developed by the end of 2007 to enable partnership teams to make an opening assessment of the relative value for money of their PCDL provision. This can then be used to improve PCDL commissioning and to raise standards.



Benchmarking safeguarded learning

The LSC has been working with stakeholders to map and assess the diversity and costs of safeguarded learning, but the variations in the patterns of provision make like-for-like cost comparisons difficult. We are developing a set of performance indicators to measure the participation, reach and value for money of safeguarded learning, from which to build robust national benchmarks.

To ensure the best possible value for money, we are implementing a process of improvement as part of the 2008/09 business cycle.

- We will work with adult education services to improve the quality of data.
- We will build on the current mapping exercise to classify each service into a number of types for comparison purposes.
- We will produce comparative tables of costs by type of service and will identify costlier services.
- We will establish the drivers for costs and will identify areas for improvement, based on the LSC's research.
- We will challenge services and partnerships to address these areas and to justify the type of service that they are providing.
- We will monitor progress with partnerships.



In summary

The funding settlement for adult learning from 2008–09 to 2010–11 will:

- target public funding at increasing social inclusion and economic success;
- increase Skills for Life funding for all ages of learners to over £1 billion by 2010–11;
- maintain Skills for Life ESOL funding at projected 2007/08 levels in real terms;
- support substantial growth in full Level 2 and full Level 3 achievements;
- maintain the safeguarded funding for adult learning at 2007/08 levels; and
- provide transitional arrangements to help colleges and providers to manage change effectively.

Employer Provision

From 2008/09, all employer-based activity, including provision contracted with large employers through the National Employer Service, will be funded through a single employer-responsive model.

This activity will include the following.

- TtG covering Skills for Life and full Levels 2, 3 and above, including employer-based NVQs that are currently delivered through the FE funding system (types 2 and 3).
- Apprenticeships for all ages will be calculated using the employer-responsive funding model. However, 16–18 Apprenticeships will be planned and managed through the 16–18 budget.

This model reflects the principle that the amount of funding earned by providers should be directly affected by employer demand and choice. Providers will be paid monthly in arrears, based on actual delivery.

We are currently finalising a review of the funding rates to be applied to TtG provision in the employer-responsive model. The review is based on activity costs, using similar models and tools to those developed for a previous review of Apprenticeship rates during 2005 to 2007. The outcomes of the current phase of the review will be incorporated in the 2008/09 rates, which will be published in December 2007.

The employer-responsive model brings together a number of programmes at different stages of development. Over the period up to 2010/11, we envisage that we will integrate these programmes into a broad TtG service for employers. This process of transition, however, will require some variations between programmes in 2008/09. Base rate increases will vary between 16–18 Apprenticeships (1.6 per cent), 19–25 Apprenticeships and Apprenticeships for those aged 25 or over (1.5 per cent), employer-based NVQs in FE (1.5 per cent) and TtG (to be determined following the outcome of the current rates review).

Transitional arrangements will apply to Apprenticeships (16–18 and 19–25 and for those aged 25 or over) and employer-based NVQs on a similar basis to the adult learner-responsive model. However, as TtG is not yet fully developed, it is not necessary or practical to apply transitional arrangements.

Train to Gain

The TtG service will develop over the coming years to reach more employers and more employees. A crucial aspect of this will be widening the scope of the programme to include Level 3 and Higher-level Skills partnerships. Investment in TtG will increase to £657 million in 2008–09, and more than £1 billion in 2010–11, which in turn should deliver substantial growth in learner achievements at all levels.

£657 million
Investment in TtG will increase to £657 million in 2008–09

From 2008/09, employer-based NVQs that are currently delivered through the FE funding system (types 2 and 3) will transfer into the employer-responsive budget and be funded through the employer-responsive model. In 2005/06, this represented around £160 million of FE funding. For 2008/09, this NVQ provision will remain within college budgets, subject to meeting minimum levels of performance, and will only be tendered out if necessary. There will be a base rate increase in this funding of 1.5 per cent.

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Apprenticeships for those aged 19–25 and 25 or over

19–25

In some sectors, apprentices are most commonly recruited after the age of 18 because of legal considerations. Young people who achieve an Apprenticeship after leaving school are increasingly seeking to access an Advanced Apprenticeship after the age of 19. Sector skills councils have indicated that the demand from employers for apprentices over the age of 19 is high: we plan to increase the number of adults aged 19–25 and 25 or over who can benefit from Apprenticeship programmes by 20,000 between 2007/08 and 2010/11. Much of the funding for this will be delivered through TtG, under which apprentices can study for NVQs.

25 or over

Following the introduction, on a trial basis, of funding for adults to enable them to complete Apprenticeships, the LSC has allocated a budget of £25 million for Apprenticeships for those aged 25 or over in 2007/08. This will rise to £30 million from 2008/09. This funding will be prioritised to local and regional skills shortage areas, helping learners from under-represented groups to access Apprenticeships. In addition, employees who have successfully completed an NVQ through TtG will be funded to go on to achieve a full Apprenticeship, thus ensuring maximum flexibility in funding.

Other employer provision

Over the next few years, there will be further enhancement of specialist provision through national skills academies. At present, academies for manufacturing, construction, financial services and food and drink manufacturing are approved providers and are now leading the way in identifying the level of support from year 2 onwards. We will continue to support the concept of employer-led skills academies, delivered through a specialist network of providers.

£30 million

The LSC has allocated a budget of £30 million for Apprenticeships for those aged 25 or over in 2008/09



Over the next three years, the NES aims to more than double Apprenticeship learner numbers and quadruple TtG learner numbers

National Employer Service

The National Employer Service (NES) provides support and an account management service to multi-regional employers, with more than 5,000 staff in the UK, wishing to hold an LSC contract for a minimum of 200 learners. The core remit of the NES is to be a catalyst for large employers to invest in the skills of their workforce.

The service is currently responsible for procuring and contract-managing provision for around a quarter of all Apprenticeships (on average, this is the equivalent of 65,000 apprentices in learning) and 1 in 10 TtG learners. Over the next three years, the NES aims to more than double Apprenticeship learner numbers and quadruple TtG learner numbers. For 2008/09, the targets for NES are 68,000 apprentices and 42,000 TtG learners. Learner eligibility is the same as for other LSC contracts, but all organisations holding NES contracts are expected to make and implement their skills pledge.

The NES manages the performance of multi-regional providers that support small and medium-sized enterprises in specific sectors, on behalf of the regions, and will also make a major contribution to local employment partnerships. Employers with fewer than 5,000 employees (or with smaller learner numbers) and most providers serving local communities, will normally be supported by regional offices.

The NES aims to build strategic and funding relationships with an additional 120 employers over the next two years. In 2008/09, there will be a particular focus on employers taking greater ownership of their training and quality assurance and assessment programmes, embedding them wherever possible within their in-house programmes. There will be a focus on employers offering nationally recognised qualifications and progression to all of their people, in line with their skills pledge commitments.

In summary

The funding settlement for employer provision from 2008–09 to 2010–11 will:

- support the rapid expansion of the TtG service, to a total value of over £1 billion by 2010–11;
- widen the scope of TtG to include Level 3 and Higher-level Skills partnerships;
- increase 19–25 Apprenticeships by 20,000;
- allocate £30 million for Apprenticeships for people aged 25 or over in 2008/09; and
- expand the NES.

Supporting All Learners

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

We have recently appointed a new single helpline, assessment and payment body to administer the following learner support schemes from 2008/09.

- Adult Learning Grant (ALG).
- Education Maintenance Allowance (EMA).
- Care to Learn.
- Residential Support Scheme.
- Sixth Form Childcare Scheme.
- Dance and Drama Awards.

The new body will provide one port of call and will streamline the processes of learner support for both learners and providers.

We are looking to put in place arrangements for residential support on a national basis.

We anticipate that the ALG will help 23,000 adult learners in 2008/09, following full national roll-out in 2007/08.

23,000

In 2008/09, the Adult Learning Grant will help 23,000 adult learners

We are developing proposals to pilot a refocused Career Development Loans scheme from September 2008, to encourage their take-up for Level 3 qualifications.

The proposal put forward in Lord Leitch's report to replace the Learner Support Fund with a Skills Development Fund will be developed through discussions with DCSF and DIUS.

Improving the EMA

To improve the effectiveness of the EMA, which supports around 500,000 young people annually, we will introduce the following from 2008/09.

- An EMA guarantee, meaning that a 16-year-old is entitled to three years' worth of the EMA at the same rate, up to and including age 19, subject to successful income assessment.
- A new payment regime to encourage young people to complete their programme of study and to achieve their qualifications.
- A new definition of valid provision to include some non-standard courses that are intended to engage the hardest-to-reach. This will be subject to the outcome of the trials that are currently taking place.
- An entitlement for E2E learners to receive the EMA regardless of their household income.



By 2009/10, we aim to have in place a standard system to cover all learners with learning difficulties and/or disabilities or special educational needs

Learners with learning difficulties and/or disabilities

In *Learning for Living and Work* (published by the LSC in October 2006), our strategy for improving education and training opportunities for learners with learning difficulties and/or disabilities, we set out our aim of developing a fit-for-purpose funding system that is learner-focused, equitable across all areas of the FE system and provides appropriate levels of support for learning. This funding system is outlined in *Delivering World-class Skills in a Demand-led System*.

For 2008/09 to 2010/11 we have set aside funds to at least maintain the number of learners identifying themselves as having a learning difficulty and/or disability. Young people under 19 will be funded through the 16–18 model, and adults will be funded through the adult learner-responsive model.

We are implementing our proposals to improve the funding arrangements for learners with learning difficulties and/or disabilities in two phases: for 2008/09 we will introduce the new funding arrangements for ALS. ALS will be calculated and allocated separately from the main participation allocation, using a formula approach.

For lower-cost ALS, the formula is driven by GCSE points scores for the 16–18 model and level of study for the adult learner-responsive model. Allocations will be calculated using the formula, which will be phased in over two years. In 2008/09, 60 per cent of lower-cost ALS funding will be distributed through the formula, rising to 75 per cent in 2009/10. The remainder of the budget (40 per cent in 2008/09 and 25 per cent in

2009/10) will be allocated by regions to providers to cover aspects of ALS such as sensory impairment, physical disabilities and specific learning difficulties. Schools will receive 100 per cent of their allocation based on the formula, to ensure that the principles of the minimum funding floor are maintained. The existing 2007/08 Apprenticeship arrangements for ALS will be used for the employer-responsive model.

For higher-cost ALS, in 2008/09 the arrangements for the 16–18 and adult learner-responsive model will continue to operate in the same manner as 2007/08: support between £5,500 and £19,000 will be accommodated within the allocation, and anything over £19,000 will be by individual application to the LSC. The existing 2007/08 Apprenticeship model for ALS will be used for the employer-responsive model.

By 2009/10, we aim to have in place a standard system to cover all learners with learning difficulties and/or disabilities or special educational needs. We will establish an advisory group and will begin consulting on the details of this approach during 2007/08. During 2006/07, we commissioned a research project – *Funding for Learners with Learning Difficulties and/or Disabilities in School and Post-school Provision: An Integrated Approach* – to review funding in line with demand-led funding approaches. We are using this research to form the basis of discussions within the LSC and government departments.

In 2007/08 we launched the revised matrix approach for funding independent specialist providers as published in *Funding Guidance: Placement for Learners with Learning Difficulties and/or Disabilities at Specialist Providers 2007/08* (published by the LSC in December 2006). This approach will continue to be used in 2008/09.

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Redirection of non-participation development funding

The LSC will continue to direct as much funding as possible towards raising participation and improving achievement.

Development budgets will be reduced from £618 million to £305 million between 2007–08 and 2010–11. This will enable us to redirect over £899 million (over the three years) to directly fund participation and achievement. The majority of the remaining funding will be focused on supporting delivery within the FE system.

- We will build on existing collaborative relationships with key partners to take forward the Government's 14–19 reforms.
- We will provide comprehensive and impartial information, advice and guidance to learners.
- We will support the expansion and enhancement of the TtG service.
- We will develop new ways of working and will use technology to further strengthen the skills base of adult learners.

The LSC will continue to direct as much funding as possible towards raising participation and improving achievement

1.5 million

The number of 16- to 18-year-olds in learning will exceed 1.5 million in 2010/11

Impact of the funding changes

The investment made by the Government will enable us to continue to expand provision for young people, adult learners and employers. The number of 16- to 18-year-olds in learning will exceed 1.5 million in 2010/11 – the highest ever participation rate. Employer provision will expand rapidly through TtG and Apprenticeships: 505,000 employer-based learners were on Apprenticeships and TtG in 2006/07, rising to 1.2 million by 2010/11. The number of adults achieving full Level 2 and full Level 3 qualifications will also increase significantly. And we plan to at least maintain the number of learners identifying themselves as having a learning difficulty and/or disability.

Through our three new funding models (16–18, adult learner-responsive and employer-responsive) we are introducing a common measure of the overall 'volume' of learning activity being delivered – SLNs. These take account of the size of learning programmes, and so are a better measure of the scale of learning activity than a simple head count.

We expect total SLNs to increase from under 2.7 million in 2006/07 to over 3 million in 2010/11. SLN volumes for young people will grow from just under 1.8 million to 1.9 million. For adults, they will increase from under 900,000 to over 1.1 million.

For provision funded through the adult learner-responsive model, we will continue to focus on learning that enables the most disadvantaged to improve their skills – for better jobs and better lives. Our funding will support more substantial Skills for Life, full Level 2 and full Level 3 programmes, and we will maintain the number of learners undertaking FLT programmes at around 375,000 per year.

As a consequence, learners who are already well-qualified (and who can afford to do so) will need to make a greater contribution to the costs of their own learning. We will need to work with colleges and providers to support them in extending the range of learning that is delivered on a full-cost basis, ensuring that the needs of all learners and employers are met.

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