

All providers in London

28 November 2008

Dear colleague

Planning and Funding in London for 2009/10

Following the recent launch of our Annual Statement of Priorities and Grant Letter, and our briefing event for providers, I am writing to provide further information on the planning process for 2009/10, and to outline some key planning assumptions for the London Region. This is to inform the planning discussions with your LSC Partnership Team which will take place over the coming weeks and months.

For the benefit of transparency and consistency, I am writing in similar terms to all mainstream providers in the London region – providers of Further Education, Schools, Work Based Learning, Train to Gain and Employability programmes. I recognise that some of the contents of this letter may not be directly relevant to your organisation, but I hope you find it useful to see the wider context.

This letter also confirms our invitation to you to let us have, by Friday 19 December, your initial proposals for 2009/10 in terms of learner volumes and contribution to LSC priorities. (For Schools, it is only necessary to let us have your proposals if you wish to propose a growth in places in 2009/10 over and above your performance in 2008/09.)

Responding to the Economic Downturn

The economic climate has changed significantly in the last year, and all organisations in the private and public sectors are reviewing and revising their plans accordingly. Forecasts indicate that employment is likely to continue to decline for the next twelve months or so, and at the same time pressure on employers' training budgets will increase.

In London, the Mayor is developing an Economic Recovery Action Plan, to be published in December. Action on employment and skills will form an important part of this, and the LSC, with our key strategic partners Jobcentre Plus and the London Development Agency, will take forward the implementation of this part of the plan, within the context of the longer term Joint Investment Plan which we are developing. Later sections of this letter describe the measures we are proposing to take, both through the delivery of current programmes and through new activity, to tackle the consequences of the downturn. The key feature of these proposals is the focus on supporting people at risk of redundancy to remain in work, and helping those who have lost their jobs to re-enter employment as quickly as possible. We expect that this will lead all providers to review their offer, to ensure that there is an appropriate focus on employment, which may in turn lead to the development of new and different relationships with employers and with agencies such as Jobcentre Plus.

Recognising the volatility of the current economic situation, we will continue to review and update our action plan as circumstances change. We will also introduce greater flexibility for providers in the delivery of programmes such as Train to Gain. At the same time, whilst taking these shorter term measures, we do not intend to lose sight of our longer term ambitions. You will see that the planning assumptions for 2009/10 outlined later in this letter still reflect our desire for continued progress towards the LSC's Public Sector Agreement targets for young people's learning and adult skills.

London Learning & Skills Plan

I am pleased to enclose a link to the [fourth London Learning & Skills Plan](#), which we intend to publish in January. When published, it will include details of our proposed approach to commissioning, including volumes and funding. The closer working relationships with local authorities which we will build in the coming year will increasingly influence the future development and implementation of our plans. As in 2008/09, our plans for adult learning will be endorsed by the London Skills and Employment Board (LSEB) before the Plan is finalised. The Grant Letter published earlier in November confirmed a year on year increase in the adult learning budget for London, which is a positive starting point for the development of our plans. In preparing the London Learning & Skills Plan, we have sought to ensure a close alignment with LSEB thinking on adult learning in London, which is outlined in the LSEB's strategy published in July 2008, available at: <http://www.london.gov.uk/lseb>.

Our draft Plan highlights a number of key challenges for London, which we are inviting schools, colleges and providers to respond to in their proposals for 2009/10. In particular:

- In the light of my earlier comments on the current economic climate, there is a stronger imperative than ever to support people into work and to progress in work, with the added need to support those at risk of redundancy. This means we must achieve a much closer integration between skills and employment services. We are proposing to open up delivery of Skills for Jobs-type activity to any Train to Gain provider able to deliver pre-employment training: this would be through negotiated commissioning;
- We continue to aim for significant growth in Train to Gain and Apprenticeships, both for young people and for adults, and with additional flexibilities to enable providers to respond more effectively to the needs of employers and learners;
- There is a continued drive to meet the September Guarantee, and to reduce the number of young people not in education, employment or training (NEET); and
- In the light of the proposed transfer of funding for young people's learning to local authorities in 2010, we have agreed with partners in London to use 2009/10 as a 'dry run' when local authorities will work alongside LSC staff through the planning process in order to develop understanding and capability and support an effective transition.

Planning Assumptions 2009/10

Annex 1 to this letter outlines in broad terms our planning assumptions for 2009/10. For young people's learning, these assumptions are similar to 2008/09, and have been well signalled in advance. For adult skills, the assumptions are still subject to final agreement by the LSC's Regional Council and the London Skills and Employment Board in January, and so they remain draft, but we would not expect significant change at this stage.

Methodology for Allocating Funding to Providers

Annex 2 to this letter describes in some detail how we will allocate funding to providers. This is a national process, which will be applied equally in all regions. At this stage, given that the Annual Statement of Priorities has only recently been published, this process remains draft. However, we felt that you may find it helpful to have early sight of how the process is likely to work, and again we do not expect significant change at this stage.

I hope also that you will take some reassurance from the fact that the methodology is very similar to the approach we followed in 2008/09. That year saw significant change, with the introduction of Demand Led Funding and other policy and funding changes, which put pressure on processes and timescales. We hope to minimise these pressures and achieve greater stability in 2009/10.

Importance of Data Returns from FE providers

You will note from the description of the allocations methodology provided in Annex 2 that the process of producing the consolidated/rebased allocation will follow a formula which uses data supplied by providers. We believe this offers the most consistent and equitable way of allocating funding. For this approach to work at provider level, it is important that the data which you submit is complete, accurate and on time. In particular, I would draw the attention of FE providers to the importance of FO1 08/09 and FO5 07/08. We will not be able to make adjustments to allow for errors in data submission, other than where circumstances were beyond the control of the provider.

Quality and Responsiveness

As I was able to report last year, quality continues to improve considerably in London, when measured in terms of success rates and Apprenticeship framework completions, and inspection outcomes, thanks to the strenuous efforts of colleges, schools and providers. We remain ambitious to continue this trend in 2009/10 and beyond, and quality and responsiveness will be central considerations in our decisions about funding allocations for 2009/10. Details of our approach to Minimum Levels of Performance in 2009/10 were published in the recent Annual Statement of Priorities. We will continue to apply a rigorous regional framework in procuring all provision in 2009/10.

In recent years, we have provided significant support for capacity building and cultural change within the Further Education sector in London. We expect colleges and providers to continue this transformation in 2009/10 and beyond, including becoming more responsive to employers, increasing specialisation and introducing more flexible modes of delivery. As indicated earlier, the need to focus on employment outcomes, as well as skills and qualifications, is now greater than ever.

Planning Timetable

The table below summarises key dates over the coming months.

Date	Action
November	LSC publishes Statement of Priorities and Grant Letter Provider planning discussions begin.
19 December	Providers submit initial proposed planning numbers for 2009/10.
January	Planning discussions continue with Partnership Teams.
Mid January	LSC issues consolidated allocations for 16-18 (FE, Schools, E2E and Apprenticeships).
End of January	Providers submit second draft of proposed planning numbers.
End of January	LSC publishes London Learning & Skills Plan.

Date	Action
End of January	Invitation to Tender published.
February	LSC undertakes local, regional and national moderation of final allocations including growth.
Mid March	LSC issues final allocations for 16-18 (FE, Schools, E2E and Apprenticeships).
End of March	LSC issues final allocations for adult skills.

Request for Initial Proposed Planning Numbers for 2009/10

In the light of the information provided above, I would like to invite you now to let us have your initial proposals for 2009/10, following discussion with your Partnership Team. These are your initial proposals and there will be opportunity to refine them further as the planning dialogue progresses. When aggregated, they will enable us to see whether we are likely to be able to achieve our regional targets and whether further adjustments are needed.

Your Partnership Team will have sent to you a Summary Statement of Activity (SSOA) spreadsheet. **I would be grateful if you would complete the spreadsheet and return it to your Partnership Team no later than Friday 19 December.** (For Schools, it is only necessary to let us have your proposals if you wish to propose a growth in places in 2009/10 over and above your performance in 2008/09. If you do not return a spreadsheet, we will assume that you do not wish to propose growth, and will calculate your 2009/10 allocation based on your 2008/09 learner numbers.)

It is important that we receive proposals no later than this date, since we will be undertaking an initial review of the numbers in the first week of January. This will enable your Partnership Team to feed back to you later that month, prior to submission of revised planning numbers if necessary by the end of January.

The Summary Statement of Activity spreadsheet contains data for previous years (where available) which you should find helpful in developing proposals for 2009/10.

Conclusion

The big challenges which the sector faces in the year ahead are responding to the economic downturn, while at the same time maintaining progress towards our longer term goals, and paving the way for a smooth transition to the new structures which will be in place for 2010. It is helpful that we have a positive funding settlement for London for 2009/10, thanks to the influence of the Mayor and the London Skills and Employment Board, but I expect nevertheless that the degree of change required will continue to be challenging.

As in previous years, it is our intention that the process should be fair, transparent and consistent, and we will seek to maintain a close and open dialogue with you throughout. Should you have queries at any time, please refer to your Partnership Team as your first point of contact.

Yours sincerely

A handwritten signature in black ink that reads "David Hughes". The signature is written in a cursive style with a large initial 'D' and a long, sweeping tail on the 's'.

David Hughes
Regional Director

ANNEX 1 – PLANNING ASSUMPTIONS 2009/10

These figures are regional averages, and will vary at provider level, depending on key factors such as past performance, success rates etc.

16-18 Learner Responsive

- No overall increase in learner numbers in Further Education, and a reduction of about 4% in maintained School Sixth Forms. At the same time, learner numbers in Academies are expected to increase (though these are not funded by the LSC London). We expect that, although the participation rate will increase, the 16-18 population in many parts of London is forecast to be stable or to decline. There is some scope for us to consider growth proposals from individual schools and colleges, primarily where we have agreed to support capital development or infrastructure changes, provided these are offset by reductions elsewhere, and we will need to see strong evidence to justify growth. Factors we will consider in reviewing growth proposals include regional, local and sector priorities, local and regional demand from individuals and employers, historic trends, current year performance, quality and capacity.
- Following strong growth in the past year, we are aiming for growth of about 5% in 16-18 Apprenticeships. This is in the context of our Apprenticeship Plan for Growth, although we acknowledge that the economic downturn will affect young people's employment and that it will be challenging to maintain the growth trajectory. We will continue to apply the Regional Performance Management Framework in determining allocations for 2009/10.
- No change in Entry to Employment planned places. Currently across the region, too many planned places are not filled, and while we expect this to improve, we do not currently see a need to increase capacity further.
- An increase of 2 percentage points in the number of people achieving level 2 at 19.
- An increase of 1 percentage point in the number of people achieving level 3 at 19.

Adult Learning and Skills

These assumptions remain draft, pending agreement by the LSC Regional Council and the London Skills and Employment Board. They will be confirmed in the LSC's London Learning & Skills Plan at the end of January 2009.

Adult Learner Responsive

- An increase of about 6% in Full Level 2 learner numbers.

- An increase of about 2% in Full Level 3 learner numbers.
- An increase of about 3% in Accredited¹ Skills for Life learner numbers.
- Within this, an increase of about 30% in Accredited Skills for Life Numeracy learner numbers.
- ESOL provision to remain at current levels.
- An increase of about 1% in Foundation Learning Tier learner numbers.
- Funding for adult FE providers, including former External Institutions, protected at least 90% of the level in 2008/09, subject to agreement of the mix of provision.
- Funding for Specialist Designated Institutions protected at least 100% of the level in 2008/09, subject to agreement of the mix of provision.
- For Adult Safeguarded Learning (Adult & Community Learning), where we are maintaining the level of funding, we expect that planned learner numbers will reduce by no more than 4%, which mirrors the national planning assumption.
- A reduction of up to 10% in overall Adult Learner Responsive learner numbers.

Employer Responsive

- An increase of about 30% in Skills for Jobs and Employability Skills Programme starts. We are proposing to open up delivery of Skills for Jobs-type activity to any Train to Gain provider able to deliver pre-employment training. This would be through negotiated commissioning, and interested providers should discuss proposals with their Partnership Team before indicating proposed starts in the Skills for Jobs line on the Summary Statement of Activity spreadsheet.
- An increase of about 9% in Adult Apprenticeship starts.
- An increase of at least 25% in Train to Gain Full Level 2 starts.
- An increase of at least 50% in Train to Gain Full Level 3 starts.
- An increase of at least 50% in Train to Gain Skills for Life starts.
- No change in Train to Gain Foundation Learning Tier or Level 4 starts.

¹ Accredited Skills for Life includes all NQF/QCF provision up to, including and above the Leitch target levels.

- An increase of about 5% in overall Employer Responsive learner numbers.
- Additional flexibilities will be available to providers in the delivery of Train to Gain: in determining the extent to which providers may take advantage of some of these, we will consider past performance, quality and demonstrable employer links/demand.

Other Programmes and Budgets

- A new methodology for allocating Additional Learning Support (ALS) funding in Further Education was introduced in 2008/09, using prior qualifications (16-18) or level of study (ALR) as the basis for calculation. This produced some substantial changes at provider level, although the fact that London's ALS allocation increased overall enabled us to ensure that no provider's allocation reduced. Nationally, the methodology for 2009/10 is being reviewed, to address some anomalies identified in 2008/09, including around Skills for Life learners, and we expect that this may mean some reduction in the allocation for London. We are awaiting final confirmation of the budget, and are modelling ways in which the funding can be allocated consistent with the methodology whilst at the same time minimising turbulence for providers. We expect to confirm details in the New Year.
- We expect the Learner Support budget to increase in line with the inflationary assumptions set out in the Statement of Priorities. We will use prior years' expenditure to determine the allocation of funding, subject to affordability.
- Additional ESF funding will be available, both from the current programme and from additional resources made available as a result of the revaluation of sterling. Further information on the proposed use of this funding will be included in the Economic Recovery Action Plan referred to earlier in this letter. The LSC, JCP/DWP and the LDA are exploring a joint approach to commissioning this provision.

ANNEX 2 – ALLOCATIONS METHODOLOGY 2009/10 (DRAFT)

This is a national process, which will be applied equally in all regions. At this stage, given that the Annual Statement of Priorities has only recently been published, this process remains draft.

16-18 Learner Responsive (FE, E2E AND SSF)

Provisional Funding Position - January 2009

The Provisional funding position for 2009/10 will be calculated in December 2008 using:

- the provisional provider factor (using F04 07/08 for participation and F05 06/07 for Success Factor)
- either the national rate or the institution's transitional rate for 2009/10
- the SLN/Learner ratio rate used for the 2008/09 allocation
- Provisional Learner Numbers will be calculated for SSF by using October 2008 Census data, and for FE provision by using the 2008/09 F01 learner numbers up rated by the 2007/08 F01 to F05 ratio. Both will be issued by 9 January 2009.

It should be noted that the Final Allocation could decrease, increase or remain the same.

Final Allocation – March 2009

On receipt of final Autumn Census data, and matched census and awarding body data and F05, provider factors will be updated.

Approach to Learner Numbers

The approach to allocating learner numbers for 2009/10 is as follows:

- For 2009/10, use the 16-18 learner numbers as at December 2008 to calculate the 2009/10 allocations, without adjustment for cohort size or known trends and only adjust this for infrastructure changes which indicate increases or reductions such as capital builds and academies/presumptions. This is because for many schools/colleges 2008/09 will be the peak year for their cohort.
- From 2010/11, we will make reductions because of the reducing cohort. Therefore we will use 16-18 learner numbers as at December 2009 to calculate a 2010/11 initial provisional allocation and then adjust the allocation taking into account cohort changes and/or likely changes in learner numbers based on trend data and local knowledge, in addition to

changes due to infrastructure changes which indicate increases or reduction such as capital builds and academies/presumptions.

Adult Learner Responsive

- Allocations will be built 'bottom up' using the priority lines as the building blocks and 'non priority' Developmental Learning and/or SLN/LN ratio changed to allow affordability.
- Partnership teams will agree learner numbers for FL2, FL3, FLT and SFL. A funding value will be calculated for each of these 'building blocks', derived from historical provider SLN values.
- The SFL building block will consist of all accredited SFL provision, funded by the LSC.
- Developmental Learning must safeguard LLDD, TUC provision and Level 4 before anything else at 08/09 negotiated levels of volumes and cash (uplifted by inflation).
- The roll out of the Foundation Learning Tier and its adoption by providers is crucial as it will provide a firm progression route for learners and there is a national expectation that at least 30% of learners will be on a progression pathway in 2009/10.
- The large majority of adult learner responsive provision will be secured through negotiated commissioning
- Providers will be expected to continue to focus on ensuring financial contributions from learners to meet the target of assumed contribution from employers or individuals of 50% by 2010/11 (47.5% in 2009/10).
- There is no formulaic Transitional Protection available
- Local adult learning providers (including former external institutions) will receive at least 90 per cent of their 2008/09 adult learner responsive budgets and 100% for SDIs.

Employer Responsive

Provisional Funding Position for 16-18 Apprenticeships

- To arrive at a 2009/10 provisional funding position, the last full year of delivery (that is 2007/08) will be used with inflation uplifts from 2008/09 and 2009/10.
- Discussions with providers at this stage will not influence the provisional funding position. It is purely a mechanical calculation.

2009/10 Maximum Contract Values

- MCV is only an indication of potential earnings in year subject to performance review in year and can be revised upwards or downwards within year. Providers will be paid on what they deliver.
- 2009/10 negotiated maximum contract values will be notified to providers on 13 March 2009 in respect of 16-18 apprenticeships and on 31 March 2009 in respect of 19+ Apprenticeships and Train to Gain.

- Sources of information that will be used to agree a negotiated 2009/10 maximum contract value will include:
 - period 5 2008/09 data giving information on recent performance (for example, learner numbers, numbers of qualifications split between full level 2, full level 3, full level 4, Skills for Life and the Foundation Learning Tier, Apprenticeship starts and achievements, success rates)
 - providers' future plans
 - the capacity and capability of the provider to deliver future growth
 - financial capability
 - satisfactory progress towards the proportions of first level 2s and first level 3s (applies to Train to Gain only for transferred FE employer based NVQs)
 - the status with respect to minimum levels of performance (MLP)
 - the provisional funding position in respect of 16-18 apprenticeships and
 - parallel discussions on 16-18 learner responsive and adult learner responsive in order to build up a composite picture for a provider.
- The MCV is derived from a provider's actual average cost per SLN. Any variations to this will be subject to regional moderation.
- For new providers, the national average by programme weighting and age will be used.
- It is important to stress that the employer responsive model is demand led. The LSC must be responsive to employers needs; even more so at a time when the economy is facing a downturn.