

# LSC Delivery Report

**January 2007**

**LSC Management  
Group Report to  
Council**

Agenda item 8  
Paper LSC 03/2007

Of interest to everyone involved in improving skills and  
learning opportunities across England

## Introduction

This report provides National Council with an update on performance against Public Service Agreement (PSA) targets; strategic priorities and the development and implementation of policy and strategy from across the LSC. The report pulls together all of the information, setting out our latest achievements and challenges.

## Section 1: Key highlights since last report

### Responding to Leitch

Mark Haysom chaired an LSC seminar focused on the Leitch report. Approximately 100 people attended, including senior government figures, employers and their representatives and a wide range of stakeholders. The event attracted considerable attention and received many positive comments for being so proactive in leading the debate in responding to the Leitch report.

### Regional Commissioning Plans

As part of our new approach to strategic commissioning, each Regional Board has published its Regional Commissioning Plan. Copies of these will be presented to Council in March, along with recommendations for local annual plans. We are keen to open up the market through the wider use of tendering and competitions to enable more innovative and high quality providers and provision to respond to the needs of young people, adults and employers.

### Minimum Levels of Performance

The LSC has introduced minimum levels of performance which will remove funding from inadequate and unsatisfactory provision across the FE system by 2008. For Apprenticeship provision, this will mean withdrawing and re-tendering of provision below the published 40% framework achievement rate.

### Skills for Jobs

The LSC has developed an integrated employment and skills system: Skills for Jobs. This will enable individuals that are not economically active to move closer towards employment, by providing them with focused training and support.

## Key Risks and Issues

### Fall in number of adult learners and young people undertaking an Apprenticeship

On 12<sup>th</sup> December 2006 we published the latest statistics on the number of learners participating in FE, work based learning and adult and community learning in 2005/06. This created significant interest because of the higher than expected fall in adult participation (see page 12).

In addition, the SFR also confirmed that the number of young people undertaking an Apprenticeship has also fallen. This has significant implications for future delivery of the Apprenticeship Guarantee which we have raised with Ministers. We are working up a detailed plan to increase Apprenticeship numbers in accordance with the entitlement.

### **Young people who are not in education, employment or training (NEET)**

A Ministerial Summit was held on 18<sup>th</sup> January – with Beverley Hughes, Jim Murphy and Phil Hope (by phone). The purpose of the summit was to pave the way forward for joint working between the DfES, LSC, DWP, JobCentre Plus and other. Key actions were agreed and the group will reconvene in a month's time to discuss progress. There were some concerns that the extent of the LSC's work on addressing NEET was not known by Ministers.

### **Framework for Excellence**

Work is ongoing in the development of the Framework for Excellence. Some concerns have been raised about the process and the complexity involved. We are keen to keep the Framework as simple as possible and will monitor its development carefully.

### **FE Fee Income**

An analysis of the most recent fee income data has confirmed that the overall amount of fee income collected and recorded has fallen. The most recent sector data suggests that fee income recorded fell by £6 million to just over £155 million in 2005/06. Of greater concern however is the fall in the proportion of the theoretical fee collected that is assumed through the FE funding formula. The proportion of the theoretical fee collected fell to 57.1%, a fall of 1.6% over the previous year. This presents a number of significant risks which we also need to understand in context to full cost provision more generally. The LSC has commissioned RCU to look into this issue in more detail as part of their overall research into fees.

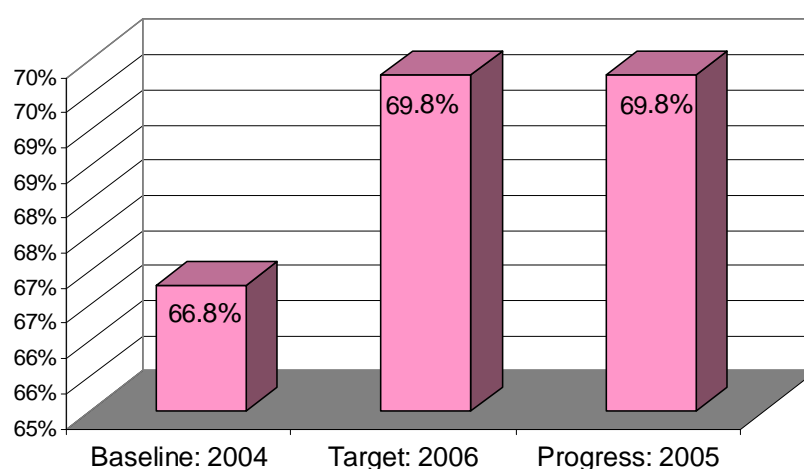
## Section 2: Update on delivery of PSA Targets

This section provides an update on our latest progress toward the delivery of our PSA targets. **In this report, new information is provided on Adult Level 2 and 3, updating on Quarter 3 Labour Force Survey results.**

### Young People

Our PSA target for **Young People** is to:

***Increase the proportion of 19 year olds who achieve at least level 2 by 3 percentage points between 2004 and 2006, and a further 2 percentage points between 2006 and 2008 and improve attainment at level 3***



There has been no additional data to update our position on this target since our last report. The latest figures for level 2 attainment are that 69.8% of young people at age 19 now have a level 2. **This is an increase of 3% since 2004 and confirms we have met the PSA target a year early.**

**The next update on progress with this target will be available from February 2007.**

### Adult Skills

Our **adult skills** target is comprised of two elements:

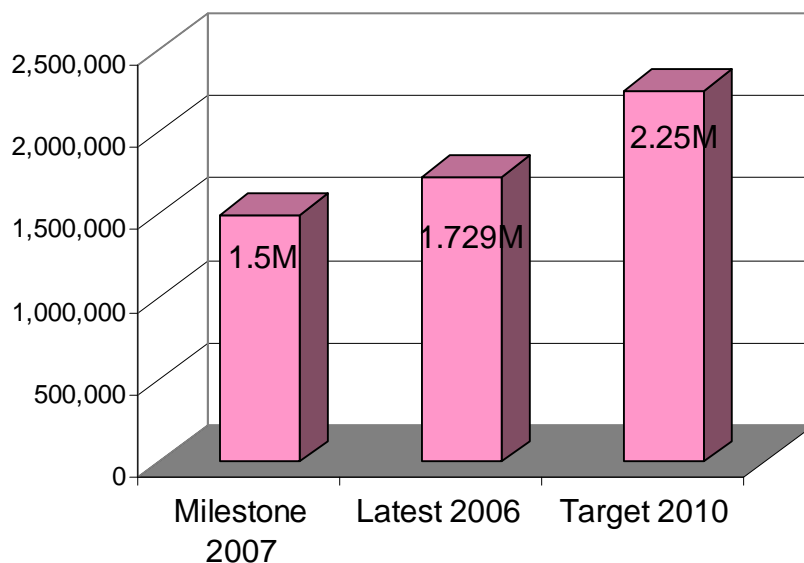
*Increase the number of adults with the skills required for employability and progression to higher levels of training by:*

***Improving the basic skill levels of 2.25 million adults between the launch of Skills for Life in 2001 and 2010, with a milestone of 1.5 million in 2007;***

Our latest performance on this target shows we have delivered 1,729,000 achievements, exceeding the 2007 milestone.

Early indications for 2006/07 show that Skills for Life participation in FE has increased further. We estimate that this could represent as much as a 25% increase in adult activity that contributes to the target. Whilst this is good news, our challenge is still to increase the efficiency by which we deliver the target

through changes to the mix of provision and increases in the amount of provisions that contributes to the target.



The **second element** of the adult skills target is:

***Reducing by at least 40 per cent the number of adults in the workforce who lack NVQ 2 or equivalent qualifications by 2010. Working towards this, one million adults in the workforce to achieve Level 2 between 2003 and 2006.***

The latest figures from the third quarter of 2006 Labour Force Survey, published in November, shows that the proportion of economically active adults qualified to at least level 2 was 73.7%.

There has been an increase of 0.5 percentage points since the equivalent quarter in 2005 and a small increase (0.2 percentage points) since the second quarter of 2006. This corresponds to an increase of 1,601,000 since the fourth quarter of 2001 (the PSA target requires an increase of 3.6 million by 2010), and an increase of 1,196,000 since the fourth quarter of 2002 (the PSA target being a 1 million increase by the fourth quarter of 2006). Figures from the fourth quarter of 2006 will be available in February, and will give a definitive picture against the 1 million milestone.

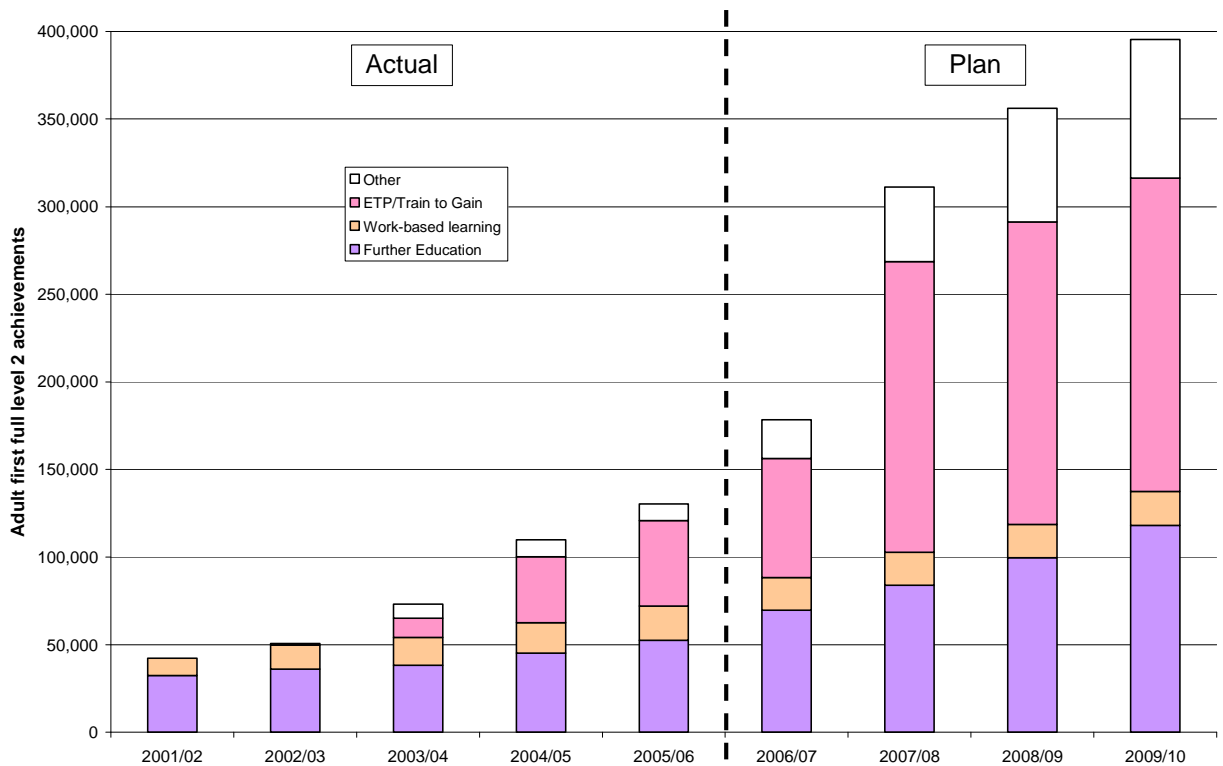
These results strengthen the findings from the second quarter of 2006 which indicated that the 2006 milestone has been reached early. However, given that the figures are based on a sample survey, there is a very small probability of a decline between the third quarter and the end of the year.

### **Our direct contribution**

Working towards this target, our current projections are that the LSC will deliver 256,000 full Level 2 achievements and 94,500 full level 3 achievements in 2006/07, contributing a total of 168,000 **first** full level 2 achievements.

Initial analysis of FE data for 2006/07 shows further increases in adult participation on full Level 2 programmes. It is now estimated that some 228,600 learners will undertake full Level 2 programmes in the current academic year.

LSC Funded Adult First Full Level 2 Achievements, 2001/02 to 2009/10



## Apprenticeships

We are continuing to exceed the target for the number of learners *achieving* an Apprenticeship. We have delivered 98,700 in 2005/06 against a target set for 2007/08 of 75,511. Early data for 2006/07 shows that quality is also continuing to improve with an overall success rate currently of 59%.

This increase in the success rate follows a 13% increase between 2004/05 and 2005/06 to 53%.

However there are concerns that, overall, we appear to be seeing a decline in the numbers of young people entering Apprenticeships and Entry to Employment, certainly when compared to what was planned for 2005/06 and the average in learning in 2004/05. There are a number of factors contributing to this. For Apprenticeships these are likely to include: provider behaviour (focus on completion rates; the larger than planned increase in framework achievement rate and increased costs of attainment); and local labour market conditions. There are a number of actions in train to understand this behaviour and address delivery issues.

## Section 3: Delivering our Priorities

### Priority 1: Raise the quality and improve the choice of learning opportunities for all young people to equip them with the skills for employment, further or higher learning, and for wider social and community engagement.

#### **Young People Not in Education, Employment or Training (NEET)**

There is a growing concern that the overall NEET group is increasing and that we need a more sophisticated response and offer to address this. In addition, there are concerns about the reliability and accuracy of Connexions data which can confuse the issue.

For the first time ever, the LSC has obtained the NEETS data set and will cross-reference it with our data sets to ensure there is no duplication, inflating NEET numbers. And we will use that data to develop a segmented market model, building on the DfES analysis of the overall NEET cohort. This will enable a more differentiated response locally and will inform work to develop the offer for young people.

From this, the LSC will develop an updated delivery plan which we hope will substantially contribute to the NEETs reduction target.

This work is taking place in the context of the wider debate on raising the compulsory education leaving age, but, if taken forward, this change will not impact for a few years and it is vital that action is taken in the short term to help the estimated 220,000 young people who are classified as NEET.

The LSC remains committed to increasing the participation of all young people and we are continuing to work with DfES as part of the current comprehensive spending review to reach future participation targets.

#### **Entry to Employment (E2E)**

Despite a downturn in starts between 2004/05 and 2005/06, latest information for 2006/07 suggests an improvement in this position. So far this year there have been 4,633 starts compared with 4,503 in the previous year. Flexibilities have been introduced to the delivery guidance of the programme in order to encourage increased participation.

The current in-learning figure for 2006 is recorded as 22,983, against the figure of 22,516 for November 2005, with 51 per cent of leavers moving into positive destinations.

#### **Education Maintenance Allowance (EMA)**

As at the end of December 2006 481,800 young people have benefited from EMA payments during the current academic year. Work is underway to review the EMA bonus structure to ensure it is more closely linked to achievement and progression. We are also considering how best to ensure that young offenders are able to access support following a custodial sentence.

We are looking at how we can ensure young parents who are eligible for both EMA and Care2Learn are able to receive the full package of financial support available to them. This will be an important step towards addressing barriers for young people who are NEET due to childcare responsibilities.

Finally, we are continuing to monitor the position with regard to the EMA extension to Apprenticeships and e2e. Initial concerns raised by the sector are being addressed and the development is being embedded. Providers have been concerned about what the change to EMA might have on recruitment and their ability to retain people on the programme. This was because of the shift from getting a weekly allowance to an income assessed payment.

### **Care to Learn (C2L)**

An evaluation report was published on 13 December 2006 which shows 88% of recipients would not be in learning without C2L. As at December 2006 5,314 young parents are benefiting from Care to Learn. This figure is a cumulative total for the whole of 2006/07 and is on target for 7,000 young parents benefiting from Care to learn in 06/07.

### **Learning Agreements**

In the last report to Council, we set out that the Learning Agreements Pilots were behind profile, and outlined remedial action underway to address underperformance. Latest data is encouraging, and shows that recruitment continues to close in on the revised profile.

### **Apprenticeship entitlement**

Work is beginning in preparation for the introduction of the apprenticeship entitlement announced by Alan Johnson and confirmed by the Chancellor in the Pre Budget report. The entitlement will require approximately 95,000 additional employer places to be found by the time of full roll out in 2013/14. Policy discussions are also focusing on how the new entitlement sits alongside the 400,000 apprenticeships target for England proposed in the Leitch report.

## **Priority 2: Raise the skills of the nation, giving employers and individuals the skills they need to improve productivity, employability and social cohesion.**

### **Skills in England**

Each year the LSC leads on the production and publication of *Skills in England* on behalf of the LSC, DfES and SSDA. This year we are developing to increase the value of both the document and the process as an internal vehicle for debate and also as a stimulus for public discussion on key issues.

We expect to publish four reports during August 2007. These will cover the following:

**Volume 1:** an authoritative summary of the key messages about skills needs, trends and issues

**Volume 2:** main report setting out the demand for skills; mismatches in demand and supply; future skills demands and, new this year, some key themed chapters.

**Volume 3:** this will analyse sectoral skills needs and variations

**Volume 4:** will be a regional volume drawing out the main differences between regions and including a detailed commentary on each region.

We will complement these main publications with a series of discussion papers and seminars to promote debate on key issues. These will be open to the executive and non-executive and include key partners and stakeholders.

The proposed seminar topics are:

- Skills and Social Inclusion
- Transition from School to Work
- Migration

### **Adult Learning Grant (ALG)**

Our latest data confirms 7,509 adult learners have been awarded ALG during the current academic year. This figure is a cumulative total for the whole of 2006/07 and is on target for ensuring that 11,000 learners benefit from ALG over the whole of the academic year. Based on current application trends it is likely that we will exceed this by around 3,000 extra learners.

### **Education and Skills Select Committee on Prison Education**

The Education and Skills Select Committee met on Monday 18<sup>th</sup> December to discuss prison education. Oral evidence was given by Rt Hon Phil Hope MP, Rt Hon Baroness Scotland of Asthal QC, Chris Barnam (DfES) and Frances Flaxington (National Offender Management Service).

The LSC provided a written submission setting out the work which we have undertaken since the Committee last met. Discussion focussed on the positive response to Offender and Learning and Skills Service (OLASS) so far, including the ALI Chief Inspector's recent report. Phil Hope was also able to use the evidence of increased participation rates provided by the LSC to support his submission.

Overall, the response to OLASS was positive and the Committee acknowledged that early improvements were being made to prison education.

### **Personal and Community Development Learning (PCDL)**

PCDL is learning for personal development, cultural enrichment, intellectual stimulation and social or community action. The reform of PCDL, signalled in the White Paper *Raising Skills, Improving Life Chances*, is continuing to the timetable agreed between LSC and DfES for 2007/08 and 2008/09. The new policy is based on LSC-involved partnerships at local level which need to be identified by March and operational by May 2007. The introduction of this new policy is being supported by work involving a review of current data requirements, success criteria and future allocations policy.

## **ESOL**

We are awaiting the findings of the Race Equality Impact Assessment consultation events taking place in late January and early February 2007. We will need to undertake further work with the DfES before finalising the detailed changes to the Funding Guidance for Further Education in 2007/08 on the eligibility for funding for basic skills qualifications. ESOL is currently being the highest profile subject area. In line with the Annual Statement of Priorities we will continue to prioritise those learners most at risk of disadvantage and with the greatest need for support.

## **Train to Gain**

More than 10,000 employers have learners who started on LSC-funded qualifications since April 2006, and there have been more than 62,000 learner starts on Level 2 and Basic Skills qualifications so far this year.

The process for assessing Skills Brokers against the new competency standards has now commenced, and Skills Brokers have until August 2007 to achieve the standards.

Early employer satisfaction with the brokerage is very good, with 89% of employers stating that they are satisfied with service provided.

## **Level 3 trials**

Level 3 Train to Gain trials began in August in the North West and West Midlands. Initial recruitment to the North West and West Midlands trials was disappointing, due to higher employer contributions than mainstream FE. Revised policy criteria have now been agreed with DfES and accepted by the Minister, in line with the recommendation from the LSC to align the employer contributions with mainstream FE.

The women-only Level 3 Trial began in London at the end of October and early indications suggest that this will be more successful. The employer contributions for this Trial are already aligned with mainstream FE, at 32.5% for 2006/7.

## **Apprenticeships for Adults**

As part of the trials of apprenticeships for adults, approximately 100 adults have achieved an apprenticeship and of the remaining 380 learners, 85% are on course to achieve. The interim report has now been published and plans are in hand to extend the funding of apprenticeships for adults to all sectors and regions following the Council's decision to invest in an extension of the programme.

## **Learner Accounts**

Following the LSC agreement to fund the systems development required to support Learner Accounts in 2007/08, a submission describing the proposed small scale trials in the South East and East region was made to Ministers on 12 December. Since then, a further £5million has been made available to increase the number of learners benefiting from Learner Accounts.

Plans are being devised to develop more extensive trials in 2008/09 with a view to being in a position to respond should national roll out in 2010/2011 be confirmed, as recommended by the Leitch review.

### **National Skills Academies (NSA)**

Alan Johnson and Phil Hope formally launched the Construction Academy on 27 November, and we expect the Manufacturing Academy to be formally launched by the end of January.

The prospectus for the third round was published on 15 January, for Academies expected to open in 2008. Expressions of interest need to be lodged by 5 March 2007, and employers are asked to contact their Sector Skills Council or the Sector Skills Development Agency in the first instance, who will coordinate an expression of interest.

The Food and Drink Manufacturing NSA has resubmitted a revised version of their business plan, which will now be circulated to all involved parties for comments. The final launch of the Academy will depend on the extent of any further development, and may coincide with the formal launch of the Round 2 Academies.

### **New Standard for Employer Responsiveness and Vocational Excellence**

Good progress continues to be made. Testing is due to conclude in January, and we have increased the initial number of providers participating in the testing from 60 to 75, to include pathfinder and well-established CoVEs in the three key sectors (construction, engineering and ICT), and other providers. The immediate post-testing period will be spent in refining the New Standard criteria, prior to roll-out in April 2007.

### **National Employer Service (NES)**

McDonalds' Skills for Life programme is about to recognise the achievement of its 1,000<sup>th</sup> learner. This has been achieved in just a few months by providing on-line tutor support and assessment for its 67,000 staff throughout its restaurants. They are now considering how to do apprenticeships on a similar scale, and will then move on into their supply chain.

NES is working with JobcentrePlus and SkillsmartRetail to offer an integrated employment and training programme to the John Lewis Partnership as they set up new stores over the next few years around the country. This will enable the business to make a contribution to their local communities by recruiting from disadvantaged groups, and will enable learners to secure their first full level 2 qualification, along with sustainable employment.

Following discussions with Bill Rammell about Ford, DfES and Higher Education Funding Council for England have invited NES to put forward a proposal for resources to enable them to provide a more extensive advice and brokerage service on Higher Education and Higher Level accredited Skills.

### Priority 3: Raise the performance of a world-class system that is responsive, provides choice and is valued and recognised for excellence.

#### Statistical First Release

The key points from this release published by the LSC on 12<sup>th</sup> December were:

- In FE, the number of young people in learning increased by 2.3% to 744,000, with a decrease in the numbers of adults of 16.9% to 2.89 million.
- However, the number of adults undertaking key priority programme increased, with a 20% increase in learners on skills for life target programmes, a 22% and 28% increase in the number undertaking a full level 2 and full level 3 respectively.
- Across WBL, the total number in learning decreased by 4.9%.
- There was also a drop in the recorded number of learners participating in ACL to 786,000, a corresponding drop decrease of 9.8%.

The SFR confirmed that across the sector, a positive move is being made in the re-balancing of the mix of provision towards higher priority areas. However, whilst the drop across FE was expected, we were not expecting for such a large fall in ACL and Ufi learners (which are recorded as part of the FE figures). This overall drop in the number of adult learners has caused a lot of media interest and concerns that more adults have lost places than previously expected. A follow on submission to ministers set out the main reasons why this has occurred. In summary the main points are:

- The net reduction in adult learners between 2004/05 and 2005/06 of 660,000 is due mainly to reductions in FE (-470,000), ACL (-85,000) and Ufi (-110,000).
- The FE reduction was due to a significant reduction in non-priority learner numbers which fell disproportionately in low level provision and a greater than projected increase in the number of achievements for Full Level 2 and Skills for Life FE.
- The funding of ACL providers has remained constant between 2004/05 and 2005/06, **however** there is some evidence that local authorities were continuing to switch to more expensive first steps courses and to outreach work in 2005/6 responding to the requirement to align more of their funding with priority learning. In addition providers were absorbing increased costs, for staff etc, within a budget falling in real terms. Finally, there is some evidence that the 2004/05 figure itself was inconsistent with the 2005/06 figure due to the over-counting of learner numbers by local authorities who were not used to the recently introduced ILR.
- The Ufi decrease in adult learner numbers results from a cut in overall Ufi funding between 2004/05 and 2005/06 and changes in how the money was spent. Of the funding available in 2005/06 it appears that more money was spent on more expensive priority courses: in particular Level 2s. In

recent years we know that Ufi has moved towards a significantly greater number of learners on priority courses. It met its targets negotiated last year achieving 1900 level 2 qualifications in 2005/06.

### **Developing future PSA targets**

Council has previously discussed issues relating to the possible direction of future PSA targets. Following the publication of the Leitch report, we have now begun more detailed discussions with DfES on the technical aspects of the new targets. Targets being discussed include:

#### Young People

- *Increasing the achievement rate of young people gaining a level 2 to 85% by 2013. There remains a great deal of discussion in relation to when and how this should include functional English and Maths.*
- *Increasing the participation level of young people to 90% by 2013 (however this will be subject to ongoing discussions related to the raising on the education age).*
- *Increasing the achievement of young people who achieve a level 3 (the level here is being discussed)*

#### Adults

- *For Skills for Life, setting new threshold targets so that 95% of working age adults to have literacy at level 1 or above, and numeracy and entry level 3 or above.*
- *Increase the adult level 2 target to 91% by 2020; this is reflecting the stretch to world class levels as set out by Leitch. Options for when this might be increased to achieve a target beyond this to 95% need to be considered. An interim target (or milestone) of 84% by 2015 is also proposed.*
- *A new target for adults with a level 3, which is set at 68% (currently at 50%) by 2020, with an interim target (or milestone) of 61% by 2015.*
- *For Apprenticeships, there are two parts, the first is an average in learning target of 400,000 for 2020, the second is a target which recognises the impact of the Apprenticeship Guarantee.*

There is also the possibility of a shared target with JobCente Plus – focused on getting more people into employment.

A detailed paper of the aspects of these future targets and implications for the LSC will be presented for discussion by Council in the coming weeks.

### **Framework for Excellence**

The LSC has received the final report of a study carried out by KPMG into the proposals for the development, testing and piloting of the Framework. This highlighted the real challenges to us in developing and implementing our vision

for an integrated performance framework. We have considered this together with the responses received to the external consultation and as a result have made the following recommendations to the DfES and Ministers that:

- The Framework should be piloted in 2007/08 with around 100 colleges and providers rather than all colleges and work-based learning providers as was originally proposed;
- A four-point grading scale should be used throughout, replacing the mixed four- and five-point scale originally proposed;
- A concordat, including a vision for the Framework, should be agreed with stakeholders.

Also, as a result of the Leitch report and the consultation responses, the LSC has proposed to the DfES that the Key Performance Indicator (KPI) on Delivery to Plan is reconsidered.

At the consultation stage it was envisaged that value for money-related standards, such as benchmarking, would sit within the financial control KPI. Through the initial testing and trialling process, the finance dimension development and testing team have identified a need for this standard to be identified as a separate KPI within the finance dimension, under the heading '*Use of Resources*'.

These recommendations are currently being considered by the DfES and Ministers.

### **Minimum Levels of Performance**

To support the elimination of inadequate and unsatisfactory provision across the FE system by 2008, the LSC has introduced minimum levels of performance against which colleges and other providers, excluding schools, will be assessed and the process and actions that will follow once underperformance has been identified. These processes are detailed in *Identifying and Managing Underperformance*.

The processes will help the small number of providers, where inadequate provision is identified, to improve up to and beyond the minimum levels of performance set out in this document. This will be done as part of the planning and commissioning process we have established with the sector for 2008/09.

### **Priority 4: Raise our contribution to economic development locally and regionally through partnership working.**

Following the publication of the Leitch report, we have developed further the LSC's key policy to support an integrated employment and skills system, Skills for Jobs.

We intend that Skills for Jobs will support economically inactive individuals to move closer towards employment, supported by specific LSC activity and our mainstream work. We will be seeking further resources from the European Social Fund and other initiatives and building on our partners' work. Implementation is being led by a cross-LSC group over the next six months.

Skills for Jobs has been broadly welcomed by our key partners, including the Department for Education and Skills, Department for Works and Pensions, Communities and Local Government. We are working closely with Jobcentre Plus to explore the implications of, and their potential involvement in, Skills for Jobs.

We are also meeting with key government departments and agencies across government to discuss the implications for the New Deal for Skills.

### **Progression Research**

We have tendered for a project to assess the scale of progression from FE funded provision over the last three years. This new survey will initially attempt to follow up all learners who were flagged as claiming Jobseekers Allowance or an income related benefit. The outcome of this work will set out what these learners did after being in learning/education.