

Management and Structure



We are organised to be sensitive to needs and opportunities at the local, regional and national level.

How we are managed

The Learning and Skills Council (LSC) has been led and guided by the National Council and its committees. They offer independent views and a wealth of knowledge and experience, keeping us plugged into the real-life issues affecting people, communities and employers.

The job we've been given

The LSC was established by the Learning and Skills Act 2000 to fund education and training for over-16s, except for higher education. We are responsible to the Government for:

- raising participation and achievement by young people
- increasing adults' demand for learning
- raising skills levels for national competitiveness
- improving the quality of education and training delivery
- making sure opportunities are equal through improving access to learning and
- improving the further education (FE) system's effectiveness and efficiency.

Management Group (L-R)

Sally Stewart, National Director, Human Resources

Rob Wye, National Director, Young People's Learning and Skills

David Russell, National Director, Finance and Resources

Tom Crompton (East Midlands)
Total spend: £930.3 million

Verity Bullough, National Director, Funding, Planning and Performance

Chris Roberts (North East)
Total spend: £667.0 million

Mark Haysom CBE Chief Executive

Caroline Neville (East of England)
Total spend: £1,068.6 million

David Hughes (London)
Total spend: £1,857.9 million

John Korzeniewski (North West)
Total spend: £1,577.5 million

David Way, National Director, Adult Learning, Skills and Employment

Marinos Paphitis (South East)
Total spend: £1,660.1 million

Malcolm Gillespie (South West)
Total spend: £1,038.5 million

David Cragg OBE (West Midlands)
Total spend: £1,331.9 million

Margaret Coleman (Yorkshire and the Humber)
Total spend: £1,097.2 million

Henry Ball (South East)
Retired July 2008



National Council

The National Council oversees policy and decision making at the LSC, while day to day management of the LSC rests with the Chief Executive and the Management Group. The members of the National Council are listed here:

Chairman

Christopher N Banks CBE

Chairman, Learning and Skills Council and Founder, Big Thoughts Ltd

Members

Giles Clarke

Chair and Chief Executive, ATL Telecom (stepped down from National Council end of 2007)

Shirley Cramer

Chief Executive, Dyslexia Action

Frances O'Grady

Deputy General Secretary, Trades Union Congress

Gareth Cadwallader

Executive Director, Airas Intersoft Ltd

Ian Ferguson CBE

Chairman, Data Connection Ltd

Bryan Gray

Chairman, Northwest Regional Development Agency

Claire Ighodaro CBE

Former Finance Director, Broadband, BT Group

John Taylor

Principal and Chief Executive, Sheffield College

Dame Mary Marsh

Director and Chief Executive, National Society for the Prevention of Cruelty to Children

Deian Hopkin

Vice Chancellor, London South Bank University

Malcolm Trobe

Headteacher, Malmesbury School

John Cridland CBE

Deputy Director-General, Confederation of British Industry

Special Advisors

Sir George Sweeney

Former Principal, Knowsley Community College

John Merry

Leader, Salford City Council



Equality and Diversity Committee

The National Council is supported by an expert Equality and Diversity Committee, which is responsible for ensuring that equality and diversity is a thread running through all of the LSC's work. The launch of the LSC's first *Single Equality Scheme* in April 2007 has been a landmark in terms of the LSC's commitment to equality and diversity.

Members

Shirley Cramer (Chair)

Chief Executive, Dyslexia Action

David Barker

Director of Adult Services, Percy Hedley Foundation

Jeremy Crook

Director, Black Training and Enterprise Group

Nicola Dandridge

Chief Executive, Equality Challenge Unit

Patrick Grattan

Chief Executive, Third Age Employment Network

Amir Kabal

Chief Executive, East Staffordshire Race Equality Council

Peter Lavender

Director of Research, National Institute of Adult Continuing Education

Alyson Malach

Director, Equality and Diversity UK

Sally McEnhill

Principal, Merton College

Judith Norrington

Head of National Policy Development, City and Guilds

Dame Mary Marsh

Director and Chief Executive, National Society for the Prevention of Cruelty to Children

Steven Lowden

Formerly Chief Executive, Commission for Patient and Public Involvement in Health

Other committees

The Young People's Learning Committee and Adult Learning Committee were both abolished in February 2008 by the Further Education and Training Act 2007, but the following committees remain:

- Appointments Committee
- Audit Committee
- Capital Committee
- Remuneration Committee and
- Reorganisation Committee.

Machinery of Government

From 2010, two new bodies will drive the extensive agenda that the LSC has been charged with since 2001.

The Machinery of Government (MoG) consultation *Raising Expectations: enabling the system to deliver*, which paves the way for a very different configuration of the post-16 landscape, ended in June 2008 (it will report to Ministers in 2008).

It proposes a new national non-departmental public body (NDPB), the Young People's Learning Agency, which will have some regional capacity and will support local authorities in their new responsibilities for commissioning and funding 14–19 provision. For adults, a Skills Funding Agency (also with some regional capacity) will oversee the distribution of funds to the sector and will manage the performance of providers of further education. It will house the new National Apprenticeship Service, the LSC's National Employer Service and a new Adult Advancement and Careers Service.

We have reviewed our management structure to make sure it reflects the MoG changes, so that we can work effectively with the two new Departments: Innovation, Universities and Skills (DIUS); and Children, Schools and Families (DCSF). We are core members of the DIUS/DCSF Programme Board that will oversee the transition to the new arrangements. Our structure also enables us to share information effectively with new and existing partners and stakeholders.

How we work

Our national teams work with DIUS, other Government departments and a range of partners and stakeholders, including Sector Skills Councils to make sure that we develop policies that support the delivery of our strategies and meet the local and regional needs of young people, adults and employers.

The national team works with nine regional offices to support the implementation of these policies.

Our nine regional directors work with organisations such as the Regional Development Agencies, local authorities and Government Offices to provide a framework for the work of our local partnership and area teams.

Our regional teams plan and prioritise how we provide education, learning and training to encourage more people to learn and improve their skills.

Meanwhile, our local partnership teams (covering the same areas as the 150 local authorities in England) remain focused on making decisions locally – matching provision to local people's needs.

Each national and regional director is personally responsible for internal control, risk management and governance within their area. Each year, they provide a personal statement on internal control to the Chief Executive of the LSC, confirming that they have met these responsibilities.

Local councils

Until February 2008, 47 local LSC councils exercised functions within their local areas. But they were abolished by the Further Education and Training Act 2007. Nine regional councils will come into effect in September 2008.

Regional boards

In the interim period, nine regional boards have been established to agree priorities in the regions, provide challenge and support to the regional director. They will also build links with key external partners and monitor and evaluate the LSC's performance on a regional basis.

In addition, the regional boards have taken on some of the functions previously exercised by local LSCs (such as endorsing capital proposals, and making and publishing proposals for the creation or dissolution of FE Corporations).

Regional councils

As a result of the Further Education and Training Act, which received Royal Assent in Parliament in October 2007, we have set up nine regional councils that are led by employers. These will link us to businesses and challenge us to deliver new solutions to regional skills issues.

The regional councils will replace the regional boards, and chairs and members are currently being recruited.

The regional councils will take on some of the National Council's functions, will inform the LSC's decision-making at a regional level and will ensure that public money is spent in the right way. They will guide our progress, making sure that our strategy works on the ground.

Our Responsibilities

Our National Council and committee members play a key role at both the national and regional level. At each level, they support and challenge what we do, provide leadership to the LSC and the FE system, and act as ambassadors.

Statement of the Learning and Skills Council's and Chief Executive's responsibilities

1. Under Section 14(1) of Schedule 1 to the Learning and Skills Act 2000, the governing body of the Learning and Skills Council for England (the National Council) is required to prepare a statement of accounts for each financial year in the form and on the basis determined by the Secretary of State, with the consent of the Treasury. The accounts are prepared on an accruals accounting basis and must show a true and fair view of the LSC's state of affairs at the year-end, and of its income, expenditure and cash flows for the financial year.
2. In preparing the accounts, the LSC is required to:
 - observe the accounts direction issued by the Secretary of State for Innovation, Universities and Skills, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
 - make judgements and estimates on a reasonable basis;
 - state whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements; and
 - prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the body will continue in operation.
3. The Accounting Officer for DIUS designated the Chief Executive of the LSC as the Accounting Officer for the LSC. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances for which he is answerable, and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officers' Memorandum, issued by the Treasury and published in *Managing Public Money* by The Stationery Office.

How We Take Care of...

Our people

Development and training

Given our role in building the nation's skills base, it is important to demonstrate our commitment to our staff and make sure that they have the skills and abilities to help us deliver our ambitious plans.

In 2007–08 we continued to run a major training and development programme, including a series of accredited programmes. We also developed processes and materials in preparation for the implementation of our new Oracle HR system, which provides staff and managers with direct access to the information they need.

We developed and delivered a corporate learning and development programme that aims to drive up performance. It includes leadership, management development, relationship management, business knowledge, IT and personal effectiveness initiatives.

An equality and diversity e-workbook has been introduced to enhance awareness of equality and diversity issues among staff at all levels across the organisation.

In 2007–08 we ran over 600 events and workshops on a variety of business-focused topics that had been identified by our staff and managers, and were delighted to exceed our key performance indicator which stipulates that events need to be, on average, 75 per cent effective overall.

Our range of learning initiatives include programmes entitled Proactive, Introduction to Management and Enhance.

- Proactive is a diploma in management and involves people taking part in 240 guided learning hours.
- Introduction to Management is a Certificate in Management and involves people taking part in 120 guided learning hours.

Delegates from our initial 2007–08 cohorts are already starting to be accredited, and we plan to run further cohorts for these two learning initiatives over the coming year.

- Enhance is a series of five development events to build and enhance partnership working skills. These are aimed at anyone in the LSC who needs to develop their skills in managing relationships in a more strategic and influential way. Four stand-alone modules are delivered, with a fifth focusing on emotional intelligence.

We will continue to roll out programmes during 2008–09, reflecting any changes in MoG. In addition, we will use our programmes to assist with and embed succession planning and talent development across the organisation.

Our aim is to provide a flexible approach to development. In addition to workshops and courses across the country, we offer a range of over 200 online materials and courses in association with Ashridge Business School and SkillSoft. These allow staff to learn at work or at home and to progress at their own pace, using computer software and the internet.

In 2007–08 we demonstrated our commitment to upskilling our staff by making the Skills Pledge, and we were recognised as having achieved Investors in People corporate accreditation in March 2008.

HR business partners work closely with the business to drive up the performance of our people through a robust performance management and review process. We believe in continuous improvement, and have introduced an evaluation and review framework so that we can measure our success and demonstrate our progress.

Communication and consultation

Employee communications are planned and managed as part of the wider business-planning process. We aim for clear and consistent messages, and make sure that communications are properly targeted, relevant and fit for purpose. We listen to feedback and act on it. We also work closely with the Public and Commercial Services Union (PCS), which represents 47 per cent of our employees, and we are committed to building a positive partnership approach with the PCS at both the national and the local level.

The Open Forum, an employee information and consultative group, is now operating across all regions and the National Office. It is designed to complement the existing channels of communication that we have with the PCS.

We use a range of communication tools including inserts to the weekly staff bulletin, management cascade briefing notes, and face to face briefings. We have a dedicated intranet site that contains all key information on HR policies and procedures, as well as a regularly updated question and answer section. Online toolkits provide invaluable information on key HR policy areas for managers and employees.

We carried out our biennial employee perception survey in November 2007, with a very satisfactory return rate of 73 per cent. The results have been disseminated to all functions and regions, and appropriate action plans have been developed.

Our aim is to be transparent and open in all of our communications, and to respond positively to queries.

Health and safety

We are committed to the health, safety and welfare of all of our staff, contractors, agency workers and the learners we fund.

Following the introduction of a driver risk management package in 2005–06 for all staff who drive on LSC business, 1,428 have completed the individual driver risk assessment (IDRA), 358 have completed the e-learner training and 128 have had on-road training.

National Office and East Midlands regional office were successful in gaining OHSAS18001 accreditation. The auditor commented: 'Excellent standards of housekeeping, an extremely well maintained working environment, employee involvement and provision of adequate resources were evident during the review and a genuine management focus on occupational health and safety issues was apparent'.

There were 30 work-related accidents last year, of which one was reportable. The overall number of accidents equates to 0.80 per cent of staff sustaining a minor injury and 0.03 per cent a reportable one (a reduction of 50 per cent on 2006-07).

Equipment costing £28,800 was purchased centrally for 29 colleagues needing workstation adjustments of which £17,500 was reclaimed through the Access to Work team, part of Jobcentre Plus.

Our learner health and safety policy states that learners are entitled to learning and training that takes place in a safe, healthy and supportive environment. This is integral to the quality of provision delivered and is essential to ensuring that learners have a positive learning experience.

We published *Learner Health, Safety and Welfare: Safe Learner Blueprint* in September 2007 to help the organisations that we fund to develop and deliver safe learning and safe learners.

We have commissioned the Institute for Employment Studies (IES) to research the extent to which learners adopt safe behaviours as a result of differing environments and levels of supervision. The report will be published in autumn 2008, with final research data available in 2009.

In the light of previous IES studies on the under-reporting of learner incidents, we have revised, simplified and improved the Learner Incident Management System to reduce duplication of information and to improve reporting from providers.

Finally, we have continued to work with the Health and Safety Executive on specific requirements for younger learners in high-risk sectors such as construction, and on raising awareness of occupational health as part of health and safety in the workplace.

Our quality of life – now and in the future

In September 2005 the LSC published its strategy for sustainable development, *From Here to Sustainability*.

Our vision is that the learning and skills sector will proactively commit and contribute to sustainable development through its management of resources, the learning opportunities it delivers, and its engagement with employers and communities. We will become an exemplar of sustainable development and will provide a lead for the FE system, which has huge potential to deliver on the sustainable development challenge.

Increasing numbers of examples of good practice prove that, in 2007–08, we have already made significant progress in this area:

- We launched free online resources to support providers to move towards sustainability. Sustainability Online Resource and Toolkit for Education (SORTED) is available on the Environmental Association for Universities and Colleges' (EAUC's) website. We are now working with EAUC to further develop SORTED to meet the changing needs of providers.

- We have continued to build sustainable development into our capital programme, allocating £20 million to FE colleges for projects that reduce energy consumption and carbon emissions; supporting the development of the new Building Research Establishment Environmental Assessment Method (BREEAM) standard for FE colleges to achieve 'excellent' BREEAM ratings; and announcing in our new national capital strategy *Building Colleges for the Future* our ambition that all new college buildings will be zero carbon by 2016.
 - We sponsored the Green Gown Awards, which recognise excellence in sustainable practice in both higher education and FE. This year saw the highest-ever level of participation by FE providers and also the highest-ever number of FE winners: Bedford College, Lancaster and Morecambe College, and Somerset College of Arts and Technology.
 - We asked LSC staff what they thought about sustainable development, and the outcome was that they think it very important. This view has been taken forward into work to identify communications and capacity-building options to embed sustainable development across the LSC.
 - We have developed a set of indicators that are designed to reduce the LSC's carbon footprint and to support other areas in which sustainable development is relevant. We hope to measure ourselves against these indicators and to start working towards specific targets during 2008–09.
 - The LSC regions have supported the strategies, action plans and initiatives of partners and providers, as well as commissioning initiatives themselves and changing their way of working. Much of this work is led by individuals or teams who act as champions for sustainable development, often fired by their own enthusiasm.
- In the coming year, our challenges in terms of sustainable development include:
- working more collaboratively with partners across the whole FE system to drive change
 - placing sustainable development at the heart of skills provision
 - aligning the specific actions that we can take through capital policy with broader sustainable development aims
 - introducing a new grant scheme for the FE system to further encourage energy efficiency and reductions in carbon emissions
 - developing a plan for achieving the zero-carbon target for new college developments by 2016
 - establishing targets for reducing carbon emissions in the existing FE estate and
 - making progress towards our organisational targets and ensuring that the principles of sustainable development are embedded in the transition planning for the bodies that will succeed the LSC from 2010–11.

Our Working Practices

Stakeholder communications

To achieve our goals, we depend on effective teamwork with many stakeholders and partners. We aim to facilitate two-way communication and act in an open and transparent manner with them all.

Colleges and training providers

In the last year, we have worked alongside all LSC-funded providers to ensure that they are informed about – and involved in – our programmes and the policy decisions behind them: for example, the reforms needed for a demand-led system to work and funding arrangements that would be put in place as a result.

We have been pleased to introduce a number of new providers (including a number of third-sector organisations delivering learning and skills to our most disadvantaged learners) to the LSC through our open and competitive tendering process.

Employers

We take our relationships with employers seriously. We work with large employers through our dedicated National Employer Service, and with other employers through the Train to Gain service. Our staff work with employers at a national, regional and local level, and maintain one-to-one relationships with key employers and organisations that represent them. We have regular meetings with groups such as the CBI, the Institute of Directors, the British Chambers of Commerce, and the Federation of Small Businesses, and attend and speak at relevant employer conferences.

Government

The past year has seen the announcement of MoG changes to the way in which learning and skills will be delivered. The LSC has been involved in related discussions with MPs at the local, regional and Ministerial level to ensure that any decisions take into account the expertise of LSC staff. The LSC is a member of the Programme Board that has been established to oversee the transition to the new arrangements.

Opinion formers

We have identified the business and education leaders, politicians and representative groups that are particularly interested in our work or influence the environment in which we work. We maintain regular contact with them, and ensure that they are privy to our thinking and ideas as well as to our research findings and policy initiatives. This is done through small discussion forums and events, an email distribution list and a specialist newsletter detailing our research.

Learners

The LSC is advised by the National Learner Panel, which acts as the voice of the learner. It is made up of independent volunteers (aged between 16 and 75) who have just left school, who have returned to learning later in life to boost their career prospects, or who have retired and are learning for pleasure. The National Learner Panel looks at how proposed changes in FE will affect learners and helps to ensure that the learner's perspective informs policies, proposals and initiatives.

This year we have undertaken an evaluation (results to be published in summer 2008) of our work at the local and regional level to ensure that providers are listening to learners. We also used the evaluation to talk to learners about their experiences.

Other partners

We work with a range of other partners, and give details of our relationships with them in *Our Statement of Priorities*.

Equality and diversity

Promoting equal opportunities is one of the responsibilities that the Government has given us. This applies as much to the way we treat our own staff as it does to the standards that we apply to the learning and skills sector. (We have a statutory duty to report annually on equality and diversity in accordance with Section 42 of the Learning and Skills Act 2000 – our contribution here discharges that duty.)

In April 2007 we published our first three-year Single Equality Scheme, which is our strategy to place equality and diversity at the heart of everything we do – in relation to both the learning we fund and our workforce. We have since commissioned and published our first annual review of the scheme.

We have made substantial progress towards assessing all of our policies for their impact on equality, including training over 100 members of staff on how to use our equality impact assessment framework.

Learners and providers

As part of the Single Equality Scheme, we developed equality and diversity impact measures to ensure more equal outcomes for the learners whom we fund. To build the capacity of the sector in relation to equality, we commissioned a support programme that is open to all our funded providers across our nine regions.

Our Single Equality Scheme committed us to going beyond the requirements of legislation where practicable. In the last year, we have worked closely with the new, cross-

sector Forum on Sexual Orientation and Gender Identity in Post-School Education (established in April 2007) to deliver workshops and develop training materials for staff and learners.

We have also published research on engaging young Muslim learners in FE, and have commissioned a regional programme of activity to come up with practical ways for providers to engage Muslim learners more effectively. And in recognition of our work to challenge gender and ethnic stereotyping in work-based learning through Train to Gain, the LSC was a finalist for Opportunity Now's Diverse Women Award.

We have reviewed our procurement and commissioning processes to ensure that we only fund providers who share our commitment to equality and diversity.

The LSC workforce

We are making substantial progress towards achieving our workforce equality goals, including surpassing two of our targets for 2010: the proportion of women in middle and senior roles (the figure is now at 52 per cent) and the proportion of staff from black and minority ethnic backgrounds (the figure is now at 12 per cent – up from 7.2 per cent in 2002).

We have now made the first of these goals more stretching by focusing on the most senior roles, 48 per cent of which are now filled by women. We are close to achieving our goal of 7.6 per cent of middle and senior roles being filled by staff from black and minority ethnic backgrounds, and are making progress on the proportion of entry-level roles filled by men (the current figure is 20 per cent).

We remain committed to increasing the proportion of staff declaring a disability or limiting illness (the figure remains disappointingly low, at 2.6 per cent). To this end, we are raising awareness among our staff of the need to support and make reasonable adjustments for staff with disabilities, and we are working with our Workforce Equality and Diversity Steering Group and the Employers' Forum on Disability to influence change.

According to benchmarking tools from both the Employers' Forum on Disability and Opportunity Now, we have already achieved substantial improvements: our ratings have moved from Bronze to Silver and Silver to Gold respectively. Our Chief Executive has also signed the Mindful Employer Charter, which commits us to supporting the mental health and well-being of our employees.

We have completed an equal pay audit and have promised to undertake this exercise annually from now onwards. We have also strengthened our employee monitoring mechanisms and reporting methods, so that we will be able to better monitor our workforce profile at both the regional and national level.

We have established a Workforce Equality and Diversity Steering Group, which is made up of staff from across the organisation. Its aim is to ensure that our workforce practices are fair.

In November 2007, the Network for Black Professionals gave our Chief Executive an award for leadership in race equality.

Internal Control

The Learning and Skills Council's Accounting Officer's Statement on Internal Control 2007–08

Scope of responsibility

1. As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Learning and Skills Council's policies, aims and objectives. This achievement safeguards the public funds and Council assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money*.
2. The LSC is an NDPB established by the Learning and Skills Act 2000 (the Act). The National Council can only do those things that the Act provides it can do. The Act provides that the National Council must establish a committee, called a local Learning and Skills Council, for each of the 47 areas of England specified by the Secretary of State.
3. However, nine regional councils for England are being established under the Further Education and Training Act. They will take effect from 10 September 2008 and will replace the current 47 local LSC councils that were set up as part of the Learning and Skills Act 2000.

4. The Bill has been passed and we are in the process of recruiting for regional councils which will be functioning by end of 2008. Meanwhile regional boards are operating as sub-committees of the National Council.
5. The National Council itself consists of between 12 and 16 non-executive members, one of whom is appointed as the Chairman. They meet regularly with me and my senior managers, to provide strategic guidance to the executive. As Chief Executive, I am a member of the National Council. Schemes of delegation exist between the National Council and myself.
6. DIUS sponsors the LSC, working closely with the DCSF. Appropriate communication channels have been put in place to ensure that the departments are informed of the business of the LSC and that we in turn are informed of the departments' requirements for the LSC.
7. The National Council, through its Audit Committee, is informed of the risks facing the LSC and the LSC's processes for dealing with risk.
8. The Prime Minister announced in June 2007 that the DfES would be split into DIUS and the DCSF, and that, subject to legislation, the responsibility for funding learning provision for 16- to 18-year-olds would pass from the LSC to local authorities. The LSC has been working closely with the two departments on the consequences of this, culminating in the White Paper, *Raising Expectations: enabling the system to deliver*, in March 2008, which sets out the processes by which the changes will be put into effect by 2010. The

LSC has taken action over the year to ensure the effective delivery of current business, while absorbing the impact of this prospective change.

The purpose of the system of internal control

9. The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure, and to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the LSC's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the LSC for the year ended 31 March 2008 and up to the date of approval of the Annual Report and Accounts, and accords with Treasury guidance.

Capacity to handle risk

10. The LSC has an established risk management policy. A Risk Management Board consisting of a subset of my Management Group has been chaired by the Director of Strategy and Communications for 11 months of 2007–08 and by the Director of Funding, Planning and Performance from March 2008 onwards.
11. A National Risk Manager has been appointed to support and facilitate the management of risks across the LSC network. Each group and local LSC has an appointed senior manager to act as risk champion; these managers do not own the risks but act as stewards of the processes.

12. Internal Audit performed a review of risk management during the year which gave a restricted assurance and has resulted in a qualification to the Internal Audit Annual Report. In the last quarter of 2007–08 the failure to properly embed corporate risk management was recognised at the highest level within the LSC as the National Audit Committee reported the matter to the National Council. This is covered in more detail in the Internal Audit section of this Statement.

The risk control framework

13. The LSC does not encourage a risk-averse culture; it accepts that risks need to be taken and managed in order to deliver its challenging agenda. I do, however, require risks to be properly evaluated and managed appropriately. In doing so I expect a balanced response to be made to risks, whereby the cost of control is weighed against the likely impact of a risk becoming a reality.

Review of effectiveness

14. As Accounting Officer I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the LSC who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Audit Committee, Management Group and Internal Audit.

Audit Committee

15. A duly constituted Audit Committee has operated through the year and its terms of reference reflect best practice. It consists of National Council members, local audit committee chairs and co-opted members required for their expertise; all are non-executives. The Audit Committee has met regularly and it has considered reports from Internal Audit on the system of internal control, risk management and governance, from the Provider Financial Assurance team on providers' systems of internal control and from the National Audit Office and its contractor. The team has also taken evidence from senior managers as and when it was deemed appropriate. Each region of the LSC has a duly constituted regional audit committee that provides a scrutiny and challenge role with respect to the regional operations. A particular strength of these arrangements is that all regional audit committees are required to review and advise on the individual regional director's personal statement of internal control.

Management Group

16. The Management Group consisted of nine regional directors and five national group directors (Resources; Learning; Skills; Human Resources; and Strategy and Communications) for 11 months of 2007–08. For one month (March 2008) it consisted of nine regional directors and six national directors (Finance and Resources; Human Resources; Funding, Planning and Performance; Adult Learning, Skills and Employment; Young People's Learning and Skills; and National Apprenticeship Service).

The Management Group allows me to have a focused approach to control. I have also maintained a requirement upon national and regional directors to provide a chain of personal assurance as to the adequacy of internal control in their areas of responsibility.

Internal audit

17. A professional and independent Internal Audit service was maintained throughout the year. On the advice of the National Audit Committee, I agreed the Internal Audit team's strategy and plans. I meet regularly with the Chief Internal Auditor and receive quarterly reports on Internal Audit's findings, which I discuss with the Management Group. I receive from the Chief Internal Auditor an annual report on the findings of Internal Audit, which includes his professional opinion as to the level of assurance that is applicable to the LSC. For 2007–08 the Chief Internal Auditor has, with the exception of corporate risk management, given a substantial assurance over the operation of the LSC's systems of control, risk management and governance. A substantial assurance indicates that the LSC has operated basically sound systems, but there were some weaknesses that prevented giving a full assurance.

18. The assurance provided by Internal Audit has been qualified in regard to risk management. In the 2006–07 Annual Report identified significant action was required across the LSC to properly embed risk management. This has not occurred. In part this lack of action was due to fundamental changes in risk following the MoG announcements. In the last quarter

of 2007–08 this failure to properly embed corporate risk management was recognised at the highest level within the LSC as the National Audit Committee reported the matter to the National Council. A new chair (Director of Funding, Planning and Performance) of the Risk Management Board has been appointed but remedial action is at an early stage. The National Risk Manager will support the work of the Risk Management Board in fully embedding risk management. The Internal Audit service will also provide additional support and advice where necessary or requested. I am determined that these weaknesses will be remedied in 2008–09.

19. Through his reports the Chief Internal Auditor has alerted me to where improvements are necessary and I take a personal interest in the implementation of such plans. In addition, each group director receives an annual report on his or her operations as does each regional director. An Internal Audit 'control health check' is carried out annually, both in each region and National Office group, and this informs each of the personal statements of internal control received from my directors. A spirit of co-operation exists between the LSC staff and Internal Audit and they work together to maintain a culture of continuous improvement.

Other assurance mechanisms

20. As Accounting Officer I am required to be satisfied that those organisations that the LSC funds also operate in an appropriately controlled environment. The LSC has established a Provider Financial Assurance (PFA) function, with responsibility for co-ordinating and

carrying out a programme of visits designed to gain assurances over the systems of control operated by providers and providers' application of LSC funds. The level of assurance work carried out by PFA teams or by others, on which PFA teams rely, is commensurate with the level of associated risks. I receive from each of my regional directors his or her personal assurance that providers maintain and operate adequate controls. They base this assurance on a number of things, foremost of which are:

- PFA reports
- receipt and examination of FE college accounts
- contract managers' reports
- performance reviews
- Audit Committee scrutiny and
- third party assurance (Adult Learning Inspectorate, Ofsted).

Internal control issues

21. As Accounting Officer I am satisfied, with the exception of risk management (as identified within the Internal Audit section above), that the LSC's governance and internal control are compliant with Treasury requirements and that the following issues identified as potential risks do not represent a material threat to the LSC's operational effectiveness.

Key issues

a. Corporate ownership of contract management as a discipline has been unclear, and the function remained an area for the LSC to improve during 2007–08. Ownership has now been assigned to the Director of Funding, Planning and Performance and I am satisfied that the risks associated with this function will be mitigated to an acceptable level.

- b. Train to Gain remains a flagship programme for the LSC. A joint audit between DIUS/DCSF and LSC identified some issues in 2007–08 and management has made good progress in addressing these. Rapid expansion means that this programme continues to be a key risk and will be kept under review.
- c. Ownership of corporate business continuity planning has been placed with the Director of Funding, Planning and Performance to ensure that improvements will be made to enhance management and co-ordination during 2008–09.
- d. In March 2008 a major provider to the LSC, Carter and Carter plc, went into administration. This followed lengthy discussions between the company and its bankers in an attempt to secure a future for the company. The administrators of the company were able to secure sales of substantial parts of the business to Newcastle College and the Retail Motor Industry Federation. The LSC has worked with the administrators to transfer learners to other providers and to ensure that learners who have completed their studies receive their certificates from awarding bodies. I have commissioned an independent review of the circumstances leading to the collapse of this provider in order that the LSC can learn and apply the key lessons.

- e. There has been a significant increase in the number of allegations of irregularity. The increase has placed intense pressure on the ability of the Internal Audit investigations unit to deal with the allegations and subsequent investigations in a timely manner. I am taking a personal interest in this issue and receive a monthly report. The ongoing internal investigation which took up significant resources in 2006–07 remains in the hands of the police and the Serious Fraud Office. We understand that the case will come to court in 2008–09. The outcome of the investigation represents a reputational risk to the LSC and this remains to be managed.
- f. In late 2007 and early 2008, the LSC's information security arrangements were the subject of a review by the DIUS departmental security officer (supported by KPMG) as part of a wider cross-government review of departments and their delivery bodies. The outcome of the review was a set of general recommendations applicable to many of DIUS' delivery bodies and some specific recommendations for the LSC. As requested by the DIUS Permanent Secretary, the LSC has set out a plan of action for addressing the issues identified in the review.
- g. The LSC is fully aware of the requirements set out in the letter of 6 March 2008 from the Secretary of the Cabinet and Head of the Home Civil Service on data handling procedures in government. An initial analysis of the

accompanying cross-government mandatory standards for data handling has been undertaken by the LSC's information governance and security manager. This analysis has concluded that the LSC already meets many of the requirements. Those which are not in place, or are not already being addressed, will be included as a priority in the programme of work on information assurance.

Significant issues

- h. The MoG announcements and the subsequent White Paper, *Raising expectations: enabling the system to deliver*, have signalled the dissolution of the LSC in 2010–11 and the transfer of its functions to its successor bodies. The uncertainty arising from this has provided a considerable diversion from LSC 'business as usual'. In 2008–09, as moves towards transition continue further, substantial diversion is inevitable; this may weaken the LSC's ability to meet its objectives in the year and may also affect systems of internal control. These changes will occur at the same time as significant reductions in the administration budget. The LSC has responded to MoG changes by making significant changes to its governance and National Office management structures. Regions have also begun to realign themselves to reflect departmental change and impending structural change.

I am confident that senior management will continue to consider and manage the risks that machinery of government changes present.

- i. A number of issues concerning basic staff financial systems, including travel and subsistence and Government Procurement Cards, have arisen during 2007–08. I am assured that guidance is being enhanced in this area and financial probity training has already been undertaken by many staff. Efforts will be made to ensure that those who have not yet attended do so during 2008–09.



Mark Haysom CBE
Chief Executive and Accounting Officer
 Learning and Skills Council
 27 June 2008

Risk Management and Financial Controls

Our system of internal controls is designed to identify and manage the risks to achieving our policies and aims, in line with guidance from the Treasury.

Our Risk Management Board, a sub-group of the Management Group, is chaired by Verity Bullough, National Director of Funding, Planning and Performance. It reports to the Chief Executive and the Management Group. Our National Audit Committee is made up of two members of the National Council, a former local audit committee chair, a regional board member (from September 2008) and an independent member with a financial background.

Each regional LSC has an audit committee. Together, these are responsible for monitoring and challenging our approach to risk management, governance and systems of internal control.

Our approach to managing risk is to identify, assess and appropriately control all risks to achieving our aims. To do this, we give responsibility for each identified risk to a specific individual. Each identified risk is also sponsored or owned by one of our governance boards, and we closely monitor top corporate risks by producing stewardship reports.

A national risk manager provides advice and guidance to colleagues, helping them to take account of risk management in day-to-day business and to spread best practice.

Each identified risk is sponsored by one of our governance boards

Reporting of Personal Data-related Incidents

The tables that follow have been prepared in response to Cabinet Office guidance (issued to the LSC (via DIUS) on 2 May 2008) on reporting personal data-related incidents in the management commentary section of departmental resource accounts.

Table 1: Summary of protected personal data-related incidents formally reported to the Information Commissioner's Office in 2007–08

Date of incident (month)	Nature of incident	Nature of data involved	Number of people potentially affected	Notification steps
N/A	nil	nil	nil	nil
Further information on information risk	The LSC will continue to monitor and assess its information in order to identify and address any weaknesses and to ensure continuous improvement of its systems.			

Incidents deemed by the data controller not to fall within the criteria for needing to be reported to the Information Commissioner's Office – but recorded centrally by the LSC – are set out in Table 2. (Note that small, localised incidents are not recorded centrally and are not cited in these figures.)

Table 2: Summary of other protected personal data-related incidents in 2007–08

Category	Nature of incident	Total
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured government premises	3 laptops prior to encryption
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured government premises	2 laptops prior to encryption
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	nil
IV	Unauthorised disclosure	nil
V	Other	nil

Note: laptops have been declared as they contain copies of emails sent and received by the individuals who used them.

Table 3: Year-on-year total numbers of protected personal data-related incidents prior to 2007–08

Total number of protected personal data-related incidents formally reported to the Information Commissioner's Office, by category							Total number of other protected personal data-related incidents, by category						
	I	II	III	IV	V	Total		I	II	III	IV	V	Total
2006–07	–	–	–	–	–	nil	2006–07	7	4	–	–	–	11
2005–06	–	–	–	–	–	nil	2005–06	5	7	–	–	–	12
2004–05	–	–	–	–	–	nil	2004–05	–	–	–	–	–	nil

Remuneration Report

The Remuneration Committee forms an important part of our governance structure and process, providing informed and independent decisions on reward policy and practice.

Given our status as an NDPB, the existence of the Remuneration Committee allows us greater freedom from our sponsoring department (DIUS) on reward policy and practice.

Chairman

Christopher N Banks CBE

Chairman, Learning and Skills Council and Founder, Big Thoughts Ltd

Members

Gareth Cadwallader

Executive Director, Airas Intersoft Ltd

Frances O'Grady

Deputy General Secretary, Trades Union Congress

The Chief Executive and National Director of Human Resources are invited to attend and speak at meetings except when their own remuneration is being considered.

The committee met five times during the period April 2007 to March 2008.

The committee determines the reward for members of the Management Group and other key senior executives. Honorariums for National Council members are determined by the Secretary of State. The reward policy complies with relevant Treasury guidance and is based on the philosophy that remuneration arrangements should support the LSC in the achievement of its business objectives. The reward policy is designed to attract and retain the right calibre of people, to focus individuals to deliver superior performance and to encourage team-based collaboration across the LSC.

In determining the appropriate levels of reward, the LSC takes into account local market competitiveness, the views of major stakeholders and the UK regulatory framework. Reward levels are compared with those in organisations of similar size and focus in each of the LSC's regions.

The Remuneration Committee's terms of reference are as follows.

- To review and advise the National Council on the framework and policy for the appointment, pay and performance of LSC staff.
- Subject to any determination relating to the Chief Executive's appointment made by the Secretary of State, to review and make recommendations to the Chairman on any revisions to the Chief Executive's terms and conditions of employment, including remuneration.
- To assist the Chairman in monitoring annually the performance of the Chief Executive against the annual performance plan and, in light of that performance appraisal, to advise the Chairman of any performance-related pay increase or bonus to be paid.
- To review the performance of senior staff within the National Council who report directly to the Chief Executive; to review the remuneration of such staff at least annually; and to make recommendations to the Chief Executive on any pay increase or remuneration arrangements that may be appropriate.

Components of remuneration

The Chairman of the LSC (who also chairs the Remuneration Committee) and members of the LSC National Council receive a salary (Chairman) or an honorarium. There is no bonus payment attached to any of these appointments.

The Chief Executive and members of the Management Group (the national and the regional directors) receive a total reward package made up of base salary, annual bonus, flexible benefits and a defined benefit pension. Subject to the requirements of the role, there

may be a job-need car (or, from September 2006, a job-need taxable but non-pensionable car allowance) provided by the LSC. Bonus payments are not guaranteed.

Since April 2006, the LSC bonus plan has been structured to focus on encouraging and rewarding team-based achievement at both the national and regional level, as assessed against the Public Service Agreement targets set by DIUS. For senior staff, a discretionary element recognises outstanding individual contributions.

Relationship between base salary and variable reward

General

The LSC sets base salaries at the market median and recognises achievement through the bonus scheme.

Salaries for national, regional and other senior directors are benchmarked using a range of appropriate data sources including the Association of Colleges' Principal Salary survey, Hay Group management consultants and Senior Civil Service pay scales. If an individual's salary falls below 90 per cent of the pay benchmark, an adjustment should normally be made to bring it to that minimum level.

Chief Executive

The reward package for the Chief Executive involves two key elements (base salary and bonus), which are determined by the Secretary of State after considering proposals from the Chairman. The bonus is assessed on achievement against corporate and personal targets. During 2007/08, the salary increase was 2.75 per cent and the bonus for the year to June 2007 was £33,975.

The Chief Executive's bonus potential is now set in the same way as for members of the Management Group.

Achievement of threshold:

7.5 per cent of base salary

Achievement of target:

15 per cent of base salary

Achievement of maximum above target:

22.5 per cent of base salary

Due to the nature of his role, the Chief Executive does not receive an automatic salary progression award.

Base pay changes 2007–08

Base pay for national and regional directors rose by an average of 3.39 per cent. This included an amount set aside for raising the spot rates for each role by 2.75 per cent. The remainder was used to move employees from the 90 per cent minimum towards that spot rate. The average increase for other senior directors was 3.25 per cent (including an increase in spot rates of 2 per cent).

Duration of contracts, notice periods and termination arrangements

Members of the National Council

Members of the National Council do not have service contracts and are appointed by the Secretary of State for Innovation, Universities and Skills.

Appointment is for a fixed term, usually four years, and on a part-time basis. Over the course of a year, members of the National Council are expected to devote 12–15 days to work for the LSC, mainly in either half or part days.

An honorarium is offered for these appointments, normally of £4,000. Travel, subsistence and other expenses are payable in line with the current terms for LSC executive staff. There are no bonus payments for these appointments.

Chair of the National Council

Appointment is for a fixed term, usually four years, and on a part-time basis – at least two days a week are expected to be devoted to the work of the LSC.

The salary for the year to March 2008 was £51,400. Salary is reviewed in accordance with guidance provided by the Cabinet Office covering pay of statutory office holders (their salaries are linked to movements in the Senior Civil Service pay bands). Travel, subsistence and other expenses are payable in line with the current terms for LSC executive staff. There are no bonus payments for this appointment.

Resignation can be at any time by notice in writing to the Secretary of State for Innovation, Universities and Skills. The Secretary of State may, by giving written notice, remove the chair from office:

- if she or he is satisfied that the member has not attended National Council meetings for more than six consecutive months; or
- if the member is unable or unfit to carry out their role; or
- by giving six months' notice in writing.

LSC Management Group members and other senior staff

Appointment is by service contract, which can be ended by either party giving 12 weeks' written notice.

There are no specific termination clauses in Management Group member service contracts.

The remaining part of the Remuneration Report has been audited by the National Audit Office. ►

◀ Board members' emoluments

The Chief Executive is appointed by the other members of the National Council with the approval of the Secretary of State for Innovation, Universities and Skills. The other members of the National Council are appointed by the Secretary of State. The amount of the Chief Executive's bonus is decided by the Remuneration Committee, which reviews performance against an annual personal responsibility plan agreed by the Chairman. The bonus is also approved by the Secretary of State. The LSC holds no contracts with a notice period greater than 12 months.

	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
The emoluments of the Chairman (Christopher N Banks CBE, age 48) for the period:		
Salary	51	51
Taxable benefit	0	0
	51	51

The emoluments of the Chief Executive (Mark Haysom CBE, age 55) for the period:		
Basic salary and other emoluments	212	206
Taxable benefit in kind	9	0
Pension contribution (opted to join premium pension scheme)	29	27
Bonus*	34	36
	284	269

*The Chief Executive's bonus payment relates to the previous year. The current year's bonus has not yet been determined

The non-executive members of the National Council are appointed by the Secretary of State for Innovation, Universities and Skills.

	Date commenced/ reappointed or extended	Current term (years)	Emoluments year ended 31 March 2008 £'000	Emoluments year ended 31 March 2007 £'000
National Council members				
Christopher N Banks CBE	15/06/2004	4	0.0	0.0
Shirley Cramer	01/12/2007	1	4.0	4.0
Bryan Gray	01/01/2004	Indeterminate	4.0	4.0
Ian Ferguson CBE	01/06/2004	4	0.0	4.0
Gareth Cadwallader	01/06/2004	4	4.0	4.0
Frances O'Grady	01/06/2004	4	7.6	8.0
Dame Mary Marsh	01/03/2005	4	4.0	4.0
Claire Ighodaro CBE	01/03/2005	4	4.0	4.0
John Taylor	01/03/2005	4	4.0	4.0
Malcolm Trobe	01/09/2007	3	0.0	–
John Cridland CBE	01/09/2007	3	0.0	–
Deian Hopkin	01/09/2007	3	0.0	–
Former members				
	Date of cessation			
John Merry	31/10/2007	0	2.3	4.0
Giles Clarke	01/12/2007	0	2.7	4.0

Senior employees

Salary and benefits in kind

	Date Commenced	Year ended 31 March 2008 Salary £'000	Year ended 31 March 2008 Benefits in kind (to nearest £100)	Year ended 31 March 2007 Salary £'000	Year ended 31 March 2007 Benefits in kind (to nearest £100)
National directors					
Rob Wye					
National Director, Young People's Learning and Skills	01/01/04	125–130	0	120–125	0
David Russell					
National Director, Finance and Resources	02/10/00	140–145	3,700	135–140	3,700
David Way					
National Director, Adult Learning, Skills and Employment	16/03/04	125–130	0	120–125	0
Verity Bullough					
National Director, Funding, Planning and Performance (previously Regional Director, East Midlands)	01/03/08	140–145	0	125–130	0
Sally Stewart					
National Director, Human Resources	29/01/08	15–20	1,000	–	–
Melanie Hunt					
National Director, Learning Group (until 11/06/07)	03/01/06	35–40	0	110–115	0
Ray Dowd					
<i>agenda for change</i> Champion (until 26/03/07)	27/03/06	–	–	105–110	0
Regional directors					
Caroline Neville					
East of England	01/11/02	125–130	2,000	120–125	4,000
Verity Bullough (see above)					
East Midlands	01/01/04	–	–	–	–
David Hughes					
London	01/01/04	135–140	3,300	135–140	3,300
Chris Roberts					
North East	01/01/04	120–125	2,600	120–125	3,300
John Korzeniewski					
North West	01/01/04	125–130	1,500	120–125	3,100
Henry Ball					
South East	01/01/04	130–135	0	125–130	0
Malcolm Gillespie					
South West	01/01/04	130–135	0	120–125	3,400
David Cragg OBE					
West Midlands	01/01/04	130–135	0	125–130	0
Margaret Coleman					
Yorkshire and the Humber	01/01/04	120–125	0	115–120	0
Mary Conneely					
Regeneration	01/01/04	125–130	1,100	125–130	4,800

Senior employees (continued)

Pension entitlements

	Accrued pension and related lump sum at age 60 as at 31/03/08 £'000	Real increase in pension and related lump sum at age 60 earned in the year £'000	CETV at 31/03/08 £'000	CETV at 31/03/07** £'000	Real increase in CETV £'000
National directors					
Mark Haysom CBE* Chief Executive	5–10	0–2.5	154	105	30
Rob Wye National Director, Young People's Learning and Skills	40–45 and lump sum 120–125	0–2.5 and lump sum 2.5–5	822	701	17
David Russell National Director, Finance and Resources	55–60 and lump sum 165–170	0–2.5 and lump sum 2.5–5	1,367	1,190	22
David Way National Director, Adult Learning, Skills and Employment	40–45 and lump sum 130–135	0–2.5 and lump sum 2.5–5	973	826	28
Verity Bullough National Director, Funding, Planning and Performance (from 01/03/08, previously Regional Director, East Midlands)	5–10 and lump sum 25–30	0–2.5 and lump sum 2.5–5	142	102	20
Sally Stewart National Director, Human Resources (from 29/01/08)	20–25	0–2.5	309	296	3
Melanie Hunt National Director, Learning Group (until 11/06/07)	20–25 and lump sum 70–75	0–2.5 and lump sum 0–2.5	348	380	5
Ray Dowd* <i>agenda for change</i> Champion (until 26/03/07)	–	–	–	902	–
Regional directors					
Caroline Neville* East of England	5–10	0–2.5	174	124	28
Verity Bullough (see above) East Midlands					
David Hughes* London	10–15	0–2.5	176	129	20
Chris Roberts North East	40–45 and lump sum 120–125	0–2.5 and lump sum 2.5–5	938	798	37
John Korzeniewski North West	45–50 and lump sum 135–140	0–2.5 and lump sum 2.5–5	1,097	945	30
Henry Ball* South East	50–55 and lump sum 125–130	0–2.5	1,321	1,150	22
Malcolm Gillespie South West	15–20 and lump sum 55–60	0–2.5 and lump sum 2.5–5	474	422	29
David Cragg OBE West Midlands	25–30 and lump sum 75–80	0–2.5 and lump sum 2.5–5	640	575	28
Margaret Coleman Yorkshire and the Humber	40–45 and lump sum 125–130	0–2.5 and lump sum 5–7.5	1,023	872	40
Mary Conneely* Regeneration	10–15	0–2.5	228	168	31

*Opted to join premium

**Due to certain factors being incorrect in last year's CETV calculator, there may be slight differences between last year's reported closing figures and this year's opening figures

Senior employees (continued)

Salary

For the purposes of the analysis, 'salary' includes the following where applicable:

- gross salary payable
- compensation or redundancy
- performance pay or bonuses
- other allowances and
- overtime payable.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument. The benefits provided by the LSC to national and regional directors disclosed on the previous pages relate to lease cars.

Civil Service pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 October 2002, civil servants may be in one of three statutory-based 'final salary' defined benefit schemes (classic, premium and classic plus). The schemes are unfunded, with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose to join either premium or a good-quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5 per cent of pensionable earnings for classic and 3.5 per cent for premium and classic plus. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is

payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3 per cent and 12.5 per cent (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3 per cent of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8 per cent of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill-health retirement).

Further details of the Civil Service pension arrangements can be found at www.civilservice-pensions.gov.uk.

Cash equivalent transfer values

A cash equivalent transfer value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme.

The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total

membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures (and, from 2003–04, the other pension details) include the value of any pension benefit in another scheme or arrangement that the individual has transferred to the Civil Service pension arrangements and for which the Civil Service vote has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries, and do not take account of any actual or potential reductions to benefits resulting from Lifetime Allowance Tax that may be due when pension benefits are drawn.

Please note that the factors used to calculate the CETV were revised on 1 April 2005 on the advice of the Scheme Actuary. The CETV figure for 31 March 2007 has been restated using the new factors so that it is calculated on the same basis as the CETV figure for 31 March 2008.

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.



Mark Haysom CBE
Chief Executive and Accounting Officer
 Learning and Skills Council
 27 June 2008

Financial Commentary

These accounts have been prepared under an accounts direction issued by DIUS in accordance with Schedule 1 of the Learning and Skills Act 2000 and the financial memorandum between the DfES and the LSC dated 8 May 2006, which is now under the authority of DIUS.

Development and performance

1. The accounts cover the period from 1 April 2007 to 31 March 2008 and were prepared on a going concern basis.
2. The majority of the LSC's funding is grant-in-aid from government. In 2007–08, this amounted to £11,167.9 million (2006–07: £10,328.2 million).
3. The largest source of income was the European Social Fund (ESF), which contributed £292.5 million (2006–07: £294.8 million).
4. Financial Reporting Standard (FRS) 13 requires organisations to disclose information on the possible impact of financial instruments on their risk profile and how these might affect the organisation's performance and financial condition. As an NDPB almost wholly funded by DIUS and the DCSF and with no borrowings, the LSC is not exposed to any liquidity or interest rate risks.
5. As it has no material deposits and all material assets and liabilities are denominated in sterling, it is not exposed to interest rate or currency risk.
6. As an NDPB funded annually by DIUS and the DCSF, the use of more complex financial instruments would not be appropriate.

Going concern

1. The balance sheet at 31 March 2008 shows net liabilities of £220.2 million (2006–07: £295.9 million). This reflects the inclusion of liabilities falling due in future years which, to the extent that they are not to be met from the LSC's other sources of income, may only be met by future grant-in-aid from the LSC's sponsoring department. This is because, under the normal conventions applying to Parliamentary control over income and expenditure, such grant-in-aid may not be issued in advance of need.
2. Grant-in-aid for 2008–09, taking into account the amount required to meet the LSC's liabilities falling due in the year, has already been included in the Department's estimates for that year. These estimates have been approved by Parliament, and there is no reason to believe that the Department's future sponsorship and future Parliamentary approval will not be forthcoming.
3. Accordingly, despite the current balance sheet position of the LSC, it has been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Year-end position

1. The Treasury requires NDPBs to disclose the full costs of their activities in their accounts. The LSC has net current liabilities and so has included notional income of £11.6 million (2006–07: £8.8 million) for the cost of capital in our accounts. This is based on a rate of 3.5 per cent (2006–07: 3.5 per cent). See also 'Cost of capital' – note 8 to the financial statement – on page 67.

2. The results for 2007–08 show net expenditure of £11,092.3 million (2006–07: £10,543 million). This is derived from the comparison of expenditure against income for the year, and income no longer contains grant-in aid. As an NDPB, the LSC is required to break even one year with another against the resource budget, and for 2007–08 the total expenditure was within the resource budget set by DIUS of £11,279.3 million. Total reserves in the same period decreased by £75.6 million.
3. Capital expenditure in the year (mainly on computer systems) totalled £23.3 million (2006–07: £21.4 million). The net book value of fixed assets at 31 March 2008 increased from £46.3 million to £54.5 million – driven by growth in the value of computers and other IT equipment. This reflects the fact that more LSC-specific systems were built and that the number of computers disposed of dropped as the organisational structure stabilised.
4. Research and development expenditure during the year amounted to £4.8 million (2006–07, £4.1 million).
5. At 31 March 2008, the LSC had debtors of £219.1 million (31 March 2007: £249 million). The decrease reflects a reduction in ESF debtors from the winding-up of the 2003–08 programme and a reduction in prepayments across a range of programmes.
6. At 31 March 2008, the LSC held cash balances of £98.3 million (31 March 2007: £50.2 million) including funds drawn from the ESF as well as grant-in-aid. DIUS authorises a working balance of 1 per cent of the annual resource budget throughout each

financial year. At 31 March 2008, the balance of DIUS and DCSF funds amounted to £29.9 million or 0.3 per cent (31 March 2007: 0.3 per cent).

7. At 31 March 2008, the LSC had creditors of £568.2 million (31 March 2007: £607 million). The main drivers behind this fall are a reduction in deferred ESF income that is partially offset by rises in work-based learning creditors and rises in a range of other programme accruals (including Train to Gain).
8. Of the £55.7 million established to cover the one-off costs of reorganisation under the *agenda for change* programme, £18.7 million remains to cover excess property costs and additional, ongoing pension liabilities.
9. The accounts are audited by the Comptroller and Auditor General, who is appointed by statute and whose Certificate and Report appears on page 50. The audit fee is expected to be £184,000 (2006–07: £176,000). No other services were provided by external audit during the year.

Main trends and factors underlying the development and performance

1. In 2007–08 the LSC's programme expenditure increased by 5.5 per cent to £11.2 billion.
2. With staff costs falling by £5.1 million and other administration costs falling by £10.3 million, total administration costs were reduced by £15.4 million (or 7.4 per cent) relative to last year.
3. The employer training programme Train to Gain maintained its forward momentum. Although less than forecasted, total Train

to Gain expenditure (including infrastructure spending) increased by £112 million, representing growth of 55.7 per cent against the previous year.

4. The Late Payment of Commercial Debts (Interest) Act requires government bodies, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services, or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. In 2007–08, the LSC paid 95.3 per cent (2006–07, 93.3 per cent) of its invoices within 30 days. It incurred £18.36 in interest charges in respect of late payments for 2007–08 (2006–07, £nil).


Main trends and factors likely to affect future development and performance

1. The LSC is committed to increasing 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.
2. The Prime Minister has announced a significant expansion of the Apprenticeship programme as part of a wider framework of welfare reforms. This will see the creation of a National Apprenticeship Service and investment in a vacancy matching system.
3. In the light of the publication of *Train to Gain: A Plan for Growth* last year, the LSC is committed to doing what needs to be done so that more employers and individuals get the skills they need.

4. From the 2008/09 academic year, the LSC will use a common funding methodology to fund all learners aged 16 to 19 in school sixth forms, colleges and private providers, which could lead to significant pressure on funding.
5. The Government is consulting on its proposals for revised arrangements to deliver the work currently undertaken by the LSC.

Statement on disclosure to auditors

As far as I am aware, as Accounting Officer I confirm that there is no relevant audit information of which the auditors are unaware. I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information, and to establish that the LSC's auditors are aware of the information.



Mark Haysom CBE
Chief Executive and Accounting Officer
Learning and Skills Council
27 June 2008