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Rt Hon Alan Johnson MP

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18 October 2006

Dear Chris

LSC GRANT LETTER: 2007-08

This letter sets out my priorities and the budget for the Council in the year ahead. It builds on the priorities for 14-19, skills and further education reform which were set out in the 2006-07 Grant Letter and our recent Further Education White Paper *Raising Skills, Improving Life Chances*. I am pleased that the Council has reflected these requirements in its Annual Statement of Priorities which is being published today, and look to the Council to continue to drive forward progress in these vital areas and to respond effectively to the recommendations from the review on skills which will be published later this autumn.

I congratulate the Council on its success over the last 12 months, including the progress made on our PSA targets. I am particularly pleased with the increase in participation and attainment amongst young people and the Council's commitment to drive up adult skills. I look to the Council to build on these achievements and to help take forward the next stage of the Department's strategy for children and learners, looking forward to 2009 and beyond. It is vital that we reduce the gap in attainment amongst people from low income or disadvantaged backgrounds whilst continuing to raise standards for all; and to increase the proportion of young people from all backgrounds who stay on in education or training. This includes working with local authorities to support better learning opportunities for young people in care, building on the proposals set out in our recent Children in Care Green Paper, and engaging directly with learners and disadvantaged groups to improve the quality and responsiveness of provision to their needs.

Funding priorities for 2007-08

Investment in further education has increased by 48% in real terms between 1997 and 2005. Last October in 'Priorities for Success' we set our policy for ensuring that public funds are aligned to the achievement of our key priorities for 14-19 and skills, and

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INVESTOR IN PEOPLE

targeted at those who will benefit most. The Council must continue to increase its emphasis on funding full level 2 qualifications in line with its Annual Statement of Priorities/Priorities for Success 2 (PFS2), focusing particularly on those level 2 qualifications highlighted as priorities by the Skills for Business Network. We must focus on providing the skills needed for employability and further progression, ensuring that disadvantaged adults have adequate literacy and numeracy skills and helping the lowest skilled to achieve a first full level 2 qualification; whilst also working with Higher Education Funding Council for England (HEFCE) and others to ensure clear routes into learning which meet our higher skill requirements.

We are pleased with the success of the Skills for Life programme but disappointed that some providers still continue not to offer national qualifications. We therefore agree with your approach set out in PFS2 that from 2007-08 only approved literacy, language and numeracy qualifications will be eligible for Skills for Life funding at levels 1 and 2. We are pleased that you will be able to continue to support vulnerable groups on income-related benefits who will continue to receive fee remission, and Learner Support Funds will continue to support participation for learners who met the access criteria.

Last year we agreed that we would review the funding for courses in English for speakers of other languages (ESOL). As a result we have agreed a way forward that again you have set out in PFS2, which is that ESOL will no longer automatically qualify for full fee remission. Funds will be targeted at those who are in greatest need of support; and a new range of accredited qualifications will extend learner choice and enable providers to offer the right qualifications for those wishing to improve their English language skills as a route into employment. We have also reviewed the public support available to asylum seekers aged 19 and over, and from 2007-08 only those who are granted refugee status, humanitarian protection or discretionary leave will be eligible for funding. This brings access to further education into line with other educational and social benefits, and ensures consistency across government.

Reforming the system

In our Further Education White Paper we described how we wanted to establish a new economic focus for the sector, and ensure much greater choice for learners and employers and drive up quality. During 2007-08 we will begin the transition towards implementation of a fully demand led system, combined with a lighter touch approach to planning for good colleges and providers. I am grateful for the joint work that the Council has been doing with my officials in preparation for the consultation later this year. I will be looking for the Council to continue to include the voluntary sector in future commissioning strategies, and to work closely with colleges and providers to bring further improvements in efficiency and value for money across the whole of the further education system, building on the progress already made to reduce bureaucracy. I will look for your continued engagement in delivering the Managing Information Across Partners programme, which seeks to streamline data collection; and to implement effectively the Framework for Excellence arrangements.

Raising participation and attainment

Delivering the 14-19 implementation plan, including working with local authorities to design and implement the funding arrangements that will support 14-19 reform; and taking forward our response to the Leitch Report are key priorities for the Council. We must reduce the number of young people not in education, employment or training (NEET), and get on track for achieving our longer term aspiration of 90% of young people participating in learning by 2015 and at least 85% of 19 year olds reaching level 2 by 2013. I look to the Council to work with providers and those

delivering information, advice, guidance and targeted support to implement the September guarantee in all areas and to deliver greater specialisation and improved standards, choice and accessibility for all – including for those groups that are currently disproportionately represented in the NEET group such as teenage parents and those with learning difficulties and disabilities. Work must also begin to prepare for the new apprenticeship entitlement which I announced recently and to develop the pre-apprenticeship route which will be introduced from 2008-09. We have also agreed that the Council will manage a further cohort of the Young Apprenticeship Programme.

I look to the Council to continue to play a full part in supporting the development of our adult workforce, including those who work with children, and to develop a new trajectory for skills investment, building on the level 2 action plan and securing implementation of the new entitlement for 19-25 year olds to receive free tuition for a first full level 3 qualification. Maintaining the momentum on Train to Gain is also vital. The focus here must be on engaging harder to reach employers and securing at least 142,000 additional first full adult level 2 achievements.

I welcome the new arrangements for delivering adult skills in London; and look to the Council to work closely with the Mayor to deliver the strategy and priorities set by the London Skills and Employment Board and the skills needed for the 2012 Games. Strengthening your partnership with Jobcentre Plus will be crucial for ensuring clearer links between skills and employment. I also look to the Council to work closely with the WorldSkills Partnership Board.

I know that the Council is committed to producing a Disability Equality Scheme. Together with the Gender Equality Scheme, this will provide a real opportunity to deliver significant and lasting change for all learners. I also welcome your positive response to the review by Peter Little OBE, and expect the Council to continue to increase its investment in provision for learners with learning difficulties and/or disabilities, whilst working with the sector to improve the cost-effectiveness of provision and achieve further improvements in the arrangements for the safety and welfare of all learners.

Conclusion:

We have reached a critical point in our education and skills agenda. The changes made to the Council's executive structure are vital for driving further progress, and it will be important to quickly develop the capacity needed to work in collaboration with partners at local, regional and national level, including with Regional Development Agencies, Sector Skills Councils and working as a key strategic partner with local authorities across the country, as well as to build on the strong relationship that has been established between the Council and the Department. I also welcome the collective effort that has gone into developing your proposals for streamlining the Council's accountability structure and look forward to receiving your final proposals later this month, and to continuing to work with you on this challenging agenda.

Yours
Alan

ALAN JOHNSON

KEY TARGETS

The relevant PSA Targets are:

All young people to reach age 19 ready for skilled employment or higher education.

This is made up of three distinct elements:

- By 2008, 60% of those aged 16 achieve the equivalent of 5 GCSEs (at Grades A* to C); and in all schools at least 20% of pupils achieve this standard by 2004, rising to 25% by 2006 and 30% by 2008.
- 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 increasing the proportion of young people who achieve level 3.
- Reduce the proportion of young people not in education, training or employment by 2 percentage points by 2010.

I expect the Council to take a leading role on the second and third of these, working through the Attainment at 19 Programme Board, and work with local authorities and Connexions through children's trusts. I also expect the Council to work towards the aspiration to increase participation in post compulsory education of 17 year olds from 75% to 90% over the next ten years (14-19 White Paper, February 2005).

Tackle the adult skills gap: increase the number of adults with the skills required for employability and progression to higher levels of training through:

- 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; and
- Reducing by at least 40% 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.

I expect the Council to lead on these targets.

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

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

- An Apprenticeships completions success rate target for 2007-8 of 59%.
- An FE Learner Success Rate for 2007/08 of 76% [this will be subject to review].

LSC Budgets 2007-08

Budget Line	2007-08 (£000s)
A. PARTICIPATION	9,183,144
of which for planning purposes:	
School Sixth Forms	2,052,881
16-19 FE	3,081,134
16-18 Workbased Learning	631,730
Entry to Employment	219,615
Young People Sub Total	5,985,360
19+ FE (includes LA non PCDL activity)	1,896,753
Train to Gain (Note 1)	460,608
19+ Workbased Learning	273,580
Personal and Community Development Learning (PCDL)	210,000
Adults Sub Total	2,840,941
Specialist Colleges for Learners with Learning Disabilities and/or Difficulties	181,311
Ufl / Learndirect	175,532
B. LEARNER SUPPORT AND DEVELOPMENT	801,453
of which for planning purposes:	
Learner Support Funds	229,859
14-19, Skills and Quality Reform	522,706
Capacity and Infrastructure	48,888
C. CAPITAL	595,800
D. ADMINISTRATION (Note 2)	219,495
Total DEL Expenditure (Note 3)	10,799,892
E. AME EXPENDITURE (Note 4)	591,000
Grand Total (Note 5, 6)	11,390,892

Note 1 - Train to Gain includes Train to Gain, Employer Training Pilots, Wage Compensation, Higher Skills for Women, and Level 3 Pilots.

Note 2 - The Administration budget includes Pay, Non-Pay, Cost of Capital, Depreciation, and Own Capital.

Note 3 - The Adult Skills Budget for the London Region for the 2006-2007 financial year was £560m. The regional allocations for 2007-2008 will be confirmed shortly.

Note 4 - Expenditure in Annually Managed Expenditure (AME) represents the LSC budget for Education Maintenance Allowances

Note 5 - Virement Rules for LSC budgets are as set out in the latest Financial Memorandum between the LSC and DfES, as well as the additional rules set out in Note 6 below.

Note 6 - The sub-divisions of Blocks A and B are notional; but the Department will monitor LSC spending based upon these planning assumptions. However there are exceptions: transfers in or out of School Sixth Forms within Block A, and the Basic Skills programme, which forms part of the 14-19, Skills and Quality Reform sub-division within Block B, require departmental approval. Transfers out of Train to Gain within Block A require departmental approval.

Annex C

Planned Outputs/Volumes (Academic Year)

Learner volumes		2005/06	2006/07	2007/08
Young people	FE	738,000	756,400	768,700
	WBL - young people (AiL)	163,000	164,100	171,700
	E2E (AiL)	24,800	24,100	23,900
	School Sixth Forms*	359,100	365,130	371,340
	Total	1,284,901	1,309,733	1,335,640
Adults	WBL (AiL)	102,900	100,900	109,000
	FE	2,636,000	2,310,000	2,262,000
	ETP/Train to Gain	179,600	310,469	353,280
	UFI	500,000	500,000	500,000
	Learning formerly known as ACL (includes PCDL)	958,000	958,000	958,000
	Total	4,376,500	4,179,370	4,182,280
Key PSA Target-related outputs				
	Adult level 2 - First full level 2 achievements - all streams	114,795	167,847	295,180
 <i>Total full level 2 achievements in FE</i>	99,782	121,231	136,310
	Skills for Life - annual achievements - all streams	443,000	443,000	443,000