

To all colleges and providers

1 April 2009

Dear Colleague

### **Managing Demand in Train to Gain and 25+ Apprenticeships**

I want to start this letter by personally thanking colleges and training providers for their individual and collective efforts to raise the volume and quality of Train to Gain and Apprenticeship places. In this region, and across the country, we are delivering more Apprenticeship and Train to Gain places than ever before and as a result helping more young people and adults get the skills they need. This performance is a testament to the sector's ability to respond flexibly to demand.

There are clear indications that growth in demand is continuing to accelerate for both Train to Gain and 25+ Apprenticeships. Latest take-up and completion data for Train to Gain shows that, even with increased investment, employer and learner demand is continuing to grow, and that the introduction of the SME flexibilities is already having a significant impact on employer demand. Since the launch of Apprenticeships for Adults (25+) in August 2007, the demand has far exceeded the budgets available with starts well over three times the ambition in 2007/08 and our 2008/09 assumption being met before reaching the half-year.

These increases in demand for training are very encouraging, particularly at this time in the economic downturn and they demonstrate the success of the employer responsive programmes and the significant progress made in establishing employer demand and boosting provider capacity to deliver.

However, left unchecked, Train to Gain and 25+ Apprenticeship activity will exceed the budget allocations we have available in the 2009-10 financial year and create further pressures in the 2009/10 academic year and beyond. We must take action

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now and agree with you contracts that enable you to meet the needs of employers and learners, but within the levels of investment we have available.

We have worked closely with DIUS and have identified and agreed a number of measures and actions that will ensure we can continue to maintain, and where appropriate, expand these programmes on a sustainable basis.

### Measures and Actions

In taking these actions our underpinning commissioning principle remains unchanged – we want to ensure the best performing colleges and training providers can continue to offer the highest quality service to learners and employers. These colleges and training providers should be able to continue to operate across the country and respond to demand within the national resources we have available and the contract limits we agree with them.

In outline, the measures and actions we propose to take include:

#### Train to Gain

- We will work with you to ensure that we remain within budget from April and for the remainder of this academic year as well as for the 2009/10 academic year. You must manage within the overall maximum contract value agreed with us. We will also want you to ensure that sufficient levels of provision are available to employers and learners across the whole of the academic year.
- We will agree with you maximum contract values which reward previous good performance, and allows for the rapid reallocation of funds from colleges and training providers who under-perform to those who can deliver more and respond to employer and learner needs. Our approach to managing performance will be undertaken within an agreed framework:
  - Where colleges and training providers are under delivering against contract volumes, these will be reduced in line with actual delivery compared to the agreed delivery profile and the level of activity this will generate across the whole of the academic year. We will not 'over contract' with colleges and training providers beyond actual delivery in these circumstances, i.e. you will not be able to retain an overall maximum contract value above the actual level of delivery evidenced through ILR records. Review and variation to contract levels will be undertaken in line with agreed contract management arrangements. Any growth will be capped to overall levels of affordability.
  - Beyond the performance assessment of volumes, we will review quality of delivery based upon the delivery of achievement numbers being delivered against contracted levels and in particular where significant numbers of

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learners have gone past their planned end date. This will enable funding to be removed or limited where achievements performance is of concern and prepare the way for the introduction of Minimum Levels of Performance (success rates) for 2010/11. We will also look carefully at where performance in these terms is not improving and remove contracts from those providers in 2009/10 where it is clear there is no capacity to improve.

- The review of existing and future contract values for 2009/10 will be set using nationally agreed thresholds relating to financial health and overall financial exposure limits. We will continue to apply judgement in terms of your capacity to deliver whilst maintaining the highest standards of performance. These calculations will be undertaken based upon the whole of your activity, including ESF provision, across the entire academic year.
- We cannot 'over contract' with colleges and training providers at either a regional or national level. Contract values cannot exceed the overall budgets we have available.
- From April 2009, we will cease the practice of enrolling learners on both units and a full qualification. We also need to review and confirm the rules on eligibility to focus resource on those in work who require support and where there is a clear benefit for the individual and the employer. In particular, this must consider instances where learners are employed on short term contracts just to complete employer based training programmes.

### **25+ Apprenticeships**

- We will ensure that Apprenticeships for those aged over 25 are managed within the overall 25+ Apprenticeship budget.
- We will focus Apprenticeships to ensure that they are targeted towards our priority groups: those people undertaking their first level 2 or 3 and individuals who have been out of the workplace for an extended period.
- From 1 April 2009, where you have already or are likely to exceed your maximum contract value in 2008/09 for 25+ based on current in learning numbers you will be required to postpone any further recruitment until the next contract year in August 2009 (subject to any agreed allocation for 25+). Where you have not yet reached your agreed maximum contract value based on current in learning numbers you may continue to recruit 25+ learners subject to remaining within their agreed maximum contract value.
- As with Train to Gain, you must remain within your maximum contract value. Increases to contracts will only be agreed in exceptional circumstances, in advance, where there is available budget and where it meets the needs of the priority groups identified above.

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- We have commissioned a review of the funding rate for 25+ Apprenticeship funding rates which will report later this year.
- The employer budget agreed with you will clearly differentiate between 19-24 and 25+ Apprenticeships and Train to Gain. In doing so, we will retain a management process to review performance on a monthly basis to consider any action needed where the patterns of demand within the overall employer responsive budget change.

In addition to these specific measures for Train to Gain and Apprenticeships, we are working through the regional teams to ensure that ESF resources are closely aligned to meeting the skill needs of employers. In the first instance we will look to that funding route to support growing demand.

And finally, we are working closely with DIUS to agree a new marketing and communications strategy which is appropriate, in both policy and financial terms, for these new circumstances.

### **Next Steps**

Partnership teams will continue their discussions with you over the next week to agree any necessary steps to manage within the financial year budget, to agree activity levels for the remainder of the academic year, and to agree contract values for the 2009/10 academic year. We expect to issue 19+ employer responsive allocations on 7 April 2009.

Finally, could I end this letter by reiterating my sincere thanks to you for the significant role you have played in driving up the demand for skills. We will want to work closely with you over the next few weeks and months to ensure that we have a clear and shared understanding of what we need to do together to continue to meet the needs of learners and employers, and at the same time manage within the available budget.

Yours sincerely



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