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Dear Chris

This letter follows the 2009-10 Grant Letter issued in November last year. The Grant Letter set out the Government's strategy for continuing investment in training and skills, as a critical component of promoting national competitiveness. It confirmed that funding for post 19 learning in the next financial year would increase to over £4.5bn.

Since then, the Government has been continuing to develop our strategy for helping both individuals and employers to cope with the effects of the economic downturn and put ourselves in the best position for the future upturn. Skills and training are critical for both, offering real help now for businesses to remain competitive through training, and for individuals to re-skill and up-skill for current and future employment.

In recent weeks, we have announced a series of important measures that build on our wider strategy for training and skills set out in the Grant Letter, to ensure we are offering the best help possible in these difficult times. This letter sets out the consequences for the LSC of those announcements. It confirms the further post 19 flexibilities and funding allocations that have been announced, the expected outcomes and timeframe for delivery; and how these initiatives now need to be communicated and implemented by the sector.

The annex to this letter summarises the funding and outcome changes to the LSC's Grant Letter from November 2008. My officials will agree some of the outstanding details with you shortly and in particular the phasing of expenditure over 2009-10 and 2010-11. Nevertheless implementation needs to be taken forward as quickly as possible, and I know that the LSC is already engaged with my Department to do so.

Support for employers and individuals through the downturn

In the current economic climate it is more important than ever that the skills system is responsive to the needs of employers and individuals, and the LSC has a pivotal role to play in ensuring this is the case. We are looking to you quickly and effectively to implement two closely related packages of additional support:

- 40,000 additional training places for those facing redundancy and those who are newly unemployed, calling on £158m of funding. This expansion of employability skills and job entry support was announced in December. This package should be available from April 2009.
- 75,000 additional training places for those reaching six months of unemployment, to be made available over the two years 2009-10 and 2010-11, at a total cost of £83m. This was a critical part of the package announced at the employer summit on Monday 12 January. We are looking for the LSC to roll out this package from April 2009, along with the other components of the DWP-led offer for those who have been on Job Seekers Allowance for 6 months. The critical aspect of this initiative is that we are looking to colleges and training providers to offer training support in a way that enables those who have been on Job Seekers Allowance for 6 months to embark on training that will make a significant difference to their skills and employment prospects, while still continuing with active job search; and will enable them, once they get a job, to continue with training through to a qualification. We expect where possible this will be delivered through negotiating agreements for new adult learner responsive provision or re-negotiating existing contracts with providers. LSC will need to work closely with JCP to ensure that the referral process by which customers will access the provision is as smooth as possible, and that the delivery of training is sufficiently flexible to enable participants to combine training with job search in a way that best meets their needs. All the training should lead to qualifications or units accredited on the QCF. As with the package of Train to Gain flexibilities for SMEs that we announced in November, the focus should be on qualifications and training that are known to make most difference in equipping people with the skills that employers most want. We see this funding being allocated through the Adult Learner Responsive budget because it is about college/provider based programmes for those who, initially, are not employed and therefore cannot engage in workbased training. But where a participant gains a job before completion of the training, subsequent delivery of the remaining training in the workplace will clearly need to be closely aligned with Train to Gain activity.

To support this, and building on the focus in the Grant letter on employment outcomes, we expect the LSC to provide colleges and training providers with incentives to both achieve re-entry to employment and to help those who gain new jobs to further progress in work and in learning. This should include considering proposals from colleges to use their pre-level 2 flexibilities to support employment outcomes. As flagged in the investment strategy we published in November, you should also trial in a few selective cases granting further flexibility. The nature of the flexibility and the type of employment outcomes set and delivered should be evaluated so that we can learn the best way to build this approach across the sector.

In taking up these new places, individuals should have access to high quality information, advice and guidance on careers and skills to help them make the best choices. This is particularly important for those facing redundancy, who may need to move into new employment more quickly, as well as seeking training. £29m of the total available for the first package (for 40,000 people) should be used to expand the capacity of local *nextstep* face to face advice services to deal with this additional demand, alongside DIUS funding already announced to support the creation of the adult advancement and careers service. A new flexible funding model for *nextstep* provision has been agreed with DIUS to ensure that the local services can deliver a responsive offer, and we expect the impact of this to be monitored at provider level.

LSC regions will need to continue to ensure that our skills provision and interventions

match the needs of the local labour market and that they are playing a key role with partners to maximise the impact of the cross-Government response. We want the LSC and the SFA to be recognised in all areas as the strategic skills advocate delivering a dynamic and creative approach to maximising our contribution to economic development, identifying strategic skills priorities and gaps and working with partners to ensure that the new and emerging needs of employers are met.

One example is the extension of support for the Automotive Industry. The statement made by Peter Mandelson on 27 January set out the support which the Government will offer to the automotive sector. That includes a willingness to expand the SEMTA Sector Compact. That compact was estimated to be worth £65m of Train to Gain funding. We are encouraging automotive employers to make full use of the Compact offer. If the demand is there, beyond the estimated £65m, we will want to continue to draw down funds from the existing Train to Gain budget to support this critical sector, potentially rising to a value of £100 million. We look to the LSC to work closely with SEMTA on the active delivery and expansion of the Compact, and with SSCs more widely to ensure that compacts reflect employer priorities in addressing strategic skills needs.

Apprenticeships

On 7 January the Prime Minister announced that the Government would be providing a further £140m to support an additional 35,000 apprenticeships, in order to strengthen the country's competitiveness and help beat the economic downturn. This reinforces the Government's commitment to ambitious expansion of the apprenticeships programme as an essential way of supporting young people and adults to gain the skills and qualifications that employers most value through high-quality, work-based training. As you know, the Government is already committed to increasing spending on apprentices in the next year to just over £1bn. The £140m is in addition to that.

Our planning assumption is that the new opportunities are to be supported through an equal share of places between pre and post-19 apprenticeship places. I expect the additional 35,000 apprenticeship places to be provided in both the public and private sectors, but with a majority in the public sector (our indicative planning assumption is 20,000 places). The overall £140m funding will be split 50:50 between DIUS and DCSF. The expansion will be delivered through a range of measures. This will include using the power of the public sector, as some of the country's largest employers, to make available new apprenticeship opportunities within a broad range of public sector careers. In addition to this, as set out in the earlier Grant Letter, we will look to use the huge leverage available to us through public procurement to ensure that public contracts contain relevant skills training and apprenticeship requirements, particularly in areas such as capital construction, repairs and maintenance, and IT.

I also look to the LSC to introduce new flexibilities to support apprentices being made redundant. In the current economic climate, we must ensure that apprentices who lose their apprenticeship places because of the downturn are supported to complete their programme successfully. I want the LSC to make clear to providers that an apprentice who has been made redundant will be supported in full time provision for a period of up to 6 months. This will allow redundant apprentices to maintain their framework for an extended period whilst they and their provider seek a new employer, and reflects the greater challenge faced in finding a new employer place in the current economic climate.

I am also concerned that current Minimum Levels of Performance for providers may cause a disincentive to providers to continue offering apprenticeships in sectors where the risk of redundancy is high. I have asked that the LSC monitor the situation closely

and make specific requests to the Department for temporary waivers for individual providers who are maintaining significant proportions of redundant apprentices on their books. I would like the LSC to communicate this intention to providers.

New Opportunities White Paper

Measures to boost skills and provide equal access to education and pathways into work are also at the heart of the Government's New Opportunities White Paper. The first of these is an expansion of the Career Development Loans scheme as Professional and Career Development Loans. CDLs can offer invaluable support to those who need to re-skill or re-qualify in order to prepare themselves for new employment opportunities, particularly in professional and technical areas. That includes people who already have skills and qualifications, at both higher education and further education levels. This is an important way in which the Government can help people to help themselves, by securing access to finance.

We have therefore set an ambitious growth target, from 15,000 places this year to 45,000 places in 2010-11. This will be on the basis of lower interest rates, which will be agreed with the participating banks, and increasing the maximum loan value from £8,000 to £10,000. The aim is to make the scheme more attractive and flexible for those needing to finance training at technical and professional levels, especially those who fall outside those groups who automatically receive financial support. Enhanced marketing of the scheme will be required to achieve these higher volumes, working through a variety of channels and intermediaries, and we expect the LSC to take a lead in developing and pushing this forward.

As the White Paper made clear, we want to build on the training entitlements successfully introduced in recent years so as to extend those entitlements to wider groups, including those who are making particular contributions to society, or who face particular financial disadvantage in accessing training. To meet that objectives, we look to the LSC to pilot new earned rights of up to £500 for people who have taken over 5 years out of work to care for children or adults, to enable them to undertake training which will help them get back into work; and an additional entitlement of up to £500 for those on low incomes in employment, claiming Working Tax Credit, to help them improve their skills so they can get on at work. I would like these entitlements to be piloted in a limited location, as a fully integrated part of skills accounts, and to be available to help towards fee costs at college for those who do not qualify for full fee remission under existing entitlements.

I look to the LSC to ensure that communications are in place to alert those eligible to the availability of these entitlements, for example, by targeting those claiming carers allowance or child benefit, and improving outreach to adults on working tax credit.

Alongside this, I also want the LSC to encourage companies to use Train to Gain funding to train agency workers, and to promote supported work and employment for people with learning difficulties. This should be focused on supporting the most vulnerable.

Conclusion

The FE sector has a crucial role to play in supporting individuals and employers through the current downturn; and the LSC and FE sector as a whole now has a range of flexibilities available to support individuals, employers and communities through the economic downturn. It is vital that we implement these flexibilities as quickly as possible, and I look forward to reviewing progress with you.

My officials are working with key partners, including the LSC, to develop a shared communications plan for the FE System. This will include plans to improve the clarity and consistency of key messages, to ensure the FE system is clear about the new flexibilities open to it. It will also include the establishment of swift feedback mechanisms to flag any barriers or issues, identify good practice for wider dissemination, and provide us with examples of the impact our policies are having. The LSC has a critical role in working with us to ensure that we make best use of new funding streams and flexibilities, and that we get the most from our mainstream provision.

A handwritten signature in black ink, appearing to read 'John Denham', with a stylized flourish at the end.

John Denham

ANNEX – LSC (DIUS) budget and planned outputs / volumes changes

New activity	Investment over 09-10 and 10-11	Source of funding	Activity to be supported over 09-10 and 10-11
Training places for those facing redundancy or newly unemployed.	£158m	£79m additional funding from ESF, matched with existing Train to Gain and next step LSC baseline resource.	40,000 additional training places focussed on employability and job-entry skills.
Training places for those unemployed for 6 months	£83m	£68m of additional Treasury funding, to be matched by £15m from existing budgets	75,000 additional FE training places focussed on combining job search with training leading to qualifications and accredited units of economic value
Additional apprenticeship places	£70m (DIUS only element: DCSF will also be providing £70m for the 16-18 component)	Within the £70m of DIUS funding, £35m is additional Treasury resource. The matching £35m to be funded from existing budgets	35,000 apprenticeship places, split equally between pre and post - 19.
Enhanced Career Development Loan Programme	£36m	£10m additional funding from Treasury, with the remainder from existing budgets.	Increasing places from 15,000 in 08-09 to 45,000 by 10-11
£500 training entitlement for carers and adults on working tax credits.	£4.6m	From existing budgets.	Regional pilots

We will confirm at official level the exact totals, phasing across 09-10 and 10-11 and the contributions that will be provided from DIUS. We will need to discuss with you whether any contribution from existing LSC budget baselines will be necessary to support these initiatives.