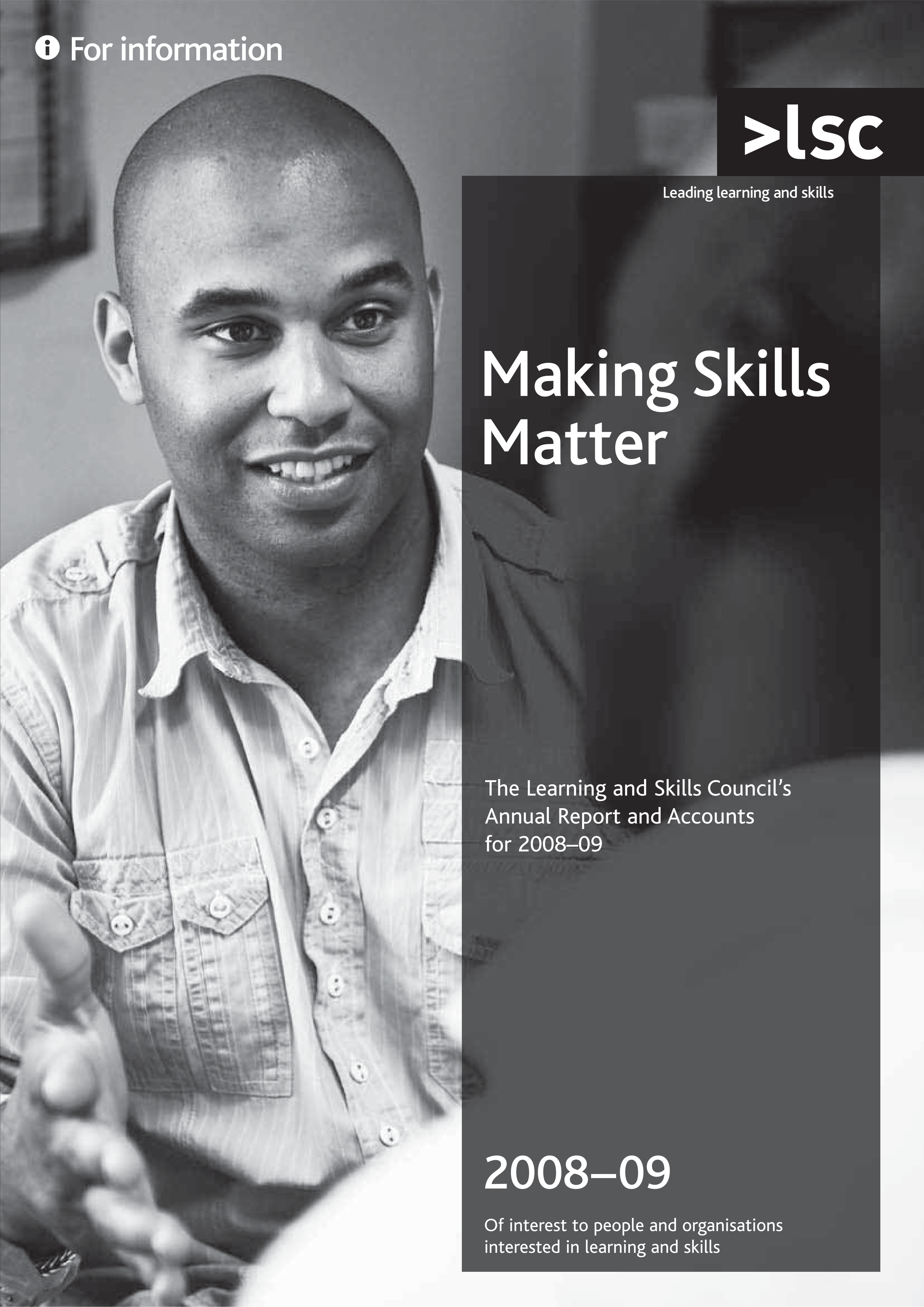

For information

Leading learning and skills

Making Skills Matter

The Learning and Skills Council's
Annual Report and Accounts
for 2008–09

2008–09

Of interest to people and organisations
interested in learning and skills

Front cover image: Elliot Campbell,
Train to Gain programme, Next Level Coaching
(photographer: Chris North)

Leading learning and skills

The Learning and Skills Council's Annual Report and Accounts for 2008–09

Report presented to Parliament by the Secretary of State for Business, Innovation and Skills, in accordance with Section 28 of the Learning and Skills Act 2000.

Accounts prepared under Schedule 1 to the Learning and Skills Act 2000 and presented by the Comptroller and Auditor General.

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The Learning and Skills Council exists to make England better skilled and more competitive.

We have a single goal: to improve the skills of England's young people and adults to drive towards a workforce of world-class standard.

Our commitment is threefold:

- to deliver an effective and comprehensive learning offer for **young people** in every area, in partnership with local authorities, schools, colleges and training providers
- to support **businesses** to find the skills they require, and
- to help **adults** to train, retrain and secure sustainable employment.

Our total budget for 2008–09 was £12.07 billion.

Our Annual Report covers the financial year up to 31 March 2009. It includes a review of the activities we carried out during the year and our accounts for the same period.

Throughout this report, we write financial years as 2008–09 and academic years as 2008/09.

Apprenticeships
Creating the skilled workers of

Each year we highlight one area of the Learning and Skills Council's work that has had an impact across the country. This year one of our key campaigns was Apprenticeships.

With completion numbers at an all-time high, apprentices have become a pivotal part of the economy – and are recognised by employers as improving their future competitiveness.

Apprentices make things happen. They increase the skills of the nation and make organisations – in over 180 business sectors – more productive. Benefiting from on- and off-the-job training, they have become a pivotal part of the economy and are a highly effective way of helping businesses prepare for the economic upturn.

According to research conducted on behalf of the Learning and Skills Council (LSC) over the last year, more than two-thirds of employers believe their apprentices have helped them to be more competitive in their businesses. As many as 82 per cent say they rely on their Apprenticeship programme to give them the skilled workers they need for the future.

Building on success

Based on the success of the Apprenticeship programme to date, by 2020 we aim to deliver over 250,000 Apprenticeship starts and 190,000 successful completions in order to achieve the ambition set out in Lord Leitch's Review of Skills. We have already achieved a substantial increase, but demand continues to rise. Over the last year we have focused particularly on increasing the number of employers offering Apprenticeships.

In February 2009 we launched a high-profile media campaign fronted by Sir Alan Sugar that was designed to appeal to employers. The underlying goal was to increase the number of Apprenticeship places on offer, and the campaign saw employer enquiries increase by 38 per cent. In addition, it led to learner enquiries rising by 24 per cent and a 10 per cent increase in applicants applying for existing Apprenticeship places. Apprenticeship Week, also in February, saw ministers, celebrities and influential business leaders directly promoting the benefits of the programme to thousands of businesses. Apprenticeships were discussed extensively in the media, with the regional coverage involving providers and colleges across the country.

The impact of the economic climate

2007–08 saw the highest level of Apprenticeship starts, and completions were at a record level. In 2008–09, however, the economic situation has made recruitment of apprentices more difficult, particularly for the 16–18 age group. Nevertheless, demand for 19–24 places is up on last year and demand for 25+ Apprenticeships has been such that the full-year ambition was met halfway through the year.

During the final months of this reporting year, some concerns were raised by providers about the levels of funding available for Apprenticeships. While more money than ever before has been invested in Apprenticeships, the current economic climate has prompted a huge growth in demand for all types of funding, in particular for Apprenticeships for those aged over 25. While these demands

the future

are encouraging, leaving 25+ Apprenticeship activity unchecked would exceed the available budget for 2009–10 and create further pressures in future years. We have worked with colleges and training providers to agree contracts that we will fund that enable growth in 25+ Apprenticeships to continue, but within the levels of investment we have available.

We are working with providers, employers and key partners to significantly increase the number of Apprenticeship opportunities for 16- to 18-year-olds to reach our targets.

The National Apprenticeship Service

In January 2008 the Government published *World Class Apprenticeships*, a full review of the programme to date and a vision for the future. The central part of this vision was the creation of a National Apprenticeship Service (NAS). We worked with the Department for Universities, Innovation and Skills (DIUS) – now the Department for Business, Innovation and Skills (BIS) – and the Department for Children, Schools and Families (DCSF) to design, develop and deliver the NAS, which was launched in April 2009. The NAS will be responsive to changing needs, adopting a flexible approach during the economic downturn and exploring how Apprenticeships can help businesses work towards the upturn.

In April, the NAS prospectus was published. This describes in full the role of the NAS, including the responsibility for keeping 'the delivery of the Apprenticeship system under constant review to ensure that delivery is as efficient as possible'. This goal sums up the challenge for the future: making sure that Apprenticeships continue to deliver the anticipated benefits even as economic conditions change.

The service also provides a unique online vacancy matching system – through the Apprenticeships website – enabling employers to seek out applicants across the country and candidates to search for vacancies by business, sector or location.

The NAS will raise the profile of Apprenticeships in each sector, developing new approaches and partnerships to increase the number of apprentices, and reviewing (with the sector) the relevant Apprenticeship frameworks to ensure they meet the sector's business needs.

Focusing on standards

The LSC is committed to raising standards and ensuring there are consistently high-quality learning opportunities available to all. In February 2009, a consultation began for the Specification of Apprenticeship Standards for England (SASE). The final document is due for publication in August 2009.

Contents

Chairman's Statement

Over the past few years, we have seen performance across the learning and skills sector improve significantly. As we enter the last full year of the LSC's work, it is worth reminding ourselves how much has been achieved so far – while recognising how much there is to do in the coming year.

The number of young people continuing in learning is at its highest ever level. More people than ever before are achieving individual success; more employers are improving the skills and the productivity of their workforces; and more colleges and providers are demonstrating just how well a responsive further education (FE) system can deliver – with success rates up 20 per cent in seven years.

Overall, more than 4 million people have benefited from the learning we fund and we have enabled 2.8 million more people in England to gain basic skills, hitting the 2010 target three years early.

But there is absolutely no room for complacency. With a global recession as the backdrop, we need to ensure that the investments we make on behalf of the Government are directed to areas where they can have greatest benefit for young people, adults and employers. To do this, we have been working to introduce greater flexibility into the learning and skills sector, to make it more responsive to real needs, and to improve and develop what is on offer to ensure it remains relevant and attractive.

Creating a demand for learning and skills

Last year, I wrote of our commitment to creating a culture where young people, adults and employers demand skills and qualifications. That commitment has paid dividends: we have seen unexpectedly high demand for our programmes and services.

Our focus in the past year has been on increasing the number of young people who stay in learning after the age of 16, and on continuing to increase those achieving at least a Level 2 qualification. This has been achieved.

The proportion of young people in learning and training aged 16–18 stands at 79.7 per cent, the highest level ever, and the percentage of 16- to 18-year-olds in learning who achieve a Level 2 is greater than ever, at 76.7 per cent.

We have focused particularly on addressing the number of adults who do not have the basic skills to get a job.

Between 2001 and 2008, 2.38 million adults in the workforce had achieved a Level 2 qualification and 2.8 million adults had improved their basic skills.

These statistics serve to underline the trends we have seen over the last decade, of significant improvements in the country's skills levels as a whole, and we are hugely encouraged by the burgeoning culture of demand for skills. The number of better-skilled people has increased by more than 3 million – an increase of over a third – while the number of adults without qualifications has fallen by a quarter. The UK is now the third most successful country in Europe for adult participation in lifelong learning.

In 2006, Lord Leitch's Review (*Prosperity for all in the global economy – world class skills*) predicted an increasing need for people to reach Level 3 qualifications (equivalent to two A-levels or more) if they are to move forward in their jobs. This is why we continue to advocate passionately for further improvements in the skills of the nation through training and working with businesses.

Since national rollout began in April 2006, Train to Gain has engaged around 140,000 employers and has delivered almost 1 million people starting training.

Responding to the recession

The economic climate of the last year has had a major impact on our work. As the recession began to bite, we responded quickly to the changing economic situation, introducing new flexibilities to help employees update their skills, as well as – with our partners in the Department for Work and Pensions and Jobcentre Plus – new measures to help those at risk of redundancy, or who are unemployed, get the training they need to help them get back into work. By joining up pre- and post-employment programmes, we've made it easier for learners to continue their training after getting a job. We also appointed an Economic Response Director, to co-ordinate our efforts across the business.

For small and medium-sized enterprises, Train to Gain evolved to offer a more flexible, responsive service. The service is now more attuned to business needs: leadership and management training was extended, and fully funded and part-funded training courses in business-critical areas were introduced. Businesses were also able to benefit from bespoke advice from a skills broker.

Transforming further education

This is the first recession we have encountered since we as a nation have truly recognised and understood the link between skills and global competitiveness. We know that adult skills are essential both for increasing economic success and for engendering social inclusion and the role of the further education sector during such a time is pivotal.

Over the last few years, the sector has worked hard to raise its game, to better meet business needs and to increase the flexibility of its offer. This was put to the test during the last year, and the sector responded. Training has become increasingly relevant and flexible, particularly for employers, with an ever greater proportion of courses taking place on-site to ensure minimal disruption to the running of the business.

Standards too have continued to rise. Of 113 FE colleges inspected this year, 32 per cent were classed as outstanding, with 7 out of 10 deemed good or above. Only 7 in 100 were deemed to be in difficulty.

To further encourage investment in high-quality education and training, we have introduced the new Training Quality Standard to ensure value for money. Providers holding the Standard can reassure employers that they are delivering excellent training that is flexible and can be tailored to their needs. Over 100 training providers and colleges have already gained this benchmark of quality.

The growth and importance of the FE sector is reflected in the restructuring that will come into place next year. Subject to legislation, the plans will provide for a new Skills Funding Agency to work with employers, providers and people aged 19 and over to invest in skills development and a Young People's Learning Agency (YPLA). The YPLA will fund and support local authorities in their new duties to secure enough suitable learning places for young people aged 16–19, as well as their continued duties to support learners aged 19–24 who are subject to a learning difficulty assessment and children and young people subject to youth custody.

Our capital funding for colleges programme is a commitment to providing world-class facilities that will support the delivery of world-class education and training, and our support for the programme remains strong.

Between 2001–02 and 2008–09, projects with a total cost of £5.8 billion were approved, with the LSC contributing £2.9 billion. But the programme was one of high expectations and ran into well-publicised difficulties in the last year. Its success led to an increase in demand for funding, as the size and scale of the projects became more ambitious.

We and DIUS (now BIS) instigated an independent review of the background to these difficulties and how to take forward the building programme. We have accepted and responded to the review's recommendations. The programme is being managed through a new process, with prioritisation of projects based on extensive consultation with the sector and independently assessed criteria. The Chancellor announced in his Budget an additional £300 million of capital funding which will allow the LSC to give approval to a limited number of projects starting in 2009–10, and has also announced a continuation of the FE capital investment programme in future years.

Better skills, better jobs, better lives

More young people than ever before were helped by our Education Maintenance Allowance (EMA) this year. Over 553,000 young people were financially supported through EMA to help them stay on in, or get back into, learning.

EMA is a programme that has made a huge difference to the lives of young people in low-income households, but we did have some well-documented difficulties in the management of our sub-contractors, which affected service delivery to young people and our partners. We were unable to respond effectively to the level of demand, and payments were delayed. We took decisive action and the system is now on track.

Apprenticeships continue to be a success story for us. Completion rates are at a record high, with 64 per cent successfully completing their programme, up from 26 per cent in 2004–05. In 2007–08, that equated to some 112,600 people in England achieving an Apprenticeship – well above our target of 75,500.

To provide further help to those who want to earn while they learn, we have strengthened the Apprenticeship programme. We have launched the National Apprenticeship Service and introduced the online Apprenticeship vacancy matching system.

Apprenticeships have particularly expanded in sectors that are likely to be hit hard in these difficult economic times. These investments will ensure that these sectors are better placed when the economy starts to recover, and will ensure that the country has the skilled workforce it needs to benefit from the upturn.

Focusing on the future

Looking forward, we need to continue our focus on quality and improved operations and build on the firm foundations we have established. We are working towards reform of vocational qualifications systems and reducing bureaucracy for providers and learners. The new adult advancement and careers service will focus on learner progression.

I want to thank all the teams at the LSC for their hard work, dedication and focus during a busy and occasionally challenging year. National Council and regional council members continue to play a vital role in leading the organisation and in responding to the feedback we receive from the sector and employers, and I thank them for their guidance. I would also like to thank our former Chief Executive Mark Haysom CBE for his strong and successful leadership of the LSC before standing down from his position earlier this year.

Across the LSC and FE sector there is real commitment to a culture of learning and skills for all, and that commitment will continue within the two new organisations to be set up under the Machinery of Government changes. As we enter the last full year of the LSC's existence, we are determined to leave a legacy which reflects our commitment, and above all the progress we have made together.

Christopher N Banks CBE
Chairman
Learning and Skills Council
10 July 2009

Chief Executive's Review

As the new Chief Executive of the LSC, I take great pleasure in introducing the Learning and Skills Council's Annual Report and Accounts for 2008–09.

My predecessor, Mark Haysom CBE, led the LSC throughout the reporting year and guided both the organisation and the sector through a time of great change. Under his leadership, the challenging targets set by the Government were met and exceeded. A demand-led system for learning and funding was created and implemented, introducing a new era for skills development and increasing high-quality learning opportunities for everyone, including those who were rediscovering learning or learning new skills.

Making a difference

The LSC is a success story and has demonstrated that it is a major force for change in the wider FE sector. Our work with the FE sector has not only made a huge difference to the lives of millions of young people and adults, but also contributed to the success of many thousands of businesses and organisations.

I will continue Mark's legacy of improving the skills base of the country by continuously improving quality and reducing bureaucracy for both learners and providers, ensuring that learning is accessible and progressive.

The growth and importance of the sector is reflected in the restructuring that is due to come into place in 2010. Subject to legislation, the plans will provide for a new Skills Funding Agency that will work with employers, providers and learners aged 19 and over to invest in skills development. The YPLA will also be created to take responsibility for 16–19 funding and support local authorities in their new duties in this area. We have been fully engaged in this work and will continue to play an active part in ensuring that, for learners and employers, the transition is as seamless as possible.

Looking ahead

In the coming months we face huge challenges, in particular strengthening our skills offer to help those affected by the economic downturn to get back into work, or to stay in employment, by equipping them with the skills they need to progress in life. We are focusing our efforts and working closely with our partner organisations, developing and implementing packages of support to deliver over 100,000 training places over the next two years to help individuals back into work. We are also introducing flexibilities into existing programmes to allow people, especially those at risk of redundancy, to update their skills.

Looking further ahead, we are taking steps towards the Government's ambition for full participation in education and learning for all 17-year-olds by 2013. Our progress to date can be found within the pages of this report, which also details our work on making the 14–19 entitlement (being introduced in late 2010) a reality, ahead of schedule.

Recognising our success

This last year has been one of difficult challenges but many successes for the LSC. Success rates for young people in further education continued to improve – up from 75 per cent in 2005/06 to 80 per cent in 2007/08, and more than one in four of all young people who have a Level 2 qualification at 19 have gained it as a result of LSC investment after the age of 16. Success rates for adults in FE also improved, to 80.7 per cent in 2007/08. We have therefore exceeded the target of 76 per cent for FE colleges in 2007/08.

These figures underline the continued commitment and professionalism of the staff of the LSC in the midst of a changing and challenging economic landscape. They are also due to the responsiveness and reliability of providers in adapting to the economic change that has affected all organisations in our nation.

As we move to a transition phase in the life of the LSC, I must echo our Chairman's comments on being proud of the LSC's legacy. I look forward to working with him and with the members of the National Council and regional councils to build on those strong foundations to create new structures that will both carry on our successes and benefit from what we have learned about things we could have done better. This will ensure we are best placed to rise to the challenges we face as a nation in the global race for skills and innovation.

Geoffrey Russell
Chief Executive
Learning and Skills Council
10 July 2009

About Us

Our national priorities for 2008–09 were:

- to increase the demand for learning and skills
- to transform the FE system to meet demand, and
- to deliver better skills, leading to better lives.

Our targets for 2008–09 were:

- to raise the educational achievements of all children and young people, and to narrow the gap in educational achievement between children from low-income and disadvantaged backgrounds and their peers
- to increase the number of 17-year-olds participating in education and training
- to improve the skills of the adult population, as a step towards ensuring a world-class skills base by 2020, and
- to support the delivery targets of other government departments.

Who we are

The LSC is a publicly-funded organisation that exists to make England better skilled and more competitive. We work locally, regionally and nationally to ensure that learning and skills are at the heart of local and regional economic development and community regeneration.

Our commitment is to deliver an effective and comprehensive learning offer for young people in every area, in partnership with local authorities, schools, colleges and providers.

Our goal is to improve the skills of England's young people and adults to ensure we have a workforce of world-class standard.

Our focus is on ensuring that government investment is directed towards areas of greatest need, for the benefit of young people, adults and employers. We work to create a culture of demand for skills.

Our vision is for young people and adults in England to have knowledge and skills matching the best in the world and be part of a truly competitive workforce.

What we do

Our task is to improve the FE and training sector, raising standards and making learning provision more responsive to the needs of individuals and employers.

- We invest in people to give them the skills they need for success in work and in life.
- We encourage people from all backgrounds to engage in learning that helps them to realise their full potential.
- We help those who are not in work to get the training and support they need to get a good job.
- We work with employers so that they can develop the skills of their workforce.
- We fund all learning for young people aged 16–19 in colleges, schools and training providers so that they gain the skills and qualifications they need to progress into further learning, higher education or employment.
- We are passionate advocates of the role of skills in supporting greater social mobility and social justice.

Why we do it

We know that:

- young people are far more likely to realise their full potential if they continue learning beyond the age of 16
- improving skills leads to better jobs and a better quality of life
- the best route out of poverty and into economic security is through gaining and using skills, and
- more investment in training and skills helps our country compete more successfully in a global economy.

How we do it

We work locally, regionally and nationally to:

- **create demand for learning and skills** – we work to create a culture where young people, adults and employers demand skills and qualifications and where businesses are fully aware of the benefits of learning and skills, so they are more prepared to invest their time and money in them
- **transform the further education system** – we work on behalf of individuals and employers to make sure that schools, colleges and other providers offer a wide range of high-quality learning and training that meets their needs and aspirations
- **strengthen the economy both now and in the future** – we work with partners to make sure that the skills that employers need are developed in the existing and future workforce, which in turn helps more people into work and so supports social justice.

Our values

Trust

Trust is at the heart of everything we do.

Ambition

Our ambition is to unlock the potential of every employer and learner in every community that we serve.

Expertise

We fully understand the needs of the communities we serve, including employers and individuals in education and training.

Urgency

The country's economic success affects us all, so we need to tackle long-standing issues quickly and professionally, and be responsive.

Our Targets and Achievements

In the last year we have continued to contribute to a sustained rise in numbers of learners and overall qualification levels, as well as maintaining improvements in standards across further education. We have invested more than £11.5 billion of taxpayers' money in education and training.

The PSA target is for **3.6 million** more adults in the workforce to have a Level 2 qualification or higher by 2010

Area	Target	Achievement
Age 19 – Level 2 achievement	Increase the percentage of 19-year-olds who achieve a Level 2 qualification from 71.4 per cent (in 2006) to 73.4 per cent (in 2008)*	**Target achieved early** 74 per cent in 2007 and 76.7 per cent in 2008
Age 19 – Level 3 achievement	Increase the percentage of 19-year-olds who achieve a Level 3 qualification*	**Target achieved** 48.1 per cent in 2007 and 49.8 per cent in 2008
Number of Apprenticeship frameworks completed	Increase the number of people who complete their Apprenticeships by 75 per cent by 2007–08 (bringing the total number to 75,500)	**Target achieved** In 2007–08, 112,600 people completed their Apprenticeship
Adults – Level 2 achievement	Reduce the number of adults without a Level 2 qualification by at least 40 per cent by 2010. This is equal to an increase of 3.6 million adults*	**In progress** By the end of 2008, 2,378,000 adults in work had achieved a Level 2 qualification
FE college success	FE college success rates to be 80 per cent in 2010/11	**Target achieved early** In 2007/08, FE college success rates were 80.7 per cent – over the 2007/08 target
Skills for Life	Improve the basic skills of 2.25 million adults between 2001 and 2010*	**Target achieved early** By the end of 2008, 2,835,000 adults had improved their basic skills

*Public Service Agreement (PSA) target set by the Government.

Investing in success

What we spent in total in 2008–09

Youth participation	£6,443.5m	53.4%
16–18 Learner Support (inc. EMA)	£631.5m	5.2%
Other youth non-participation	£121.0m	1.0%
16–18 capital	£196.8m	1.6%
Adult learner responsive	£1,657.6m	13.7%
Employer responsive	£1,223.6m	10.1%
Adult safeguarded learning	£214.1m	1.8%
Offender Learning	£139.0m	1.2%
19+ Learner Support	£165.4m	1.4%
Other adult non-participation	£239.5m	2.0%
19+ capital	£606.9m	5.0%
Other programmes	£233.1m	1.9%
Administration	£199.8m	1.7%
Total	**£12,071.8m**	**100%**

Note: 'Other programmes' includes non-departmental spending. Administration costs are net, and include sundry income.

Where we invested our money in 2008–09

In 2008–09 we invested the following:

- £7.3 billion to allow 1.3 million young people in school, college or work-based learning to achieve qualifications.
- £3.6 billion in adult learning, helping 3.3 million adults to improve their skills.
- £833.5 million in FE and training facilities.

Our planned programme investment for 2009–10

Participation among young people:	£6,923 million
Participation among adults:	£3,356 million
Learner support and development:	£1,109 million
Capital grants:	£1,008 million
Total investment	**£12,396 million**

Our Focus

79.7%

of young people aged 16–18 now participate in learning and training – the highest level ever

While our underlying focus hasn't changed, the economic climate this year has meant we have accelerated our work to increase flexibility in provision, and continued to target investment at the areas of greatest need.

Young people participation at an all-time high

Overview In focusing on young people, we have had two main aims:

- to increase the number of young people aged 16 to 18 who continue to participate in learning beyond the age of 16, and
- to continue to increase the number of young people who achieve at least a Level 2 qualification by the age of 19.

This last year has seen solid progress in each of these areas. The total number of 16- to 18-year-olds in education and training is 79.7 per cent, the highest level ever. Despite the increase in participation, the proportion of 16- to 18-year-olds not in education, employment or training (NEET) increased from 9.7 to 10.3 per cent between the end of 2007 and the end of 2008. The proportion of 16- to 17-year-olds who are NEET is down marginally (7.2 per cent, down from 7.4 per cent at the end of 2007). It is particularly important, given the current economic downturn, that we continue to encourage more young people who are NEET, or in danger of becoming so, back into learning so that they do not risk becoming even more economically isolated.

Not only are there more young people than ever in learning post-16 but the percentage of 16- to 18-year-olds achieving a Level 2 qualification is, at 76.7 per cent, also higher than ever before. Equally important, some 49.8 per cent now progress to a Level 3 qualification by the age of 19.

Key risks Demographic trends show that there will be a slight fall in the size of the 16- to 18-year-old population over the coming years. We are preparing for this, and to avoid a future skills gap are continuing to increase the proportion of them who are gaining relevant skills. The current economic climate means we must also prepare young people with the skills they need to be able to respond to employment opportunities in a future upturn of the economy.

Strategies and actions
We have put in place a number of strategies to give young people the support they need to continue in learning, including EMA and Care to Learn.

EMA offers financial support for 16- to 19-year-olds and continues to prove effective in encouraging and supporting young people to remain in learning. In the past year, 553,480 learners benefited from EMA. We have been trialling new eligibility criteria for EMA, to help define the scope of any wider provision.

Evaluation shows that, through EMA, participation has risen by 4 per cent and attainment among eligible learners by between 2 and 2.5 per cent

Care to Learn is focused on encouraging young parents back into learning. Over 20 per cent of young women who are classified as NEET do not participate because of pregnancy or parenthood. Care to Learn pays childcare costs to enable them to learn. More than 7,000 young people are now receiving this funding.

Our local partnership teams continue to work closely with local authorities, Connexions services and providers of education and training to achieve the Government's **September Guarantee**. Together, we achieved considerable success in 2008, with 94.2 per cent of 16-year-olds receiving an offer of a place in learning. We are working with our colleagues at DCSF to ensure even better results for young people in September 2009 and to prepare the ground for 2010, when funding for 16- to 19-year-olds transfers to local authorities.

Through the September Guarantee, 94.2 per cent of 16-year-olds received an offer of a place in learning in 2008

Adults focusing on the greatest need

Overview

Adult learning and training not only contributes to building a skilled workforce, but also brings the wider economic benefits associated with health, well-being and stronger communities.

In addition to a number of specific programmes aimed at helping people gain the skills needed to get back into work, we have also begun the work to ensure that we are using our mainstream programmes to help both the unemployed and those in work to be better equipped to gain and sustain employment.

One of our main challenges in adult learning continues to be the number of adults who do not have the basic skills to get a job and are excluded from the labour market as a result. We also face the increasing cost of training more people to achieve a full Level 2 qualification (to meet our targets and the economic needs of this country).

A further challenge is the fact that, as Lord Leitch's Review predicted, people will increasingly need to reach Level 3 qualifications if they are to move forward in their jobs. This provision usually involves longer learning times, and is therefore more expensive to deliver than shorter courses. As a result, there has been a reduction in funding for shorter learning opportunities that fall outside our main priorities.

As a balance, we are focusing on providing information, advice and guidance for people who need new skills. We maintained our commitment to less formal learning by allocating £210 million to a programme of informal adult learning, previously described as personal and community development learning and wider family learning. With our partners, we have made further progress towards developing a more flexible curriculum below Level 2, as well as a framework to organise qualifications at these levels (Progression Pathways).

Key risks

What we spend on training now will not be enough to pay for future training needs. The major challenge we face is persuading learners and employers to invest more in their own learning and training.

Strategies and actions

We are continuing to focus funding on skills and qualifications that are economically valuable. We are therefore working closely with key partners – the Qualifications and Curriculum Authority, Ofqual, the UK Commission for Employment and

21,000

adult learners have benefited from the Adult Learning Grant

Skills and the Alliance of Sector Skills Councils – to put the **Qualifications and Credit Framework** into practice. This will make sure that our qualifications system for adults is as inclusive, responsive and flexible as possible.

The **Adult Learning Grant (ALG)** gives adult learners from low-income households financial support to help them to achieve their first full Level 2 or full Level 3 qualifications. The ALG was available nationally for the first time in 2007–08, and more than 21,000 adult learners have benefited – far more than the expected take-up of 17,500.

We work closely with Jobcentre Plus and have taken responsibility for its basic skills programme, designed to improve the skills of people who need a job. In the future, those learners who are supported by public funds will follow courses that not only lead to nationally recognised qualifications but also give individuals the skills they need to gain employment and to move forward in work.

Employers increased flexibility for tough times

Overview Adult skills are vital to increasing national and international competitiveness for employers. We need to raise England's position among other world economies by providing the skilled workforce that employers require. Improving skills boosts competitiveness, productivity and profitability but it also improves people's career and salary prospects. We want to help everyone – from the low-skilled to the highly skilled – to improve their skills and so increase their ability to get a job and move forward in their lives and careers.

This is even more important in a time of downturn, where employers need to raise productivity, encourage staff to take on new responsibilities and support those whose jobs may be at risk. As a result, over the last year our employer-focused support and provision has become more flexible to support emerging needs. The changes have encouraged employers to continue to invest in skills and training and enabled individuals to develop their skills to increase their flexibility in the labour market.

Key risks As learner volumes continue to increase (predominantly through Train to Gain), we must ensure that future investment is focused on high-quality provision that delivers against agreed priorities. In particular, this means ensuring that we meet tomorrow's skills needs as well as today's.

Strategies and actions

Our flagship employer programme is **Train to Gain**. Since national rollout began in April 2006, Train to Gain has engaged over 140,000 employers and has delivered almost 1 million learner starts. These volumes have grown considerably during the course of 2008–09.

Through Train to Gain, some 530,000 learners have achieved a qualification

From August 2008, in response to employer demand, Train to Gain was significantly enhanced to ensure it provided a wider range of support and more help with the cost of training. This was followed by the announcement, in October 2008, of additional flexibility for smaller and medium-sized private sector businesses employing up to 250 staff to respond to the economic recession. This secured further support for training.

Skills brokers have played a vital role in driving up demand for training, and throughout the year we worked closely with the former Department for Business, Enterprise and Regulatory Reform and the Regional Development Agencies to ensure a smooth transition to the new integrated brokerage service which came into place through Business Link from April 2009.

While Train to Gain offers flexible support for businesses and learners, the **Skills Pledge** remains a valuable tool for gaining employer commitment to learning.

Since its inception in June 2007, around 16,000 organisations have made the Skills Pledge, covering over 6 million employees.

2008–09 has seen a phenomenal growth of nearly 14,000 additional Skills Pledge commitments

To ensure we address sector-specific skills needs, we have continued to develop **Sector Compacts**. Ten new compacts have been announced since May 2008, and each has at its heart an agreement between BIS (formerly DIUS), the LSC and a Sector Skills Council (or sector body) to work collaboratively to drive up demand for skills across England. Alongside this, 2008–09 saw the approval of the 11th **National Skills Academy**, as well as delivery of a fourth round of expressions of interest, to take the number of Skills Academies to 16.

In response to employers' concerns that it is hard to identify the best quality training, May 2008 saw the launch of the **Training Quality Standard**. Developed to recognise and highlight the best organisations delivering training and development solutions to employers, the Standard not only identifies high-quality training, but also training which is both flexible and meets employers' needs. So far, 106 organisations have achieved certification, covering every English region as well as a wide range of industries and specialist areas. Many more organisations are now in the pipeline, with nearly 300 training providers registered.

FE system
better performance leading to higher expectations

Overview Our work with the FE sector over the last few years began with a focus on raising standards and reforming the system. As the impact of these changes has become increasingly apparent, our focus has shifted towards flexibility and innovation.

Key risks While we need to continue to focus on performance, it is essential that we maintain the momentum of change and further raise our expectations of the FE system.

Strategies and actions

The LSC's commissioning strategy has, over a number of years, prioritised negotiations with providers who deliver successful, high-performing provision. Subject to affordability, we have therefore encouraged the growth of providers who have the capacity to expand, and removed restrictions on growth funding where providers have the quality, performance and capacity to deliver. To reduce the burden on providers and to simplify the process, we have introduced the **Qualified Provider Framework**.

We held a second round of discussions with local authority partners on **school sixth form** performance. The dialogue this year centred on the use of data to provide a nationally consistent view of learner outcomes, which was supplemented by other local intelligence. This resulted in the identification of those sixth forms, at local and regional level, which are causing concern and require support to improve.

In 2008–09, we did not use our statutory powers of intervention under the Further and Higher Education Act 1992 as amended by the Further Education and Training Act 2007. However, we did use our statutory powers under the Learning and Skills Act 2000 to appoint up to two additional members to an incorporated college's governing body. We took this action, under the Act, at the following colleges:

- Braintree College
- Epping Forest College
- Riverside College, Halton, and
- Southwark College.

During 2008–09, a total of 41 Notice to Improve schedules were issued. The table on page 17 breaks down the types of providers that received a Notice to Improve and the triggers for that Notice being issued. During this period, a total of 18 Notice schedules were issued for whole provider underperformance (as defined in *Identifying and Managing Underperformance*).

Two colleges received a Notice to Improve for poor financial health and for an Ofsted judgement of 'inadequate' for overall effectiveness. Another college received a Notice to

Improve as a result of poor financial health and as a result of analysis of success rates compared with minimum levels of performance. This college met the conditions of the Notice within this financial year.

Integrating employment and skills

Overview

We have been working closely with partners, including the Department for Work and Pensions and Jobcentre Plus, to integrate employment and skills activities so that the FE sector is better placed to support people into sustainable employment. In particular, our focus is on ensuring that learners can continue their training after getting a job. Our joint working is more extensive than ever before as we work with partners, both nationally and regionally, to develop an effective response to the economic downturn.

The Government is committed to ensuring that an integrated employment and skills service will be in place nationally in 2010–11, and trials of aspects of this new service began in five regions this year. The products and services will continue to evolve as we learn from these trials and ensure that the service offered to individuals meets their needs and delivers an improved customer experience.

Key risks

The skills response to the economic downturn has expanded the number of programmes needed to meet the requirements of Jobcentre Plus customers and employees facing redundancy. This increases the risk of confusion for customers, and of ineffective referral to provision. It also has a potential adverse impact on our work with providers and the financial resource for continued learning opportunities once individuals enter employment.

Strategies and actions

In the build-up to the integrated employment and skills service, we have already been involved in a wide range of joint projects and programmes.

For example, we have collaborated with Jobcentre Plus to create **Local Employment Partnerships (LEPs)**, which aim to ensure that priority customers have the opportunity to acquire the skills needed to get into work and to continue learning in work through Train to Gain to achieve an appropriate qualification.

We have expanded the **Employability Skills Programme**, which offers Jobcentre Plus customers with basic skills needs an individualised full- or part-time learning programme. This includes literacy, numeracy and employability skills.

Notices to Improve issued, 2008–09

Trigger	Number of adult learning providers	Number of colleges	Total
Analysis of success rates compared with minimum levels of performance	15	6	21
Ofsted judgement of 'inadequate' for overall effectiveness	N/A	7	7
Financial health	N/A	13	13
Total	**15**	**26**	**41**

These numbers reflect the number of Notices to Improve issued in the 2008–09 financial year; as such, this information will be different if reported against the academic year.

Funding for the Employability Skills Programme rose from £22 million in 2007–08 to £40 million in 2008–09

We continued to support **Skills for Jobs** – a targeted programme of short, bespoke pre-employment training for the economically inactive. Skills for Jobs began in January 2008 and discrete funding for it ended in March 2009, apart from in London. The provision is currently being formally evaluated. However, regions are continuing to support the programme in the interim through funding from the European Social Fund.

One new area of focus this year has been people affected by redundancy. In October 2008, it was announced that £100 million in funding would be made available to help those under notice of redundancy, those recently made redundant and those who are unemployed who could be made ready for work. They can access a package of support aimed at helping them to refresh their skills in a sector or begin the work of retraining for a new one to aid progression into sustainable employment. This provision is part-funded by Train to Gain, to encourage the link to training in the workplace once individuals have entered employment.

In January 2009, the Prime Minister announced a package of enhanced support for people who have been out of work for six months or more, which will include joint working between the LSC, the **nextstep** careers information and advice service for adults and Jobcentre Plus. This includes £83 million of funding to provide 75,000 additional training opportunities. The training, delivered on a part-time or full-time basis, will be relevant to the local labour market and will allow people to undertake a full Level 2 or Level 3 qualification then continue their training in the workplace when they get a job. This offer is now available.

Rolling out the Framework for Excellence

The Framework for Excellence is a unified and simplified structure for assessing the performance of all providers of education and training for young people and adults.

It gives an accurate, independent picture of the quality of performance, validated and supported by published data, including the views of learners and employers. This information, in turn, helps to inform learner, parent and employer choice.

In 2008/09 the Framework was applied to colleges and independent training providers. From summer 2009, it will be extended to local authorities, independent specialist providers and piloted in schools with sixth forms. From 2010/11, Framework for Excellence data will be used to inform local authority and Skills Funding Agency commissioning decisions for post-16 provision.

The Framework, commissioned by DIUS (now BIS) and DCSF, is being developed through partnership working, including close links with Ofsted. This partnership approach will ensure that the Framework processes complement those of other quality inspections and assessments.

Recognising and Responding to Regional Requirements

We know that the skills needs of one region can be very different to those of another. Our aim is to ensure that what we deliver meets the specific needs of young people, adults and employers in each area. We therefore work with our regional and local partners to help us target resources to make a real difference to skills levels locally.

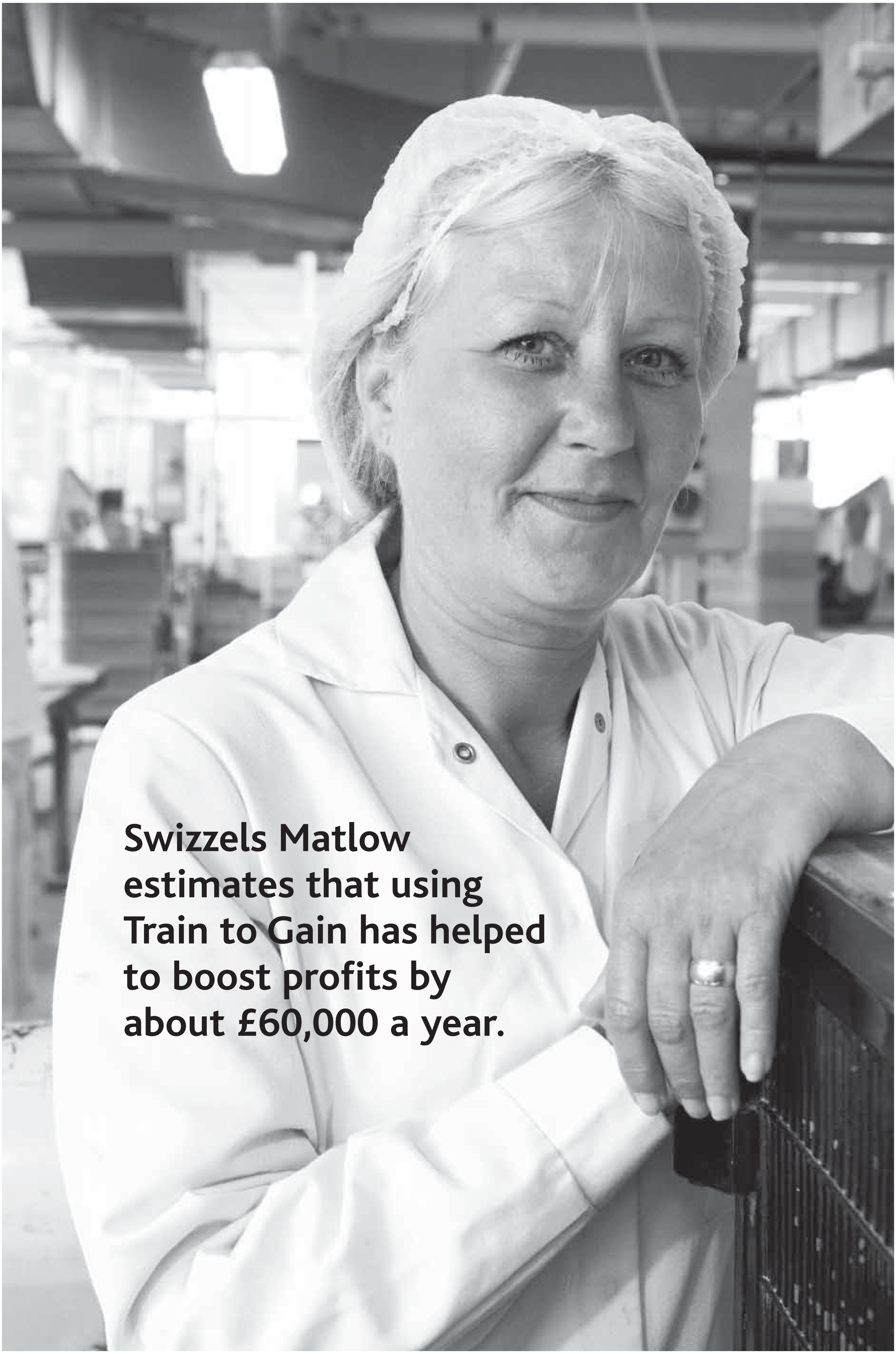
Regional figures

Overall FE and skills participation by age group and region, 2007/08

	16–18	19 and over	Total
East of England	103,500	311,800	415,300
East Midlands	86,400	281,000	367,400
London	125,600	505,000	630,600
North East	63,500	197,800	261,300
North West	173,800	438,000	611,800
South East	151,900	437,500	589,400
South West	99,600	329,700	429,300
West Midlands	121,300	375,200	496,500
Yorkshire and the Humber	118,400	334,800	453,200
Other	11,500	67,400	78,900
Total learners	**16–18:** 1,055,500	**19 and over:** 3,278,200	**4,333,700**

Sources: FE – F05, 2007/08 final; work-based learning – W13, 2007/08 final; Ufi/learndirect – U05, 2007/08, 02/03/2009; adult safeguarded learning – C03, 09/03/09, C02, 2007/08 final.

Note: Volumes are rounded to the nearest hundred. These figures include FE (including learndirect), work-based learning (including Apprenticeships and Entry to Employment), Train to Gain and adult safeguarded learning. Region has been based upon learners' home postcodes; postcodes outside England, missing postcodes and unknown postcodes are included in the 'Other' field.


Swizzels Matlow
estimates that using
Train to Gain has helped
to boost profits by
about £60,000 a year.

Train to Gain proves to be sweet success for Swizzels Matlow

Keeping them sweet

For confectionery manufacturer Swizzels Matlow, the benefits of training are clear: reduced turnover and increased productivity. In fact, the company estimates that using Train to Gain has helped to boost profits by about £60,000 a year.

Majority training

The company, which produces cult favourites including Love Hearts, Rainbow Drops, Drumstick lollies and Parma Violets, has now trained 450 of its 600 employees on an NVQ Level 2 in Food and Drink through the University of Derby Buxton.

'The course gives staff the chance to learn about safe working practices and the specific safety standards for the industry,' explains Tony Salt, Training and Development Manager at Swizzels Matlow. 'Then they get the chance to do optional units relevant to their role which they'll choose with their tutor.'

Immediate impact

'Since our training initiative started, we have seen a dramatic reduction in the staff turnover, resulting in an increase in both productivity and efficiency,' Tony confirms.

Beverley Riley is one of the employees who has achieved her NVQ Level 2. 'It's great to be able to get training for the job we do on a daily basis and get a qualification for our skills,' she agrees, adding, 'It really helps to improve your confidence.'

The programme has been so successful that, according to Chris Morrison, Business Development Co-ordinator at the University of Derby Buxton, 'Swizzels Matlow are running out of people to train. That's great news for the company, although not necessarily for us! It shows that training really empowers staff and makes them feel more knowledgeable and so much happier in their roles.'

Flexible service

The university has gone to some lengths to make the training fit the company's needs. Chris explains: 'We have had monthly meetings with managers at Swizzels Matlow – initially to tailor the course to the company's specific needs and then later, as the course has developed, to make training work around the shift patterns, which could be in the middle of the night or over weekends.'

This flexibility is one of the principles of the Train to Gain service which aims to meet employer needs. Tony Salt is impressed. 'The training is so flexible – it's not eaten into our production time at all, which is essential for a business like ours.'

There's a mutual benefit for the provider too, as Chris acknowledges. 'Tony has acted as an ambassador for the NVQ and since we've been working with Swizzels Matlow we've signed up a further six people from other organisations for the course.'

Since September 2005, Tesco has worked with YMCA Training, a third sector provider, to offer Key Skills training to potential employees.

Andrew grabs a second chance with the third sector

Third sector organisations such as charities, social enterprises, mutuals, voluntary and community groups and co-operatives are vitally important to the work of the LSC.

The third sector allows us to reach communities disengaged from traditional forms of learning and skills development, as well as people who are less likely or perhaps unwilling to learn in further education settings. Our research shows that more than 45 per cent of people learning through the third sector live in the most deprived 20 per cent of communities in England.

The third sector also has a good reputation for ensuring that its learners are successful in achieving qualifications. Figures for the success rates of our providers show that the third sector, although delivering to fewer learners, has success rates that are on average 10 per cent higher than those of other providers.

A partnership for learning

As one of Britain's biggest employers, Tesco has long realised the importance of investing in training and taking a broad approach to recruitment. Since September 2005, it has worked with YMCA Training, a third sector provider, to offer Key Skills training to potential employees who missed out on qualifications during compulsory education.

Expanding every year

That partnership is now going from strength to strength. After starting to support 91 stores in the first year, YMCA Training helped 380 Tesco employees across 143 stores successfully achieve their Key Skills and Retail Certificate. This, alongside Tesco's own in-house NVQ in Retail Skills (Level 2), provides the basis for a full Apprenticeship qualification.

A second chance for learners

Andrew Earthey is one of those who has benefited. An assistant in the East Didsbury store in Manchester, Andrew left school with no qualifications after years of ill-health left him needing a kidney transplant. Under YMCA Training's supervision, however, he has excelled, comfortably passing his tests and, in the words of his training adviser, Christine Sterndale, 'producing two excellent portfolios'.

Like many of the other learners, this has also had an immediate impact on Andrew's work. The personnel manager at the store has noticed how Andrew's confidence has soared since completing his Apprenticeship, which in turn has led to him taking on much more responsibility within his role.

Recommended by all

That kind of response is why some 98 per cent of trainees have said they would recommend YMCA Training to a friend, while the same percentage of store managers would recommend the training provider to another employer. But the impact is also clear at head office.

'Over the last four years, our learning needs have continually grown and YMCA Training has developed with us,' acknowledges Lorna Bryson, Tesco's Head of UK Resourcing. 'They continue to deliver the high standard of learning and teaching we require for our programme.'

Since the partnership began, almost 1,000 learners have benefited from YMCA Training's programmes for Tesco, and that number is set to rise even faster this year, with over 350 stores signed up. Lorna concludes: 'We look forward to working in partnership with YMCA Training again this year with our biggest apprentice intake yet.'

‘Being an apprentice means I’m not only developing my skills all the time, I’m also getting nationally recognised qualifications to show for it.’

Karl Dodds, apprentice, Jewsons

Flexible Apprenticeships are just the job for Jewson

Faster progress, faster rewards

With their emphasis on work-based learning, one of the strengths of Apprenticeships is the way they enable learners to quickly take on more responsibilities as they acquire more skills. That means the payback for employers is faster and learners are rewarded for their application and learning.

Karl Dodds, an apprentice customer service representative at timber and building products supplier Jewson, is a perfect example. Just six months into his Apprenticeship, Karl was already enjoying the responsibilities of managing a major construction industry client account. He believes the key to this is the training he has received and in particular the fact he has made rapid progress towards an NVQ Level 2 qualification. 'It's really boosted my confidence, which has helped me take on this more responsible role.'

Motivation

Karl explains: 'The experience I'm now gaining at work will stand me in good stead to get more team leadership and managerial skills. Then I can work towards an NVQ Level 3 as well.'

His employer is equally impressed – both with Karl's progress and the Apprenticeship programme – and recognises the impact that the company's 14 apprentices have had. 'We're definitely seeing the benefit,' acknowledges Contracts Manager Ian McFadyen. 'Through Apprenticeships, we get highly motivated employees fully engaged in gaining new, up-to-date skills and qualifications which add value directly to the service we offer our customers.'

Flexible learning

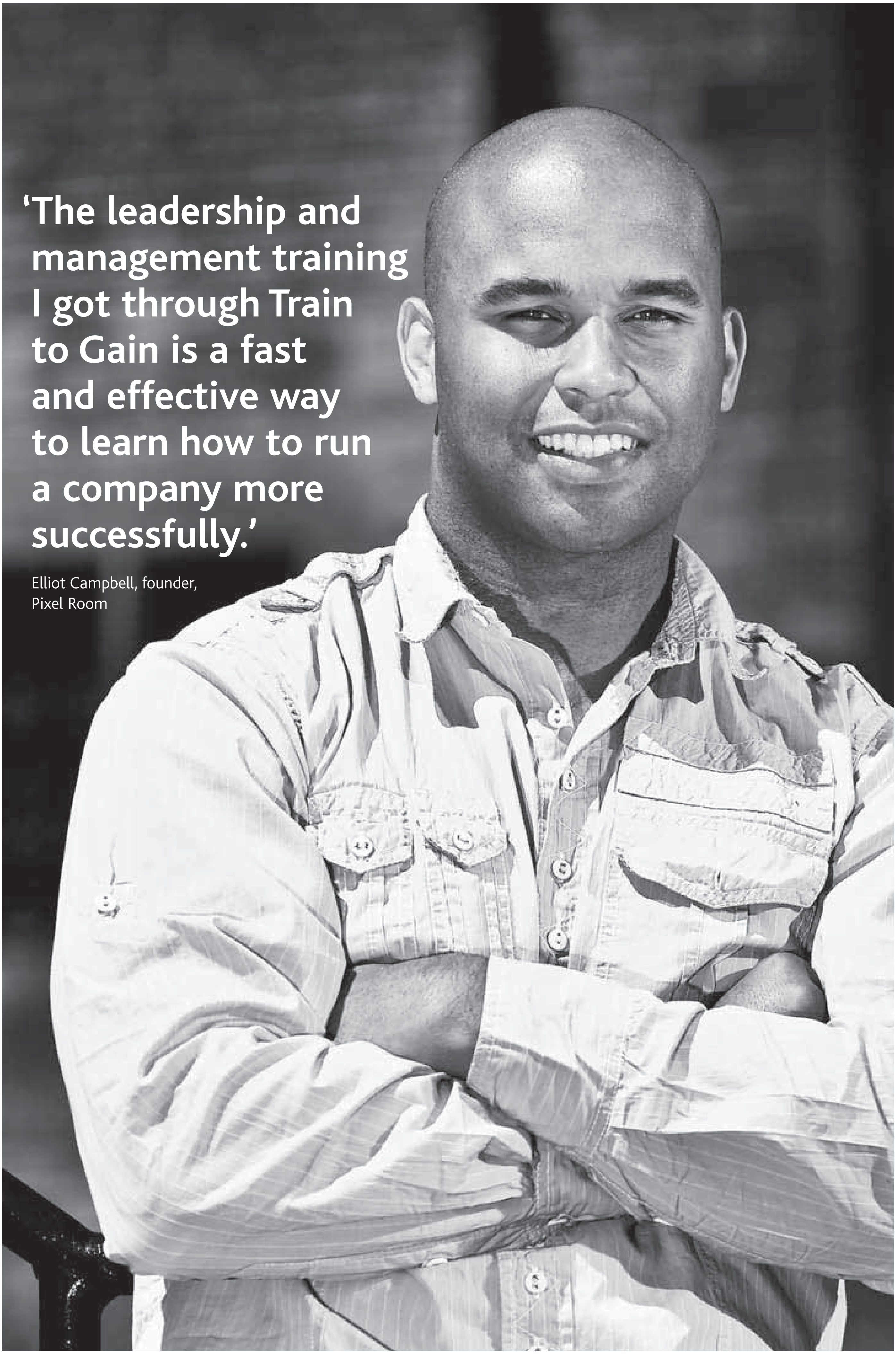
Crucially, too, the training fits around the business's requirements. 'The Apprenticeship framework is really flexible,' Ian states, 'so we can adapt it where we need to. It's predominantly work-based training and assessment, but our apprentices also get off-site training in the more theoretical aspects of the job.'

That additional learning is provided by CWT Chamber Training, a wholly owned subsidiary of the Coventry and Warwickshire Chambers of Commerce. 'We've formed a really good working relationship with CWT,' Ian says. 'They don't just provide the off-site training, they also come in and make sure the apprentice is progressing as they should be, offering them support and advice.'

Profitable partnerships

Jan Ryan, Operations Manager at CWT, is equally positive about the way the two organisations work together. 'The strength of the Apprenticeship framework is in the partnership between the employer and the training provider. Jewson is a good example of how employers big and small can see measurable increases in efficiency, productivity and profitability from employing apprentices.'

As for Karl, he's relishing the opportunities. 'Of course, earning a living is important but a job should be about more than that. Being an apprentice means I'm not only developing my skills all the time, I'm also getting nationally recognised qualifications to show for it.'



‘The leadership and management training I got through Train to Gain is a fast and effective way to learn how to run a company more successfully.’

Elliot Campbell, founder,
Pixel Room

Train to Gain puts Pixel Room back on track

Investing in the future

Facing up to the economic downturn has led many companies to reconsider their approach to training and development. Leeds-based designers Pixel Room is one of many small businesses that have done exactly this – using Train to Gain to fund management training that is already strengthening the company for the future.

Challenging times

Like many other smaller companies, Pixel Room has faced substantial challenges over the last year: business growth was stagnant and there were very few projects in the pipeline. Founder Elliot Campbell was also faced with a personal dilemma: he had been head-hunted by a leading competitor. The regular income would have provided financial security for his young family and covered the cost of his wedding later in the summer.

'It came down to a simple decision: if I wanted to keep my own business, what was I prepared to do?' he acknowledges. 'I realised I needed to arm myself with as many tools as possible to ensure Pixel Room survived the economic downturn, and one of those tools was management training.'

Choosing training

Elliot first considered the idea of management training at a NatWest seminar in 2008, where he met skills broker Ian Hargreaves who told him about the advice and support available through Train to Gain.

Train to Gain offers independent skills advice at no cost to the employer. The advice comes from a skills broker, training provider or college which works with businesses on a dedicated, one-to-one basis.

Ian helped Elliot to identify a suitable course – with local training provider Next Level Coaching – and pointed out available sources of funding. In mid-December 2008, Elliot embarked on a nine-day leadership and management course, which particularly focused on improving his new business skills.

Creating commercial confidence

With around 75 per cent of the coursework now completed, Elliot already recognises the positive impact of the training on both himself and the company. His time management has vastly improved so he no longer panics about meeting deadlines, and he is able to view and manage the business on a macro level as well as simply tackling day-to-day actions.

The new business aspect to the course has proved particularly valuable, giving Elliot the confidence not to slash fees when pitching for business for fear of frightening off prospective clients. Instead, he is operating far more strategically. 'Train to Gain has enabled me to play devil's advocate with my own company. I've identified our strengths and weaknesses and am proactively working with the team towards improving the areas where change is required. The training has helped me develop a far more structured business model to support our future growth.'

Looking ahead

Within that model, there are plans to invest in administrative training for Elliot's business partner, to make the daily running of the company even smoother.

'For an inexperienced business leader like myself, the leadership and management training I got through Train to Gain is a fast and effective way to learn how to run a company more successfully,' Elliot concludes. 'I spent a lot of sleepless nights deciding whether to carry on, or wind up the company and accept an external job offer. Thanks to the training, my confidence in making the business grow and prosper is renewed. Pixel Room is now going from strength to strength, and I know I made the right decision.'

‘All my life I wanted to learn to read. Having children was the inspiration I needed to finally do something about it.’

Declan Macintyre

Reading puts Declan on a new path

Starting a new chapter

Dyslexia had led Declan to struggle at school, and he left with few qualifications. But when his wife became pregnant, he realised that unless he took action, he wouldn't be able to help his child learn or even read them bedtime stories.

He approached his employer, Brighton and Hove City Council, and signed up for a Get On literacy course. Despite some banter from his fellow refuse collectors, Declan quickly got his first qualification and since then he hasn't looked back.

Rewriting his life story

Four years on, Declan has completed seven different qualifications, including GSCE English. What's more, he has become a bookworm. 'I now spend all my spare time reading for pleasure,' he admits, having discovered poetry, politics, history and social sciences. Above all, though, what Declan loves is 'being able to read to my son Finnian every night and helping him with his reading, now that he has started school'.

Reading has brought with it a number of other benefits. For example, official forms and letters are no longer a struggle. But it's also led to a new job – and new career plans. Declan now works for ASLEF, the train drivers' union, as an education worker. 'It means I can help others improve their lives, in the same way I have been helped.'

A happy ending

His long-term goal, meanwhile, is still broader: he has started a correspondence course at Ruskin College which will give him the qualifications to get into university, so he can train to become a teacher. That way, he can share his love of learning and reading with a whole new generation – as well as with both Finnian and his second son, Pearce.

Management and Structure

The Learning and Skills Council (LSC) was established by the Learning and Skills Act 2000 to fund education and training for over-16s, except for higher education.

Geoffrey Russell
Chief Executive

Management Group

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.

We are led and guided by our National Council and its committees. They offer independent views and a wealth of knowledge and experience from across society, keeping us aware of issues that are affecting people, communities and employers.

David Way
National Apprenticeship Service, Deputy Chief Executive*

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

Verity Bullough
National Director, Funding, Planning and Performance

David Russell
National Director, Finance and Resources

David Hughes
National Projects Director (formerly Regional Director, London)

David Cragg OBE
Machinery of Government Transition Director and Regional Director, West Midlands

Caroline Neville
Regional Director, East of England

Thomas Crompton
Regional Director, East Midlands

John Korzeniewski
Regional Director, North West

Marinos Paphitis
Regional Director, South East

Malcolm Gillespie
Regional Director, South West

Margaret Coleman
Regional Director, Yorkshire and the Humber

* From 1 April 2009

Chris Roberts
Chief Operating Officer (formerly Regional Director, North East)

Simon Waugh
National Apprenticeship Service, Chief Executive

Sally Stewart
National Director, Human Resources

Paul Holme
Economic Response Director

Jill Lowery
Regional Director, London (interim)*

Dorothy Smith
Regional Director, North East (interim)*

Mary Conneely
Regional Director, Regeneration London

National Council

The National Council oversees policy and decision-making, while day-to-day management rests with the Chief Executive and the Management Group.

Chairman

Christopher N Banks CBE
Chairman, Learning and Skills Council and Founder, Big Thoughts Ltd

Members

Gareth Cadwallader
Executive Director, Airas Intersoft Ltd

Shirley Cramer CBE
(stepped down November 2008)
Chief Executive, Dyslexia Action

John Cridland CBE
Deputy Director-General, CBI

Ian Ferguson CBE
Chairman, Data Connection Ltd

Margaret Galliers CBE
(joined September 2008)
Principal, Leicester College

Bryan Gray
Chairman, Northwest Regional Development Agency

Sir Deian Hopkin
Former Vice Chancellor, London South Bank University

Sally Hopson MBE
(joined July 2008)
Retail and People Director, Pets at Home

Claire Ighodaro CBE
Independent Director

Dame Mary Marsh
Director, Clore Social Leadership

Frances O'Grady
Deputy General Secretary, Trades Union Congress

Emma Pearson-Winstone
(joined July 2008)
Learner representative

Mark Sanders
(joined January 2009)
Chief Executive, Bury Metropolitan Borough Council

John Taylor
(stepped down September 2008)
Principal and Chief Executive, Sheffield College

Malcolm Trobe
President, Association of School and College Leaders

Jill Youds
(joined July 2008)
Director of Talent and Learning, Virgin Media

Special advisers

John Merry CBE
Leader, Salford City Council

Sir George Sweeney
Former Principal, Knowsley Community College

Other committees

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

How We Work

The LSC works in partnership with a wide range of organisations to achieve our goals. Our basic structure is a national team focused on developing policy and nine regional offices that manage the implementation of these policies to meet the needs of their regions.

At the national level, we work closely with the Department for Children, Schools and Families (DCSF), the Department for Business, Innovation and Skills (BIS) – formerly the Department for Innovation, Universities and Skills (DIUS) – Sector Skills Councils, government departments, partners and stakeholders to develop policies that meet the needs of young people, adults and employers.

Our regional teams plan and prioritise how we provide education, learning and training in their regions to encourage more people to learn and improve their skills. Each region has a Regional Director, who works closely with organisations such as the Regional Development Agencies, local authorities and Government Offices to ensure their needs and priorities are being considered and addressed, and to provide a framework for the work of our local partnership and area teams.

Meanwhile, our local partnership teams (covering the same areas as the 150 local authorities in England) remain focused on making decisions locally and 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.

Regional councils

Our nine regional councils are led by employers. These link us to businesses and challenge us to deliver new solutions to regional skills issues. The councils were established in September 2008, replacing the nine interim regional boards that were in place from February to September 2008.

Regional councils inform the LSC's decision-making at a regional level and ensure 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 levels. 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 paragraph 14(1) of Schedule 1 to the Learning and Skills Act 2000, the LSC 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 HM 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, 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 a going-concern basis, unless it is inappropriate to presume that the body will continue in operation.

3. The Accounting Officer for the former DIUS designated the Chief Executive of the LSC as the Accounting Officer for the LSC. The relevant responsibilities as Accounting Officer are set out more fully in the Framework Document for Executive NDPBs at annex 7.4 of *Managing Public Money*, in particular items 5 and 6 under Governance and Accountability.

How We Take Care of Our People

To meet our goal of building the nation's skills base, it is essential that our own staff have the skills and abilities needed to help us deliver our ambitious plans, as well as supporting them to prepare for their own future.

Development and training

In 2008–09, a key focus was preparing our staff for the forthcoming Machinery of Government changes, which will mean that many will need to adapt to new roles and responsibilities. We have emphasised accredited development programmes that increase business and management skills, as well as continuing to focus on performance improvement.

Key programmes over the last year included:

- work to develop processes and materials to help embed the Oracle HR system, which provides staff and managers with direct access to the information they need
- the development and delivery of a corporate learning and development programme that focuses on performance
- the rollout of a new and successful Dignity at Work programme, which raises awareness of equality and diversity issues across the organisation
- Enhance, a series of six development events to build and improve partnership working skills, and
- our proactive management development programme of 240 guided learning hours. This can lead to a Diploma in Management. It is supported by our Introduction to Management, which can lead to a Diploma in First Line Management.

Our Introduction to Management development programme won Best Public Service Initiative in the *TJ* Awards

We will continue to introduce programmes during 2009–10, reflecting the transition through the Machinery of Government changes.

Our aim is to provide a flexible approach to development. In addition to workshops and courses across the country, we offer a range of more than 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.

We continue to demonstrate our commitment to up-skilling our staff by monitoring attainment against the Skills Pledge and building on existing good practice to maintain our Investors in People corporate accreditation, achieved in March 2008.

Learning and development managers and union learning representatives 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 the success of our programmes.

Communication and consultation

Employee communications are an integral part of our business planning. We aim for clear and consistent messages, make sure that communications are properly targeted, relevant and fit for purpose, and listen to feedback and act on it.

We use a range of communication tools, including the weekly staff bulletin, management cascade briefing notes and face-to-face briefings, as well as a dedicated intranet site that contains key information on HR policies and procedures. To help deal with common queries and particular HR or management issues, we have developed a question and answer section which is regularly updated, and online toolkits for managers and employees to explain key HR areas.

We work closely with the Public and Commercial Services union (PCS), the recognised trade union that represents our staff, meeting them regularly to discuss a range of subjects. We are committed to building on the positive partnership approach with the PCS at both national and local level.

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

Our aim is to be open and transparent 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.

Work-related accident rates remain below the national average for office-based industries, and we have a proven risk assessment approach for controlling hazards. For example, we have invested in supporting staff who have to drive regularly for work: in 2008–09, 443 staff completed the Individualised Driver Risk Assessment.

Our West Midlands, East of England and North West regional offices all successfully gained the Occupational Health and Safety Assessment Series (OHSAS) 18001 accreditation.

We have also taken steps to support staff with disabilities and learning difficulties. Equipment costing £26,234 was purchased centrally for 29 colleagues who needed workstation adjustments. These included items such as ergonomic chairs, visual aids for those with a sight impairment, equipment for those with a hearing impairment, IT hardware (mice, keyboards, monitors etc) and voice-activated software. Some £12,246 of this investment was reclaimed through Access to Work, part of Jobcentre Plus.

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. In this final year, the LSC will continue to provide a lead for the FE system.

In 2008–09 we continued to support and promote sustainable development in the learning and skills sector and within the LSC, by:

- working with the Environmental Association of Universities and Colleges (EAUC) and the National Institute of Adult and Continuing Education (NIACE) to review our online sustainable development resource, SORTED, to find ways to make it more relevant and accessible
- identifying examples of good practice in embedding sustainable development in the curriculum in FE
- again sponsoring the Green Gown Awards which celebrate best practice in the sector
- hosting a Sustainable Skills round table event to discuss skills for sustainable development and for working in a low-carbon economy
- establishing with the Learning and Skills Improvement Service (LSIS) the Sustainable Development Alliance for Learning and Skills, which brings together relevant representatives from across the FE system
- launching an internal sustainable development campaign, called Doing Our Bit, to support our sustainable development champions and share good practice, and
- starting to measure our own progress towards a limited set of organisational targets.

Our Working Practices

Stakeholder communications

To achieve our goals, the LSC depends on working effectively with a large number of stakeholders and partners. All our work is based on two-way communication and open and transparent working practices.

Colleges and training providers

In the last year, we have worked alongside LSC-funded training providers and colleges to ensure that they are informed about – and involved in – our programmes and the policy decisions behind them. We have close working relationships, and support providers in joint activities.

Employers

In recognition of the importance we place on our relationships with employers, we have developed a number of channels over the years for communicating with employers and sharing ideas and approaches.

We work with large employers through our dedicated National Employer Service, and with other employers through LSC programmes such as Train to Gain and the National Apprenticeship Service. Our staff work with employers at a national, regional and local level, and maintain direct relationships with key employers and the 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. We also ensure that employers are regularly consulted about decisions concerning learning and skills delivery.

Third sector

We work closely with a range of third sector stakeholders, as providers and employers and as a source of expertise and valuable feedback on learning and skills delivery, particularly to underrepresented and disadvantaged groups. The LSC also has a Third Sector Advisory Group to its National Council, chaired by National Council member Dame Mary Marsh.

Opinion formers

We have identified a number of business and education leaders, politicians and representative groups who we know are particularly interested in our work, and we maintain regular contact with them. This is done through small discussion forums and events, face-to-face meetings and specialist newsletters.

Learners

Learners naturally play a vital role in shaping our work, our policies and our approach. The LSC is advised by the National Learner Panel, which acts as the voice of the learner. The panel is made up of independent volunteers involved in all aspects of further education as learners, giving learners a voice at national level.

Other partners

We work with a range of delivery partners in different sectors. Details of our relationships with them can be found in our *Statement of Priorities*.

Equality and diversity

Like many other public sector organisations, promoting equal opportunities is one of our core responsibilities – both in the way we treat our own staff and in the standards that we apply to (and demand of) the learning and skills sector. We have a statutory duty to report annually on our actions towards progressing 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, our strategy to place equality and diversity at the heart of everything we do – from the learning we fund to the way we support our workforce. We have since commissioned and published our first annual review of the scheme.

In 2008, we completed a major support programme for learning and skills providers: 487 provider staff attended seminars which helped them to develop single equality approaches, while 50 engaged in action working projects, where they received tailored support to address specific equality issues.

We have made substantial progress towards assessing all of our policies for their impact on equality. Over 100 policies have undergone initial screening, and full impact assessments have been published for:

- the Framework for Excellence
- our Statutory Intervention Policy, and
- demand-led funding and the UK Vocational Qualifications Reform Programme – Sub Programme 3.

We have trained over 100 members of staff on how to use our equality impact assessment framework. Through this framework, all HR policies have now had an initial screening, and key policies have been reviewed.

Learners and providers

As part of the Single Equality Scheme, we put in place equality and diversity impact measures to ensure more equal outcomes for the learners we fund. We have commissioned a review of progress against these measures, which will be published in summer 2009.

Our Single Equality Scheme committed us to going beyond the requirements of legislation. In particular, we set out our intention to work with the sector and support providers in developing their own equality schemes and in taking practical steps to tackle inequalities.

The LSC workforce

As part of the Single Equality Scheme, we set ourselves a number of equality goals which aim to make our workforce more representative. We are making substantial progress towards achieving these, and have already surpassed two of our goals for 2010: the proportion of women in middle and senior roles is now at 52 per cent and the proportion of all staff from black and minority ethnic backgrounds is now at 14 per cent, up from 7.2 per cent in 2002.

We have now made the first of these goals more challenging by focusing on the most senior roles, 48 per cent of which are filled by women. We have exceeded our goal of 7.6 per cent of middle and senior roles being filled by staff from black and minority ethnic backgrounds. This now stands at 10 per cent.

To ensure that our workforce practices are fair, we have established a Workforce Equality and Diversity Steering Group, made up of staff from across the organisation. This group has also been involved in consultations such as how we meet the Mindful Employer Charter, which the LSC signed up to in 2007.

We remain committed to increasing the proportion of staff declaring a disability or limiting illness. The figure remains low at 3.4 per cent but has improved. To this end, we are raising awareness among our staff, encouraging them to talk about their need for support and making reasonable adjustments for staff with disabilities.

Benchmarking achievements

According to benchmarking tools from the Employers' Forum on Disability, Race for Opportunity and Opportunity Now, we have already made substantial achievements against our HR action plan.

- **Monitoring** – we now have in place a comprehensive employee monitoring system, which enables the LSC to report on the diversity of our workforce in line with the public duty requirements.
- **Case management** – information from any incidents is now reviewed and used for learning to improve people management and reduce risks to the LSC.
- **Improving personal data** – we have completed a regional event to encourage more employees – particularly those with disabilities – to declare their personal data. Following the event, there was a clear improvement in the data for the region.
- **Mindful Employer Charter** – our Chief Executive signed the Charter, which commits the LSC to supporting the mental health and well-being of our employees.
- **Consultation and action plan** – we have developed an action plan to implement the principles of the Charter, and it has been approved by our HR leadership team.
- **Equal pay** – we implemented equal pay audits in 2008 and 2009 and are committed to undertaking this exercise annually, which links to our responsibilities under our Single Equality Scheme.
- **Dignity at Work –** we have successfully implemented a pilot Dignity at Work programme across one region and have made the resource available to all employees, which will be supported by an e-learning tool.
- **Health and well-being** – a similar piece of work has been completed around managing health and well-being in the workplace and is available regionally.

As a result of these achievements, Race for Opportunity ranked the LSC in the top 10 most improved public sector organisations in 2008. We have also been showcased, through benchmarking networks, as an exemplar of good practice in the public sector, particularly in our approach to equality impact assessment and the Single Equality Scheme.

Our learner health and safety policy

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 the learner's experience on LSC-funded provision.

Following the publication of the *Learner Health, Safety and Welfare: Safe Learner Blueprint* in September 2007, we have produced, in consultation and in partnership with LSIS, specific guidance on *Self-assessment of health safety and welfare: Guidance for organisations funded by the Learning and Skills Council* (March 2009).

We have commissioned the Institute for Employment Studies to research the extent to which learners adopt safe behaviours as a result of differing environments and levels of supervision. The interim report was published in autumn 2008, with final research data available in 2009. The research, a comparative three-year study, will link learner experience and perceptions to the *Safe Learner Blueprint*.

In the light of previous studies on the under-reporting of learner incidents, we have revised and simplified the Learner Incident Management System to improve reporting from providers. We are currently conducting some analysis of incidents/fatalities and correlating it with the learning at the time of the incident. We are also analysing the performance of all the providers we fund in order to compare improvements over specified periods.

Finally, we have continued to work with the Health and Safety Executive and Sector Skills Councils 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.

Machinery of Government

From 2010, the further education landscape will change considerably, with two new bodies established to drive the extensive agenda that the LSC has been charged with since 2001.

These are the outcomes of the Machinery of Government consultation *Raising Expectations: enabling the system to deliver*, which ended in June 2008 and paved the way for a very different configuration of the post-16 landscape.

Under these changes the LSC will cease to exist and a new national non-departmental public body (NDPB), the Young People's Learning Agency (YPLA), will be tasked with supporting local authorities in their new responsibilities for commissioning and funding 14–19 provision. The YPLA will be part of the DCSF.

For adults, the Skills Funding Agency – an agency of BIS – will ensure that public money is routed swiftly, efficiently and securely to FE colleges and providers in line with the purchasing decisions of customers through the demand-led mechanisms of Train to Gain and Skills Accounts. The Skills Funding Agency will:

- house the new National Apprenticeship Service
- manage Train to Gain, including the National Employer Service
- manage the new adult advancement and careers service, and
- support the FE system to deliver a more responsive service, with Skills Accounts gradually forming the public-facing brand for adults.

Since the changes were announced, we have reviewed our management structure to make sure it reflects the new structure and provides the best possible platform for working with the two departments. We are core members of the BIS/DCSF Programme Board that will be overseeing the transition to the new arrangements. Our structure also enables us to share information effectively with new and existing partners and stakeholders.

Statement on Internal Control

The Learning and Skills Council's Accounting Officer's Statement on Internal Control 2008–09

Scope of responsibility

1. As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the LSC'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 Council can only do those things that the Act provides it can do. Nine regional councils for England were established on 10 September 2008 under the Further Education and Training Act 2007, replacing the 47 local LSC councils which were set up as part of the Learning and Skills Act 2000.

3. 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 with 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.

4. In 2008–09 DIUS sponsored the LSC, working closely with DCSF. From 5 June 2009, the sponsorship of the LSC transferred to BIS, and appropriate communication channels are 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.

5. The National Council, through its Audit Committee, is informed of the risks facing the LSC and the LSC's processes for dealing with risk.

6. The Prime Minister announced in June 2007 that the Department for Education and Skills would be split into DIUS (now part of BIS) and DCSF and that, subject to legislation, the responsibility for funding learning provision for 16- to19-year-olds would pass from the LSC to the local authorities. The LSC has worked closely with the two departments on the consequences of this, culminating in the White Paper, *Raising Expectations*, published in March 2008, which sets out the processes by which the changes will be put into effect by 2010. The LSC has taken action to ensure the effective delivery of current business, while absorbing the impact of this prospective change.

7. In March 2009 the previous Chief Executive stepped down and I was appointed. In order to provide this statement I have taken assurance from my Internal Audit function, Management Group and other areas of the LSC as identified within this Statement.

The purpose of the system of internal control

8. 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 financial year ending 31 March 2009 and up to the date of approval of the Annual Report and Accounts, and accords with HM Treasury guidance.

Capacity to handle risk

9. 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 Funding, Planning and Performance since March 2008.

10. A National Risk Manager, through a Director, supports the management of risks across the LSC network. Each group and region has an appointed senior manager to act as risk champion; these managers do not own the risks but act as stewards of the process.

11. Internal Audit performed a review of risk management during 2007–08, which gave a restricted assurance and resulted in a qualification to the Internal Audit Annual Report. The risk process was refreshed in April 2008 by the Director of Funding, Planning and Performance and considerable progress has been made to embed the refreshed risk management process across the LSC. The Risk Management Board has met regularly during the year and risks have been reported to the Management Group. The LSC's top risks have been discussed fully at every Management Group meeting since November 2008. Risk updates have been provided at each National Audit Committee and Council throughout 2008–09. Risk management is referred to further within the Internal Audit section of this Statement.

12. Risk management is due to be audited again during 2009–10, to follow up on progress.

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 and the estimated consequence if it did.

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 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. I have also evaluated the statements of internal control from Regional and National Office Directors in support of the review of effectiveness.

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, Regional Audit Committee members and co-opted members required for their expertise; all are non-executives. The Audit Committee has met regularly and 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. The committee has also taken evidence from senior managers when deemed appropriate. Within the LSC, each region has a duly constituted Regional Audit Committee which 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 each individual Regional Director's personal statement of internal control. The National Audit Committee has recently sought additional members from Regional Audit Committees to enhance its membership, expertise and experience.

Management Group

16. At the beginning of 2008–09, the Management Group 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).

17. Owing to Machinery of Government changes and the need for parallel transition arrangements, by the end of 2008–09 the Management Group consisted of 20 members consisting of the Chief Executive of the LSC, the Chief Executive of the National Apprenticeship Service, the Chief Operating Officer of the LSC, the Economic Response Director, the Machinery of Government Transition Director, the National Projects Director and the Director of Regeneration for London, five National Directors (Young People's Learning and Skills; Finance and Resources; National Apprenticeship Service; Adult Learning, Skills and Employment; and Funding, Planning and Performance) and nine Regional or Acting Regional Directors.

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

Internal Audit

19. A professional and independent Internal Audit service was maintained throughout the year. On the advice of the National Audit Committee, the previous Chief Executive agreed the Internal Audit team's strategy and plans for the year. I understand that the previous Chief Executive met with the Chief Internal Auditor regularly and received quarterly reports on Internal Audit's findings. I receive from the Chief Internal Auditor an annual report on the findings of Internal Audit, which includes a professional opinion as to the level of assurance that is applicable to the LSC. For 2008–09 the Chief Internal Auditor has, with the exception of corporate risk management, capital funding and governance of Education Maintenance Allowance (EMA), 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.

20. Through his report, 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 in each Group and Region, and is followed up with an annual report from the Internal Audit team, which 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.

21. The assurance provided by Internal Audit has been qualified in regard to corporate risk management, capital funding and governance of EMA.

Risk management

22. In the 2007–08 Annual Report, the Internal Audit service review of risk management concluded that appropriate action had not occurred to fully embed risk management within the LSC, and provided 'restricted assurance'. Inevitably, these weaknesses could not be resolved from the start of the year. Both the Foster Report and the Ighodaro Report (see paragraphs 26 and 30 below) identified that weaknesses in risk management had contributed to critical reputational and political issues arising for the LSC in 2008–09.

23. During the year, management responsibility for risk management was moved to the Director of Funding, Planning and Performance. Management of risk was given to a direct report and the risk manager transferred to this post to enhance the focus and refresh the risk management process. As part of this refresh, changes were made to the Risk Management Board membership and the high-level reporting of risk to the Management Group. Significant effort has been taken to develop risk management processes throughout the LSC. Work continues to make further enhancements to embed risk management in all business

decision-making processes. However, risk management is not yet fully embedded in the LSC and further work is still required which should focus on the early identification and escalation of risks.

24. The wider risk management culture issue is an area I want to personally concentrate on and so, with immediate effect, our Chief Internal Auditor will report directly to me. He will also have a stronger relationship with the Chair of the Audit Committee.

25. In addition, in agreement with the Chairman of the Audit Committee, I have decided to directly link management bonus for the final year of the LSC to the status of the risk register, as confirmed by the Regional and the LSC Audit Committees. Managing risks on the register as well as making sure risks get on to the register will be considered. In addition, the findings of Internal Audit reports will also affect bonuses. A new horizon-scanning mechanism is in the process of launch that will strengthen our ability to identify risks on a timely basis.

Capital funding

26. In 2008–09 the pace of demand for capital funding by colleges increased significantly, exceeding the available budget. As a consequence the LSC decided to defer decisions on projects in November 2008 and suspended the building programme in December 2008. The then Skills Secretary John Denham and Christopher Banks CBE, Chairman of the LSC, appointed Sir Andrew Foster to lead an independent review into the operation of the building programme. Having completed the review, the Foster Report was published on 1 April 2009. The report reviewed the circumstances that led to the position on the Building Colleges for the Future programme as managed by the LSC, and whether lessons could be learned. The report also assessed existing LSC processes and considered how they could be enhanced to deliver more effective management of the programme in the current economic environment and beyond.

27. The Foster Report concluded that the most significant responsibility for the problems rested with the general and financial management of the LSC and its corporate governance systems. The previous Chief Executive accepted this responsibility and stepped down. The Foster Report contained a number of recommendations, all of which the LSC and DIUS (now BIS) have committed themselves to implement. The present position with the capital budget presents a critical reputational and political issue for the LSC.

28. In response to the report, a number of actions are under way, including a review of the financial data held by the LSC about capital projects; appointment of a Director to be personally responsible for the capital programme; consultation with the sector on the approach that should be used in prioritising schemes; and the appointment of an external team of specialists to assist the LSC in ensuring that the information held is accurate and comprehensive and provides a sound basis for taking future decisions. National and regional management are managing the relationships with colleges and associated risks to them and to the LSC's reputation.

Learner Support services

29. From 2002 until 2008 the LSC had six separate systems for delivering Learner Support. In August 2007 a contract was awarded to Liberata for the delivery of a single system that would result in lower costs and an enhanced service for the 2008/09 academic year. The project suffered progressive delays and the service suffered many problems which resulted in delays in the issue of entitlement letters and substantial delays in payment to many learners. The publicity associated with this became a critical reputational issue for the LSC. Delivery issues were resolved late in 2008. However, the costs of delivery threatened the financial viability of Liberata. The LSC disengaged with Liberata in November 2008. The service is now delivered by Capita. There have been some instances where the transfer to Capita has led to misreporting of the numbers of EMA recipients, but this has not affected the actual assessment of cases or the distribution of funds.

30. In December 2008, the Chairman of the LSC commissioned Claire Ighodaro, a National Council member, to conduct an independent internal review of the issues, the causes and what lessons could be learned. A consultant, Tim Walton Associates, was engaged to undertake the detailed work. The Ighodaro Report identified critical shortcomings in the governance and management of the project. The report contains a number of recommendations and, together with management responses, it will be sent to DCSF's Schools Minister shortly, including the correction of the EMA recipient numbers referred to above.

31. Internal Audit work in the year has also identified critical weaknesses in terms of the overall LSC governance arrangements for Learner Support. A Provider Financial Assurance (PFA) audit undertaken jointly with the Internal Audit work has identified further critical control weaknesses. The Ighodaro Report has recommended that Internal Audit should use the report's findings and recommendations to inform the 2009–10 Internal Audit plan.

32. Based on the recommendations within the Ighodaro Report, I am addressing the weaknesses in 2009–10 through management actions across the LSC as well as within Learner Support. In particular, risk management processes will be strengthened, with reviews by the Management Group and reports to the Audit Committee and National Council; effective and rigorous contingency plans will be developed at the outset and regularly reviewed throughout the delivery of all programmes; governance arrangements for Learner Support have been reviewed and there will be quarterly reports to the Management Group and National Council; the Management Group will develop and implement a general protocol for escalation of emerging issues; Learner Support will be more integrated into 'mainstream' LSC, and is being built into the structures and ways of working of the YPLA and the Skills Funding Agency; definitions of good vendor relationships and contract management are being developed and, where needed, staff training on programme, risk and contract management. The Management Group will review current major contracts to ensure clarity of definition of roles; the new SRO is a member of the Management Group. The Management Group will review all existing programme boards and ensure separation of steering groups and programme boards; and there will be mitigation around new technology, with contingency planning such as phased implementation and parallel running.

33. The Internal Audit service will also provide additional support and advice where necessary or requested.

Financial management

34. As Accounting Officer I have responsibility for the financial management of the budgets that are formally delegated to me in the LSC's Grant Letter. With the exception of the points raised within this Statement, I can confirm that all of the budgets I am responsible for are managed in line with the financial rules and procedures applicable to the LSC through its draft Financial Memorandum with DIUS (now BIS). Apart from the exceptions raised, the LSC has effective financial management processes, based on devolved responsibility for budgetary control with regular financial reporting and forecasting that is subject to a multi-tier review and challenge function. The overall current financial position of the LSC (including forecasts from August onwards) is reported to senior LSC management monthly throughout the financial year. This ensures that budgets are monitored and managed appropriately across the organisation at all times. I also confirm that the expenditure incurred by the LSC in the year has been consistent with the remit of its Grant Letter and that appropriate financial records are maintained across the LSC.

Other assurance mechanisms

35. 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 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 their 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 (Ofsted).

Information assurance

36. During 2008 the LSC made commitments to DIUS and the Cabinet Office that required significant changes to how it managed its information-management-related risks. These include:

- general and specific requirements called for by the Permanent Secretary, DIUS, in February 2008 (commonly referred to as 'Watmore'), and

- mandatory minimum data-handling requirements that were set out in the June 2008 final report of the Cabinet Office entitled *Data Handling Procedures in Government* (commonly referred to as 'Hannigan').

37. Additionally, in February 2009 the Cabinet Office replaced the long-standing Manual of Protective Security with the Security Policy Framework (SPF). This defines 71 mandatory requirements for departments and their delivery partners, with which DIUS (now BIS) has indicated the LSC will be asked to comply during 2009–10. Considerable effort has been expended and much progress made during 2008–09 towards meeting first the Watmore and then the Hannigan requirements, but achieving full compliance with all SPF requirements by the end of 2009–10 will pose a significant challenge.

38. There is an expectation that we will fully meet the requirements of the data-handling review and the SPF by the end of 2009–10. There is significant risk that we will fail to meet the requirement for full compliance by the end of the financial year, exacerbated by the simultaneous transition to the new organisations. We recognise, especially as information is vital to our business processes, that we must manage our information-related risks more actively and are working now to do so. There is a need for DIUS (now BIS) to clarify 2009–10 assurance requirements.

39. The work due to be undertaken during 2009–10 will rapidly move us towards a more acceptable position. However, we acknowledge that the LSC is currently carrying a significant risk of loss of personal information (with the attendant reputational damage that would ensue); the LSC is considering whether there has been any further loss of learner data during the transition from Liberata to Capita.

Internal control issues

40. As Accounting Officer I am satisfied, with the exception of risk management, capital funding and Learner Support services (as identified within the Internal Audit section above), that the LSC's governance and internal control is compliant with HM Treasury requirements and that during 2008–09 the continuing concerns did not undermine the working of the LSC, but they continue to represent a threat.

Continuing concerns

a. The LSC's capacity to effectively manage the Machinery of Government transition process poses a risk to the achievement of the LSC's objectives. The changes, leading to the dissolution of the LSC in 2010 and the transfer of its functions to successor bodies, have provided, and will continue to provide, considerable diversion from ongoing business. As the transition progresses over the next year, there are significant risks that the LSC will not be able to meet its objectives, staff morale will be affected and systems of internal control will break down. To manage this will require flexibility on the part of the LSC and the sponsoring departments as we move from the vision and plans for the new structures towards the reality of practical, on-the-ground management. We may have to make short-term compromises on the vision in order to deliver intact the new structures while not losing control of the current operations. I have also appointed a Chief Operating Officer to focus on managing the 'business as usual' aspects of the business so that we do not lose sight of our daily responsibilities. We have also accelerated the move to 'shadow' Skills Funding Agency/YPLA running to provide as much time as possible to work out the necessary new business processes well before they go live. We have a regular communications programme to all staff to keep them informed, and work closely with the union to understand and mitigate their concerns.

b. The governance, accountability and management arrangements in place within the National Apprenticeship Service are imprecise and need to be developed further. Significant progress was made to ensure that the National Apprenticeship Service became operational from April 2009. However, there are many areas that need to be clarified and, where appropriate, processes need to be implemented for 2009–10. We have been working closely with the National Apprenticeship Service to resolve the operational issues that arise from the arrangements and are in discussions with the National Apprenticeship Service and sponsor departments to clarify and mitigate matters so that National Apprenticeship Service delivery is not compromised.

c. Significant progress has been made in the development of a contract management framework which is to be rolled out across the LSC. Bespoke contract management training has not yet been delivered, although a commitment has been made to deliver this in the first six months of 2009–10.

d. A joint Internal Audit review of Train to Gain with DIUS during 2008–09 concluded that procedures within the LSC have improved since the previous joint audit review was conducted. However, Train to Gain itself continues to change. Additional risks arise from the transfer of responsibility for the provision of skills brokerage to Regional Development Agencies in April 2009. The risk management of Train to Gain has not kept pace with the changing risks presented by this funding stream.

e. The LSC's ability to control effectively a number of significant demand-led budgets is a serious concern. Expenditure on demand-led programmes is, by its very nature, difficult to forecast or control. After several years of under-spending, the LSC has (partly in response to new flexibilities) experienced an increase in demand since autumn 2008. Action is now being taken to control demand but if this proves inadequate, there will be a serious risk of exceeding budgets or not meeting real learner and employer needs. This is a particular risk in relation to Train to Gain and 25+ Adult Apprenticeships where further urgent action is required. In response to this risk and those explained in (d) above, we have appointed National SROs for each programme to manage the overall position and are working closely with sector representatives to explain the issues and work together to resolve them.

f. It is imperative that, during the current period of change, the LSC has an effective business continuity planning process in place to react quickly to any issues and to ensure continuity of business. Work continues in this area and plans are currently being developed prior to the establishment of a testing methodology.

g. In 2008–09 the Internal Audit Investigations Unit (IAIU) continued to receive an increase in the number of referrals to an all-time high. This represents a 22 per cent increase over the previous year and a 115 per cent increase in two years. This has placed pressure on the IAIU to deal with the allegations and subsequent investigations in a timely manner. The risks in this area are likely to increase in the forthcoming period of change and with the current economic situation. I am taking a personal interest in this area and receive a monthly report. The ongoing internal investigation which took up significant resource in 2006–07 was passed to the police and the Serious Fraud Office (SFO), with funds at risk of £2.5 million. Five people appeared in Telford Magistrates' Court on 17 March 2009 accused of a variety of offences of corruption, money laundering and gaining a pecuniary advantage. The SFO, prosecuting, requested that the case be transferred under the 1987 SFO Act out of the jurisdiction of the Magistrates' Court. Accordingly, the case is in the process of being transferred to Birmingham Crown Court. The IAIU continues to provide ongoing assistance as and when required. The significant reputational risk to the LSC arising from this investigation remains.

h. There continues to be a risk to the delivery of LSC business change programmes arising from inadequate levels of alignment and buy-in from the business teams for the development activity for which they have ownership. Typically this is seen at programme/project specification stages, business-side project management and sign-off, attendance at governance boards and user acceptance testing. This risk has been recognised by Information Management (IM), as typically this has meant that the IT portfolio drives the business side, rather than the business leading the programme with IT as the enabler. Mitigation of this risk continues to be managed through the business cycle, which is business-owner driven. There are still risks around ensuring appropriate engagement of the business with IM. My priority is to ensure that existing systems are operating properly and to accept new commissions only where we have clear specification by the business and the IM resource to do so safely. This is an area I am also taking a personal interest in and I have recently asked the Chief Information Officer to report directly to me.

i. Confirmation of the expected requirement to meet the Data Handling Report (DHR) minimum requirements was received from DIUS (now BIS) in March 2009. This confirmed that the LSC was not 'mandated to follow the Security Policy Framework (SPF) in 2008–09'. The Senior Information Risk Owner's (SIRO) *Annual Report on Information Security* for 2008–09 has provided assurance on what has been achieved within the context of the risks, issues and challenges affecting the LSC's ability to achieve full compliance. It also documents the LSC's position in relation to Watmore and Hannigan and the SPF framework. The Internal Audit division separately reported restricted assurance in meeting the wider demands of the DHR, and recommended that a transition plan be put in place by the end of May 2009. Reference to this opinion and recommendation is made in the SIRO's report. The LSC is unlikely to meet the in-year requirement during 2009–10 to achieve full compliance with the SPF. There is an associated risk relating to the potential for data loss.

Other issues

j. During 2008–09 there were instances of non-compliance with LSC systems, including: management of the car scheme; delegated authorities not being properly in place; and incorrect use of charge cards. In addition, proposed updated guidance for areas such as travel and subsistence has not yet been published, due to an issue relating to employees' permanent workplaces. Finance has been working with HR to resolve this issue and a final review of the policy is under way, with publication expected shortly. A revised Financial Memorandum is currently being negotiated with BIS and DCSF.

Geoffrey Russell
Chief Executive and Accounting Officer
Learning and Skills Council
10 July 2009

Risk Management and Financial Controls

The Risk Management Board has a key responsibility to provide an assurance that risks are being effectively managed. Throughout the year, the Board, which is a sub-group of and advisory to the Management Group, has been chaired by the Director of Funding, Planning and Performance and has met on three occasions. Verbal reports are made by the Chair of the Board to the Management Group and all agendas and papers are uploaded to the Risk Management Board team site.

The National Audit Committee is responsible for providing the overarching challenge function and for seeking assurance that the top risks are being managed effectively. Regular reports are made to the committee by the Chair of the Risk Management Board.

Concerns raised by the National Audit Committee in early 2008 resulted in a new approach to risk management being introduced. The ownership of risk management was given to the Director of Funding, Planning and Performance, who instigated a refreshed process to risk management. As a result, the Management Group considers risk as the first agenda item at every monthly meeting. To inform this discussion, a revised RAG template is commissioned from each top risk owner. The RAG templates provide information on the current status of the risk and provide an assurance that the top risks are being effectively mitigated.

The revised RAG templates and comments made by Management Group members are communicated back to the risk owners, the risk champions and a wider audience in order to inform any other risks and to ensure that we retain line of sight across the LSC on the top risks.

Group and regional risk registers have been analysed to ensure that the top LSC risks have been identified within them and that appropriate controls are in place to mitigate and manage the risks.

All regions have a risk register in place and risk management is regularly considered by the regional management team. The Regional Audit Committee receives regular reports on regional risks and is responsible for providing a challenge function to the risk owner on their stewardship of the risk. The main role of the Regional Audit Committee is to assess and advise on the scope and effectiveness of the system established by regional management to identify, assess, manage and monitor risk.

All National Office groups have a risk register in place. Group risks are managed through the relevant decision-making boards, which consider the top LSC risks at every meeting.

All National Office groups and regions have appointed a risk champion to co-ordinate the risk management process. They are the focal point for the receipt of guidance and papers on risk management matters. They do not own the risks. All risks have assigned risk owners at Management Group level who are responsible for ensuring that effective action is taken to mitigate the likelihood of risks occurring.

The national risk manager supports the management of risks, provides advice and guidance to colleagues across the LSC and manages the Risk Management Board team site, a vehicle for debate and the sharing of issues, concerns and good practice.

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 2008–09

Date of incident (month)	Nature of incident	Nature of data involved	Number of people potentially affected	Notification steps
January 2009	Suspected loss of personal data. All information recovered. No data misuse identified.	Learner personal data	60	Notification to DIUS and Information Commissioner
Further information on information risk	The LSC will continue to monitor and assess its information risks, in light of events noted above, in order to identify and address any weaknesses and ensure continuous improvement of its systems.			

Incidents deemed by the Data Controller not to fall within the criteria for reporting to the Information Commissioner's Office but recorded centrally within the department are set out in Table 2. 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 2008–09

Category	Nature of incident	Total
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured government premises	Nil
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured government premises	Nil
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	Nil
IV	Unauthorised disclosure	Nil
V	Other	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 a non-departmental public body, the existence of the Remuneration Committee allows us greater freedom from our sponsoring department (BIS) on reward policy and practice.

Chairman

Christopher N Banks CBE
Chairman, Learning and Skills Council, and Chief Executive, Big Thoughts Ltd

Members

Gareth Cadwallader
Director, Airas Intersoft Ltd

Frances O'Grady
Deputy General Secretary, Trades Union Congress

Stephen Marston
Director General, Further Education and Skills Group, BIS

The Chief Executive and Director of Human Resources are invited to attend and speak at meetings except when their own remuneration is being considered. The Head of Reward for the LSC is also invited to attend, where appropriate.

The committee met five times during the period April 2008 to March 2009.

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 HM 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 the former Department for Education and Skills. 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 2008–09, the salary increase for the former Chief Executive, Mark Haysom CBE, was 3.3 per cent and his bonus for the year to March 2008 was £36,242.

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 2008–09

Base pay for National and Regional Directors rose by an average of 3.3 per cent. This included an amount set aside for raising the spot rates (the normal salary value) for each role by 2 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 3.14 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 were appointed by the then 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 working 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 2009 was £51,400. Salary is reviewed in accordance with guidance provided by the Cabinet Office covering the 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 Business, Innovation and Skills. The Secretary of State may, by giving written notice, remove the Chair from office if he or she is satisfied that the member has not attended National Council meetings for more than six consecutive months, or that 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.

The current Chief Executive, Geoffrey Russell, has been appointed on a fixed-term contract that ends on 31 March 2010. The appointment can be ended by either party giving three months' written notice. Additionally, the LSC has the option to end the contract after six months of completed service by providing one month's notice. However, if the option is not taken at that point, the notice period reverts back to three months for the remainder of the contract.

The former Chief Executive, Mark Haysom CBE, had an open-ended contract with a six-month notice period on either side.

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

The remaining part of the Remuneration Report on pages 53 to 60 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 Business, Innovation 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 2009 £'000	Year ended 31 March 2008 £'000
The emoluments of the Chairman (Christopher N Banks CBE, age 49) for the period:		
Salary	51	51
Taxable benefit	0	0
	51	**51**
The emoluments of the new Chief Executive (Geoffrey Russell, age 51) for the period from 23/03/09:		
Basic salary and other emoluments*	6	0
Taxable benefit in kind	0	0
Pension contribution (opted to join nuvos pension scheme)	1	0
	7	**0**
The emoluments of the former Chief Executive (Mark Haysom CBE, age 55) for the period:**		
Basic salary and other emoluments	223	221
Taxable benefit in kind	0	0
Pension contribution (opted to join premium pension scheme)	30	29
Bonus†	36	34
	289	**284**

* Full-year equivalent would be £208,000.

** Mark Haysom CBE resigned from his post as Chief Executive on 23 March 2009. He will receive payment of six months of his 2008–09 contractual salary and benefits. No bonus is payable.

† The bonus payment relates to the previous year and as per above no further bonus will be paid.

Leadership and Governance

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

	Date commenced/ reappointed or extended	Current term (years)*	Emoluments year ended 31 March 2009 £'000	Emoluments year ended 31 March 2008 £'000
Non-executive members				
Christopher N Banks CBE	15/06/2008	3	0.0	0.0
Gareth Cadwallader	01/06/2008	3	4.0	4.0
John Cridland CBE	01/09/2007	3	6.3	0.0
Ian Ferguson CBE	01/06/2008	3	0.0	0.0
Margaret Galliers CBE	11/09/2008	3	4.1	0.0
Bryan Gray	01/01/2004	Indeterminate	4.0	4.0
Sir Deian Hopkin	01/09/2007	3	0.0	0.0
Sally Hopson MBE	01/07/2008	2	3.0	0.0
Claire Ighodaro CBE	01/03/2009	3	4.0	4.0
Dame Mary Marsh	01/03/2009	3	3.7	4.0
Frances O'Grady	01/06/2008	3	4.0	7.6
Emma Pearson-Winstone	01/07/2008	2	3.0	0.0
Mark Sanders	05/01/2009	2	1.0	0.0
Malcolm Trobe	01/09/2007	3	6.3	0.0
Jill Youds	01/07/2008	2	3.0	0.0

*Number of years rounded up to nearest whole, but no term will extend beyond April 2010.

	Date of cessation			
Former members				
Giles Clarke	01/12/2007	0	0.0	2.7
Shirley Cramer CBE	30/11/2008	1	2.7	4.0
John Merry CBE	31/10/2007	0	0.0	2.3
John Taylor	30/09/2008	4	3.0	4.0

Senior employees

Salary and benefits in kind

	Year ended 31 March 2009 Salary £'000	Year ended 31 March 2009 Benefits in kind (to nearest £100)	Year ended 31 March 2008 Salary £'000	Year ended 31 March 2008 Benefits in kind (to nearest £100)
National Directors				
David Way				
National Director, Adult Learning, Skills and Employment and Director, National Apprenticeship Service	130–135	0	125–130	0
Rob Wye				
National Director, Young People's Learning and Skills	130–135	0	125–130	0
Verity Bullough				
National Director, Funding, Planning and Performance	125–130	0	140–145	0
David Russell				
National Director, Finance and Resources	145–150	3,900	140–145	3,700
Sally Stewart				
National Director, Human Resources	115–120	0	15–20	1,000
Paul Holme				
Economic Response Director (from 24/11/08)	35–40	0	0	0

	Year ended 31 March 2009 Salary £'000	Year ended 31 March 2009 Benefits in kind (to nearest £100)	Year ended 31 March 2008 Salary £'000	Year ended 31 March 2008 Benefits in kind (to nearest £100)
Regional Directors				
Caroline Neville				
East of England	130–135	0	125–130	2,000
Thomas Crompton				
East Midlands	130–135	0	0	0
David Hughes				
London	140–145	3,500	135–140	3,300
Chris Roberts				
North East	135–140	1,500	120–125	2,600
John Korzeniewski				
North West	135–140	0	125–130	1,500
Henry Ball				
South East (retired July 2008)	55–60	0	130-135	0
Marinos Paphitis				
South East (from 01/06/08)	95–100	600	0	0
Malcolm Gillespie				
South West	130–135	0	130–135	0
David Cragg OBE				
West Midlands (Machinery of Government Transition Director from 12/05/08)	135–140	0	130–135	0
Margaret Coleman				
Yorkshire and the Humber	120–125	0	120–125	0
Mary Conneely				
Regeneration London	130–135	0	125–130	1,100

Senior employees (continued)

Pension entitlements

	Accrued pension and related lump sum at age 60 as at 31/03/09 £'000	Real increase in pension and related lump sum at age 60 earned in the year £'000	CETV at 31/03/09 £'000	CETV at 31/03/08** £'000	Real increase in CETV £'000
National Directors					
Geoffrey Russell	–	–	–	–	–
Chief Executive (from 23/03/09)†					
Mark Haysom CBE*	10–12.5	0–2.5	188	145	29
Former Chief Executive					
David Way	45–50	0–2.5	1,011	926	13
National Director, Adult Learning, Skills and Employment and Director, National Apprenticeship Service	and lump sum 140–145	and lump sum 0–2.5			
Rob Wye	40–45	0–2.5	876	786	38
National Director, Young People's Learning and Skills	and lump sum 130–135	and lump sum 5–7.5			
Verity Bullough	10–15	0–2.5	157	126	21
National Director, Funding, Planning and Performance	and lump sum 30–35	and lump sum 5–7.5			
David Russell	55–60	0–2.5	1,385	1,290	7
National Director, Finance and Resources	and lump sum 175–180	and lump sum 0–2.5			
Sally Stewart	20–25	2.5–5	330	277	32
National Director, Human Resources					
Paul Holme	35–40	0–2.5	745	708	0
Economic Response Director	and lump sum 110–115	and lump sum 0–2.5			

*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.
† The pension entitlements for the new Chief Executive were not available at the time of publication and are not expected to be material as only one week's service has been completed and there is no brought forward CETV.

	Accrued pension and related lump sum at age 60 as at 31/03/09 £'000	Real increase in pension and related lump sum at age 60 earned in the year £'000	CETV at 31/03/09 £'000	CETV at 31/03/08** £'000	Real increase in CETV £'000
Regional Directors					
Caroline Neville*	10–15	0–2.5	199	160	24
East of England					
Thomas Crompton	40–45	7.5–10	849	612	193
East Midlands	and lump sum 125–130	and lump sum 27.5–30			
David Hughes*	15–20	0–2.5	194	160	18
London					
Chris Roberts	40–45	0–2.5	980	888	32
North East	and lump sum 130–135	and lump sum 2.5–5			
John Korzeniewski	45–50	0–2.5	1,123	1,035	17
North West	and lump sum 145–150	and lump sum 0–2.5			
Henry Ball*	50–55	0–2.5	1,223	1,218	6
South East (retired July 2008)	and lump sum 125–130	and lump sum 0–2.5			
Marinos Paphitis	30–35	5–7.5	568	426	112
South East (from 01/06/08)	and lump sum 90–95	and lump sum 17.5–20			
Malcolm Gillespie	20–25	0–2.5	466	437	18
South West	and lump sum 60–65	and lump sum 2.5–5			
David Cragg OBE	25–30	0–2.5	651	617	18
West Midlands (Machinery of Government Transition Director from 12/05/08)	and lump sum 85–90	and lump sum 2.5–5			
Margaret Coleman	45–50	0–2.5	1,040	953	20
Yorkshire and the Humber	and lump sum 135–140	and lump sum 2.5–5			
Mary Conneely*	15–20	0–2.5	262	209	19
Regeneration London					

*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.

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 HM Revenue and Customs 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, nuvos 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.

Nuvos is a relatively new defined benefit scheme where employee contributions are currently at 3.5 per cent of pensionable pay. Pension benefits build up at the rate of 2.3 per cent of pensionable earnings per annum and the option is available at retirement to convert up to 25 per cent of total notional pension benefits into a lump sum.

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 **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 which may be due when pension benefits are drawn.

Please note that the factors used to calculate the CETV were revised on 1 April 2008 on the advice of the Scheme Actuary. The CETV figure for 31 March 2008 has been restated using the new factors so that it is calculated on the same basis as the CETV figure for 31 March 2009.

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.

Geoffrey Russell
Chief Executive and Accounting Officer
Learning and Skills Council
10 July 2009

Financial Commentary

Accounts direction and statutory background

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

Going concern

2. The balance sheet at 31 March 2009 shows net liabilities of £164.3 million (2007–08: £220.2 million net liabilities). 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 departments. 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.

3. Grant-in-aid for 2009–10, taking into account the amount required to meet the LSC's liabilities falling due in the year, has already been included in the departments' estimates for that year. These estimates have been approved by Parliament, and there is no reason to believe that the departments' future sponsorship and future Parliamentary approval will not be forthcoming.

4. The Apprenticeships, Skills, Children and Learning Bill published in February 2009 provides for the dissolution of the LSC and the transfer of functions, staff and property to the YPLA, the Skills Funding Agency and local authorities. The accounts have been prepared on the assumption that, under the conventions of Machinery of Government changes, the LSC's functions will continue in operational existence for the foreseeable future, albeit through different delivery bodies.

5. 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

6. The net book value of fixed assets at 31 March 2009 increased from £54.4 million to £80.1 million, reflecting investment in IT and IT systems. A significant proportion of the increase relates to the development and implementation of the Apprenticeship vacancies online matching system.

7. At 31 March 2009, the LSC had debtors of £248.9 million (31 March 2008: £219.1 million). The increase captures a growth in accrued income relating to the European Social Fund (ESF) as the new 2007–13 programme gathers pace and a growth in other prepayments.

8. At 31 March 2009, the LSC held cash balances of £111.3 million (31 March 2008: £98.3 million) including funds drawn from the ESF as well as grant-in-aid. BIS (formerly DIUS) authorises a working balance of 1 per cent of the annual resource budget throughout each financial year. At 31 March 2009 the balance of BIS and DCSF funds amounted to £47.7 million, or 0.4 per cent (31 March 2008: 0.3 per cent).

9. At 31 March 2009, the LSC had creditors of £561.2 million (31 March 2008: £568.2 million). The overall value of creditors is relatively unchanged, although the composition of this year's balance has a far greater concentration of creditors relating to employer-responsive programmes that is consistent with increased delivery.

10. Financial Reporting Standard (FRS) 29 requires organisations to disclose information on the significance of financial instruments to their financial position and performance, and this is shown in note 18 to the accounts.

11. The most significant credit risk to the LSC arises from the non-payment of debts owed by private sector training providers that are contracted to provide training services. The likelihood of such an eventuality is mitigated by monthly reconciliation of a provider's entitlement to funding and subsequent amendment to future funding in the demand-led system. The financial impact of this is largely attributable to provider insolvency. The overall financial impact is currently not material – see note 23 to the accounts.

12. Of the £55.7 million established to cover the one-off costs of reorganisation under the *agenda for change* programme, £15.7 million remains to cover excess property costs and additional, ongoing pension liabilities.

Development and performance

13. The accounts cover the period from 1 April 2008 to 31 March 2009.

14. The majority of the LSC's funding is grant-in-aid from government. In 2008–09, this amounted to £11,894.9 million (2007–08: £11,167.9 million).

15. The largest source of income was the ESF, which contributed £159.0 million (2007–08: £292.5 million).

16. HM Treasury requires NDPBs to disclose the full costs of their activities in their accounts. We have therefore included notional income of £10.4 million (2007–08: £11.6 million) for the cost of capital in our accounts. This is based on a rate of 3.5 per cent (2007–08: 3.5 per cent). See also 'Cost of capital' – note 8 to the accounts.

17. The results for 2008–09 show net expenditure of £11,838.9 million (2007–08: £11,092.3 million). This is derived from the comparison of expenditure against income for the year. As an NDPB, the LSC is required to break even one year with another against the resource budget, and for 2008–09 the total expenditure was within the resource budget set by DIUS of £11,885.4 million. Total reserves in the same period decreased by £56.0 million.

18. Capital expenditure in the year (mainly on computer systems) totalled £43.8 million (2007–08: £23.3 million).

19. Research and development expenditure during the year amounted to £5.4 million (2007–08: £4.8 million).

20. 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 HM Treasury for payment to suppliers within 30 days is 95 per cent. In 2008–09, the LSC paid 96 per cent (2007–08: 95.3 per cent) of its invoices within 30 days and 70.2 per cent of its invoices within 10 days (since October 2008). It incurred £nil in interest charges in respect of late payments for 2008–09 (2007–08: £18.36).

21. During the year, 25,858 days were attributable to sickness absence. Using the average number of staff employed over the year (see note 5 to the accounts) this equates to approximately 8.3 days' sickness per employee per year.

Main trends and factors underlying development and performance

22. In 2008–09 the LSC's programme expenditure increased by 5.7 per cent to £11.8 billion.

23. Train to Gain expenditure increased from £355.8 million in 2007–08 to £876.3 million in 2008–09 on the back of increased delivery.

24. Adult Apprenticeships, a programme with similar aims to Train to Gain, also experienced sizeable growth during 2007–08. Expenditure grew £118.4 million, a 51.7 per cent increase on the previous year, reflecting a significant increase in demand for delivery of Apprenticeships for those aged over 25.

25. Despite some difficulties, expenditure on capital projects increased markedly over the year. DIUS capital programmes expenditure increased by £156.0 million, almost 35 per cent up on 2007–08, while the DCSF Joint Capital Fund programme saw expenditure increase by almost 320 per cent – from £46.9 million to £196.8 million. The LSC will continue to seek transformation of the FE estate though a needs-based framework, as recommended by Sir Andrew Foster.

26. Total administration costs (excluding depreciation) were reduced by £14.7 million (or 7.5 per cent) relative to last year, as the LSC continued to meet its challenging budget through further reductions in staff-related and other costs chargeable to the administration budget.

Main trends and factors likely to affect future development and performance

27. The Machinery of Government changes will see the LSC's challenging agenda taken forward by the Skills Funding Agency, the YPLA and local authorities from 2010. Shadow arrangements to facilitate the implementation of these reforms are expected to be in place by summer 2009.

28. Apprenticeships will continue to expand to include greater numbers of young people and adults. The National Apprenticeship Service, housed in the Skills Funding Agency, has been fully operational from April 2009 and will be a key driver in the delivery of the entitlement to an Apprenticeship place for each suitably qualified young person from 2013.

29. In an increasingly challenging economic climate, flexibilities have been introduced into the skills system so that funding can be targeted quickly and effectively at demand. We will continue to work with colleges and providers to explore how their budgets can be applied flexibly within key priorities to deliver sustainable employment outcomes.

30. The introduction of the September Guarantee and the downturn in the employment market has meant that for 2009/10 there is increasing demand on 16–18 FE, Entry to Employment and school sixth form places. Additional funding has been identified in the 2009 Budget to provide 54,500 extra places in 2009 and 2010.

31. On 5 June 2009, the Government announced the creation of a new Department for Business, Innovation and Skills (BIS) whose key role will be to build Britain's capabilities to compete in the global economy. The department was created by merging the Department for Business, Enterprise and Regulatory Reform (BERR) and DIUS. The sponsorship responsibility for the LSC passed to BIS on that date.

32. There is no reason to believe that the expected government funding underlying the LSC's going-concern assertion will be affected by this change.

Auditor

33. The accounts are audited by the Comptroller and Auditor General, who is appointed by statute and whose Certificate and Report appears on page 64. Audit fee expenditure is expected to be £229,750 (2007–08: £184,000), of which £220,000 relates to the statutory audit of the LSC accounts, and the increase reflects the complexity of auditing demand-led systems. In addition, an audit fee of £9,750 was incurred to support conversion to International Financial Reporting Standards in 2009–10.

34. The National Audit Office, on behalf of the Comptroller and Auditor General, also carries out value for money studies. During 2008–09, the studies completed on areas within the LSC's responsibility were: *Skills for Life: Progress in Improving Adult Literacy and Numeracy* and *Renewing the physical infrastructure of English further education colleges*. These documents are available on the National Audit Office website (nao.org.uk) under Publications. The National Audit Office is currently undertaking a study of the Train to Gain programme.

35. As Accounting Officer I confirm that:

- there is no relevant audit information (as defined) of which the auditors are unaware
- I have taken all the steps that I ought to in order to ensure that I am aware of relevant audit information, and
- I have taken all the steps that I ought to in order to establish that the LSC's auditors are aware of the information.

Geoffrey Russell
Chief Executive and Accounting Officer
Learning and Skills Council
10 July 2009

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the Learning and Skills Council (LSC) for the year ended 31 March 2009 under the Learning and Skills Act 2000. These comprise the Net Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the National Council, Chief Executive and auditor

The National Council and Chief Executive as Accounting Officer are responsible for preparing the Annual Report, which includes the Remuneration Report and the financial statements in accordance with the Learning and Skills Act 2000 and directions made thereunder by the Secretary of State for Innovation, Universities and Skills, and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of the LSC's and Chief Executive's Responsibilities on page 33.

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Learning and Skills Act 2000 and directions made thereunder by the Secretary of State for Innovation, Universities and Skills. I report to you whether, in my opinion, the information, which comprises the 'Our Targets and Achievements', 'Management and Structure', 'How We Take Care of Our People' and 'Financial Commentary' sections of the Annual Report, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the LSC has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the LSC's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the LSC's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This information comprises the other sections within the 'Our Story' and 'Leadership and Governance' parts of the Annual Report including the unaudited part of the Remuneration Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the LSC and Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the LSC's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

Audit opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the Learning and Skills Act 2000 and directions made thereunder by the Secretary of State for Innovation, Universities and Skills, of the state of the LSC's affairs as at 31 March 2009 and of its net expenditure, recognised gains and losses and cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Learning and Skills Act 2000 and directions made thereunder by the Secretary of State for Innovation, Universities and Skills; and
- information, which comprises the 'Our Targets and Achievements', 'Management and Structure', 'How We Take Care of Our People' and 'Financial Commentary' sections of the Annual Report, is consistent with the financial statements

Opinion on regularity

- In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Report

I have no observations to make on these financial statements

Amyas C E Morse
Comptroller and Auditor General
16 July 2009

National Audit Office
151 Buckingham Palace Road
Victoria, London SW1W 9SS

Net Expenditure Statement

for the year to 31 March 2009

	Note	Year ended 31 March 2009 £'000	Year ended 31 March 2008 £'000
Income			
Other income	2	232,872	348,205
Total income		**232,872**	**348,205**
Expenditure			
Programme expenditure			
School sixth forms	3	2,113,280	2,038,784
16–18 further education	3	3,298,538	3,164,569
Family Learning Impact Funding	3	8,240	0
Young People Apprenticeships	3	798,922	778,377
Learners with learning difficulties and/or disabilities	3	224,538	202,802
Learner Support 16–18	3	631,485	629,005
14–19 reform	3	120,973	177,233
DCSF capital	3	196,822	46,880
19+ further education	3	1,468,938	1,874,328
Other adult responsive	3	188,615	173,986
Adult Apprenticeships	3	347,288	228,894
Train to Gain	3	876,264	355,788
Adult safeguarded learning	3	214,087	223,378
Offender Learning	3	139,045	115,551
Learner Support 19+	3	165,419	124,687
Adult skills reform	3	80,248	58,991
Quality reform	3	83,772	171,934
Capacity and infrastructure	3	75,492	65,219
DIUS capital	3	606,893	450,979
Non-departmental programmes	3	233,086	347,623
Administration costs			
Staff costs	5a	128,053	132,378
Other costs	6a	53,634	63,968
Depreciation, impairment and losses on disposal	6b	18,130	15,154
Total expenditure		**12,071,762**	**11,440,508**
Net expenditure before interest		**(11,838,890)**	**(11,092,303)**
Cost of capital – notional income	8	10,386	11,612
Net expenditure after interest		**(11,828,504)**	**(11,080,691)**
Reversal of cost of capital		(10,386)	(11,612)
Net expenditure for the year		**(11,838,890)**	**(11,092,303)**

All activities are continuing.

There are no other gains or losses other than net expenditure for the year.

The notes on pages 68 to 91 form part of these accounts.

Balance Sheet
as at 31 March 2009

	Note	As at 31 March 2009 £'000	As at 31 March 2008 £'000
Fixed assets			
Intangible assets	9	381	774
Tangible assets	10	79,701	53,680
Total fixed assets		**80,082**	**54,454**
Current assets			
Debtors	11a	248,916	219,069
Cash at bank and in hand	12	111,287	98,346
		360,203	**317,415**
Creditors			
Amounts falling due within one year	13a	**(561,212)**	**(568,215)**
Net current liabilities		**(201,009)**	**(250,800)**
Total assets less current liabilities		**(120,927)**	**(196,346)**
Provisions for liabilities and charges	14	(43,342)	(23,899)
Total net liabilities		**(164,269)**	**(220,245)**
Represented by			
Capital and reserves			
General reserve	19	(164,269)	(220,245)
Total reserves		**(164,269)**	**(220,245)**

The notes on pages 68 to 91 form part of these accounts.

Geoffrey Russell
Chief Executive and Accounting Officer
Learning and Skills Council
10 July 2009

Cash Flow Statement
for the year to 31 March 2009

	Note	Year ended 31 March 2009 £'000	Year ended 31 March 2008 £'000
Net cash outflow from operating activities	20	(11,844,778)	(11,096,822)
Capital expenditure			
Payment for the purchase of fixed assets		(37,157)	(22,927)
Proceeds from sale of fixed assets		10	10
Net cash outflow from capital expenditure		**(37,147)**	**(22,917)**
Financing			
Grant-in-aid funding from DCSF/DIUS	19	11,894,866	11,167,929
Net cash inflow	21	**12,941**	**48,190**

The notes on pages 68 to 91 form part of these accounts.

Notes to the Accounts

Accounting policies

1 Statement of accounting policies

The financial statements have been prepared in line with the Accounts Direction given by the Secretary of State for Innovation, Universities and Skills, with approval of HM Treasury, in accordance with the Learning and Skills Act 2000. This requires the LSC to comply with the Government Financial Reporting Manual (FReM) issued by HM Treasury which, in turn, requires the LSC to comply with the accounting and disclosure requirements of the Companies Act and applicable accounting standards issued or adopted by companies (UK Generally Accepted Accounting Practices) to the extent that it is meaningful and appropriate to the public sector. The particular accounting policies adopted by the LSC are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Going concern
The Apprenticeships, Skills, Children and Learning Bill – published in February 2009 – provides for the dissolution of the LSC and the transfer of functions, staff and property to the Young People's Learning Agency (YPLA), the Skills Funding Agency and local authorities. The accounts have been prepared on the assumption that, under the conventions of Machinery of Government changes, the LSC's functions will continue in operational existence for the foreseeable future, albeit through different delivery bodies.

The sponsoring departments' estimates and forward plans include provision for the continuation of the LSC's activities under the Machinery of Government changes so there is no reason to believe that future funding will not be forthcoming. Therefore, the accounts have been prepared on a going-concern basis.

1.2 Accounting convention
These accounts are prepared under the modified historical cost convention, whereby fixed assets, current asset investments and stocks (where material) are reflected at current values.

1.3 Intangible fixed assets
Intangible fixed assets mainly comprise licences to use software developed by third parties. However, computer software which has been developed exclusively for the LSC and accounted for as an asset is classified as tangible. Intangible fixed assets are valued at historical cost (or revalued to market value where this is readily ascertainable) and are accounted for as follows:

- Computer software licences are capitalised as intangible assets where they are capable of being used for more than one year and have a cost – either individually or as a group – equal to or greater than £5,000.
- These licences are amortised on a straight-line basis over the specified life of the software licence – or over three years where no life is given.

1.4 Tangible fixed assets
Tangible fixed assets are stated at the lower of replacement cost and recoverable amount. Costs of acquisition comprising only those costs that are directly attributable to bringing the asset into working condition for its intended use are capitalised.

For the purposes of calculating the current value of tangible fixed assets, revaluation is applied (using indices prepared by the Office for National Statistics) to the closing carrying value of assets in use at 31 March. Tangible fixed assets are also subject to impairment reviews.

The minimum level for capitalisation of a tangible fixed asset is £5,000.

All assets falling into the following categories are capitalised:

a) tangible assets which are capable of being used for more than one year, and have a cost equal to or greater than £5,000

b) groups of tangible assets that individually may be valued at less than £5,000 but which together form a single collective asset because the items fulfil all the following criteria:

  i) the items are functionally interdependent;

  ii) the items are acquired at about the same date and are planned for disposal at about the same date;

  iii) the items are under single managerial control; and

  iv) each individual asset thus grouped has a value of over £1,000.

Tangible fixed assets are depreciated on a straight-line basis in order to write off the value of the assets over their estimated useful economic lives. These are detailed for each category of asset in Table 1 on page 69.

1.5 Leases
Operating leases and the rentals are charged to the Net Expenditure Statement on a straight-line basis over the lease term, even if the payments are not made on such a basis.

1.6 Cost of capital
A charge, reflecting the cost of capital, is included in the Net Expenditure Statement. This charge is calculated at the Government's standard rate of 3.5 per cent in real terms on all assets less liabilities, except for bank balances at the Office of the Paymaster General.

When the average capital employed over the year is negative, the cost of capital becomes notional income.

Table 1: Depreciation of tangible fixed assets

Category	Asset	Life
IT	Desktop IT	3 years
	Other IT (for example, servers and computer software)	5 years, or the life of the system – whichever is the lower
Plant and machinery	Plant and machinery	3 years
Furniture and fittings	Furniture	5 years
	Fitting out	10 years, or the life of the building lease involved – whichever is the lower

1.7 Provisions
Provisions are recognised when it is probable that the LSC will be required to settle a present obligation and a reliable estimate can be made of that obligation. The obligation is normally the amount that the LSC would pay to settle the obligation at the balance sheet date or to transfer it to a third party at that time.

1.8 Grant-in-aid from the sponsoring departments
All grant-in-aid has been recorded as financing as it is a contribution from the LSC's controlling party giving rise to a financial interest. It is recorded as financing in the Cash Flow Statement and credited to the general reserve.

1.9 Programme accounting basis

Learning participation
Learning participation programme expenditure is recognised in the accounts when the grant is paid to colleges in line with an agreed profile for the academic year.

The LSC sometimes pays advances of funding to colleges that experience cash flow difficulties. These are repayable, usually over a short term, through profiled deductions from future payments. Where they have not been recovered by the year-end, the balances are included within advances and further education (FE) college debtors.

Capital funding
Funding in respect of approved capital infrastructure projects in FE colleges is recognised in accordance with the LSC Capital Handbook. This normally means that fully verified claims for capital project funding that are received between 2 February in the previous financial year and 1 February in the current financial year are recognised as expenditure in the current financial year.

Exceptionally, the conditions of the capital grant funding to colleges allow the LSC to bring forward approvals of payments for evidenced capital expenditure, but only where it has the funds available to do so. Where they occur, the approved values are also recognised as expenditure in the current year.

Exceptional funding support
Exceptional funding support provided to colleges in difficulty is charged to expenditure over the life of the agreed recovery plan, which will typically cover a period of four years. Where the plan is for a period of greater than one year, this element of the funding is shown in FE college prepayments.

Youth and adult analysis
For the academic year ending 31 July 2008, allocations to FE institutions were mainly assigned between youth and adult. Only a small element of the allocations required apportionment into both youth and adult, and this was based on the allocations already detailed in the age bands.

Apprenticeships
Apprenticeship programme expenditure is accounted for on the basis of providers' actual delivery (subject to contract value) in the financial year concerned.

Train to Gain
Train to Gain programme expenditure is accounted for on the basis of providers' actual delivery of training and services.

Adult safeguarded learning
Adult safeguarded learning (ASL) programme expenditure is accounted for on the basis of the utilisation of funds paid to local authorities. The LSC will recognise a debtor at each year-end representing amounts of unspent funds, based on use of funds statements submitted by local authorities for the academic year that has ended in the financial year of account. The LSC may recover any unspent funds or may allow local authorities to utilise the unspent funds in the following year.

School sixth forms
School sixth form programme expenditure is accounted for on the basis of amounts that are due to local authorities in order to pay school sixth forms in their locality. The amounts due are based on the LSC formula funding and the Government's Minimum Funding Guarantee.

Education Maintenance Allowance
Education Maintenance Allowance (EMA) expenditure is recognised in the accounts when the administrator of the scheme is reimbursed by the LSC for allowance payments to learners. Costs associated with administering the scheme are charged to the accounts on the basis of activity completed by the end of the financial year.

1.10 Other income

European Social Fund
Funding for certain projects is received from the European Commission. This income is matched to the expenditure profile for each project concerned and any balance at the end of the financial year transferred to deferred income (or income may be accrued where the expenditure exceeds income received for any particular financial year as appropriate). Other income principally comprises fees and charges for goods or services provided and is stated after deducting recoverable Value Added Tax (VAT).

1.11 Pension and superannuation costs

Present and past employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), which is non-contributory and unfunded. Although the scheme is a defined benefit scheme, liability for payment of future benefits is a charge to the PCSPS and the LSC is unable to identify its share of the underlying assets and liabilities. The cost of pension cover provided for the staff employed by the LSC is met by payment of charges calculated on an accruing basis. The accruing cost of providing for future benefits for current employees is charged to the Net Expenditure Statement so as to spread the total cost over the estimated remaining service lives of employees in each scheme. For unfunded schemes such as the PCSPS this is achieved by charging the actuarially calculated accruing superannuation liability charges paid by each individual body. There is a separate scheme statement for the PCSPS as a whole.

1.12 Early retirement costs

Where the LSC is required to meet the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early, provision is made in full for this cost when the early retirement programme has been announced and is binding. In certain circumstances, settlement of some or all of the liability may have been made in advance by making a payment to the Paymaster General's account at the Bank of England for the credit of the Civil Superannuation Vote. The prepayment and provision are disclosed separately.

1.13 VAT

Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input tax is recoverable, the amounts are stated net of VAT.

2 Other income

	Year ended 31 March 2009 £'000	Year ended 31 March 2008 £'000
Other funding for activities		
European Social Fund (ESF) 2003/06	65,509	292,027
ESF 2007/13	93,442	442
Other programme income	72,464	55,139
	231,415	**347,608**
Income from activities		
Sub-letting of part of premises	1,408	469
Other activities income	49	128
	1,457	**597**
Total other income	**232,872**	**348,205**

3a Programme expenditure

		Funding department	Year ended 31 March 2009 £'000	Year ended 31 March 2008 £'000
3.01	**School sixth forms**			
	School sixth forms	DCSF	2,039,156	1,967,344
	Teachers' pay grant and significant growth	DCSF	74,124	71,440
	Total school sixth forms		**2,113,280**	**2,038,784**
3.02	**16–18 further education**			
	Participation	DCSF	3,090,690	2,935,582
	Additional Learner Support	DCSF	206,808	228,233
	International Baccalaureate	DCSF	1,040	754
	Total 16–18 further education		**3,298,538**	**3,164,569**
3.03	**Family Learning Impact Funding**			
	Family Learning Impact Funding	DCSF	8,240	0
	Total Family Learning Impact Funding		**8,240**	**0**
3.04	**Young People Apprenticeships**			
	16–18 Apprenticeships	DCSF	629,561	603,524
	Entry to Employment	DCSF	169,361	174,853
	Total Young People Apprenticeships		**798,922**	**778,377**
3.05	**Learners with learning difficulties and/or disabilities (LLDD)**			
	Specialist colleges	DCSF	207,925	185,702
	Development Fund	DCSF	13,657	14,694
	Forensic units	DCSF	2,956	2,406
	Total LLDD		**224,538**	**202,802**
3.06	**Learner Support**			
	16–18 Helpline Assessment and Payment Body (HAPB) administration costs	DCSF	710	0
	16–18 school sixth form hardship	DCSF	3,301	3,856
	16–18 FE hardship	DCSF	22,385	31,322
	Local education authority (LEA) transport partnership	DCSF	12,078	12,000
	16–18 residential bursaries	DCSF	4,961	4,745
	Care to Learn	DCSF	33,913	30,003
	Free Childcare for Training and Learning for Work	DCSF	8,009	0
	Dance and Drama Awards	DCSF	14,416	14,178
	Education Maintenance Allowance (EMA) student payments	DCSF	490,203	487,279
	EMA sector administration	DCSF	34,972	36,200
	EMA marketing	DCSF	5,853	7,634
	EMA programme maintenance	DCSF	684	1,788
	Total Learner Support		**631,485**	**629,005**

		Funding department	Year ended 31 March 2009 £'000	Year ended 31 March 2008 £'000
3.07	**14–19 reform**			
	Education business links	DCSF	24,723	24,597
	Learning Agreement pilots	DCSF	16,429	19,217
	Young people not in education, employment or training	DCSF	4,969	17,857
	Increasing flexibility for 14- to 16-year-olds	DCSF	(45)	24,657
	Young Apprenticeships	DCSF	28,249	29,918
	14–19 fighting funds	DCSF	28,532	33,556
	16–18 structural support	DCSF	5,430	0
	National Apprenticeship Service marketing	DCSF	4,708	0
	Parents-to-be scheme	DCSF	3,498	3,445
	14–19 Apprenticeship improvements	DCSF	1,762	420
	Key Stage 4 engagement programme	DCSF	2,347	7,828
	Area inspections	DCSF	371	15,738
	Total 14–19 reform		**120,973**	**177,233**
3.08	**Joint capital fund**			
	16–19 joint capital fund	DCSF	196,822	46,880
	Total joint capital fund		**196,822**	**46,880**
3.09	**19+ further education**			
	Participation	DIUS	1,272,317	1,688,477
	Additional Learner Support	DIUS	147,197	133,256
	Structural support	DIUS	3,816	9,708
	First Steps provision (via adult safeguarded learning providers)	DIUS	34,629	31,370
	Capital loan support	DIUS	3,067	3,588
	Isles of Scilly and adult bursaries	DIUS	2,554	3,074
	Access to Music	DIUS	5,358	4,855
	Total 19+ further education		**1,468,938**	**1,874,328**
3.10	**Other adult responsive**			
	Employability skills programme	DIUS	30,310	18,381
	Ufi programme	DIUS	158,305	155,605
	Total other adult responsive		**188,615**	**173,986**
3.11	**Adult Apprenticeships**			
	19+ Apprenticeships	DIUS	252,851	223,175
	25+ Apprenticeships	DIUS	94,437	5,719
	Total Adult Apprenticeships		**347,288**	**228,894**
3.12	**Train to Gain**			
	Delivery (includes wage compensation)	DIUS	769,932	256,034
	Brokerage	DIUS	44,497	38,630
	Infrastructure	DIUS	39,679	42,829
	Level 3 pilots	DIUS	7,849	5,574
	Higher skills for women	DIUS	4,335	2,416
	Marketing	DIUS	8,441	9,652
	Evaluation	DIUS	1,531	653
	Total Train to Gain		**876,264**	**355,788**

		Funding department	Year ended 31 March 2009 £'000	Year ended 31 March 2008 £'000
3.13	**Adult safeguarded learning**			
	Personal and community development learning (PDCL) safeguarded (ASL providers)	DIUS	123,618	127,085
	Neighbourhood learning in deprived communities	DIUS	20,776	20,243
	Family literacy, language and numeracy	DIUS	25,300	25,721
	Family learning	DIUS	12,455	12,221
	PCDL safeguarded (further education providers)	DIUS	31,938	38,108
	Total adult safeguarded learning		**214,087**	**223,378**
3.14	**Offender Learning**			
	Offender Learning	DIUS	139,045	115,551
	Total Offender Learning		**139,045**	**115,551**
3.15	**Learner Support 19+**			
	Administration costs (HAPB)	DIUS	1,183	0
	19+ hardship	DIUS	43,541	42,076
	Discretionary Learner Support for English for Speakers for Other Languages	DIUS	4,342	4,926
	FE students in higher education institutions	DIUS	792	949
	Residential bursaries	DIUS	2,385	2,928
	Residential pilots	DIUS	1,241	0
	Childcare	DIUS	32,923	34,655
	Sixth Form Childcare scheme	DIUS	1,946	2,202
	Adult Learning Grant	DIUS	29,953	17,519
	Career Development Loans	DIUS	49,702	21,436
	Career Development Loans – receipts	DIUS	(2,589)	(2,004)
	Total Learner Support 19+		**165,419**	**124,687**
3.16	**Adult skills reform**			
	Careers Advice Service	DIUS	11,647	0
	Adult Advancement and Careers Service	DIUS	2,186	0
	Level 3 pilot: Removing barriers to training	DIUS	4,000	0
	Adult information, advice and guidance	DIUS	31,970	32,496
	Skills for Jobs	DIUS	16,091	2,078
	Learner Accounts – trials	DIUS	3,548	3,739
	Centres of Vocational Excellence (CoVE) revenue	DIUS	1,931	6,732
	New Standard	DIUS	4,281	3,133
	Skills for Life marketing	DIUS	5,041	4,678
	New Entrepreneur scholarships	DIUS	(447)	6,135
	Total adult skills reform		**80,248**	**58,991**
3.17	**Quality reform**			
	Vocational learning improvement fund	DIUS	1,089	399
	Local initiatives fund	DIUS	1,169	71,323
	Raising disability access	DIUS	5,017	2,468
	Marketing and communications	DIUS	18,256	26,316

	Funding department	Year ended 31 March 2009 £'000	Year ended 31 March 2008 £'000
Front-line delivery – Health & Safety	DIUS	2,754	2,319
ESF match funding	DIUS	(59)	2,242
Research	DIUS	5,418	4,787
'Golden hellos'	DIUS	7,836	6,926
Framework for Excellence	DIUS	7,177	4,705
Learning and Development Fund	DIUS	3,913	4,914
Mathematics in Education and Industry	DIUS	2,198	2,191
Initial teacher training	DIUS	(112)	29,985
World Skills	DIUS	2,800	745
National Apprenticeship Service	DIUS	7,777	0
Managing Information across Partners	DIUS	13,632	11,061
Qualifications and Credit Framework	DIUS	1,901	0
Other quality reform	DIUS	3,006	1,553
Total quality reform		**83,772**	**171,934**

3.18 Capacity and infrastructure

	Funding department	Year ended 31 March 2009 £'000	Year ended 31 March 2008 £'000
National Employer Service delivery	DIUS	2,149	1,112
Skills Pledge	DIUS	2,635	0
Sector skills pilots	DIUS	2,353	13
National Skills Academies	DIUS	14,328	9,117
Leadership and management	DIUS	10,594	5,165
Skills coaching	DIUS	596	4,444
Information and learning technology (ILT) Joint Information Systems Committee (JISC) revenue	DIUS	24,414	22,484
ILT revenue costs	DIUS	560	4,102
External financial assurance	DIUS	3,814	6,619
Aimhigher	DIUS	9,338	9,338
Data services	DIUS	2,612	0
FE data reform	DIUS	0	2,098
Other capacity and infrastructure	DIUS	2,099	727
Total capacity and infrastructure		**75,492**	**65,219**

3.19 DIUS capital programmes

	Funding department	Year ended 31 March 2009 £'000	Year ended 31 March 2008 £'000
FE capital buildings	DIUS	543,475	322,820
FE CoVE capital	DIUS	212	3,856
ASL capital buildings	DIUS	4,908	5,754
FE/ASL DDA	DIUS	664	11,090
Neighbourhood learning in deprived communities	DIUS	9,306	10,055
Systems development	DIUS	18,165	21,778
FE capital – ILT	DIUS	23,087	36,017
Colleges in difficulty	DIUS	3,031	35,306
LEA loan liabilities	DIUS	4,045	4,303
Total DIUS capital programmes		**606,893**	**450,979**

	Year ended 31 March 2009 £'000	Year ended 31 March 2008 £'000
3.20 Non-departmental programmes		
ESF 2003/06	67,384	292,321
ESF 2007/13	93,442	465
Other	72,260	54,837
Total non-departmental programmes	**233,086**	**347,623**
Total programme expenditure	**11,871,945**	**11,229,008**

Note: the descriptions and classification of some programmes have been changed in 2008–09 to reflect the Grant Letter and reporting requirements of DIUS and DCSF for the same year. Comparatives for 2007–08 have been amended so as to ensure consistency. There is no financial impact as the change represents a re-analysis of the same programmes.

Grants to the private sector totalling £2,019,471 (2007–08: £1,771,262) are included in the values above.

3b Programme expenditure by regional office

	Year ended 31 March 2009 £'000	Year ended 31 March 2008 £'000
Region		
East of England	1,142,084	1,068,596
East Midlands	982,607	930,280
London	1,966,508	1,857,877
North East	710,177	666,993
North West	1,685,784	1,577,542
South East	1,789,005	1,660,131
South West	1,073,507	1,038,498
West Midlands	1,382,545	1,331,930
Yorkshire and the Humber	1,139,728	1,097,161
Total programme expenditure by region	**11,871,945**	**11,229,008**

4 Assurances on entitlement to, and the proper use of, Learning and Skills Council funds

In order to gain assurance over the proper use of public funds by learning providers, the LSC has established regional and national office audit teams within the provider financial management function. As set out in the Accounting Officer's Statement on Internal Control, the national and regional audit teams are responsible for planning, co-ordinating and delivering a programme of work to secure this assurance. The outcomes of audit work are scrutinised by regional and national LSC audit committees.

The approaches used to obtain assurance depend on the risks associated with providers and funding streams, and are designed to minimise bureaucracy for providers. In broad terms, where grant funding is provided to other public bodies such as FE colleges, the LSC relies on audit work carried out by the public bodies' auditors, working to an audit code of practice and standards set by the LSC. For private sector and other training providers funded under contract, the LSC's national and regional audit teams undertake their own audit work to ensure that funds have been properly applied in the delivery of those contracts.

Assurance on grants
Included in these financial statements are grants to FE learning providers that the LSC has paid for the academic years ending 31 July 2008 (four months) and 31 July 2009 (eight months).

The mismatch between the accounting periods means that certain formal assurances on entitlement and the proper use of the funds will only be received from these providers in line with their own annual accounts reporting timetable, which extends beyond that for these financial statements. Alternative arrangements have therefore been put in place to provide interim assurance as at 31 March 2009. The overall picture is described below.

4a. FE colleges and institutions
During the financial year 2008–09, the LSC paid grants of £5,379 million (2007–08: £5,495 million) to colleges and other institutions for the provision of FE on the basis of agreed development plans. The LSC implemented plan-led funding for 2004–05 and, under this initiative, the majority of colleges and many other institutions have no longer been subject to annual funding audit. However, colleges are required to return a year-end funding claim certified by the principal. An enhanced regularity audit has been established for all FE colleges, and these colleges and institutions are also now subject to cyclical reviews of learner existence and eligibility. Therefore, for the majority of colleges, the primary sources of assurance for the LSC's 2008–09 financial statements are audit opinions on their accounts for the academic year ended 31 July 2008. Final funding claims for the eight colleges not eligible for plan-led funding in 2007/08 were also required to be audited.

To provide assurance in respect of funds paid to FE colleges for the period 1 August 2008 to 31 March 2009, colleges provided to the LSC a statement on regularity, propriety and compliance, signed by the chair and principal on behalf of the governing body. As at 3 July 2009, 364 colleges have submitted the required statement.

The position in respect of the 2007/08 academic year is shown in Tables 2 and 3.

Table 2: 2007/08 position of FE colleges (£5,656 million) (2006/07: £5,213 million)

	Due	Received	Outstanding
Audited final funding claims	7	7	–
Financial statements	366	364	2
Final regularity opinions	366	364	2

There are two colleges that have both their financial statements and regularity opinion outstanding. These colleges are being pursued by the LSC.

Table 3: 2007/08 position of other education institutions (£228 million) (2006/07: £249 million)

	Due	Received	Outstanding
Audited final funding claims	76	69	7

Ufi and learndirect
Throughout 2008–09 the responsibility for the audit of learndirect activity rested with Ufi Ltd. Ufi Ltd has established an adequate assurance framework that the LSC intends to place reliance on. The national office audit team monitors the outcomes of Ufi Ltd assurance work and also undertakes its own programme of work.

4b. Adult safeguarded learning
The LSC paid £249 million (2007–08: £240 million) for ASL to local authorities in England in the financial year 2008–09. Four months of this relates to the academic year ending 31 July 2008 and eight months relates to the academic year ending 31 July 2009.

The certification of local authority funding and expenditure statements over the use of ASL funding has changed for 2007/08 academic year. The LSC no longer requires that statements are certified by the Audit Commission, only that they are self-certified by the finance director of the local authority. For the year ending 31 July 2008, all 147 local authorities that received funding in the period have submitted their self-certified use of ASL funding statements to the LSC.

4c. School sixth forms
The LSC paid local authorities £2,113 million (2007–08: £2,039 million) for school sixth forms in the financial year 2008–09. Four months of this relates to the 12-month period ending 31 July 2008. Eight months relates to the academic year ending 31 July 2009.

During 2008–09 all schools were required to make two returns to DCSF through local authorities in November and May. The LSC calculated funding for each school sixth form in the year ending 31 July 2009 using data from the autumn 2007 return and pupil numbers from the autumn 2007 census count. Autumn 2007 pupil census data was audited in summer 2008 at a sample of 347 schools.

4d. Education Maintenance Allowance (EMA)
EMA expenditure was £532 million in the financial year 2008–09 (2007–08: £533 million). The LSC undertakes a rolling programme of work to provide assurance on the EMA expenditure it has incurred over the course of the financial year.

Assurance is obtained through a combination of direct audit work, through the work of the nine regional audit teams, or by placing reliance on the work of externally contracted auditors. With the exception of system issues at Liberata that delayed EMA payments to students, the results of the assurance work completed in financial year 2008–09 raised no concerns over the use of funds in that year.

Assurance on contracts
Note 3a of these financial statements includes payments made in respect of programmes including Apprenticeships, Train to Gain and ESF. The LSC's audit teams deliver assurance over learning providers' use of funds based on audit plans which are approved by the LSC's audit committees. Coverage of providers and funding streams is dependent on a detailed risk assessment, and audits take place on a cyclical basis. Where audit teams identify funds at risk, the LSC takes action to recover funding.

5a Staff costs

Information in respect of board members' and senior employees' emoluments and pension entitlements is provided in the Remuneration Report on pages 50 to 60.

	Year ended 31 March 2009 £'000	Year ended 31 March 2008 £'000
The aggregate payroll costs for the LSC were as follows:		
Salaries	123,179	117,319
Social security	10,817	10,597
Pension costs	24,179	23,574
Redundancies	(14)	1,153
	158,161	**152,643**
Other staff (includes agency/contract/seconded staff)	4,693	4,882
	162,854	**157,525**
Staff costs related to programmes	(34,801)	(25,147)
Total staff costs	**128,053**	**132,378**

5b Pension costs – Principal Civil Service Pension Scheme employer contributions

Pension benefits are provided through the Principal Civil Service Pension Scheme (PCSPS). The PCSPS is an unfunded multi-employer defined benefit scheme. The LSC is unable to identify its share of the underlying assets and liabilities. The Scheme Actuary valued the scheme as at 31 March 2008. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2008–09, employers' contributions of £23,419,088 were paid to the PCSPS by 31 March 2009 (2007–08: £22,681,830) at one of four rates in the range 17.1 per cent and 25.5 per cent of pensionable pay (2007–08: 17.1 per cent and 25.5 per cent), based on salary bands. The Scheme Actuary reviews employer contributions every four years following a full scheme valuation.

The contribution rates are set to meet the cost of the benefits accruing during 2008–09 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £158,165 (2007–08: £174,126) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age related and range from 3 per cent to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. Employer contributions of £12,844 (2007–08: £13,998) representing 0.8 per cent of pensionable pay were payable to PCSPS to cover the cost of future provision of lump-sum benefits on death in service and ill-health retirement.

No contributions were outstanding to the partnership pension providers at the balance sheet dates of 31 March 2009 and 31 March 2008.

5c Average number of staff employed

(i) Year ended March 2009

The average number of staff employed during the year, including the Chief Executive, was:	Senior management staff number	Payroll staff number	Inward seconded staff number	Agency/ temporary staff number	Year ended 31 March 2009 total staff number
Group					
Adult Learning, Skills and Employment	1	135		17	153
Young People's Learning and Skills	1	66		4	71
Finance and Resources	1	212		17	230
Funding, Planning and Performance	2	130	3	8	143
Human Resources	1	64	1	2	68
Sector Shared Services		36		6	42
National Apprenticeship Service		11	1*	2	14
Regional and local LSCs	12	2,446	12	38	2,508
Total	**18**	**3,100**	**17**	**94**	**3,229**

*Inward seconded staff member also part of management group.

(ii) Year ended March 2008

The average number of staff employed during the year, including the Chief Executive, was:	Senior management staff number	Payroll staff number	Inward seconded staff number	Agency/ temporary staff number	Year ended 31 March 2008 total staff number
Group					
Learning		121		18	139
Skills	1	92	1	10	104
Resources	1	283	2	65	351
Strategy and Communications	2	43		7	52
Human Resources	1	70		14	85
Regional and local LSCs	10	2,553	2	155	2,720
Total	**15**	**3,162**	**5**	**269**	**3,451**

6a Administration (other costs)

	Year ended 31 March 2009 £'000	Year ended 31 March 2008 £'000
National and regional council members' emoluments	692	37
National and regional council members' associated travel and subsistence costs	186	58
Travel and subsistence – staff	10,189	10,038
Recruitment and training	3,943	4,772
Furniture and office equipment	119	1,667
IT and computer maintenance	11,279	15,984
Telecommunications and postage	3,461	3,844
Publications, printing and publicity	2,140	2,097
General administration expenditure	3,129	3,275
Premises	25,149	22,053
External audit fee	230*	184
Legal fees and other audit fees	18,332	4,322
	78,849	**68,331**
Non-pay costs related to programmes	(25,215)	(4,363)
Total	**53,634**	**63,968**

*£220,000 of the 2008–09 value relates to the statutory audit of the LSC's financial statements and the balance relates to audit fee work in support of the conversion to International Financial Reporting Standards in 2009–10.

6b Depreciation, impairment and losses on disposal

	Note	Year ended 31 March 2009 £'000	Year ended 31 March 2008 £'000
Intangible fixed assets	9		
Depreciation charge for period		466	462
Loss on disposal		7	0
Tangible fixed assets	10		
Depreciation charge for period		15,179	12,467
Loss on disposal		472	923
Loss on impairment		2,006	1,302
Total charged for period		**18,130**	**15,154**

7 Operating lease commitments

	Year ended 31 March 2009 £'000	Year ended 31 March 2008 £'000
The LSC had annual commitments under non-cancellable operating leases at 31 March as detailed below:		
a) Land and buildings		
Leases expiring:		
Within one year	178	178
Between two and five years	4,328	4,191
More than five years	12,430	11,437
Total	**16,936**	**15,806**
b) Others		
Leases expiring:		
Within one year	549	1,734
Between two and five years	139	768
More than five years	0	0
Total	**688**	**2,502**
The annual charge for the above leases is included in note 6a and consists of the following amounts:		
Land and buildings (rents and service charges)	14,540	13,685
Other leases (includes photocopiers and lease cars)	1,254	4,854
Total operating lease commitments	**15,794**	**18,539**

8 Cost of capital

Guidance given by HM Treasury in the Financial Reporting Manual requires non-departmental public bodies (NDPBs) to disclose the full cost of their activities in their accounts. The LSC has therefore included in its accounts charges for the cost of capital.

The cost of capital has been arrived at by calculating a rate of 3.5 per cent to the average capital employed.

	Year ended 31 March 2009 £'000	Year ended 31 March 2008 £'000
Capital employed as at 1 April	(318,411)	(345,142)
Capital employed as at 31 March	(275,092)	(318,411)
Average capital employed	(296,752)	(331,777)
Interest on capital at 3.5 per cent per annum	**(10,386)**	**(11,612)**

9 Intangible fixed assets

	IT Software £'000	Total Purchased £'000
Cost or valuation		
At 1 April 2008	2,404	2,404
Additions	80	80
Disposals	(93)	(93)
At 31 March 2009	**2,391**	**2,391**
Depreciation		
At 1 April 2008	(1,630)	(1,630)
Disposals	86	86
Charge for period	(466)	(466)
At 31 March 2009	**(2,010)**	**(2,010)**
Net book value (NBV)		
At 1 April 2008	774	774
Total NBV intangible fixed assets at 31 March 2009	**381**	**381**

10 Tangible fixed assets

	IT assets under construction £'000	Vehicles £'000	Furniture and fittings £'000	Plant and machinery £'000	Computers and other IT £'000	Total purchased £'000
Cost or valuation						
At 1 April 2008	7,000	7	24,411	743	65,195	97,356
Reclassification of assets under construction	(26,320)	0	0	0	26,320	0
Additions	27,030	0	(17)	28	16,645	43,686
Disposals	0	(7)	(773)	(77)	(3,082)	(3,939)
Impairment	0	0	0	0	(2,886)	(2,886)
At 31 March 2009	**7,710**	**0**	**23,621**	**694**	**102,192**	**134,217**
Depreciation						
At 1 April 2008	0	(7)	(10,118)	(675)	(32,876)	(43,676)
Disposals	0	7	466	77	2,909	3,459
Charge for period	0	0	(2,584)	(42)	(12,553)	(15,179)
Impairment	0	0	0	0	880	880
At 31 March 2009	**0**	**0**	**(12,236)**	**(640)**	**(41,640)**	**(54,516)**
Net book value (NBV)						
At 1 April 2008	7,000	0	14,293	68	32,319	53,680
Total NBV tangible fixed assets at 31 March 2009	**7,710**	**0**	**11,385**	**54**	**60,552**	**79,701**

11a Debtors

	As at 31 March 2009 £'000	As at 31 March 2008 £'000
Due in one year		
Advances and other FE college debtors	42,444	5,284
Work-based learning (WBL) debtors	7,943	6,109
School sixth form debtors	0	55
Trade debtors	536	1,089
ESF and other debtors	37,913	61,491
Sub-total debtors	**88,836**	**74,028**
ESF and other accrued income	108,677	89,476
FE college prepayments	36,712	41,706
WBL prepayments	82	0
Administration cost prepayments	6,665	5,500
Other prepayments	7,944	8,357
Sub-total accrued income and prepayments	**160,080**	**145,039**
Sub-total debtors, accrued income and prepayments	**248,916**	**219,067**
Capital debtors (sale proceeds of fixed assets)	0	2
Sub-total due in one year	**248,916**	**219,069**
Due in more than one year		
Advances and other FE college debtors	0	0
Total debtors	**248,916**	**219,069**

Note: debtors include a provision for doubtful debts of £12.6 million at 31 March 2009 (2007–08: £9.4 million).

11b Debtors: analysed by type of organisation

The following note provides an analysis of the debtors, accrued income and prepayments detailed above by type of organisation.

	As at 31 March 2009 £'000	As at 31 March 2008 £'000
Due in one year		
Local authorities	15,989	17,174
NHS trusts	166	28
Public corporations and trading funds	785	978
Other central government bodies	124,713	87,993
Balances with other government bodies	**141,653**	**106,173**
Balances with non-governmental bodies	107,263	112,896
Sub-total due in one year	**248,916**	**219,069**
Due in more than one year		
Balances with non-governmental bodies	0	0
Total debtors by organisation type	**248,916**	**219,069**

12 Cash at bank and in hand

	As at 31 March 2009 £'000	As at 31 March 2008 £'000
Cash held at the Office of Paymaster General	110,823	98,166
Cash held at other banks and in hand	464	180
Total	**111,287**	**98,346**

The Department for Business, Innovation and Skills (BIS – formerly DIUS) authorises a working balance at 31 March of 1 per cent of the total resource budget agreed for the financial year. This working balance excludes funding for ESF which is also included in the cash held at the Office of Paymaster General above.

The performance against the BIS working balance target is detailed below:

	As at 31 March 2009 £'000	As at 31 March 2008 £'000
Total resource budget	11,885,371	11,279,319
1 per cent thereof	118,854	112,793
Paymaster General account balance for BIS funding within the above	**47,671**	**29,894**

13a Creditors: amounts falling due within one year

	As at 31 March 2009 £'000	As at 31 March 2008 £'000
Trade creditors	4,276	8,604
FE college creditors	36,239	13,706
WBL creditors	189,592	133,539
School sixth form creditors	306	611
Tax and social security	54	25
ESF and other creditors	18,190	37,837
Sub-total creditors	**248,657**	**194,322**
ESF and other deferred income	26,265	64,635
WBL accruals	22,791	11,082
Other accruals	253,988	295,274
Sub-total deferred income and accruals	**303,044**	**370,991**
Sub-total creditors, deferred income and accruals	**551,701**	**565,313**
Capital creditors	9,511	2,902
Total creditors	**561,212**	**568,215**

13b Creditors: analysed by type of organisation

The following note provides an analysis of the creditors, deferred income and accruals detailed above by type of organisation:

	As at 31 March 2009 £'000	As at 31 March 2008 £'000
Local authorities	19,935	37,483
NHS trusts	386	436
Public corporations and trading funds	3,092	11,694
Other central government bodies	43,716	129,378
Balances with other government bodies	**67,129**	**178,991**
Balances with non-governmental bodies	494,083	389,224
Total creditors by organisation type	**561,212**	**568,215**

14 Provisions for liabilities and charges

	Early retirement £'000	*agenda for change* Theme 7 £'000	Funding claims £'000	Project Connect £'000	Career Development Loans £'000	Total £'000
Provision balance at 1 April 2008	294	18,692	1,530	3,383	0	23,899
Additional charge in year	0	3,044	0	0	25,344	28,388
Provision utilised in year	(97)	(3,403)	0	(561)	0	(4,061)
Provision unused and reversed during the year	0	(2,613)	(500)	(1,771)	0	(4,884)
Balance of provision at 31 March 2009	**197**	**15,720**	**1,030**	**1,051**	**25,344**	**43,342**

Early retirement
This covers the LSC's additional pension contributions that are charged against administration expenditure. These are defined by and made to the scheme administrator for the period up to normal retirement age for individuals who retired early under the LSC's Reshaping programme.

***agenda for change*: Theme 7**
This relates to the costs chargeable against administration of reorganising the LSC under the *agenda for change* programme. The majority of the balance relates to the liabilities associated with aligning our property portfolio to match our ongoing needs and is based on assumptions from property professionals about the timing of lease re-assignments. The remaining element covers the LSC's additional pension contributions to the scheme administrator in relation to individuals who retired early as part of *agenda for change*.

Funding claims
This relates to entitlement to programme funding. No further disclosure is provided to avoid prejudice in future negotiations.

Project Connect
The LSC has recently consolidated the IT services provided to it into a single contract. A consequence of this is a probable outflow to cover the redundancy costs of some former LSC staff who have transferred into the new supplier organisation with TUPE rights. £786,550 of the remaining provision relates to administration costs, with the balance charged against programme expenditure.

Career Development Loans
The LSC has a liability to cover a proportion of the default payments that occur under this programme. The majority of this provision reflects the probable outflow of funds in relation to this together with an element of the cost of covering interest-driven liabilities while the recipients of the loans complete their course

15 Capital commitments

Commitments for capital expenditure administered by the LSC at the end of the period were as follows:

	As at 31 March 2009 £'000	As at 31 March 2008 £'000
Payable within one year		
Authorised and contracted for	0	0
Total capital commitments	**0**	**0**
Payable between two and five years		
Authorised and contracted for	0	0
Total capital commitments	**0**	**0**

16 Commitments to make grants to colleges and schools

At 31 March the LSC had commitments for FE participation and school sixth form funding relating to the remaining period of the academic year from April to July, together with capital commitments in respect of FE capital project support.

The LSC operates two levels of approval for all capital projects, an initial approval in principle and full approval in detail. Large infrastructure projects therefore undergo two levels of approval. The commitment for FE capital project support disclosed below reflects the total value of agreed LSC funding for infrastructure projects that have full approval in detail.

	As at 31 March 2009 £'000	As at 31 March 2008 £'000
Payable within one year		
FE participation	2,052,921	1,835,310
School sixth forms	682,727	659,626
FE capital project support	835,979	582,106
Other capital grants (accessibility and CoVE)	31,084	15,880
	3,602,711	**3,092,922**
Payable between two to five years		
FE capital project support	770,201	399,097
Other capital grants (accessibility and CoVE)	0	0
	770,201	**399,097**

17 Contingent liabilities

The LSC had no material contingent liabilities at 31 March 2009 (2008: none).

Capital programme

In addition to the commitments outlined in the note above, the LSC has an obligation, subject to a needs-based prioritisation assessment, to fund some of the FE capital projects that were in development before the review of the capital programme by Sir Andrew Foster was announced. As the assessment process is still ongoing, no sufficiently reliable estimate of the extent of this liability is available for inclusion in these accounts.

Through its normal financial intervention process, the LSC will ensure that no college is unable to meet its financial obligations as a result of decisions on capital projects.

18 Financial instruments

Financial Reporting Standard (FRS) 29 requires the LSC to disclose information on the significance of financial instruments to its financial position and performance.

The LSC is exposed to credit risk resulting from the non-payment of debts relating to private sector provision of training services and this is most usually attributable to insolvency. Private sector training providers are subject to quality and financial status reviews prior to being awarded contracts. Provision of funding is reconciled to earned values on a monthly basis with future payments adjusted to ensure that the risk of building up debt is minimised. The overall financial impact of such instances is not material, as shown in notes 11 and 23.

As an NDPB almost wholly funded by BIS (formerly DIUS) and DCSF, and with no borrowings, the LSC is not exposed to any market or liquidity risk.

The LSC has no material deposits in interest-bearing accounts and all material assets and liabilities are denominated in sterling; it is not exposed to any significant interest rate or currency risk.

19 General reserve

	As at 31 March 2009 £'000	As at 31 March 2008 £'000
Balance at 1 April	**(220,245)**	**(295,871)**
Deficit before interest	(11,838,890)	(11,092,303)
Grant-in-aid funding	11,894,866	11,167,929
Balance at 31 March	**(164,269)**	**(220,245)**

20 Reconciliation of net expenditure before interest to net cash flow from operating activities

	Note	Year ended 31 March 2009 £'000	Year ended 31 March 2008 £'000
Net expenditure before interest		(11,838,890)	(11,092,303)
Depreciation charges	6b	15,645	12,929
Loss on disposal of fixed assets	6b	479	923
Loss on impairment	6b	2,006	1,302
(Increase)/decrease in debtors – excludes capital debtors	11a	(29,849)	29,901
Decrease in creditors – excludes capital creditors	13a	(13,612)	(39,139)
Increase/(decrease) in provisions for liabilities and charges	14	19,443	(10,435)
Net cash outflow from operating activities		**(11,844,778)**	**(11,096,822)**

21 Reconciliation of net cash flow to movement in cash balance held

	Note	Year ended 31 March 2009 £'000	Year ended 31 March 2008 £'000
Cash at bank and in hand at 1 April	12	98,346	50,156
Increase in cash for the year – per Cash Flow Statement		12,941	48,190
Cash at bank and in hand at 31 March		**111,287**	**98,346**

22 Related party transactions

The LSC is an NDPB sponsored by BIS (formerly DIUS) and DCSF, all of whom are regarded as related parties.

During the year, the LSC entered into transactions with organisations that can be considered as related because of the nature of the involvement of LSC National Council members and Management Group directors, or their close family members. The table below details the most material transactions and the relationship of the organisations to the LSC. All transactions were in the normal course of business and were conducted at arm's length.

LSC Council member/director/ close family member	LSC role/ relationship	Related organisation role/relationship	Related organisation	Transaction(s)	Value (£ million)
Partner of Rob Wye	Partner of National Director	Vice Principal	Warwickshire College	LSC provided funding allocations	28.3
Spouse of Malcolm Gillespie	Spouse of Regional Director	Principal	City College Plymouth	LSC provided funding allocations	22.4
Margaret Galliers CBE	National Council member	Principal	Leicester College	LSC provided funding allocations	21.6
Gareth Cadwallader	National Council member	Governor	Thames Valley University	LSC provided funding allocations	1.2
Ian Ferguson CBE	National Council member	Board member	UK Skills	LSC provided funding allocations	1.1
Ian Ferguson CBE	National Council member	Chairman	Rathbone	LSC provided funding allocations	5.4

23 Losses statement

The LSC incurred the following losses in the period to 31 March 2009. The losses have been charged to the relevant programme in Note 3a.

Description	Year ended 31 March 2009 £'000	Year ended 31 March 2008 £'000
WBL and Train to Gain		
2008–09 – cases above £250,000 individually	339	
2008–09 – cases below £250,000 individually	748	
2007–08 – cases below £250,000 individually		906
	1,087	**906**
ESF provision		
2008–09 – cases above £250,000 individually	1,034	
2007–08 – cases above £250,000 individually		597
2008–09 – cases below £250,000 individually	1,320	
2007–08 – cases below £250,000 individually		762
	2,354	**1,359**
Other programme provision		
2008–09 – cases above £250,000 individually	375	
2008–09 – cases below £250,000 individually	37	
2007–08 – cases below £250,000 individually		211
	412	**211**
Total cash losses	**3,853**	**2,476**

At 31 March 2009 there were 58 cases (20 WBL and Train to Gain provision, 33 ESF provision and 5 other programme provision) of which 3 were above the reporting threshold of £250,000 individually. The majority of these losses relate to profiled payments to providers who have gone into liquidation before automatic recovery against future payments and are subject to approval from the relevant authority below.

The Chief Executive of the LSC has delegated authority to approve the write-off of cash losses with an item value of up to £10,000 and subject to an overall limit of £250,000 in any one year. The LSC has requested BIS and HM Treasury approval to write off the cases above, within their respective delegated authorities, as summarised below:

Authority	Item value	Number of cases	31 March 2009 Loss £'000
LSC	Up to £10,000	25	89
BIS	£10,000 to £100,000	24	1,075
HM Treasury	Over £100,000	9	2,689
	Total losses	**58**	**3,853**

24 Special payments

During the course of the financial year, Liberata encountered some difficulties delivering EMA payments to students that led the LSC to terminate their contract and re-engage the previous service provider, Capita. In the course of securing ongoing service provision with minimum disruption to learners, while also acting in the wider public interest and with the approval of HM Treasury, the LSC incurred some additional costs as described below.

A one-off disengagement payment of £4 million was made to the outgoing service provider to secure the transfer of the existing systems to the new service provider.

The LSC also waived its right to demand £3 million of penalty payments from the outgoing service provider.

Some additional administration and other costs directly related to securing ongoing provision were also incurred by the incoming service provider.

25 Post-balance sheet events

On 5 June 2009, the Government announced the creation of a new Department for Business, Innovation and Skills (BIS) whose key role will be to build Britain's capabilities to compete in the global economy. The department was created by merging the Department for Business, Enterprise and Regulatory Reform and DIUS. The sponsorship responsibility for the LSC passed to BIS on that date.

There is no reason to believe that the expected government funding underlying the LSC's going-concern assertion will be affected by this change.

There have been no events after the balance sheet date that have had a material impact on the financial statements.

The financial statements were authorised for issue by Geoffrey Russell (Accounting Officer) on 16 July 2009.

Glossary and Further Information

This is a brief guide to the main strategies, initiatives, partners and programmes with which the LSC is involved and that are mentioned in this Annual Report.

More information about all our policies and activities can be accessed online at **lsc.gov.uk**. Alternatively, call 0870 900 6800 for information about your nearest LSC office.

14–19 reforms
The 14–19 reforms will give all young people the opportunity to choose a mix of learning that motivates, interests and challenges them, and that gives them the knowledge, skills and attitude they need in order to succeed in education, work and life.

Adult Learning Grant (ALG)
An allowance of up to £30 per week given to adults on low incomes studying full time for their first full Level 2 qualification and to young adults on low incomes studying full time for their first full Level 3 qualification.

Adult safeguarded learning (ASL)
We maintain a national programme of leisure and occupational courses for adults through local further education colleges. We also provide extra funding for other projects such as family and neighbourhood learning.

Apprenticeships
Apprenticeships offer training in the workplace. Young Apprenticeships allow 14- to 16-year-olds to spend two days a week learning a trade, while Apprenticeships (equivalent to GCSE level) give people aged 16 and over on-the-job training to NVQ Level 2 while they receive a wage. Some may also gain a technical certificate. Advanced Apprenticeships (equivalent to A-levels) give people aged 16 and over training to NVQ Level 3, as well as a technical certificate. The LSC funds Apprenticeship training and assessment costs.
apprenticeships.org.uk

Career Development Loan (CDL)
A CDL is a bank loan designed to help people pay for work-related learning. It can help people gain the experience, training and qualifications needed to improve their job skills or even launch a new career. It can be used to fund a variety of vocational (work-related) courses with a wide range of organisations, and is available to people who are employed, self-employed or unemployed.

Careers Advice Service
The Careers Advice Service is a government-funded service that offers practical advice to help individuals make the right career choices whether they want to learn new skills, change career or return to work.

Care to Learn
Care to Learn offers support for childcare and travel costs to individuals under the age of 20 who want to return to learning. Learners can apply for and receive payments through the Learner Support Service.

Connexions
An information and advice service for young people aged between 13 and 19. It covers career and learning options as well as issues relating to health, housing, relationships with family and friends, and money.
connexions.gov.uk

Demand-led funding
This is a move towards more funding being driven directly by employer and learner choice and making sure the FE system is as responsive as possible to their needs. Lord Leitch's report (December 2006) endorsed this direction of travel. The LSC has introduced three new funding models for adult skills, employer skills and 14–19 learning, all of which aim to put purchasing power into the hands of the customer – whether employer or individual learner.

Department for Business, Innovation and Skills (BIS)
bis.gov.uk

Department for Children, Schools and Families (DCSF)
dcsf.gov.uk

Department for Innovation, Universities and Skills (DIUS)
See Department for Business, Innovation and Skills.

Department for Work and Pensions (DWP)
dwp.gov.uk

Education Maintenance Allowance (EMA)
EMA is a form of financial help for young people aged 16 to 18 to support them to continue in learning. It offers up to £30 a week.
ema.direct.gov.uk

Entry to Employment (e2e)
A targeted programme for people aged 16 to 18 who are currently not in education, employment or training (NEET). It helps them to move into an Apprenticeship, education at NVQ Level 2 or a job.

Framework for Excellence (FfE)
FfE is an approach to managing performance. It is a single framework that will help increase the quality of FE provision and the way in which that provision meets the needs of users. It will also help employers and learners to choose the provider best suited to their needs.

Further education (FE)
There are two streams of education for people over 16: further education and higher education. Further education covers learning opportunities up to A-level and NVQ Level 3 standard.

Higher education
Higher education includes courses above A-level or NVQ Level 3 standard. Examples include degree

courses, postgraduate courses and Higher National Diplomas (HNDs). The Higher Education Funding Council for England (HEFCE) distributes public money for teaching and research to universities and colleges and aims to promote high-quality education and research that meets the needs of students, the economy and society.

Investors in People
The national standard of good practice for workplace training and development.
investorsinpeople.co.uk

Jobcentre Plus
A government agency supporting people of working age from welfare into work, and helping employers to fill their vacancies.

Learning and Skills Improvement Service (LSIS)
The LSIS is a new sector-owned body formed from the Quality Improvement Agency and the Centre for Excellence in Leadership. Focusing on learners, it aims to develop excellent and sustainable FE provision across the sector, implementing the Government's reforms for learning and skills.
lsis.gov.uk/LSISHome.aspx

Local authorities
Local authorities are responsible for meeting the learning needs of all young people up to the age of 18. They develop strategic commissioning plans for their area, working with neighbouring authorities, assessing demand for and required supply of 16–18 provision, including the academic route, Diplomas, Apprenticeships and the Foundation Learning Tier.

Local Employment Partnerships (LEPs)
LEPs aim to give 250,000 people the skills that local employers need by 2010. They will also give people from local communities genuine opportunities to come off benefits and really change their lives. The LEPs that exist between Jobcentre Plus and employers are supported by DWP, BIS and the LSC.

Managing Information across Partners (MIAP)
MIAP aims to streamline how information on learning and achievement is collected, handled and shared across the education sector so that excellent services are made available to individuals, employers and communities. MIAP, delivered by the LSC, will introduce an internet-based Learner Registration Service and a unique learner number for every person in education and training – allowing individuals to build a lifelong record of their learning participation and achievements.

National Apprenticeship Service (NAS)
A new body, launched in April 2009, that is responsible for the delivery of the Apprenticeship programme and for working with employers and learners.
apprenticeships.org.uk

National Skills Academies
A network of employer-led, world-class centres of excellence delivering the skills required by each sector of the economy.
nationalskillsacademy.gov.uk

National Vocational Qualifications (NVQs)
NVQs are work-related qualifications, at the following levels:

- Level 1 – equal to five GCSEs at grades D to G
- Level 2 – equal to five GCSEs at grades A* to C
- Level 3 – equal to two A-levels or one vocational A-level
- Level 4/5 – equal to Higher National Certificate, Higher National Diploma or degree level.

nextstep
nextstep is a free service that offers face-to-face help and support about training, learning and the world of work.

Not in education, employment or training (NEET)
The Government has set a PSA target for reducing the numbers of young people who are NEET by 8 per cent by 2010. The LSC has an important role and contribution to make – along with local authorities – in ensuring that suitable provision is available, accessible, well understood by young people and of high quality.

Ofqual
Ofqual – the new regulator of qualifications, exams and tests in England – began its interim work in April 2008. The Government will be bringing in legislation to establish Ofqual as the regulator of qualifications. Until this legislation is passed, it will operate as part of the Qualifications and Curriculum Authority.
ofqual.gov.uk

Public Service Agreement (PSA)
PSAs are a series of cross-government goals. Each government organisation is set a number of key indicators during each Comprehensive Spending Review period that contribute to achieving the bigger goals. These are known as PSA targets. The LSC's PSA targets, and our progress towards them, are set out on page 11 of this Annual Report.

Qualifications and Curriculum Agency (QCA)
The QCA is responsible for developing the national curriculum, which defines the knowledge, understanding and skills to which children and young people are entitled. It reviews the curriculum and evaluates its appropriateness and relevance to the changing needs of learners and society.
qca.org.uk

Regional Development Agencies (RDAs)
These bodies are responsible for economic development and regeneration in the nine regions of England.

School sixth forms
The LSC became responsible for funding school sixth forms in April 2002 and funds 1,760 school sixth forms in 138 local education authorities (LEAs). In the remaining 12 LEAs, the education of over-16s takes place mainly in FE colleges and sixth-form colleges.

Sector Skills Councils (SSCs)
Independent UK-wide organisations representing groups of employers, SSCs exist to improve skills and productivity in their sector.

September Guarantee
The guarantee ensures that all young people have an opportunity to receive a suitable offer of a place in learning for at least two years after they leave compulsory education. In 2008, the guarantee was extended for the first time to cover all 17-year-olds, with specific monitoring arrangements for those who were enrolled on one-year or short courses or who had left the activity they chose on leaving school. The agreed start date can be after the end of September, but should be no later than the beginning of the following January term.

Skills Campaign
An ambitious skills communications initiative to raise the aspirations of millions of people.
lsc.gov.uk/inourhands

Skills for Life
The Government's strategy to help adults who have missed out on educational achievement. It aims to improve the literacy, language and numeracy skills of 1.5 million adults.

Skills Funding Agency
This agency will oversee the distribution of funds to the sector and manage the performance of FE colleges. It will also house the National Apprenticeship Service (NAS), the National Employer Service and the adult advancement and careers service.

Skills Pledge
The Skills Pledge is a public commitment by businesses to train their employees. The Skills Pledge is voluntary and is supported by impartial advice from the Train to Gain service.
inourhands.lsc.gov.uk/employersskillspledge.html

Skills Strategy
The Government launched its Skills Strategy in July 2003, promising to improve support for businesses that develop their workforces.

Training Quality Standard
An assessment framework designed to recognise and celebrate the best organisations delivering training and development solutions to employers.
trainingqualitystandard.co.uk

Train to Gain
Train to Gain is a service, managed and funded by the LSC, that helps employers to find the training they need for their staff. A dedicated skills broker analyses individual business needs and works with each employer to help them to plan a tailored training programme. Train to Gain skills brokers do not work for any training organisation, so the advice that they give to employers is impartial.
traintogain.gov.uk

UK Commission for Employment and Skills (CFES)
Led by Sir Michael Rake, the CFES strengthens the pivotal role that employers have in ensuring that the UK's employment and skills system responds well to the needs of business and the public services. It also promotes increased investment in workforce skills by employers for a more highly skilled and productive economy.

Young People's Learning Agency (YPLA)
This new national non-departmental public body will support local authorities in their new role in commissioning and funding 14–19 provision. Local capacity on 14–19 will therefore be with local authorities.

List of Related Documents

14–19 Education and Skills White Paper **(published February 2005)** dfes.gov.uk/publications/14-19educationandskills/index.shtml

Data Handling Procedures in Government: Final Report **(published June 2008)** cabinetoffice.gov.uk/media/65948/dhr080625.pdf

Delivering World-class Skills in a Demand-led System **(published January 2007)** readingroom.lsc.gov.uk/lsc/national/nat-deliveringworldclassskills-jan07.pdf

Framework for Excellence: How the Framework Will Work **(published June 2007)** ffe.lsc.gov.uk/Framework+for+Excellence+How+the+Framework+will+work++June+2007.htm

From Here to Sustainability **(published September 2005)** readingroom.lsc.gov.uk/lsc/2005/ourbusiness/strategy/from-here-to-sustainabilitylsc-strategy-forsustainabledevelopment.pdf

Further Education: Raising Skills, Improving Life Chances **(published March 2006)** dfes.gov.uk/publications/furthereducation/docs/6514-FE%20White%20Paper.pdf

Government Investment Strategy 2009–10, LSC Grant Letter and LSC Statement of Priorities **(published November 2008)** readingroom.lsc.gov.uk/lsc/National/nat-statementofpriorities200910-nov08.pdf

Identifying and Managing Underperformance **(published January 2008)** readingroom.lsc.gov.uk/lsc/National/nat-identifyingmanagingunderperformance_yr2_pt1-jan08.pdf

Learner Health, Safety and Welfare: Safe Learner Blueprint **(published September 2007)** safelearner.info/downloads/LSCHealthSafety%204-10-07.pdf

The Learning and Skills Council's Proposed Statutory Intervention Policy: Consultation Document **(published January 2008)** readingroom.lsc.gov.uk/Lsc/National/nat-LSCproposedinterventionpolicy-jan2008.pdf

LSC Grant Letter 2008–09 dius.gov.uk/publications/LSC-Grant-Letter-2008-09.pdf

LSC Single Equality Scheme: Our strategy for Equality and Diversity **(published April 2007)** readingroom.lsc.gov.uk/lsc/National/nat-singleequalityscheme-30apr07.pdf

National Employer Skills Survey 2007 **(published May 2008)** readingroom.lsc.gov.uk/lsc/National/natnessurvey2007mainreport-may08.pdf

National Learner Satisfaction Survey 2007 **(published July 2008)** research.lsc.gov.uk/lsc+research/published/learner-satisfaction

Prosperity for all in the global economy – world class skills **(published December 2006)** hm-treasury.gov.uk/media/6/4/leitch_finalreport051206.pdf

Raising Expectations: enabling the system to deliver **(published March 2008)** dfes.gov.uk/consultations/downloadableDocs/Raising%20Expectations%20pdf.pdf

Renewing the physical infrastructure of English further education colleges **(published July 2008)** nao.org.uk/publications/0708/renewing_the_physical_infrastr.aspx

A Review of the Capital Programme in Further Education (The Foster Report) **(published March 2009)** dius.gov.uk/news_and_speeches/announcements/~/media/publications/L/LSC_Capital_Review_acc

Self-assessment of health, safety and welfare: Guidance for organisations funded by the Learning and Skills Council **(published March 2009)** nationalemployerservice.org.uk/uploads/files/Self-Assessment_March_2009_v4.pdf

Skills for Life: Progress in Improving Adult Literacy and Numeracy **(published June 2008)** nao.org.uk/publications/0708/skills_for_life_progress_in_i.aspx

Skills in England 2007 **(published September 2007)** readingroom.lsc.gov.uk/lsc/National/SiE_Volume1final_12Sept07.pdf

Train to Gain: A Plan for Growth **(published November 2007)** dius.gov.uk/publications/Train-to-Gain-Executive-Summary.pdf

World-class Apprenticeships: Unlocking Talent, Building Skills for All **(published January 2008)** dius.gov.uk/news_and_speeches/press_releases/~/media/publications/W/world_class_apprenticeships

World Class Skills: Implementing the Leitch Review of Skills in England **(published July 2007)** dius.gov.uk/publications/worldclassskills.pdf

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