

**i** For information

**>lsc**

Leading learning and skills

# A Clear Direction

The Learning and Skills Council's  
Annual Report and Accounts for 2004-05

**2004-05**

For individuals and organisations interested  
in learning and skills

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

We're responsible for planning and funding high-quality education and training for everyone over 16 in England, other than in higher education. In 2004-05 our budget was £9.2 billion.

Since we were formed in 2001 we've had a single goal: to improve the skills of England's young people and adults to world-class standards. Our vision is that in 2010, young people and adults in England have the knowledge and skills matching the best in the world and are part of a truly competitive workforce.

We work at national, regional and local level from a network of offices across the country.

This report covers our performance in the year to 31 March 2005. It also looks ahead to what we aim to achieve this year and beyond.

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## Who we are

## What we do

Our role is to plan and invest in quality education and training for people aged 16 and over in England. Our responsibilities include further education, colleges, school sixth forms, sixth form colleges and other training organisations, but exclude universities.

We have been given a clear framework for delivering our work through the Government's 14–19 and Skills Strategies, and its Youth Green Paper.

The critical steps for achieving the visions in these strategies are detailed in our Annual Statement of Priorities.

We have worked closely with the further education sector to develop our *agenda for change* programme. This sets out the reforms needed to achieve world-class delivery of learning and skills and make sure that every penny possible is directed to the front line.

## The way we work

These are the values that govern the way we work:

**Trust** – the LSC has to be world class at working in partnership, so we believe that trust must be at the heart of everything we do.

**Expertise** – we demonstrate expertise and true leadership in every aspect of our work. We fully understand the needs of the communities we serve, such as employers and individuals in education and training.

**Ambition** – we are ambitious for ourselves in the goals and objectives we set, but more importantly we are ambitious for the communities we serve, and for employers and individuals in education and training.

**Urgency** – we want to bring drive and urgency to the learning and skills sector, to tackle long-standing issues swiftly and professionally and to be responsive and fast moving.

# What we do and how we do it

## How we are structured

### National Office

From our National Office in Coventry we work with the Government and a range of stakeholders to make sure we develop policies that support our strategic direction.

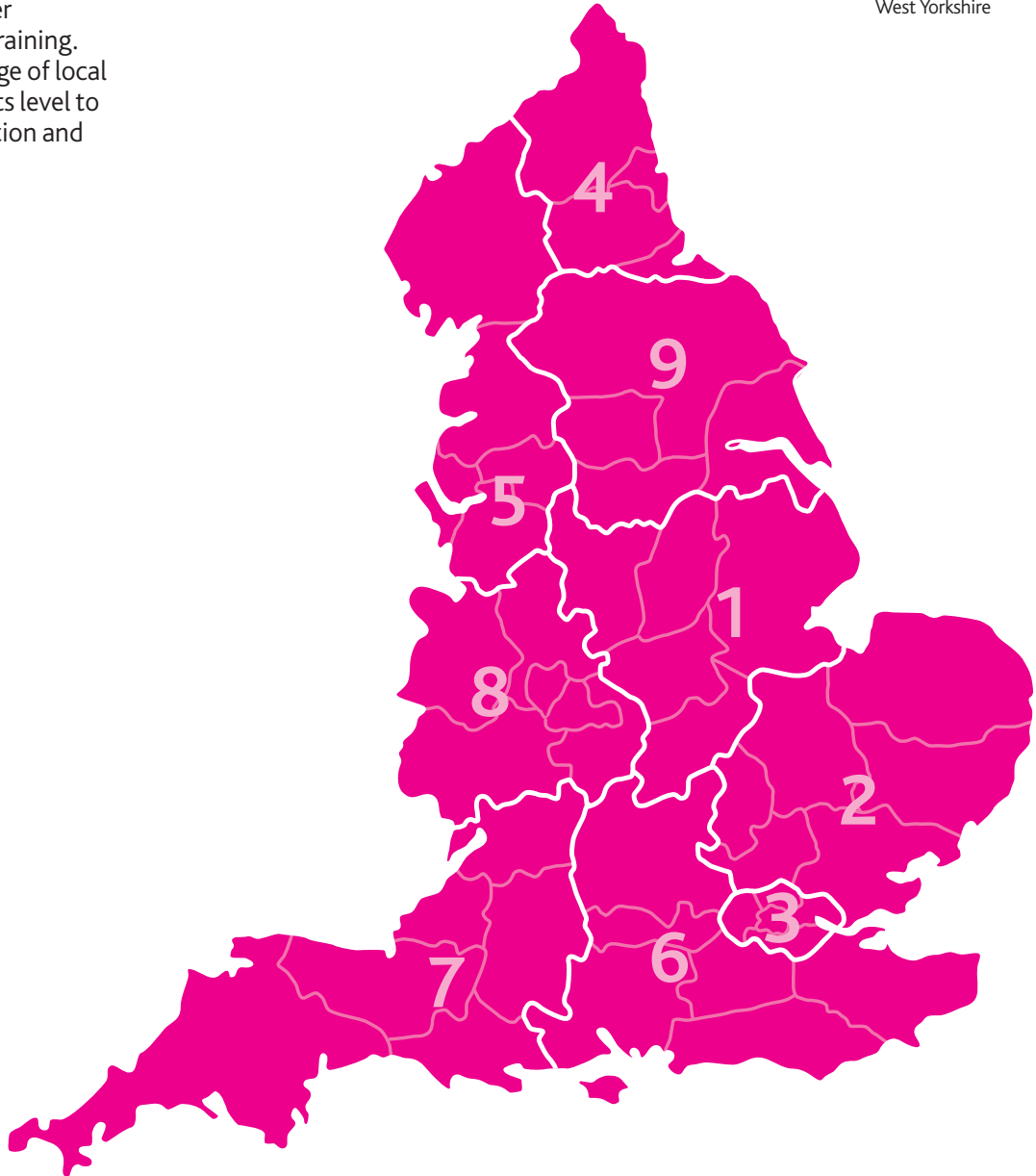
### Nine regions

Our nine Regional Directors work at regional level with organisations such as the Regional Development Agencies to provide a framework for the work of our 47 local LSCs.

### Local LSCs

Our local LSCs work closely with colleges, schools and other organisations delivering training. They also work with a range of local stakeholders at grass-roots level to transform the way education and training are delivered.

- 1 East Midlands**  
Derbyshire  
Leicestershire  
Lincolnshire and Rutland  
Northamptonshire  
Nottinghamshire
- 2 East of England**  
Bedfordshire and Luton  
Cambridgeshire  
Essex  
Hertfordshire  
Norfolk  
Suffolk
- 3 London**  
Central London  
East London  
North London  
South London  
West London
- 4 North East**  
County Durham  
Northumberland  
Tees Valley  
Tyne and Wear
- 5 North West**  
Cheshire and Warrington  
Cumbria  
Lancashire  
Greater Manchester  
Greater Merseyside
- 6 South East**  
Berkshire  
Hampshire and Isle of Wight  
Milton Keynes, Oxfordshire and Buckinghamshire  
Surrey  
Sussex
- 7 South West**  
Bournemouth, Dorset and Poole  
Devon and Cornwall  
Gloucestershire  
Somerset  
West of England  
Wiltshire and Swindon
- 8 West Midlands**  
The Black Country  
Birmingham and Solihull  
Coventry and Warwickshire  
Hereford and Worcestershire  
Shropshire  
Staffordshire
- 9 Yorkshire and the Humber**  
Humberside  
North Yorkshire  
South Yorkshire  
West Yorkshire



## How we are structured



We've been stepping up the pace of change as we work to transform the learning and skills sector. Here are some of the highlights of the year from April 2004 to March 2005.



## April 2004

- Introduction of new Business Cycle to transform LSC's planning and funding process.
- National Council strengthened by appointments of Frances O'Grady, Deputy General Secretary of the TUC, Gareth Cadwallader, Board Member of the Sector Skills Development Agency and Ian Ferguson, Chairman of Data Connection.
- Review of education and training for over-16s with learning difficulties and/or disabilities gets under way.

## May 2004

- Reforms to Apprenticeships announced – including new Young Apprenticeships for 14–16s.
- Bureaucracy Task Force proposes self regulation for learning and skills sector.
- New Apprenticeships marketing campaign targets over 75,000 employers.
- Appointment of Director of Skills, David Way.

## June 2004

- LSC publishes plans to work more closely with voluntary sector to deliver education and training.
- 90 per cent of learners satisfied with teaching and training, says the LSC's National Learner Satisfaction Survey.
- Government increases LSC funding by £130 million over three years as Further Education (FE) learner numbers soar.
- 101 colleges qualify for light touch audits, bringing total to 121.

## July 2004

- Chief Executive Mark Haysom meets college principals across the country in series of roadshows that will lead to *agenda for change*.
- Publication of *New Measures of Success* – important step towards consistent measures showing learners' achievements whatever type of course they study.
- LSC launches 12-week consultation on FE sector priorities to deliver Government's Skills Strategy vision.

## August 2004

- Qualifications and Curriculum Authority and LSC publish principles for framework measuring achievement in smaller steps, so learners can build up transferable credits towards qualifications.

## September 2004

- Skills Strategy trials in North East and South East regions include entitlement to free tuition for a first full Level 2 qualification.
- New Level 2 Certificate in Support Work in Schools launched, as part of commitment to support 10,000 school support staff in training by March 2005.
- LSC launches College Finance Director of the Year Award, won in November 2004 by Karen Hagan, Vice-Principal of Finances and Resources at Somerset College of Arts and Technology.
- National Council approves the Employer Engagement Strategy.

## October 2004

- 20 new learning and skills Beacon providers announced, bringing total number of Beacons to 58.
- Tomlinson Working Group reports on reforming 14–19 education, with new framework of vocational training and qualifications.
- Chris Banks, Chairman, announces over 50 new appointments to LSC national committees and local councils, significantly increasing access to education and employee representation.

## November 2004

- Launch of *agenda for change*, LSC's programme for transforming learning and skills sector.
- LSC launches Equality and Diversity Strategy.
- Qualifications and Curriculum Authority, with LSC and Sector Skills Development Agency, launches public consultation on proposals for more flexible qualifications system.

## December 2004

- LSC launches its first Annual Statement of Priorities, *The Skills We Need*.
- Government committed £65 million in 2006/07 and £132 million in 2007/08 for the roll out of a National Employer Training Programme.
- LSC to work with unions to set up Union Academy.
- LSC launches consultation document on sustainable development in learning and skills sector.

## January 2005

- LSC's National Contracts Service relaunched as the National Employers Service.
- £4.9 billion budget for LSC's 2005/06 FE funding allows increases including 5 per cent rise for colleges.
- Interim report from steering group on provision for learners with learning difficulties and/or disabilities.

## February 2005

- Government publishes 14–19 White Paper, confirming LSC's central role in education and skills for young people.
- England has highest-ever number of young people in education and training, says LSC report.
- Second-year report confirms employer satisfaction with Employer Training Pilots. Over 130,000 employees and 18,000 employers now involved.
- Chris Banks, Chairman, enhances National Council with three new appointments: Claire Ighodaro, former Finance Director, Broadband, BT Group, Mary Marsh, Director and Chief Executive of the NSPCC, and John Taylor, Principal of Sheffield College.

## March 2005

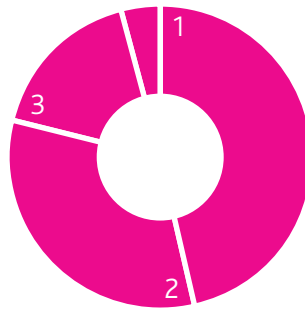
- Chancellor pledges extra £350 million for investment in FE buildings between 2008 and 2010.
- Government publishes Skills White Paper on skills needs of businesses and adults.
- LSC commits extra £38 million to meet demand for Apprenticeships.

What we've been doing

From April 2004 to March 2005 some six million people benefited from LSC-funded education and training.

Our total spend was £9.2 billion, of which £5.1 billion (54.9%) was spent on young people and £3.0 billion (32.4%) on adults.

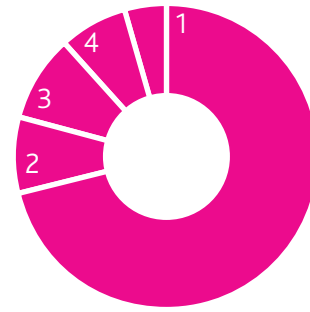
Overall spend on young people (aged 16 to 18) 2004-05



- 1 Further Education £2,356 million (46.5%)
- 2 School Sixth Forms £1,655 million (32.6%)
- 3 Apprenticeships and e2e £862 million (17%)
- 4 Other programmes £200 million (3.9%)

Total £5,073 million (100%)

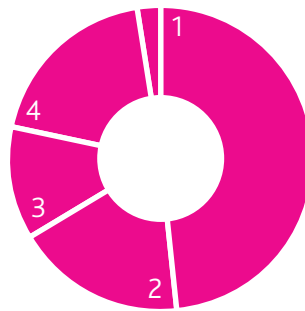
Overall spend on adults 2004-05



- 1 Further Education £2,138 million (71.3%)
- 2 Apprenticeships £243 million (8.1%)
- 3 Adult and Community/Family Learning £270 million (9.0%)
- 4 Workforce-related programmes £218 million (7.3%)
- 5 Other programmes £130 million (4.3%)

Total £2,999 million (100%)

How we spent our money 2004-05



- 1 Further Education £4,493.3 million (48.6%)
- 2 School Sixth Forms £1,654.8 million (17.9%)
- 3 Apprenticeships and e2e £1,104.7 million (12.0%)
- 4 Other programmes £1,758.8 million (19.0%)
- 5 Administration £233.2 million (2.5%)

Total £9,244.8 million (100%)

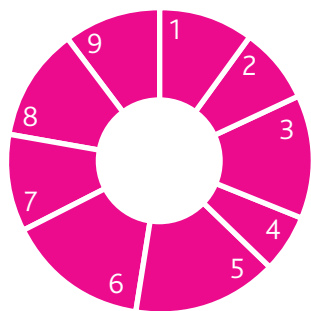
How we spent our money

We aim to raise the skills of England's young people and adults to world-class standards. To get there, we have specific targets, some set by the Government.

This table sets out our targets and shows our performance for 2004-05.

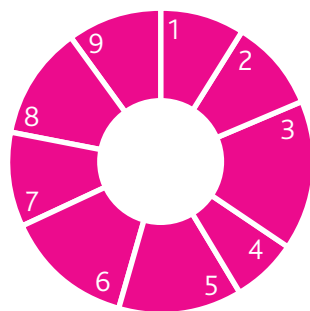
Target area	Target	Latest progress
16-18 participation	80% participation in 2004/05	75.4% in 2004/05
Age 19 – Level 2 attainment (PSA)	78.2% by autumn 2004	74.4% in autumn 2004
Age 19 – Level 3 attainment	55% by autumn 2004	51.4% in autumn 2004
Apprenticeships – first-time entrants aged 16–21 (PSA)	175,000 in 2004/05	Our latest estimate in 2004/05 is 176,000
Adults – Level 2 attainment (PSA)	Reduce by at least 40% the number of adults without Level 2 by 2010. One million adults in work to achieve Level 2 by 2006. The 2010 target is estimated to be 82.3% of adults at or above Level 2, compared to a baseline of 69.2% in 2001	71.7% of adults at Level 2 or above in autumn 2004
Adults - Level 3 attainment	52% by autumn 2004	50.8% in autumn 2004
Skills for Life (PSA)	Improve the basic skills of 2.25 million adults between 2001 and 2010, with a milestone of 750,000 by 2004 and 1.5 million by 2007	We had improved the basic skills of over 860,000 adults by July 2004, exceeding the milestone

**Learner numbers, 2004/05**  
Under 19



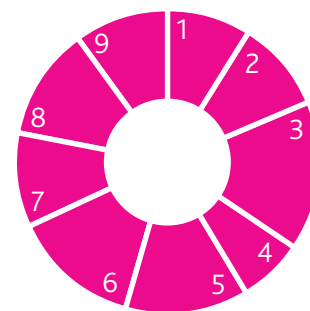
1 East of England	10%	128,400
2 East Midlands	8%	103,400
3 London	13%	167,300
4 North East	6%	72,800
5 North West	15%	183,300
6 South East	15%	190,800
7 South West	10%	123,100
8 West Midlands	12%	145,300
9 Yorkshire and the Humber	10%	128,700

**Learner numbers, 2004/05**  
Adult



1 East of England	9%	343,200
2 East Midlands	10%	397,700
3 London	16%	624,500
4 North East	7%	270,600
5 North West	13%	535,300
6 South East	14%	569,900
7 South West	10%	393,000
8 West Midlands	12%	476,400
9 Yorkshire and the Humber	10%	383,900

**Learner numbers, 2004/05**  
Total



1 East of England	9%	471,600
2 East Midlands	10%	501,100
3 London	15%	791,800
4 North East	7%	343,400
5 North West	14%	718,600
6 South East	15%	760,700
7 South West	10%	516,100
8 West Midlands	12%	621,700
9 Yorkshire and the Humber	10%	512,600

What we are aiming for  
and what we've achieved



**Christopher N Banks CBE**  
Chairman

A year ago, I said we were aiming for a total transformation of the learning and skills sector – nothing less would do.

Today, there is clear evidence that transformation is under way at local, regional and national level. Although we still have a long way to go, we can point to real achievement and progress.

There are more young people in learning than ever before and success rates continue to rise. We have a record number of apprentices. We are also ahead of target in giving adults basic literacy and numeracy through the Skills for Life programme: over 860,000 by the end of 2004, against a target of 750,000.

The pace of change is accelerating and one sign of growing confidence in the LSC is that more is being expected from us. In the past year the Government's White Papers on 14–19 Strategy and Skills have challenged us to do even more to ensure young people have the opportunity to succeed and to raise the nation's skills and competitiveness. We are also in the process of taking over responsibility for learning and skills for offenders from the Home Office and Department for Education and Skills, for completion in September 2006.

### Highlights of the year

In 2004–05 our spending on learning programmes rose 5 per cent to £9.2 billion.

We are successfully encouraging more and more young people to continue learning: in 2004/05, 75.4 per cent of all 16–18 year olds were in education and training.

Despite record levels of young people in learning, we face many challenges – not least in terms of keeping pace with the population of 16–18 year olds, which has risen by almost a fifth in the past ten years.

In addition, continuing to increase the number of young people in learning means engaging more of the hardest-to-reach young people. Some 200,000 young people are still missing out entirely – on education, training or employment. Last year we invested £0.25 billion on our Entry to Employment (e2e) programme to bring them back into formal study. In the two years since e2e began, the percentage of young people moving out of unemployment into jobs, training or education has risen by 10 percentage points and continues to improve.

We also need to do more to improve the numbers of young people achieving Level 2 qualifications at 19 and we are working with the Prime Minister's Delivery Unit to improve performance in this area.

To offer everyone world-class education and training, we need to provide world-class buildings and facilities. Last year our capital investment rose 24 per cent to £200 million on buildings, plus another £70 million on IT. Together with external funding, our support enabled colleges to invest over £600 million in new facilities. Total investment since the LSC was formed has now passed £2 billion.



## Leading change

Since my appointment, I have been particularly keen to ensure that our sector's transformation is shaped by the needs of employers and learners, that we have the right leadership to meet their demands and that we make the most of our non-executive council members at a local, regional and national level.

We are getting much better at putting employers in the driving seat. Innovations like the National Employer Training Programme – born out of our Employer Training Pilots – and the strong growth of Apprenticeships and Centres of Vocational Excellence (CoVEs) are a direct response to what employers tell us they want.

Employer Training Pilots have been a tremendous success, particularly with smaller employers. The pilots have shown that employers will increase staff training if we make it easy for them. At the last count we involved over 25,000 employers and 200,000 employees. Research shows employers' satisfaction with the scheme running at over 90 per cent: many are amazed at its impact on morale and productivity.

The National Employer Training Programme will build on the success of these pilots. In each region we have identified the sectors that are key drivers for economic growth. In these sectors we have appointed specialist brokers to work with employers – helping them assess their workforce development needs, find appropriate training and use all available financial support. For large employers, our National Employer Service enables us to discuss their needs at a strategic, national level – giving them a single and easy point of contact.

We are particularly encouraged by the rapid increase in CoVEs, providing high-quality facilities and teaching in specialist subjects. There are now 348 CoVEs in operation – well ahead of our target of 400 CoVEs by March 2006. In March 2005 we announced plans for our first Skills Academy – the Fashion Retail Academy, offering newly developed qualifications and backed with £12.4 million of funding from employers including Arcadia, GUS, Marks & Spencer and NEXT.

We have sharpened the focus of our leadership by developing our new Business Cycle, and publishing our *agenda for change* and Annual Statement of Priorities. Our Chief Executive has more to say on these in the following pages.

We are also making more effective use of an enormously valuable resource: our 47 local councils and National Council and Committees made up of around 750 non-executives. These highly experienced individuals – over 50 of them appointed in the past year – bring us valuable knowledge, locally, regionally and nationally and around 40 per cent of them are employers themselves. There is still huge potential to use our non-executives even more effectively and this continues to be a priority for us.

We have also continued to develop strong relationships locally with local authorities, and regionally with Regional Development Agencies and Sector Skills Councils through Regional Skills Partnerships.

## Setting standards

One area where we are determined to give the sector a strong lead is equality and diversity. In September 2004 we set up an Equality and Diversity Committee of stakeholders from the voluntary and private sectors to influence our work in this area. We have also published race equality action plans for all our regions. Equality and diversity are central themes in our *agenda for change* and we have published an Equality and Diversity Strategy for the three years to 2007. There is a more detailed Equality and Diversity Report on pages 28 to 30.

We are also determined to help the sector build a reputation for quality and as part of this we want to ensure high standards of corporate social responsibility. For the past year we have been working with stakeholders on a strategy for sustainable development, which was published in September 2005. There is a more detailed quality and sustainability report on page 22.

In the past year we have made some encouraging progress towards our goals. It is exciting to see more and more places where the teaching and facilities are genuinely world class: the challenge now is to make these standards a reality for young people and adults across the country, rather than in pockets of best practice.

Meanwhile, I am grateful to everyone in the LSC and our partner organisations who has helped us get this far. Their dedication is making a real difference to millions of individuals and businesses.

**Christopher N Banks CBE**  
Chairman  
Learning and Skills Council



**Mark Haysom**  
Chief Executive

The transformation we are making in post-16 learning is underpinned by one essential factor: clarity.

To drive change with confidence, you need to be absolutely clear. About where you're going, and about how you intend to get there.

Further Education (FE) now has a clear, shared vision: addressing the nation's skills challenges by delivering quality learning that meets employers' needs and gives learners real opportunities to succeed.

In the past year we've published our Annual Statement of Priorities for making that vision reality. Our Business Cycle has clarified the planning process. And we've made our priorities for funding much clearer.

We have clarified our relationship with the Department for Education and Skills. And we have established a clear, shared agenda with partners at national, regional and local level – including Sector Skills Councils, Regional Development Agencies, Jobcentre Plus, Connexions and local authorities.

### **Our agenda for change**

From our clear vision for FE has come our *agenda for change*. Launched in November 2004, this began as a programme for colleges, developed with college principals. It has broadened to embrace all our providers of education and training, under seven headings:

#### **Skills for employers**

Create a nationwide network of colleges and other providers focused on the need of employers.

#### **Quality**

We are helping all education and training providers to deliver high-quality, relevant education and training – with the very best helping others to improve.

#### **Funding**

We are radically simplifying the way we fund providers, so they can plan more effectively. As well as simplifying the system, we are making it fairer and more consistent.

#### **Data**

We need good data on how education and training providers are working. But the demands made on them by the LSC and other bodies are needlessly complex. By simplifying, we can get better data while saving schools and colleges perhaps £80–100 million a year. That could pay for around five new colleges with 15,000–18,000 learners.

### Business excellence

There's an urgent need to help colleges and other providers to run themselves as excellent businesses. So we've stepped-up our capital investment to improve facilities. And better systems will cut bureaucracy, saving more money that can be better spent on the front line.

### Reputation

If the FE sector is to fulfil its potential in strengthening our society and our economy, it needs to be seen in a new light. We must ensure that it is recognised as fully able to deliver the goods. We want it to be famous for the quality of what it provides, for world-class facilities and teaching, and for the efficiency with which it is run. And we want it to be seen as providing opportunity for all, irrespective of race, religion, gender or disability.

### Transforming the LSC

To lead all this change, the LSC must also change itself. We must be more strategic, lighter and faster on our feet. We must focus less on our own processes and more on quality of provision, the needs of learners and employers, and the nation's social and economic priorities. We need to strengthen our local partnerships, underpinned by strong regional working and a slimline National Office.

Our *agenda for change* is about getting the sector and the LSC in the best possible shape to deliver the priorities we're setting. It's about collaboration and partnership working, ridding the system of barriers and finding innovative solutions to long-standing issues such as funding and quality; moving resources to the front line and freeing-up money that's been locked up in administrative processes; simplification and doing things just once, not 47 times; and making sure our providers across the board attract individuals and employers because they are well run businesses. At the same time, it's about being proud of the sector we are in, and highlighting our successes. It's about transparency and being clear about our collective direction of travel.

And it is not a one-off exercise. It is a continuing 'to do' list that will identify key issues and look for radical solutions.

### Tight funds and setting priorities

The 14–19 and Skills White Papers clearly articulate our priorities for post-14 education and training. Participation among young people must have higher priority, alongside helping disadvantaged adults gain basic and Level 2 skills for employability and progression to Level 3. Moving forward, public money will be spent on those priority activities that will realise the greatest return for our economy. These priorities are Apprenticeships, the roll-out of the National Employer Training Programme, and free full Level 2 education and training to enable people to gain their first full Level 2 qualifications. At the same time, we will protect support for disadvantaged adult learners and secure more resource for those with learning difficulties and/or disabilities.

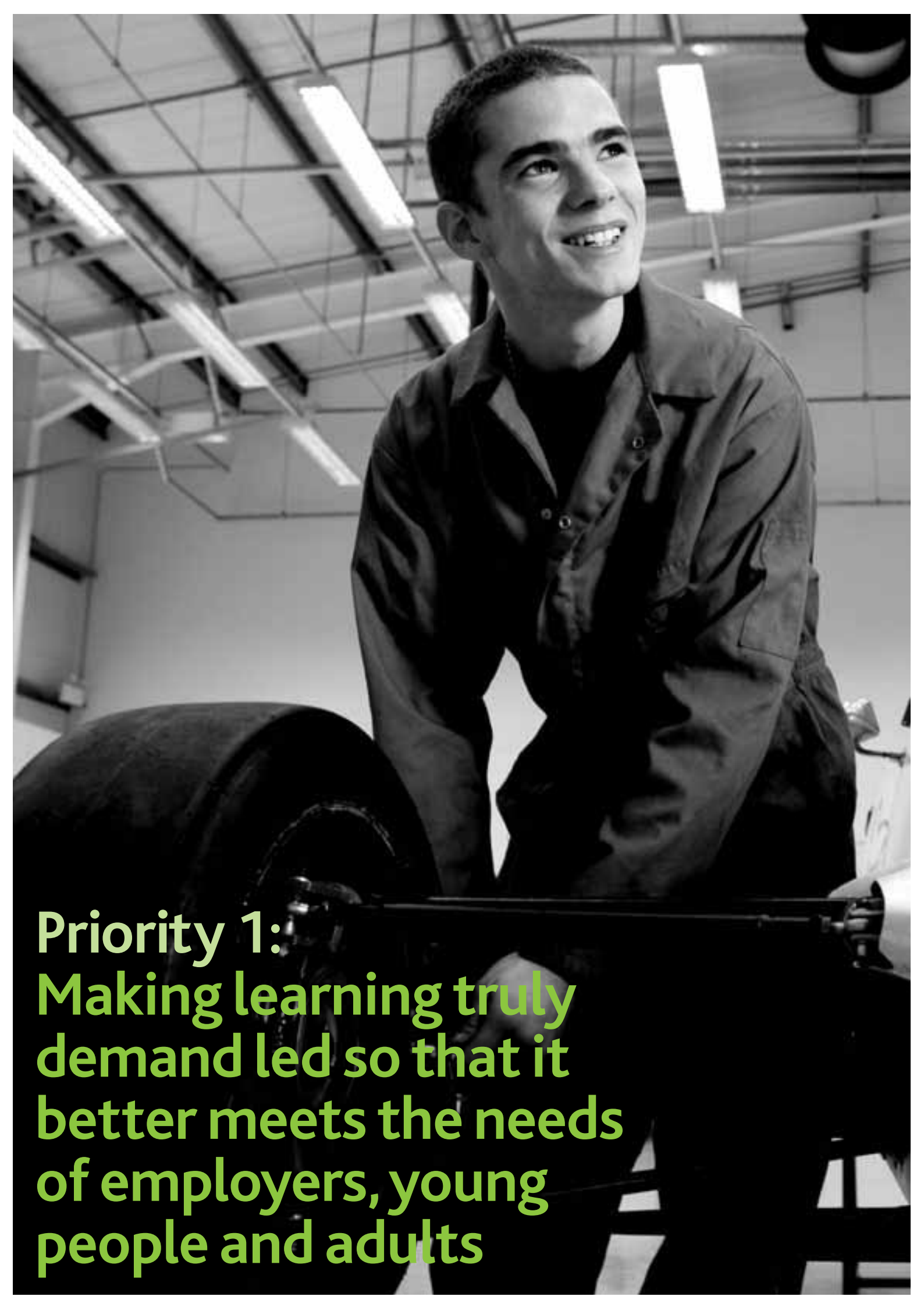
Ultimately, however, public funding alone cannot and should not pay for all the training necessary in a competitive economy. Employers and individuals also benefit and need to contribute to meeting the costs.

To drive more funds to the front line, we are making our own organisation smaller, more dynamic and more customer facing. We have announced plans for a reorganisation that will see much greater focus on local, grass roots delivery which I believe will transform the way the LSC works with partners across the country. And I'd like to acknowledge the professionalism of all LSC staff during this period of significant change.

In the following pages we review progress to date on the six priorities that we outlined in our Annual Statement of Priorities. When we look back I am proud of the progress we have made, working with all our partners across the country. Looking ahead, we have much more to do, and I am keen to move forward as swiftly as possible.

### Mark Haysom

Chief Executive  
Learning and Skills Council



**Priority 1:  
Making learning truly  
demand led so that it  
better meets the needs  
of employers, young  
people and adults**



## Racing ahead

The most remarkable thing about the National College for Motorsport is that it didn't exist before.

An estimated 4,000 companies are involved in UK motorsport and its support activities. It's an industry in which Britain is a world leader. Yet until the college was formed in 2003, there were no motorsport qualifications or courses.

The industry had plenty of graduates, says Caroline Wilkinson, Deputy Principal at Tresham Institute, the college's lead partner: "What it needed was Level 2 and Level 3 technicians in the pit lanes and other specialisms".

The college is the UK's first Centre of Vocational Excellence (CoVE) in Motorsport and Performance Engineering. It was formed by three colleges in 'Motorsport Valley', a world hotspot for motor racing: Tresham Institute in Northants, Oxford & Cherwell Valley College and Milton Keynes College.

In April 2005 it opened a new training facility at Silverstone racing circuit, funded by East Midlands Development Agency (emda) and Northamptonshire Partnership, with an industry-standard trackside workshop. It also has a new centre in Bicester and another opening in Bletchley.

More than 45 racing teams are based within 12 miles, and all the teaching staff have recent industry experience and up-to-date skills. "We've had very generous support from the industry," says Caroline, "because they've been waiting for this to happen."

"We've also been able to invest around £200,000 in a race trailer with laptops and a satellite connection to the internet. We can use this as a remote learning centre in addition to transporting race cars, allowing us to take the college to the industry and provide short courses wherever they're needed."

All students complete a standard Performance Engineering Operations Apprenticeship, with additional motorsport modules developed in close consultation with the 86 companies that the CoVE is working with.

Currently the college has 58 Level 2, 124 Level 3 and 143 work-based learning students, and 85 per cent of those studying race preparation have gone into racing teams when they leave. "We don't have to go out and find placements for our apprentices," says Caroline. "The race teams come to us."

# 1 superbike

The college still has more to do to satisfy industry demand. For example, employers are eager to see a race technician qualification for motorcycle racing. In 2006, the college – with industry sponsorship – hopes to tour a bio-ethanol fuelled Honda in the British Superbike Championships.

# 25,000 employers

Our Employer Training Pilots have helped over **25,000 businesses** and enabled **200,000 employees** to gain valuable vocational qualifications. They have enabled us to develop a national model for training that is truly responsive to employers' needs.

# 4 agreements

We have signed the first four **Sector Skill Agreements**. Prepared by the pathfinder Sector Skill Councils, these set out the skill needs of employers in individual industries. They are helping us to become a more demand-led organisation, shaping the provision we fund locally to meet employers' needs.

# 1st Skills Academy

We have launched the first **Skills Academy** in direct response to the skill needs of leading fashion retailers. The Fashion Retail Academy is jointly funded with Arcadia and supported by other retailers including Marks & Spencer and Next. It has attracted huge interest from potential students. Four more Academies are planned for 2006/07.





**Priority 2:  
Ensure that all 14–19  
year olds have access  
to high-quality,  
relevant learning  
opportunities**

### College à la carte

Like thousands of people, Philip Johnson left school at 16 not knowing what he wanted to do: "I just didn't want to carry on in education."

With his nine GCSEs, he began an engineering Apprenticeship. But after a year he decided this wasn't for him either. He changed direction completely – and started work full time at the Mytton Fold Hotel near Blackburn.

This job came with the chance to do an Advanced Apprenticeship in Hospitality, and he's never looked back. "As an apprentice, you're serving real customers who are paying real money," he says. "It's not playschool, and you have to learn very quickly. If you only go to college, you can't learn the job properly."

"I didn't want to be sitting in a classroom. Here, I'm getting a qualification while doing exactly what I want. I don't even have to go to college one day a week – because the college comes to me."

As a small family business, Mytton Fold doesn't have the resources to run its own Apprenticeship scheme. Although General Manager Barbara Bryan has been training staff for many years, she says: "I couldn't offer a qualification until I got involved with Blackburn College – and they've been superb."

Philip has a weekly meeting with his college tutor at the hotel, to discuss coursework and set targets. He then does the academic work in his own time. The course is tailored to his needs and all the teaching is one to one.

College staff also assess and verify practical work. "And they're excellent," says Barbara. "They'll do whatever needs to be done, be it assessing check-out at 7.30 in the morning, or evening service in the restaurant."

And Philip, who joined Mytton Fold as an extremely shy 16 year old, is now 19 and, according to Barbara, "developing into a confident and knowledgeable young man who's recently been promoted to Assistant Restaurant Manager".

# £246.6 million for e2e

One of our major programmes for 14–19s is Entry to Employment (e2e), which helps **disengaged young people** to take part in training. In 2004–05 we spent £246.6 million on e2e, improving its performance and efficiency to help tackle concerns about the quality and range of provision available for young people not yet qualified to Level 2.

# £67 million

We provide financial support to help **people from disadvantaged groups** to stay in education and training. In 2004–05 this included £46.5 million on the Discretionary Support for Students scheme and £20.8 million on Education Maintenance Allowances – over £67 million in all.

# 1.29 million young learners

We increased the number of **young people in education and training** from 1,280,000 in 2003/04 to 1,298,000 in 2004/05, with record numbers achieving qualifications through Apprenticeships.

**Priority 3:  
Transform further  
education so that  
it attracts and  
stimulates more  
business investment  
in training and skills  
development**







### Action for business

"None of what we've done is rocket science," says Chichester College's principal, Dr Richard Parker. But in the past few years the college has tripled in size to 15,000 students, become a partner in five CoVEs and qualified as one of the first Action for Business Colleges.

Dr Parker traces the transformation to 2001, when the college drew up a new strategic plan based closely on the LSC's own priorities: "We decided we really could be world class, and focused on employer needs, quality and inclusiveness".

To build relationships with employers, the college hired a highly experienced training manager from the commercial sector as its first Workforce Development Manager. With two like-minded Sussex colleges it designed a blueprint for employer-friendly colleges. From this came the Action for Business College standard. "The LSC contributed expertise and some investment, which ramped up the momentum," says Dr Parker.

"If you listen to what employers want, they're not talking about courses. They're talking about the slings and arrows of business life. You've got to get into that conversation and get on their wavelength." Chichester has certainly done that. It now lists over 550 employers as clients, generating annual income of more than £2 million. Apprenticeships are up fourfold to 600 in three years.

"Where demand for courses exceeded supply, for instance in plumbing, construction and motor engineering, we didn't say 'Sorry, we're full'. We leased space in the industrial estate next door and grew our capacity."

Heavy investment, £12 million in the past four years, is transforming the college's facilities. And it has attracted over 2,500 international students from some 70 countries: courses offering a qualification and a year's paid work have proved a neat way to fill local skills gaps while earning extra revenue. "And," adds Dr Parker, "we've created a more multicultural community than our students will find anywhere else in West Sussex."

## 5 CoVEs in 1 college

In Sussex, colleges are teaming up to develop new **Centres of Vocational Excellence** (CoVEs). Chichester is the lead partner in CoVEs for construction and horticulture technology and a partner in three more – for care, rural enterprise, and sport and leisure. It is also developing a CoVE for tourism.

## 600 students on learning stairway

In the past, Chichester taught students with **learning difficulties and disabilities** in their own separate block. Now it has developed a 'staircase of learning' for them, so that they can be integrated with the rest of the college while progressing at their own rate – a popular move which has now attracted some 600 such students.

### Consulting on change

Over the last year the LSC has developed initial proposals for transforming Further Education and debated them with college principals in a series of **regional roadshows**.

### Leading change

We have published our proposals in the *agenda for change* prospectus and consulted the sector on the technical detail of our funding reform proposals.

### Maintaining momentum

We have contributed to Sir Andrew Foster's **Review of Further Education** and Lord Sandy Leitch's **Review of Skills**.

**Priority 4:**  
**Strengthen the role of  
the LSC in economic  
development so that  
we provide the skills  
needed to help all  
individuals into jobs**





### Back-to-work drive

When MG Rover collapsed in April 2005, the LSC faced an unprecedented test of its ability to respond quickly to local need.

More than 5,000 people were made redundant at MG Rover's Longbridge plant, plus another 646 in supply chain companies. The challenge was to get them quickly into a coordinated rescue programme combining analysis of their skills needs with retraining and job matching services.

"It was an extremely short timeframe in which to be ready with a practical, targeted response," recalls LSC Regional Director David Cragg.

"The regional development agency, Advantage West Midlands, led the creation of a multi-agency taskforce, with Jobcentre Plus and the LSC jointly responsible for employee support to both the MG Rover and supplier workforces. That was later extended to cover 800 job losses at Peugeot in Coventry."

In less than a week, the team secured a £10 million European Social Fund package and an immediate £500,000 commitment from the LSC contingency budget.

A dedicated advice centre was set up with a team of 120 skills advisors seconded from colleges, the LSC and the information, advice and guidance networks to offer in-depth, one-to-one skills assessments.

Within weeks, more than 3,400 workers had completed individual training plans. While many hoped to continue using their existing skills, others had brand new career ambitions – dog grooming, tree surgery and hypnotherapy were just some of the less predictable training requests.

"The LSC responded magnificently," says Gerard Coyne, Head of the Transport and General Workers Union in the Midlands. "In effect, it created a small college practically overnight.

"And it found innovative ways of responding to people's training needs so that they didn't fall out of the labour market, which was superb."

# 2,500 new jobs

By the end of September 2005, less than six months after MG Rover collapsed, **more than 2,500 redundant workers had found new employment.** Over 3,500 had completed an individual training plan and more than 3,300 had been offered at least one training course relevant to their needs.

# 333,000 gain basic skills

Millions of people throughout the country are prevented from making the most of their capabilities – and making a full economic contribution – because they lack basic **literacy, numeracy and communication** skills. Last year our Skills for Life programme helped 333,000 young people and adults gain qualifications in these crucial areas.

# 146,000 adults gain Level 2

We also **increased the basic employability skills** of 146,000 adults who have gained a full Level 2 qualification.

**Priority 5:  
Strengthen the  
LSC's capacity to  
work at regional  
level effectively**



## Rising in the East

Employers in villages, towns and cities across the East of England are benefiting from the Profit from Learning initiative. This is a government-funded Employer Training Pilot that helps businesses and organisations to identify skills shortages and provide relevant training at a time and place that suits the employer.

In addition to the Employer Training Pilot funding available in Essex and Cambridgeshire, the LSC has used additional funding from regional budgets and European funds to deliver a region-wide Employer Training Programme. The extra funding enables local LSCs in Suffolk, Norfolk, Bedfordshire and Hertfordshire to get the scheme up and running and offer training for more employees across the region. It builds on a successful pilot in Essex, which is one of the best performing in the country.

"The Essex pilot has raised the profile of the LSC, particularly with small companies that don't usually engage in training for their staff," says Mary Conneely, LSC Regional Director for the East of England. "We are now extending that model to the other counties in the region."

Skills shortages are a major issue in the East of England, which has a population of 5.4 million and the country's third highest Gross Domestic Product (GDP) after London and the South East. For this reason the LSC has led the development of the East of England Regional Skills and Competitiveness Partnership that links together key organisations to attract businesses to the area and improve the skills of the local workforce.

The region is also focusing on improving the population's literacy and numeracy by making real progress towards its Skills for Life targets. It has been working in partnership with Jobcentre Plus to identify priority groups that will benefit from a joined-up approach and deliver welfare-to-workforce development support.

"To get their first level of learning means so much to so many people," says Mary. "We need to increase awareness of the need for better teaching, focus resources on improving quality and set clear expectations of standards."

## £24 million for new ideas

We're working with regional partners to stimulate new thinking on how best to develop skills in the workforce. Last year we spent almost **£24 million on Adult Skills Pilots in four regions** – where we're working with Jobcentre Plus and the Regional Development Agencies to pioneer innovative new approaches to funding and delivering skills development in key industry sectors.

## £14.9 million for vocational centres

Last year we invested £14.9 million through our Regional Skills Funds to create a series of high-quality vocational centres based on needs identified with Regional Development Agencies.

### Working with regional partners

If we're to work effectively at regional level, we need to be in step with many other partner organisations. In the past year our regional teams have been building **Regional Skills Partnerships** to link together the key organisations involved with skills. These partnerships bring together regional representatives of the LSC, Jobcentre Plus, Sector Skills Development Agency, Regional Development Agencies, Higher Education Funding Council for England and other relevant bodies to integrate action on skills, training, business support and labour market services at regional level.



**Priority 6:  
Improve the skills  
of the workers  
who are delivering  
public services**



### College goes to hospital

Catering and domestic staff at a London hospital are queuing up to enrol on Skills for Life literacy and numeracy courses.

So far more than 70 staff from Whipps Cross University Hospital in Leytonstone have taken the courses, provided by Waltham Forest College in partnership with the LSC and Rentokil Initial Hospital Services.

Planning the training was a challenge, with shift patterns to accommodate and a suitable location to find. To encourage participation, key members of staff were involved in the planning, tutors ran evening and weekend classes and Initial's Training and Recruitment Manager Dawn Cupid led the way by taking the numeracy course herself. Initial also contributed half an hour's salary to each learner.

All the learners have individual learning plans and carry out self-assessments. They're now so keen to learn that many come to classes on their days off.

Andrew Amoh, a domestic assistant, signed up for the literacy unit to improve his English. A Ghanaian, he's been in the UK for just three years. "The course is very interesting and is really helping me to polish up my speaking and writing," he says. "If there's an opportunity to take more courses, I'll volunteer."

Charles Hammond, also a domestic assistant, is currently taking the numeracy course. It's already boosted his confidence, he says: "And the more education you get and the more confident you become, the better you are at your job."

"These learners now have aspirations that they didn't have before, which is a pleasure to see," says Marie Pirie, Business Development Manager at Waltham Forest College. "Many are now planning to take NVQ Levels 2 and 3 in areas such as health and safety or infection control.

"Running the courses in the workplace has made them feel more secure. We wouldn't have attracted so many if they'd had to come to the college."

## 22 employers offer Life Skills at work

This is the first time that Skills for Life courses have been **run in the workplace**, a factor that's been key to their success. We're currently supporting similar programmes, involving more than 250 people at 22 employers. A range of suppliers have been encouraged to deliver the courses and improve the choice and quality of provision in this area.

## £2.7 million for LSC staff training

As a public service employer, we also invest in improving the skills of our own workforce. Last year we spent over £2.7 million on staff training.

### Public sector partnership

To oversee our work on improving public sector skills we've established a high-level employer and partner group. For the first time ever, key public sector employers have come together to work on skills issues. And we've agreed with the Department for Education and Skills a change to funding policy that will allow more public sector employees to benefit from LSC training. Regionally, we have developed partnership arrangements with local authority and NHS organisations to develop the learning and skills they need.

### Seats of learning

Last year we achieved our ambition of providing training for **10,000 people working in schools**.



## The Equality and Diversity Committee

In its first year, the Equality and Diversity Committee has advised the LSC on a range of issues – from representation on local councils and the need for easily accessible data, to evidence on recruitment, participation, progress and achievement of all learners. The Committee has set up task groups to look at key issues such as age, to assess the LSC's awareness of and preparedness for the forthcoming Age Discrimination Legislation in 2006. Another group will monitor the implementation of the recommendations arising from the review of planning and funding of provision for learners with learning difficulties and/or disabilities. A third group is looking at the LSC's Equality and Diversity Impact Measures. Throughout the year the Committee has worked closely with the Adult Learning and Young People's Learning Committees as well as advising the Chair on his work with the Women and Work Commission.

**Shirley Cramer**  
Chair

### Committee Members:

Shirley Cramer (Chair), Chief Executive, Dyslexia Institute

Hilary Wiseman, Head of Diversity, HSBC Bank

David Barker, Business Development Manager, REED in Partnership (North East and Yorkshire)

Jeremy Crook, Director, Black Training and Enterprise Group

Nicola Dandridge, Head of Equality, Thompsons Solicitors

Patrick Grattan, Chief Executive, Third Age Employment Network

Amir Kabal, Chief Executive, East Staffordshire Race Equality Council

Peter Lavender, Director for Research, National Institute of Adult Continuing Education

Alyson Malach, Head of Lifelong Learning, Manchester City Council

Angela Mason, Director, Women and Equality Unit, DTI

Sally McEnhill, Principal, Merton College

Judith Norrington, Director of Curriculum and Quality, Association of Colleges

Yvonne Thomson, Managing Director, ASAP Communications

## The Adult Learning Committee

The Adult Learning Committee champions adult learning and is committed to ensuring that this agenda remains at the forefront of the LSC's work. Recent meetings have focused on the themes of employer engagement, public sector skills needs, reforming the supply side, adult engagement and economic development. The Committee aims to maximise the impact of LSC activities on the economy, competitiveness, productivity and the workforce, and has agreed to focus future efforts on the areas of public services, learning accounts and co-funding amongst others. The Committee will also look at the 2012 Olympics given the new opportunities and demand for skills that hosting the event will bring to this country.

**Frances O'Grady**  
Chair (from September 2004)

### Committee members:

Frances O'Grady (Chair), Deputy General Secretary, Trade Union Council

Alexandra Burslem (Acting Chair May to September 2004), Former Vice-Chancellor, Manchester Metropolitan University

Giles Clarke, Chair and Chief Executive, ATL Telecom

Anthony Chandler, Head of Learning and Organising Services, UNISON

Deborah Fern, Chairman, Fern Training and Development Ltd

Chris Humphries, Director General, City and Guilds

Patrick Passley, Managing Director, Paralegal Charity

Alexander Pratt, Managing Director, Sunalex Ltd

Alan Tuckett, Director, NIACE

John Monks (Chair to May 2004), General Secretary European Trade Union Congress

Judith Armit, Chief Executive, Medway Council

Ann Davison, Executive Director, European Research into Consumer Affairs

Lord David Trefgarne (from June 2004), Chairman of SEMTA

Hugh Try CBE (until October 2004), Chairman Galliford Try PLC

## The Young People's Learning Committee

The Young People's Learning Committee advises the LSC on the proper funding and planning of provision (school sixth forms, sixth form and Further Education colleges, work-based learning and Voluntary Sector Providers) for young people aged 16–19. It is committed to achieving the national targets and so increasing and improving the attainment and participation of all (100 per cent) young people. During the year it looked specifically at planning at a local level; funding, targets and priorities; new relationships with schools; young people not in education, employment or training (NEET); the LSC's transformation programme *agenda for change*; and the Youth Green Paper. Looking forward, the Committee will advise on a range of key issues, including the creation of local Collaborative Partnerships and the Learner Entitlement Framework; employer engagement; the LSC's role in Children's Trusts; Level 2 at 19 target; and funding and its effective deployment.

**Ian Ferguson**  
Chair (from September 2004)

### Committee members:

Ian Ferguson (Chair), Chairman, Data Connection Ltd

Saifuddin Ahmad, Chief Executive, Faith Regen UK

Bob Bischof (from June 2004), Business sector representative

Daniel Carrigan, Former National Secretary, Amicus

Maggie Galliers, Principal, Leicester College

Ian Gartshore, Principal, Ely College, Cambridgeshire

Ruth Harker, Headteacher, Shenley Court Specialist Arts College

Lynne Morris, Principal, Joseph Chamberlain School, Birmingham

Sue Peacock, Former Policy Advisor for SEMTA Engineering Manufacture

# Our Non-Executive members

Bob Reed, Headteacher,  
Anglo European School  
John Rourke, Former Principal,  
St Charles Catholic 6th Form College  
Christopher Banks CBE (Chair to  
September 2004), Chief Executive,  
Big Thoughts Ltd  
Dr Kevin Cornway CBE (until  
September 2004), Chief Executive,  
Alkemygold Ltd  
Ros Clayton (until February 2005),  
Former Director of Education,  
Peterborough City Council

### **The National Council**

The National Council is the top tier of policy and decision-making in the LSC and is responsible for the overall strategy of the organisation. The National Council is supported by the Adult Learning Committee, the Young People's Learning Committee and the Equality and Diversity Committee.

#### **Chairman**

Bryan Sanderson  
(to June 2004)  
Christopher N Banks CBE  
(from June 2004), Chief Executive,  
Big Thoughts Ltd

#### **Chief Executive**

Mark Haysom

#### **Members**

Dame Alexandra Burslem  
Vice-Chancellor,  
Manchester Metropolitan University  
Gareth Cadwallader (from June 2004),  
Chairman, e-skills UK Ltd  
Giles Clarke  
Chairman, ATL Telecom  
Shirley Cramer  
Chief Executive,  
The Dyslexia Institute  
Jane Drabble OBE  
Former Director of Education, BBC  
Imtiaz Farookhi (until April 2004),  
Chief Executive, National House  
Building Council  
Ian Ferguson (from September 2004),  
Chairman, Data Connection Ltd  
Professor Bob Fryer CBE (until January  
2005), Vice-Chancellor, NHS University  
Bryan Gray,  
Chairman,  
North West Development Agency  
Ruth Harker,  
Head Teacher,  
Bournville Sixth Form College  
Claire Ighodaro (from March 2005),  
Former Finance Director, Broadband,  
BT Group plc  
Sir Digby Jones,  
Director General,  
Confederation of British Industry  
Mary Marsh (from March 2005),  
Chief Executive, NSPCC

Councillor John Merry,  
Leader, Salford City Council  
John Monks (until April 2004),  
General Secretary, European Trade  
Union Congress  
Lynne Morris (until January 2005),  
Principal, Joseph Chamberlain College  
Frances O'Grady (from June 2004),  
Deputy General Secretary,  
Trades Union Congress  
Sir George Sweeney (until January  
2005), Principal, Knowsley Community  
College  
John Taylor (from March 2005),  
Principal, The Sheffield College

Special Advisor to National Council:  
Sir George Sweeney, Principal,  
Knowsley Community College

#### **The local councils**

Our 47 local councils have a statutory responsibility to ensure that the education and training needs of learners and employers are met. Our 750 non-executives are a crucial part of the LSC's structure, locally, regionally and nationally. At each level they support and challenge what the LSC does, provide leadership to the LSC and to the sector, and act as ambassadors.

**47 local  
councils**

**750 non-  
executives**

**40% employer  
representation**

Quality improvement is at the centre of our *agenda for change* to transform learning and skills. Our job is to improve people's life chances and employers' productivity. We are now receiving over £9 billion a year of public funds to achieve this, so we need to make sure that it is invested in good quality education and training. We want the whole sector to have a reputation for quality – for world-class teaching in world-class buildings. That is how we will attract the levels of involvement that we are aiming for, among both employers and individuals.

As the figures (opposite) show, many indicators of quality are now improving rapidly. Public impressions tend to lag behind reality, but the number of high-quality education and training providers is growing to the level where they will start to boost the reputation of the whole sector.

#### Strategic commitment

Our commitment to drive up quality is built into the Department for Education and Skills Five-Year Strategy. This also commits us to make the learning and skills sector more responsive to the needs of learners, employers and local communities. The Skills Strategy and 14–19 White Papers published in spring 2005 set out in greater detail what we need to do to make this happen.

Over the past three years, the quality of learning and skills provision has benefited from an extra £1.2 billion of investment under the *Success for All* programme. In the past year we have been working with providers to build on this foundation and sharpen our processes for improving efficiency and effectiveness.

#### Planning for improvement

In 2004/05 we launched our Accelerating Quality Improvement programme to deliver better results for employers, better qualifications for the workforce and better value for money. This sets clear goals for the next three to five years in areas such as learner success rates and inspection results. By 2008 we want all the education and training we fund to be rated as satisfactory or better.

To embed quality improvement into the way the sector works, every college and training provider will take primary responsibility for its own self-assessment and improvement. This work will be coordinated and supported by the LSC, the Inspectorates and the new Quality Improvement Agency, which formally begins operations from its offices in Coventry in April 2006.

With our partners in the sector, we are building a culture of self-improvement where providers learn from one another and work together to improve quality. We are linking our planning and funding process more closely to quality improvement, which is now a key topic in our annual planning and three-year development plan discussions with providers.

We are developing new ways to measure success, to confirm that improvements are delivering the intended benefits for employers and individuals, while reducing bureaucracy. Working in a close partnership with colleges and the inspectorates we have also set up the Provider Quality Gateway, a web portal that enables access to information and data to support quality assessment and improvement.

#### Sustainable development

As we raise the quality and reputation of the sector, we need to make sure that it is seen as sustainable and socially responsible. In December 2004 we published *From here to sustainability*, a consultation document on responsible development. This included proposals for education and training providers to consider sustainable development in the way they manage their buildings, make corporate responsibility issues part of the curriculum, and support sustainable development among local businesses.

# 350,000 more passes

In the two years to 2003/04, success rates in colleges rose from 65 per cent to 72 per cent. This means learners achieved an additional 350,000 qualifications.

# +16% points

In 2003/04, 70 per cent of work-based learning (WBL) provision was rated satisfactory – compared with 54 per cent two years earlier. As a result, WBL success rates rose from 36 per cent to 46 per cent over the same period.

# 348 CoVEs

We have set up over 348 Centres of Vocational Excellence (CoVEs), awarded Learning and Skills Beacon status to 63 colleges and providers, and recognised excellence in the learning and skills workforce through our STAR awards.

## Cutting edge

Consider the LSC's vision of 'world-class teaching in world-class buildings'. A trim and bustling hair salon in Weston-super-Mare might not be the first picture that comes to mind. But Upper Cut is no ordinary hairdresser.

As a training provider, it's won local and national Apprenticeship awards, a Grade 1 rating from the Adult Learning Inspectorate and, in 2003, Learning and Skills Beacon status. Four of its former apprentices now run their own salons, and one has won the British national hairdressing championship.

Upper Cut has been training its own staff since Carol and John Burrows opened it in 1983. Initially they worked with the local college, where Carol taught part time. Then in 1989 they moved to a larger site, with space for teaching, and launched their own Apprenticeship scheme. "There was a shortage of skilled hairdressers," says Carol. "And I'm a great believer in Apprenticeships because I came that route myself. In my view, it's how 90 per cent of the best hairdressers started."

Since then, Upper Cut has trained some 60 apprentices – for its own salon and others. Completion and success rates have consistently been well over double the national average – and often hit 100 per cent.



Carol and John have built a nurturing environment, where training and salon are completely integrated. Everyone helps the apprentices to grow in confidence and skills – including literacy and numeracy. As a result, says Carol, schools frequently ask Upper Cut to take on students who are disengaged, or who might get lost in the crowd at a college: "They know we can make a bit more effort, and with one-to-one attention they'll flourish".

Crucially, LSC West of England has helped Upper Cut to share its expertise with other training providers – both college and work-based. And Carol has compiled two best-practice booklets which the LSC is distributing: "They've given us absolutely amazing support," she says.

### The job we've been given

The Learning and Skills Council for England was created under the Learning and Skills Act 2000 to "modernise and simplify arrangements for planning, funding and delivering education and training for over-16s, except for higher education".

The specific tasks we've been given by the Government are "to raise participation and achievement by young people, increase adults' demand for learning, raise skill levels for national competitiveness, improve the quality of education and training delivery, equalise opportunities through better access to learning, and improve the sector's effectiveness and efficiency".

The following pages outline our job and how we do it. You'll find more details in the financial statements, starting on page 36, and on our website at ([www.lsc.gov.uk](http://www.lsc.gov.uk)).

### Who takes responsibility

#### National Council

The Learning and Skills Council (LSC) is appointed by the Secretary of State for Education and Skills. It has a National Council made up of a Chair and 15 other members. In 2004-05 they were:

#### Chair

Christopher Banks CBE (from June 2004)  
Bryan Sanderson (to June 2004)

#### Members

Dame Alexandra Burslem  
(Deputy Chair)  
Gareth Cadwallader (from June 2004)  
Giles Clarke  
Shirley Cramer  
Jane Drabble OBE  
Ian Ferguson (from September 2004)  
Professor Bob Fryer CBE  
(to end January 2005)  
Bryan Gray  
Ruth Harker  
Claire Ighodaro (from March 2005)  
Sir Digby Jones  
Mary Marsh (from March 2005)  
Councillor John Merry  
John Monks (to end April 2004)  
Lynne Morris (to end January 2005)  
Frances O'Grady (from June 2004)  
Sir George Sweeney (to end January 2005, now Special Advisor to the Council)  
John Taylor (from March 2005)  
Imtiaz Farookhi (to end April 2004)

### Advisory Committees

The National Council is advised by three expert committees: the Young People's Learning Committee, the Adult Learning Committee and, from September 2004, the Equality and Diversity Committee. The roles and members of these committees are shown on pages 20 and 21 and also on page 36 and 37 of the Financial Statements. In addition, there are several subcommittees – the main ones are listed on page 37.



## Management Group

The National Council has delegated the day-to-day executive management of the LSC to the Chief Executive. He is supported by a group of senior managers known as the Management Group. It has the following members: Mark Haysom, Chief Executive  
Philip Lloyd, Director of Finance (to December 2004)

Caroline Neville, Director of Learning  
David Russell, Director of Corporate Services (to December 2004, Director of Resources from January 2005)  
David Way, Director of Skills  
Rob Wye, Director of Strategy and Communications (from January 2004)

The 10 Regional Directors for this financial year were:

Henry Ball (South East)  
Margaret Coleman (Yorkshire and the Humber)  
Mary Conneely (East of England)  
David Cragg (West Midlands)  
Malcolm Gillespie (South West)  
Jacqui Henderson (London)  
David Hughes (East Midlands)  
John Korzeniewski (North West)  
Chris Roberts (North East)  
Verity Bullough (Regional Operations Director, London).

Each Group, Regional and Executive Director is personally responsible for internal control, risk management and governance in his or her area. Each year, these directors have to provide a personal statement of internal control to the Chief Executive, confirming that they have met this responsibility.

## How we take care of our people Development and training

To make sure we have the skills and capability to deliver our very ambitious plans, we are investing in a broad range of development programmes. Given our role in building the nation's skills base, we attach particular importance to developing our own skills.

As well as providing a large selection of courses and workshops at sites across the country, we offer over 300 e-learning courses in association with Ashridge Business School. These allow staff to learn at work or at home and to progress at their own pace, using computer programmes and e-learning. We also offer "blended learning" courses, which combine face-to-face and e-learning techniques.

Improving the quality of leadership is a priority for us. We have extended the Leaders programme, which began in 2002-03, to offer an increased range of modules.

By the end of March 2004, 27 of our local LSCs and five National Office Groups had successfully met the Investors in People Standard. In the following nine months to December 2004 these figures increased to 36 and six respectively. The remaining LSCs and two National Office groups achieved the Standard by April 2005.

## Health and safety

We are fully committed to the health, safety and welfare of all our staff, and the learners that we fund.

In 2004-05 there were 149 accidents involving LSC staff, a significant improvement on the 202 over the previous period. However, in 2004-05, four of the accidents were reportable (more serious), compared with three a year earlier. In percentage terms, 3.5 per cent of staff suffered minor injuries in 2004-05, compared with 4.7 per cent previously; 0.09 per cent suffered reportable injuries compared with 0.07 per cent the year before.

In an effort to make further progress, we have bought an internet-based training package. All staff will undertake this training. We will also initiate a first-aid training programme for the 35 defibrillators that we have bought for use nationally.

We consider learner health and safety in all our major strategies and objectives, and we now have a clear strategy to raise standards. We have improved our system for reporting incidents and sharing lessons from them, particularly for young people in vocational work-based learning. In October we published our first Annual Health and Safety Report outlining our performance in 2004-05 and our plans for 2005-06 and beyond. This is soon to be published on the LSC website.

The National Learner Health and Safety Team continues to work with partners in the sector through the National Learner Safety Partnership Group and the Safety Health and Environment in Further Education Committee. We have developed new procedures to improve liaison with the Health and Safety Executive.

## Equality and diversity

The LSC has a specific responsibility to promote equal opportunities.

As a planning and funding organisation, we aim to match the needs of individuals with the economic need for appropriately skilled and qualified people. As an employer, we also aim to increase the diversity of our own workforce to reflect the diversity of the people and communities we work with. We also make sure that our people have the skills to promote equal opportunities.

Our work in this area is supported, challenged and championed by our expert Equality and Diversity Committee, formed in September 2004. With the help of this committee we launched a new equality and diversity strategy in November 2004.

You'll find a more detailed report on the year's equality and diversity activities on pages 28 to 30. The members of the Equality and Diversity Committee are listed on page 20 and also on page 37 of the Financial Statements.



### How we contribute to sustainability

We believe our sector should contribute to sustainable development through the learning opportunities it delivers, the way it uses resources and the way it works with communities.

In December 2004 we published *From here to sustainability*, a proposed strategy for responsible development. This aimed to build on existing good practice and existing national and regional frameworks. It also drew on contributions from an external advisory group and a series of focus group discussions.

We distributed 8,000 copies of this document to all LSC-funded providers and a wide range of stakeholders interested in sustainable development, as part of a wide-ranging 15-week consultation programme running to the end of March 2005. The scope and thrust of the document were welcomed by the great majority of respondents, who saw it as a good foundation for embedding and integrating sustainable development across the sector. Many also liked the way it made a clear business case for sustainable development.

Informed by these consultations, the document evolved into the strategy that we adopted in September 2005. In line with this strategy we are helping education and training providers to consider sustainable development in the way they manage their buildings, and also to make corporate responsibility issues part of the curriculum. We are also encouraging colleges and providers to promote and support sustainable development among local businesses as part of their responsibility to the wider community.

For the LSC, promoting equality and diversity is not just a matter of principle, or complying with the law. To meet the country's economic need to increase the number of people in employment, we are enabling employers to recruit from a larger and more diverse pool of skilled people. And to meet the country's social needs we are creating a more inclusive post-16 education system that helps people become more employable, reduces dependency on benefits and builds community spirit.

To achieve these goals, we are building equality and diversity into the way we work and making sure that our own workforce reflects the diversity of society. Our Chair takes a personal interest in this work: he is a member of the Government's Women and Work Commission, which reports in 2006, and is working to increase the diversity of local LSC councils.

In 2004 we formed an Equality and Diversity Committee to support, challenge and champion our work in this area. It is now regularly consulted by senior managers. Committee members have formed subgroups on age (particularly older learners), equality and diversity impact measures to identify local gaps and barriers, and learners with learning difficulties and/or disabilities.

With help from the committee, in November 2004 we launched a new Equality and Diversity strategy which will guide our work in this area across the whole education and training sector.

The three main UK commissions for race, gender and disability are all represented on the Equality and Diversity Committee. They see the LSC as an important partner, because of the role Further Education can play in shaping attitudes. Both the Equal Opportunities Commission and the Disabilities Rights Commission are helping us prepare for the new public sector duties to be introduced on gender and disability in 2006-07. A study of our readiness for the age discrimination law due in October 2006 has found examples of good practice in every region.

In March 2005 we welcomed the recommendations of the Equal Opportunities Commission's investigation into workplace segregation and Apprenticeships, which we are currently considering. These included setting targets, gathering relevant data and introducing training for employers and learning providers.

#### Race equality

We take a proactive approach to race relations in our leadership of the sector and as an employer. In July 2005 we launched our second three-year Race Equality Scheme. This reflects extensive consultation – with some 230 people both inside and outside the organisation – and an independent review of the original 2002-05 scheme by consultants Schneider Ross.

The review found much good practice across the LSC. But it also noted variation in local implementation, and a growing mismatch between the national scheme and the action plans and priorities in operation at both national and local level. However, almost two-thirds of local offices felt the scheme had brought benefits. We have updated our own staff recruitment and retention practices, and all senior managers have received equality and diversity training.

Following a Commission for Black Staff in Further Education report that black staff are under-represented in the sector, we and our key partners have worked to develop a Race Equality in Employment Standard. This sets out clear performance measures, tested and refined by 10 local LSCs and a range of education and training providers between January and July 2005. Their feedback has ensured that the standard is practical, relevant and appropriate before its launch in November 2005.

#### Learner engagement

Our Learner Engagement Programme is finding ways to motivate more young people to remain in learning.

Research we commissioned in 2003 found that the problem was often not lack of ambition. Many young people simply felt that formal learning was irrelevant to their future success – or even got in the way. Armed with these insights, we asked disengaged young people to help us rethink the types of learning on offer. By making them our partners in innovation, we were able to develop more attractive, learner-centred solutions. The results have been so effective that in the past year we have trained staff and partners in all nine regions to work in this way.

#### Learners with learning difficulties and/or disabilities

In March 2004 Peter Little OBE began a strategic review of education and training for over-16s with learning difficulties and/or disabilities. In its January 2005 interim report the review team highlighted some emerging issues, including the need for a common funding approach and stronger financial and working relationships with key partners. The team will examine these issues in more detail in stage two of its review.

## How we manage equality and diversity

### Internal

#### Delivery

As an employer, we make sure that our policies and practices reflect our commitment to diversity and meet legal requirements.

#### Development

All LSC staff have access to appropriate training and development so that they can embed equality and diversity into the way they do their jobs.

### External

#### Development

Our approach to education and training delivery with partners, providers and stakeholders reflects our duty and commitment to promote equality of opportunity.

#### Delivery

As England's lead organisation in over-16 education and training, we are providing ever stronger leadership in this area, encouraging partners' and stakeholders' development.

### Our equality and diversity priorities

Our Equality and Diversity strategy, launched in November 2004, focuses on six priority areas: leadership, reaching out to learners who are disengaged, supporting compliance, inclusive/personalised learning, working with employers and measuring outcomes.

### Making the LSC more representative

Within the LSC we are working to recruit and retain a workforce that is representative of the communities we serve. We are currently working towards the following targets, set in September 2002 for achievement by 2010.

- Increase the proportion of women in senior roles to 51 per cent  
*June 2005: 47.71 per cent*
- Double the proportion of black minority ethnic (BME) staff in senior roles  
*June 2005: 15.61 per cent*
- Increase BME share of jobs to 9.1 per cent  
*June 2005: 7.12 per cent*
- Double the proportion of staff with disabilities or limiting illnesses from 3.37 per cent  
*June 2005: 3.5 per cent.*

During the year, to identify areas for further development, we benchmarked the LSC against three standards: Race for Opportunity (race), Opportunity Now (gender) and Employers' Forum on Disability.

### Targeting the over-50s

Demographic trends indicate a growing need for skilled over-50s in the workforce. In 2003/04, a quarter of our learners (1.23 million) were 50+. Two-thirds of these were female and only 5.4 per cent were from minority ethnic groups, compared with 17 per cent among younger learners. We are currently working to target older learners more effectively.

### Skills for smaller firms

Our Employer Training Pilots are designed to help smaller firms to give their workers skills training. Experience to date suggests that this is proving particularly beneficial to workers from ethnic minorities. In most of the pilot areas, the take-up by minority ethnic employees is greater than would be expected from their representation in local populations. For example, the proportion of minority ethnic learners is at least 10 percentage points higher than their share of the local population in Berkshire and London East and at least five points higher in Leicester, Birmingham and Solihull, the Black Country, Essex and Wiltshire. Over all 20 pilot areas, the proportion of minority ethnic learners rose from 11 per cent to 12 per cent between August 2004 and April 2005.



# £1.1 billion on equality and diversity

Our spending on programmes related to equality and diversity totalled over £1.1 billion last year. This included:

## £141 million

...on the Learner Support Fund. This provides a safety net for the most disadvantaged and socially excluded students, helping them to complete a course if they get into financial hardship.

## £125 million

...on support for learners with learning difficulties and/or disabilities.

## £45 million

...on improving disability access.

## £20 million

...on neighbourhood learning programmes in deprived communities.

### Object lesson in caring

It's not just education. Or social care. Or therapy. It's all those things. This unique new unit at Rawlins Community College, Leicestershire, provides opportunities for learners whose learning difficulties and/or disabilities are combined with complex health problems such as cerebral palsy. It's making a radical difference for them and their families. Yet it's also cost effective.

In the past, after leaving special schools at 19, these students would have gone into costly residential colleges – or day centres offering only part-time education. "But if they're part of a close, loving family, why send them away?" asks Learning Support Manager Liz Coates, from Leicestershire Adult Learning Service.

"The demand for this came from parents," she says. "Rawlins is very inclusive and already had a successful post-16 special needs and transition unit. They wanted something similar that could give their children the chance of a fuller life in the community."

The unit needs specialist equipment and workers – for example, one student has to be fed by tube. "Our service is not contracted to fund social care," says Liz, "so we appointed a coordinator with skills in social care, therapy and teaching, with learning support workers trained in specialised care."



Setting-up the unit, and funding it, required a unique partnership involving the local Adult Learning Service and Social Services, Connexions and the LSC. Importantly, the LSC had a representative on Leicestershire Learning Disability Partnership Board who really understood what was needed, says Liz: "Valuing people is what drove this change, and these networks are so important in making change happen."

Contact with other learners in the college and with the local community helps students with their communication skills. College students and community volunteers also help with inclusion. It's an approach that clearly works well: the challenge is to forge the partnerships that make it possible.

Public Service Agreements (PSAs) incorporate ambitious goals for key service improvements across the whole of government. They represent an agreement between the Government and the public, reflecting the key priorities across all areas of the public services. The LSC leads on the achievement of a set of targets for the delivery of post-16 education and training that support the PSAs. The following section details our performance towards these targets broken down by local LSC. We set internal targets at regional level to reflect our performance management structure.

#### Level 2 at 19

These figures show the number and percentage of 19 year olds in each local LSC area reaching Level 2 in 2004. They are based on matched data from the LSC, Department for Education and Skills and awarding bodies.

#### Improving the skills of the workforce

The adult Level 2 PSA target aims to cut by 40 per cent the number of individuals in the workforce lacking at least Level 2 qualifications by 2010. It seeks to give priority to low skilled people, giving them the chance to gain nationally recognised qualifications as a basis for sustainable employment and further skills development.

We are making a substantial contribution to meeting this target – since 2001 we have increased the amount of Level 2 provision that we fund by 65 per cent, and success rates in Further Education have risen from 41 per cent to 56 per cent.

After successful trials in 2004/05 we are offering to help all adults gain a first full Level 2 qualification free of charge from 2005/06. Full Level 2/3 learning opportunities for adults are a key element in our planning with colleges and other providers for 2005/06, and will become increasingly important with the rollout of the National Employer Training Programme in 2006/07. In particular, we need to attract adults who do not yet hold any qualifications at Level 2 or above.

#### Learners reaching Level 2 by age 19 in 2004

Local LSC	Number of learners who have reached Level 2 by age 19 in 2004	% of population who have reached Level 2 by age 19 in 2004
<b>Bedfordshire and Luton</b>	4,872	65
<b>Cambridgeshire</b>	5,928	69
<b>Essex</b>	12,739	67
<b>Hertfordshire</b>	10,210	74
<b>Norfolk</b>	6,021	66
<b>Suffolk</b>	5,669	70
<b>East of England</b>	<b>45,439</b>	<b>69</b>
<b>Derbyshire</b>	7,212	62
<b>Leicestershire</b>	7,397	66
<b>Lincolnshire and Rutland</b>	5,778	67
<b>Northamptonshire</b>	5,183	64
<b>Nottinghamshire</b>	7,262	58
<b>East Midlands</b>	<b>32,832</b>	<b>63</b>
<b>London Central</b>	7,791	62
<b>London East</b>	13,833	58
<b>London North</b>	8,213	66
<b>London South</b>	11,603	75
<b>London West</b>	10,733	68
<b>London</b>	<b>52,173</b>	<b>65</b>
<b>County Durham</b>	3,826	61
<b>Northumberland</b>	2,589	65
<b>Tees Valley</b>	6,734	72
<b>Tyne and Wear</b>	8,735	61
<b>North East</b>	<b>21,884</b>	<b>64</b>
<b>Cheshire and Warrington</b>	8,117	71
<b>Cumbria</b>	4,406	69
<b>Greater Manchester</b>	21,706	63
<b>Greater Merseyside</b>	12,538	60
<b>Lancashire</b>	11,900	64
<b>North West</b>	<b>58,667</b>	<b>64</b>
<b>Berkshire</b>	7,588	74
<b>Hampshire and the Isle of Wight</b>	16,003	75
<b>Kent and Medway</b>	13,613	67
<b>Milton Keynes, Oxfordshire and Buckinghamshire</b>	11,270	71
<b>Surrey</b>	9,770	76
<b>Sussex</b>	11,625	69
<b>South East</b>	<b>69,869</b>	<b>72</b>
<b>Bournemouth, Dorset and Poole</b>	6,071	72
<b>Devon and Cornwall</b>	12,880	69
<b>Gloucestershire</b>	5,132	72
<b>Somerset</b>	4,553	72
<b>West of England</b>	7,891	67
<b>Wiltshire and Swindon</b>	5,403	73
<b>South West</b>	<b>41,930</b>	<b>70</b>
<b>Birmingham and Solihull</b>	10,295	63
<b>The Black Country</b>	8,237	59
<b>Coventry and Warwickshire</b>	6,948	68
<b>Herefordshire and Worcestershire</b>	6,129	69
<b>Shropshire</b>	3,923	68
<b>Staffordshire</b>	9,099	64
<b>West Midlands</b>	<b>44,631</b>	<b>64</b>
<b>Humberside</b>	7,587	65
<b>North Yorkshire</b>	7,644	82
<b>South Yorkshire</b>	9,044	58
<b>West Yorkshire</b>	16,124	60
<b>Yorkshire and the Humber</b>	<b>40,399</b>	<b>63</b>
<b>Unknown</b>	<b>2,782</b>	
<b>National</b>	<b>410,606</b>	<b>67</b>

## Further Education success rates 2003/04

These figures show the success rates for Further Education qualifications in 2003/04. Figures are shown separately for short and long qualifications, where short refers to qualifications delivered in 24 weeks or less.

### % change to Further Education success rates 2001/02 to 2003/04, all ages, by LSC region

East of England	7.7%
East Midlands	9.1%
Greater London	5.9%
North East	7.1%
North West	7.1%
South East	5.4%
South West	6%
West Midlands	5.9%
Yorkshire and the Humber	5.4%

### Words and Wheels

An innovative 'Words and Wheels' course has put Andrena Kelly on the road to a new career after a six-year break to be a full-time mother. The course is provided by a partnership between her local community association and Gateshead College. Words and Wheels helps learners to develop their literacy and numeracy skills as well as IT skills leading to qualifications such as the European Computer Driving Licence. At the same time, they can have 30 car driving lessons and coaching for their driving theory test. The 10-month course encouraged Andrena to take an HND business course, and she's now been offered a place to study business at university.

## Further Education success rates 2003/04

Local LSC	Further Education 2003/04	
	Short	Long
<b>Local LSC</b>		
Bedfordshire and Luton	79%	58%
Cambridgeshire	83%	64%
Essex	77%	66%
Hertfordshire	75%	62%
Norfolk	84%	61%
Suffolk	86%	53%
<b>East of England</b>	<b>80%</b>	<b>62%</b>
Derbyshire	82%	57%
Leicestershire	84%	66%
Lincolnshire and Rutland	87%	57%
Northamptonshire	81%	58%
Nottinghamshire	83%	57%
<b>East Midlands</b>	<b>83%</b>	<b>59%</b>
London Central	78%	60%
London East	73%	58%
London North	77%	60%
London South	73%	58%
London West	68%	62%
<b>London</b>	<b>74%</b>	<b>60%</b>
County Durham	86%	60%
Northumberland	79%	56%
Tees Valley	81%	62%
Tyne and Wear	80%	58%
<b>North East</b>	<b>82%</b>	<b>59%</b>
Cheshire and Warrington	86%	65%
Cumbria	81%	63%
Greater Manchester	82%	66%
Greater Merseyside	84%	62%
Lancashire	82%	65%
<b>North West</b>	<b>83%</b>	<b>65%</b>
Berkshire	85%	57%
Hampshire and the Isle of Wight	85%	69%
Kent and Medway	80%	58%
Milton Keynes, Oxfordshire and Buckinghamshire	80%	57%
Surrey	75%	66%
Sussex	83%	64%
<b>South East</b>	<b>82%</b>	<b>64%</b>
Bournemouth, Dorset and Poole	76%	59%
Devon and Cornwall	87%	59%
Gloucestershire	86%	58%
Somerset	82%	63%
West of England	83%	62%
Wiltshire and Swindon	84%	51%
<b>South West</b>	<b>84%</b>	<b>59%</b>
Birmingham and Solihull	78%	56%
The Black Country	81%	57%
Coventry and Warwickshire	86%	60%
Herefordshire and Worcestershire	89%	67%
Shropshire	88%	65%
Staffordshire	82%	56%
<b>West Midlands</b>	<b>83%</b>	<b>59%</b>
Humberside	83%	64%
North Yorkshire	80%	59%
South Yorkshire	81%	60%
West Yorkshire	78%	65%
<b>Yorkshire and the Humber</b>	<b>80%</b>	<b>63%</b>
<b>National Employer Service (NES)</b>	<b>n/a</b>	<b>60%</b>
<b>National</b>	<b>81%</b>	<b>61%</b>

# Local Office performance

## Work-based learning Apprenticeship success rates 2003/04

These figures show the success rates of learners in work-based learning in 2003/04. Two figures are shown – the proportion of leavers who achieve the full Apprenticeship framework, and the proportion who achieve either the full framework or just the NVQ element.

### % change to work-based learning combined success rates 2001/02 to 2003/04, by LSC region

East of England	11%
East Midlands	10%
Greater London	8%
North East	7%
North West	9%
South East	7%
South West	8%
West Midlands	9%
Yorkshire and the Humber	11%
National Employer Service (NES)	8%
National	9%

## Work-based learning success rates 2003/04

	Apprenticeship framework	Apprenticeship framework and/or NVQ
<b>Local LSC</b>		
Bedfordshire and Luton	31%	41%
Cambridgeshire	34%	49%
Essex	30%	41%
Hertfordshire	24%	41%
Norfolk	30%	40%
Suffolk	37%	50%
<b>East of England</b>		
	31%	44%
Derbyshire	39%	49%
Leicestershire	28%	44%
Lincolnshire and Rutland	32%	44%
Northamptonshire	37%	49%
Nottinghamshire	25%	37%
<b>East Midlands</b>		
	32%	44%
London Central	23%	37%
London East	24%	39%
London North	27%	41%
London South	24%	36%
London West	20%	35%
<b>London</b>		
	23%	38%
County Durham	32%	43%
Northumberland	26%	40%
Tees Valley	31%	46%
Tyne and Wear	30%	45%
<b>North East</b>		
	30%	45%
Cheshire and Warrington	31%	42%
Cumbria	37%	49%
Greater Manchester	27%	41%
Greater Merseyside	27%	39%
Lancashire	38%	49%
<b>North West</b>		
	30%	42%
Berkshire	34%	46%
Hampshire and the Isle of Wight	33%	50%
Kent and Medway	26%	43%
Milton Keynes, Oxfordshire and Buckinghamshire	26%	41%
Surrey	21%	36%
Sussex	21%	37%
<b>South East</b>		
	28%	43%
Bournemouth, Dorset and Poole	43%	53%
Devon and Cornwall	35%	48%
Gloucestershire	38%	49%
Somerset	33%	44%
West of England	33%	42%
Wiltshire and Swindon	40%	53%
<b>South West</b>		
	37%	48%
Birmingham and Solihull	32%	42%
The Black Country	32%	43%
Coventry and Warwickshire	31%	47%
Herefordshire and Worcestershire	40%	51%
Shropshire	36%	48%
Staffordshire	34%	45%
<b>West Midlands</b>		
	34%	45%
Humberside	33%	44%
North Yorkshire	41%	60%
South Yorkshire	30%	43%
West Yorkshire	28%	42%
<b>Yorkshire and the Humber</b>		
	32%	46%
<b>National Employer Service (NES)</b>		
	30%	43%
<b>National</b>		
	31%	44%

## 16–21 Apprenticeship starts

These figures show the number of learners aged 16–21 who started their first Apprenticeship in 2004/05. They also show the target number of starts agreed with each region and for the National Employer Service for that year.

### Healthy partnership

The health sector employs 11,000 people in Northumberland, accounting for 11 per cent of all jobs. So the partnership between the local LSCs and the Strategic Health Authority (SHA) is an important one. Northumberland and Tyne and Wear LSCs have a joint Apprenticeships contract with the SHA. Ten apprentices are currently following care programmes with Northumbria Healthcare NHS Hospital Trust and ten more are starting on programmes in pharmacy, catering and business administration. Thirty Young Apprentices started in September 2004 and 30 more started in 2005. The first group are working towards the GCSE double award, and some of the new group will work towards the BTEC First Diploma in Health and Social Care.

## Public Service Agreement, Provisional 16–21 Apprenticeship starts

	Actual starts 2004/05	Target starts 2004/05
<b>Local LSC</b>		
Bedfordshire and Luton	1,194	
Cambridgeshire	2,400	
Essex	3,479	
Hertfordshire	2,373	
Norfolk	2,698	
Suffolk	2,748	
<b>East of England</b>	<b>14,892</b>	<b>14,609</b>
Derbyshire	3,329	
Leicestershire	2,019	
Lincolnshire and Rutland	1,612	
Northamptonshire	2,176	
Nottinghamshire	3,196	
<b>East Midlands</b>	<b>12,332</b>	<b>13,934</b>
London Central	2,347	
London East	2,803	
London North	1,067	
London South	2,803	
London West	1,821	
<b>London</b>	<b>10,841</b>	<b>10,065</b>
County Durham	1,920	
Northumberland	1,254	
Tees Valley	3,997	
Tyne and Wear	5,268	
<b>North East</b>	<b>12,439</b>	<b>11,018</b>
Cheshire and Warrington	3,470	
Cumbria	1,830	
Greater Manchester	10,166	
Greater Merseyside	6,832	
Lancashire	5,938	
<b>North West</b>	<b>28,236</b>	<b>26,982</b>
Berkshire	2,807	
Hampshire and Isle of Wight	4,445	
Kent and Medway	3,426	
Milton Keynes, Oxfordshire and Buckinghamshire	2,785	
Surrey	2,277	
Sussex	3,855	
<b>South East</b>	<b>19,595</b>	<b>19,099</b>
Bournemouth, Dorset and Poole	2,001	
Devon and Cornwall	5,392	
Gloucestershire	941	
Somerset	1,336	
West of England	2,661	
Wiltshire and Swindon	1,553	
<b>South West</b>	<b>13,884</b>	<b>16,153</b>
Birmingham and Solihull	3,333	
The Black Country	4,121	
Coventry and Warwickshire	2,210	
Herefordshire and Worcestershire	2,003	
Shropshire	1,084	
Staffordshire	3,400	
<b>West Midlands</b>	<b>16,151</b>	<b>17,113</b>
Humberside	3,055	
North Yorkshire	2,180	
South Yorkshire	4,827	
West Yorkshire	5,806	
<b>Yorkshire and the Humber</b>	<b>15,868</b>	<b>15,999</b>
<b>National Employer Service (NES)</b>	<b>31,750</b>	<b>30,860</b>
<b>National total</b>	<b>175,988</b>	<b>175,832</b>

# Local Office performance



## Skills for Life qualifications

These figures show the cumulative number of learners who achieved Skills for Life target qualifications between April 2001 and July 2004. They also show the target agreed with each region for the number of qualifications to be achieved over that period.

## Skills for a new life

When LG Phillips announced the closing of its Durham plant, the local LSC moved quickly to help the 700 employees facing redundancy. It was able to channel £700,000 from the European Social Fund into helping them find new jobs, backed by training to increase their skills or gain new ones. The project included a mobile training unit offering Skills for Life and IT training. In partnership with the county council, Jobcentre Plus and other local bodies, the LSC has helped over 500 people with more than 1,100 individual training requests. So far, about half have found new jobs – of whom two-thirds say their training was a vital success factor.

## Skills for Life, performance against target

	Cumulative number of learners gaining target qualifications 2001 to 2004	Target to 2004
<b>Local LSC</b>		
Bedfordshire and Luton	9,510	
Cambridgeshire	8,798	
Essex	17,648	
Hertfordshire	10,155	
Norfolk	10,074	
Suffolk	7,460	
<b>East of England</b>	<b>63,645</b>	<b>79,790</b>
Derbyshire	11,291	
Leicestershire	12,968	
Lincolnshire and Rutland	7,633	
Northamptonshire	6,272	
Nottinghamshire	12,232	
<b>East Midlands</b>	<b>50,396</b>	<b>62,621</b>
London Central	38,712	
London East	35,858	
London North	20,972	
London South	26,140	
London West	34,474	
<b>London</b>	<b>156,156</b>	<b>124,826</b>
County Durham	6,086	
Northumberland	3,522	
Tees Valley	14,485	
Tyne and Wear	19,896	
<b>North East</b>	<b>43,989</b>	<b>38,194</b>
Cheshire and Warrington	10,857	
Cumbria	5,959	
Greater Manchester	49,806	
Greater Merseyside	24,447	
Lancashire	23,319	
<b>North West</b>	<b>114,388</b>	<b>106,130</b>
Berkshire	9,409	
Hampshire and the Isle of Wight	31,059	
Kent and Medway	17,114	
Milton Keynes, Oxfordshire and Buckinghamshire	13,330	
Surrey	9,099	
Sussex	18,133	
<b>South East</b>	<b>98,144</b>	<b>112,755</b>
Bournemouth, Dorset and Poole	7,694	
Devon and Cornwall	14,482	
Gloucestershire	5,081	
Somerset	6,069	
West of England	11,689	
Wiltshire and Swindon	9,889	
<b>South West</b>	<b>54,904</b>	<b>75,255</b>
Birmingham and Solihull	25,399	
The Black Country	17,362	
Coventry and Warwickshire	11,287	
Herefordshire and Worcestershire	8,091	
Shropshire	6,692	
Staffordshire	15,055	
<b>West Midlands</b>	<b>83,886</b>	<b>85,285</b>
Humberside	16,917	
North Yorkshire	8,634	
South Yorkshire	17,875	
West Yorkshire	34,009	
<b>Yorkshire and the Humber</b>	<b>77,435</b>	<b>78,450</b>
<b>National Employer Service (NES)</b>	<b>4,044</b>	<b>0</b>
<b>Other LSC contribution</b>	<b>15,257</b>	<b>0</b>
<b>Other non-LSC funded contribution</b>	<b>99,435</b>	<b>0</b>
<b>National total</b>	<b>861,679</b>	<b>763,306</b>

## Background

1 The Learning and Skills Council for England (LSC) is a Non-Departmental Public Body (NDPB) which was created under the Learning and Skills Act 2000 (the Act), to modernise and simplify arrangements for the planning, funding and delivery of post-16 education and training.

2 On 1 April 2001 the LSC took over functions previously performed by the Further Education Funding Council (FEFC) and the Training and Enterprise Councils (TECs). On 1 April 2002 the LSC also assumed responsibility for sixth form education.

## Role and responsibilities

3 Under the Act the LSC must secure the provision of proper facilities for young people above compulsory school age (16–19 years old) and reasonable facilities for people above the age of 19 in the following areas:

- education (other than Higher Education)
- training
- organised leisure-time occupation connected with such education
- organised leisure-time occupation connected with such training.

4 The LSC's mission is to raise participation and attainment through high-quality education and training, which puts learners first. The vision is that by 2010 young people and adults in England have the knowledge and productive skills matching the best in the world and will be part of a truly competitive workforce.

## Organisation

5 The governing body of the LSC is the National Council which consists of a Chair and 15 members. The Secretary of State appoints its members.

6 The members who served during the period 1 April 2004 to 31 March 2005 were as follows:

### Chairman

Bryan Sanderson  
(to June 2004)

Christopher N Banks CBE, (from June 2004),  
Chief Executive, Big Thoughts Ltd

### Chief Executive

Mark Haysom

## Members

Dame Alexandra Burslem,  
Vice-Chancellor,  
Manchester Metropolitan University

Gareth Cadwallader (from June 2004),  
Chairman, e-skills UK Ltd

Giles Clarke,  
Chairman, ATL Telecom

Shirley Cramer,  
Chief Executive,  
The Dyslexia Institute

Jane Drabble OBE,  
Former Director of Education, BBC

Imtiaz Farookhi (until April 2004),  
Chief Executive, National House Building  
Council

Ian Ferguson (from September 2004),  
Chairman, Data Connection Ltd

Professor Bob Fryer CBE (until January 2005),  
Vice-Chancellor, NHS University

Bryan Gray,  
Chairman,  
North West Development Agency

Ruth Harker,  
Head Teacher,  
Bournville Sixth Form College

Claire Ighodaro (from March 2005),  
Former Finance Director, Broadband,  
BT Group plc

Sir Digby Jones,  
Director General,  
Confederation of British Industry

Mary Marsh (from March 2005),  
Chief Executive, NSPCC

Councillor John Merry,  
Leader, Salford City Council

John Monks (until April 2004),  
General Secretary,  
European Trade Union Congress

Lynne Morris (until January 2005),  
Principal, Joseph Chamberlain College

Frances O'Grady (from June 2004),  
Deputy General Secretary,  
Trades Union Congress

Sir George Sweeney (until January 2005),  
Principal, Knowsley Community College

John Taylor (from March 2005),  
Principal, The Sheffield College

Special Advisor to National Council:  
Sir George Sweeney, Principal,  
Knowsley Community College

7 Eight of the members who served continuously or for part of the year are connected with institutions which receive allocations from the LSC. These are Dame Alexandra Burslem, Gareth Cadwallader, Ruth Harker, Mary Marsh, Lynne Morris, Francis O'Grady, Sir George Sweeney and John Taylor. Further information on related party transactions is provided in note 26 to the financial statements.

8 The National Council has a code of conduct for Council members. The code regulates the conduct of members where there is an actual, potential or perceivable conflict of interest and includes a public register of members' interests. The register of members' interests is available for inspection at the LSC's National Office by appointment (contact the National Council Secretary on 0845 019 4170).

9 The National Council is advised by three expert committees:

Name	Number of meetings
Adult Learning Committee	6
Equality and Diversity Committee (from September 2004)	4
Young People's Learning Committee	6

## Adult Learning Committee

This committee advises on reaching our targets in education and training for adults and organisations (including Investors in People). This includes advice on getting more adults involved, raising achievement, improving basic skills, and relations with our main partners such as national and regional agencies, sector organisations, and economic and business organisations. The committee's membership is as follows:

Frances O'Grady (Chair from September 2004),  
Deputy General Secretary, Trade Union Congress

Alexandra Burslem (Acting Chair May to  
September 2004) Former Vice-Chancellor,  
Manchester Metropolitan University.

Giles Clarke, Chair and Chief Executive,  
ATL Telecom

Anthony Chandler, Head of Learning  
and Organising Services, UNISON

Deborah Fern, Chairman, Fern Training  
and Development Ltd

Chris Humphries, Director General,  
City and Guilds

Patrick Passley, Managing Director,  
Paralegal Charity

Alexander Pratt, Managing Director, Sunalex Ltd  
Alan Tuckett, Director, NIACE

John Monks (Chair to May 2004), General  
Secretary European Trade Union Congress

Judith Armit, Chief Executive, Medway Council

Ann Davison, Executive Director, European  
Research into Consumer Affairs

Lord David Trefgarne (from June 2004),  
Chairman of SEMTA

Hugh Try CBE (until October 2004),  
Chairman Galliford Try PLC

## Equality and Diversity Committee (from September 2004)

This is the main forum for national stakeholders in the voluntary and private sectors to influence our equality and diversity policies. Its wide-ranging membership brings a broad range of expertise to our work in this area. The committee's membership is as follows:

Shirley Cramer, Chief Executive, Dyslexia Institute  
 Hilary Wiseman, Head of Diversity, HSBC Bank  
 David Barker, Business Development Manager, REED in Partnership (North East and Yorkshire)  
 Jeremy Crook, Director, Black Training and Enterprise Group  
 Nicola Dandridge, Head of Equality, Thompsons Solicitors  
 Patrick Grattan, Chief Executive, Third Age Employment Network  
 Amir Kabal, Chief Executive, East Staffordshire Race Equality Council  
 Peter Lavender, Director for Research, National Institute of Adult Continuing Education  
 Alyson Malach, Head of Lifelong Learning, Manchester City Council  
 Angela Mason, Director, Women and Equality Unit, DTI  
 Sally McEnhill, Principal, Merton College  
 Judith Norrington, Director of Curriculum and Quality, Association of Colleges  
 Yvonne Thomson, Managing Director, ASAP Communications  
 The Equality and Diversity report appears on pages 28-30.

## Young People's Learning Committee

This committee advises on reaching our targets for people aged between 16 and 21 – including strategies for getting more people involved in education and training and improving their achievements. The committee works closely with the Connexions (information) service, schools, colleges and local authorities. The committee's membership is as follows:

Ian Ferguson (Chair from September 2004), Chairman, Data Connection Ltd  
 Saifuddin Ahmad, Chief Executive, Faith Regen UK  
 Bob Bischof (from June 2004), Business sector representative  
 Daniel Carrigan, Former National Secretary, Amicus  
 Maggie Galliers, Principal, Leicester College  
 Ian Gartshore, Principal, Ely College, Cambridgeshire  
 Ruth Harker, Headteacher, Shenley Court Specialist Arts College  
 Lynne Morris, Principal, Joseph Chamberlain School, Birmingham  
 Sue Peacock, Former Policy Advisor for SEMTA  
 Bob Reed, Headteacher, Anglo European School  
 John Rourke, Former Principal, St Charles Catholic 6th Form College  
 Christopher Banks CBE (Chair to September 2004), Chief Executive, Big Thoughts Ltd  
 Dr Kevin Cornway CBE (until September 2004), Chief Executive, Alkemygold Ltd  
 Ros Clayton (until February 2005), Former Director of Education, Peterborough City Council

10 To help with the smooth running of its business the National Council has also set up the following main subcommittees:

Name	Number of meetings
Appointments	11
Audit	5
Capital	10
Network Liaison	3
Remuneration	3
Post-16 Reorganisations	1
Urgent Approvals	1

11 The LSC's organisation structure during the financial year 2004-05 was based upon 47 local Learning and Skills Councils (local LSCs) and the National Office. The Chief Executive leads the Management Group which consists of nine Regional directors and four national directors. Each local LSC is headed by an executive director, who reports to the relevant Regional Director, and a non-executive local council consisting of a Chair (appointed by the Secretary of State), 14 members and the executive director.

12 On 16 September the Chief Executive announced a proposed restructuring of the LSC which is covered in para 27 below.

## Financial results for 2004-05

13 These accounts have been prepared under an accounts direction issued by the Department for Education and Skills (DfES) on 3 July 2002 in accordance with Schedule 1 of the Act and the financial memorandum between the then Department for Education and Employment (DfEE) and the LSC dated 10 April 2001.

14 The accounts cover the period from 1 April 2004 to 31 March 2005 and were prepared on a going concern basis. There were no significant changes in accounting policies during the year.

15 The majority of the LSC's income is comprised of Grant-in-aid. In 2004-05 this amounted to £8,941.9 million (2003-04 £8,588.4 million). The largest source of other income was £243.7 million (2003-04 £224.2 million) received from the European Social Fund (ESF).

16 In 2004-05 the LSC's programme expenditure increased by 5 per cent to £9.0 billion. The change in priorities which was announced in the autumn of 2004 resulted in expenditure on Young People increasing by 6 per cent. Expenditure on Adults rose by under 4 per cent but funding for Apprentices in both age groups rose significantly. There were also increases in expenditure on Employer Training Pilots (+170 per cent) and capital expenditure on college buildings and infrastructure projects (+24 per cent). In contrast expenditure for local Initiatives decreased by 16 per cent as funding was redirected towards the LSC's priorities.

17 Research and Development expenditure during the year amounted to £4.1 million (2003-04 £2.6 million).

18 The Treasury requires NDPBs to disclose the full costs of their activities in their accounts. The LSC has therefore included a charge of £2.0 million (2003-04 £4.4 million) for the cost of capital in its accounts. This is based on a rate of 3.5 per cent (2003-04 3.5 per cent). See also Cost of Capital – note 11 to the financial statements.

19 The results for 2004-05 show a surplus of £5.0 million (2003-04 £47.5 million). Total reserves increased by £4 million to £219.9 million.

#### Assets

20 Capital expenditure in the year (mainly on computer systems) totalled £15.1 million (2003-04 £15.9 million). The Net Book Value of fixed assets at 31 March 2005 decreased slightly from £45.2 million to £44.2 million due to depreciation and an additional charge of £3.0 million for impairment of old computer equipment.

21 At 31 March 2005 the LSC had debtors of £352.2 million (31 March 2004 £412.5 million). The decrease reflects a lower level of FE college clawbacks and a continuing reduction in the amounts owed by work-based learning (WBL) providers due to the quarterly reconciliation process.

22 At 31 March 2005 the LSC held cash balances of £207.0 million (31 March 2004 £111.6 million) including funds drawn from the ESF as well as Grant-in-aid. The DfES authorises a working balance of 1 per cent of the annual resource budget throughout each financial year. At 31 March 2005 the balance of DfES funds amounted to £79.2 million or 0.9 per cent (31 March 2004 0.6 per cent).

#### Liabilities

23 At 31 March 2005 the LSC had creditors of £381.9 million (31 March 2004 £345.8 million). The rise in creditors reflects the increase in the LSC's budget.

#### Future developments

24 The LSC published its *agenda for change* prospectus on 5 August 2005, setting out our proposals for taking forward this dynamic programme of reform that will begin to transform the way the sector operates. Based around six themes of skills, quality, funding, data, business excellence and reputation, the proposals are the culmination of more than a year's consultation with the sector which began with a series of regional roadshows with college principals in the summer of 2004, and involved over 100 senior members of staff from colleges working with the LSC to develop solutions to problems that were standing in the way of rapid change and significant improvement.

25 In our work so far we have focused largely on working with FE college principals. But we do believe that the issues and approaches have wider application across the whole post-16 sector, and in some cases have begun to explore this. A common strategy across the whole post-16 sector must make sense in terms of ensuring we are working most effectively with all our partners, to the benefit of young people, adults, employers and communities, and the economy at large.

#### Post Balance Sheet events

26 On 1 April 2005 the responsibility for a number of Learner Support programmes was transferred from the DfES to the LSC. The planned expenditure for these programmes during the financial year ending 31 March 2006 is approximately £600 million.

27 On 16 September 2005 the Chief Executive announced a restructuring of the organisation as part of the LSC's *agenda for change*. Current modelling suggests that the total number of posts will be reduced from 4,700 to 3,400 and that annual savings will be in the region of £40 million.

#### Quality and good practice

28 The Quality Report appears on pages 22-23.

#### Consultation with employees

29 In February 2005 our second employee perception survey, Learning from You 2005, was conducted as a further method of ascertaining staff views and attitudes. All employees were invited to share their views on a wide range of subjects relating to their work and the LSC as a whole by completing an online questionnaire. 78 per cent of employees completed the survey compared with 75 per cent for the first survey in 2003 and subsequently all staff were briefed on the survey findings.

30 The survey gave a clear picture of the LSC's strengths and areas for improvement. The overall results were very positive with nearly every category scoring higher than in 2003. Leadership, supervision, line management and communication and consultation all scored significantly higher than the UK norm. The norm is defined as the average score across all UK organisations, public and private who have had employee surveys conducted by ISR, the company which carried out Learning from You 2005 on behalf of the LSC.

31 The LSC continues to operate the following mechanisms for employee participation:

- employee representative forums have been established at both national and local levels to consult about changes affecting working lives. 48 local employee representative forums have been established, as well as an over-arching National Employee Consultative Forum
- in April 2002, the Council recognised the Public and Commercial Services Union (PCS).

#### Payment performance

32 The Late Payment of Commercial Debts (Interest) Act requires government bodies, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. In 2004-05 the LSC paid 88.8 per cent (2003-04 92.9 per cent) of its invoices within 30 days. This decline in performance was largely due to the impact of the reshaping exercise during the summer of 2004. In March 2005 the position had improved considerably and 92.5 per cent of invoices were paid within 30 days. The LSC is actively engaged in efforts to achieve further improvements in its performance during 2005-06. The LSC incurred £161 of interest charges in respect of late payment for 2004-05 (2003-04 £202).

#### Auditors

33 The accounts are audited by the Comptroller and Auditor General who is appointed by statute and whose Certificate and Report appears on page 42. The audit fee was £150,000 (2003-04 £150,000). No other services were provided during the year.



**Mark Haysom**  
Chief Executive and Accounting Officer  
Learning and Skills Council for England  
4 November 2005



1 Under section 14(1) of Schedule 1 to the Learning and Skills Act 2000, the governing body of the Learning and Skills Council for England (the National Council) is required to prepare a statement of accounts for each financial year in the form and on the basis determined by the Secretary of State for Education and Skills, with the consent of the Treasury. The accounts are prepared on an accruals accounting basis and must show a true and fair view of the LSC's state of affairs at the year-end and of its income and expenditure and cash flows for the financial year.

2 In preparing the accounts, the LSC is required to:

- observe the accounts direction issued on 3 July 2002 by the Secretary of State for Education and Skills, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards have been followed and disclose and explain any material departures in the financial statements
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the body will continue in operation.

3 The Accounting Officer for the Department for Education and Skills designated the Chief Executive of the LSC as the Accounting Officer for the LSC. His relevant responsibilities as accounting officer, including his responsibility for the propriety and regularity of the public finances for which he is answerable, and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officers' Memorandum, issued by the Treasury and published in *Government Accounting* by The Stationery Office.

# Statement of the Learning and Skills Council and the Chief Executive's Responsibilities

## 1 Scope of responsibility

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, whilst safeguarding the public funds and LSC assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting.

The LSC is a Non-Departmental Public Body established by the Learning and Skills Act 2000 (the Act). The LSC can only do those things that the Act provides it can do. The Act provides that the LSC must establish a committee, called a local Learning and Skills Council, for each of the 47 areas of England specified by the Secretary of State for Education and Skills.

The National Council itself consists of between 12 and 16 non-executive members one of whom is appointed as the Chairman. They meet regularly with me and my senior managers, to provide strategic guidance to the executive. As Chief Executive I am a member of the National Council. Schemes of delegation exist between the National Council, local councils and myself.

The Department for Education and Skills (DfES) sponsors the LSC and appropriate communication channels have been put in place to ensure that the DfES is informed of the business of the LSC and that we in turn are informed of the DfES's requirements for the LSC.

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

## 2 The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level, rather than eliminate all risk of failure, 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 on-going process designed to identify and prioritise the risks to the achievement of the LSC's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the LSC for the year ended 31 March 2005 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

## 3 Capacity to handle risk

The LSC has an established risk management policy, which is regularly reviewed. A Risk Management Board operated at the beginning of the year, which was subsequently replaced by a subset of my Management Group, chaired by the Director of Strategy and Communications. A national risk manager has been appointed to support and facilitate the effective management of risks across the LSC network. During the year we revised our guidance to staff on the management of risks in order to simplify processes and facilitate the full embedding of risk management in everyday business. Each group and local LSC has an appointed senior manager to act as risk champion; these managers do not own the risks but act as stewards of the processes. An internet-enabled risk register is being developed for the LSC, which will be rolled out to offices in the coming year. Training and risk workshops have been provided through the year as and when a need has arisen.

All staff have been alerted to the need to consider risks as part of their everyday business. National and local Audit Committees have, as part of their responsibilities, a challenge role with regards to the effective management of risks.

We have publicised the LSC's priorities and have consulted widely on our *agenda for change*. In doing so we have alerted our strategic partners to the risks that impact on our business.

## 4 The Risk Control Framework

The LSC does not operate a risk averse culture; it accepts that risks need to be taken 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.

Risks are identified routinely at an operational level, high-level risks are subject to regular scrutiny and reported on.

Although risk management has continued to operate across the LSC, changes to the organisation, priorities and senior management roles has required the LSC to reassess its key risks. A sub-group of the Management Group has met and reaffirmed those risks it considers "top corporate" risks. The full Management Group has also met and agreed with this assessment.

## 5 Review of Effectiveness

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

### Audit Committee:

A duly constituted Audit Committee has operated through the year and its terms of reference reflect best practice. It consists of National Council members (3) and local Audit Committee chairs (3); all are non-executives. During the year, the National Council membership of the committee fell to two, but steps have been taken to rectify this. Also during the year the committee was further strengthened by the appointment of an independent member from the accounting profession. The Audit Committee has met regularly and they have considered reports from Internal Audit on the system of internal control, risk management and governance, from the Provider Financial Assurance on provider's systems of internal control and from National Audit Office. They have also taken evidence from senior managers as and when they deemed it appropriate. The committee, also in line with best practice has considered its own effectiveness. Within the LSC, each local LSC has a duly constituted local Audit Committee which provides a scrutiny and challenge role with respect to the local operations. During the year guidance was provided to all local Audit Committees on their role. A particular strength of these arrangements is that all local Audit Committees are required to review and ratify the individual Executive Director's personal statement on internal control.

# The Learning and Skills Council's Accounting Officer's Statement on Internal Control

### Management Group:

During the year I amalgamated Corporate Services with my Finance Directorate to form a Resources Group. I also subsumed the Chief Executive's Office into a new group called Strategy and Communications.

The revised Management Group now consists of nine Regional Directors and four Group Directors (Resources, Learning, Skills and Strategy and Communications). This Management Group allows me to have a focused approach to control. I have also maintained a requirement upon Group, Regional and Executive Directors to provide me with their personal assurance as to the adequacy of internal control in their areas of responsibility.

### Internal Audit:

A professional and independent internal audit service (Internal Audit) was maintained throughout the year. I on the advice of the national Audit Committee agreed Internal Audit's strategy and plans for 2004-05. I meet regularly with the Chief Internal Auditor and receive from him quarterly reports on Internal Audit's findings, these I discuss with my Management Group. I receive from the Chief Internal Auditor an annual report on the findings of Internal Audit, which includes his professional opinion as to the level of assurance that is applicable to the LSC. For 2004-05 the Chief Internal Auditor has given a substantial assurance over the operation of the LSC's systems of control, risk management and governance. A substantial assurance indicates that we have operated basically sound systems, but there were some weaknesses that prohibited giving a full assurance. In giving this opinion the Chief Internal Auditor also stated that he was satisfied that agreed improvement plans were in place and being acted upon. Through his reports the Chief Internal Auditor has alerted me to where such improvements are necessary and I take a personal interest in the implementation of such plans. In addition, each local LSC Executive Director receives an annual report on his or her operations. An Internal Audit "control health check" is carried out annually at each Group and local LSC. This informs each of the personal statements of internal control received from my Directors. A spirit of cooperation exists between the LSC staff and Internal Audit and they work together to maintain a culture of continuous improvement.

### Risk Management Board:

At the beginning of the year a Risk Management Board, chaired by my Director of Finance, oversaw the maintenance of the risk management process as well as the identification of high-level risks. Part way through the year the Risk Management Board was in effect replaced by a subset of the Management Group, chaired by the Director of Strategy and Communications. I have now formalised the position of this subset, which now acts as the Risk Management Board. These arrangements were designed to give a more direct link between managing top risks and the Management Group.

### Other Assurance Mechanisms:

As Accounting Officer I am required to be satisfied that those organisations that the LSC funds also operate in an appropriate control environment. The LSC has established a Provider Financial Assurance (PFA) Service Centre, with responsibility for coordinating 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 or others, on which PFA relies, is commensurate with the level of risks associated. I receive from each of my Executive Directors their personal assurance that providers maintain and operate adequate control environments. They base this assurance on a number of things, foremost of which are:

- provider Financial Assurance reports
- receipt and examination of FE college accounts
- contract managers' reports
- performance reviews
- Audit Committee scrutiny.

### 6 Significant internal control problems

As Accounting Officer I am satisfied that the LSC's governance, risk management and internal control is compliant with Treasury requirements and that the following issues do not represent a material threat to the LSC's operational effectiveness.

### Funding Issue

Due to funding issues that arose in 2003-04, I and the Accounting Officer of the DfES commissioned a joint LSC and DfES Internal Audit review of DfES and LSC forecasting, budgeting and reporting management arrangements. The review identified a number of areas where improvement was necessary, particularly with regards to modelling and impact analysis. Both I and the Accounting Officer of the DfES accepted the findings of the review and agreed a comprehensive improvement plan which is currently being implemented; senior managers in both the LSC and the DfES are actively monitoring the implementation.

### Risk Management

As stated above, formal scrutiny and confirmation of the top corporate risks facing the LSC were hampered by organisational changes. The Management Group has now met and reaffirmed the corporate risks facing the LSC. Steps are being taken to disseminate these throughout the LSC, ownership has been assigned and regular stewardship reporting will take place in the coming year. In addition, I have been reassured that risks across the LSC have been appropriately identified and managed by my Group, Regional and Executive Directors through their personal statements of internal control for 2004-05.

### European Social Fund

Although many local LSCs managed their European Social Fund (ESF) commitments well, others were typified by weaknesses in control and contract management. Considerable effort was required by these offices in order to address the issues and allow final expenditure statements to be certified. The good practice identified in a number of local LSCs is being disseminated across the network.

### Work-based learning

During the year management review revealed that the end-to-end work-based learning systems did not totally support all operations of the programme. This led to increased managerial intervention at national, regional and local levels. We recognise that such intervention is not a long-term solution and enhancements either have been introduced or are being developed. For example, the means by which providers are paid have been progressively amended to improve credit control.



**Mark Haysom**

Chief Executive and Accounting Officer  
Learning and Skills Council for England  
4 November 2005

I certify that I have audited the financial statements on pages 43 to 73 under the Learning and Skills Act 2000. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 46 to 48.

### **Respective responsibilities of the National Council, the Chief Executive and Auditor**

As described on page 39 the National Council and Chief Executive are responsible for the preparation of the financial statements in accordance with the Learning and Skills Act 2000 and directions issued by the Secretary of State for Education and Skills and for ensuring the regularity of financial transactions. The National Council and Chief Executive are also responsible for the preparation of the other contents of the Annual Report. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Learning and Skills Act 2000 and directions made thereunder by the Secretary of State, and 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. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the LSC has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on pages 40 to 41 reflects the LSC's compliance with Treasury's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the LSC's corporate governance procedures or its risk and control procedures.

### **Basis of audit opinion**

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the LSC and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are 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 are free from material misstatement, whether caused by error, or by fraud or other irregularity 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 have also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the Learning and Skills Council at 31 March 2005 and of the surplus, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the Learning and Skills Act 2000 and directions made thereunder by the Secretary of State for Education and Skills; and
- 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.

I have no observations to make on these financial statements.



**John Bourn**  
Comptroller and Auditor General

Date: 9 November 2005  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London SW1W 9SP

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



# Income and Expenditure Account

for the year to 31 March 2005

	Note	Year ended 31 March 2005 £'000	Year ended 31 March 2004 £'000
<b>Income</b>			
Grant-in-aid from Department for Education and Skills for revenue purposes	2	8,941,855	8,588,389
Transferred from Government Capital Reserve	21	17,971	16,338
Transfer from Donated Asset Reserve	22	626	810
Other Income	3	289,236	260,785
		<b>9,249,688</b>	<b>8,866,322</b>
<b>Expenditure</b>			
Programme Expenditure			
Young People	4a	(5,073,421)	(4,792,007)
Adults	4a	(2,998,735)	(2,888,486)
Capital	4a	(372,316)	(299,531)
Local Intervention and Development	4a	(277,997)	(331,784)
Other	4a	(289,078)	(257,917)
Administration Costs			
Staff costs	6c	(140,514)	(149,097)
Other costs	7a	(74,061)	(82,937)
Depreciation, impairment and losses on disposal	7b	(18,669)	(17,099)
		<b>(9,244,791)</b>	<b>(8,818,858)</b>
<b>Surplus/(Deficit) before interest</b>		<b>4,897</b>	<b>47,464</b>
Cost of capital	11	(2,036)	(4,388)
<b>Surplus/(Deficit) after interest</b>		<b>2,861</b>	<b>43,076</b>
Reversal of cost of capital		2,036	4,388
Adjustment in respect of backlog depreciation		130	35
<b>Surplus/(Deficit) for the period under review</b>		<b>5,027</b>	<b>47,499</b>
<b>Surplus carried forward</b>		<b>5,027</b>	<b>47,499</b>

All activities are continuing.  
The notes on pages 46 to 73 form part of these accounts.

# Statement of Total Recognised Gains and Losses

as at 31 March 2005

	Note	Year ended 31 March 2005 £'000	Year ended 31 March 2004 £'000
Surplus/(Deficit) after exceptional items and before interest		4,897	47,464
Unrealised Surplus/(Deficit) on Revaluation	23	2,709	4,663
<b>Total Recognised Gains and Losses for the period</b>		<b>7,606</b>	<b>52,127</b>

The notes on pages 46 to 73 form part of these accounts.

# Balance Sheet

as at 31 March 2005

	Note	As at 31 March 2005 £'000	As at 31 March 2004 £'000
<b>Fixed Assets</b>			
Intangible Assets	9	2,815	4,159
Tangible Assets	10	41,416	41,034
		<b>44,231</b>	<b>45,193</b>
<b>Current Assets</b>			
Debtors	12a	352,217	412,497
Cash at Bank and in Hand	13	206,987	111,624
		<b>559,204</b>	<b>524,121</b>
<b>Creditors</b>			
Amounts falling due within one year	14a	<b>(381,923)</b>	<b>(345,789)</b>
<b>Net Current Assets</b>			
		<b>177,281</b>	<b>178,332</b>
<b>Total Assets less Current Liabilities</b>			
		<b>221,512</b>	<b>223,525</b>
<b>Provisions for Liabilities and Charges</b>			
	15	(1,626)	(7,706)
<b>Total Net Assets/(Liabilities)</b>			
		<b>219,886</b>	<b>215,819</b>
<b>Represented by</b>			
<b>Capital and Reserves</b>			
General Reserve	20	175,650	170,623
Government Capital Reserve	21	43,858	44,360
Donated Asset Reserve	22	378	836
		<b>219,886</b>	<b>215,819</b>

The notes on pages 46 to 73 form part of these accounts.



**Mark Haysom**  
Chief Executive and Accounting Officer  
Learning and Skills Council for England  
4 November 2005

# Cash Flow Statement

for the year to 31 March 2005

	Note	Year ended 31 March 2005 £'000	Year ended 31 March 2004 £'000
<b>Net Cash Inflow/(Outflow) from Operating Activities</b>	24	92,615	95,882
<b>Capital Expenditure</b>			
Payment for the Purchase of Fixed Assets		(12,370)	(17,008)
Proceeds from Sale of Fixed Assets		60	101
<b>Net Cash Outflow from Capital Expenditure</b>		<b>(12,310)</b>	<b>(16,907)</b>
<b>Financing</b>			
Transfer to Government Capital Reserve*		15,058	15,911
<b>Net Cash Inflow/(Outflow)</b>	25	<b>95,363</b>	<b>94,886</b>

\*Note Transfer to the Government Capital Reserve includes £3,314k capital creditors as at 31 March 2005.

# Notes to the Accounts

as at 31 March 2005

## 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 Education and Skills, with approval of the Treasury, in accordance with the Learning and Skills Act 2000. This requires the LSC to comply with Treasury guidance for Executive NDPB Annual Reports and Accounts 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 the Accounting Standards Board. 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 DfES estimates and forward plans include provision for the continuation of the LSC's activities; hence there is no reason to believe this future funding will not be forthcoming. On this basis the accounts have been prepared on a going concern basis.

#### 1.2 Accounting convention

These accounts are prepared under the modified historical cost accounting 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, individually or as a group, equal to or greater than £2,500
- amortised on a straight-line basis over the specified life of the software licence or 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 £2,500.

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 £2,500
- (b) groups of tangible assets, which individually may be valued at less than £2,500 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
  - (iv) each individual asset thus grouped has a value of over £250.

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

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
Vehicles	Vehicles	4 years

#### Donated assets

Donated tangible fixed assets are capitalised at valuation, which represents current cost, on receipt. This valuation is credited to the donated assets reserve.

Donated assets are revalued, depreciated and subject to impairment reviews in the same way as other fixed assets.

#### 1.5 Leases

Operating leases and the rentals are charged to the Income and Expenditure Account 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 Income and Expenditure Account. 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:

- donated assets; and
- bank balances at the Office of the Paymaster General.

### 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 entity would rationally pay to settle the obligation at the balance sheet date or to transfer it to a third party at that time.

This may require estimating the future cash flows in current-year prices (that is, at the price level prevailing in the year covered by the accounts) and, where the time value of money is material, discounting them at the standard public sector real rate set by the Treasury, currently 3.5 per cent.

### 1.8 Grant-in-aid from DfES

Grant-in-aid is recognised in the Income and Expenditure Account when it is received.

Grant-in-aid received as a contribution towards fixed assets is credited to the Government Capital Reserve and released to the Income and Expenditure Account over the expected useful economic lives of the related assets.

### 1.9 Programme accounting basis

#### Further Education Participation

Further Education (FE) Participation Programme expenditure is recognised in the accounts when the grant is paid to colleges. The LSC has recognised a debtor at year-end representing amounts due to the LSC, based on college audited accounts and an estimate of funds to be recovered from colleges not yet audited. The assessment of funds to be recovered is performed in relation to the academic year that has ended in the financial year of account.

For the academic year 2004/05, the majority of colleges moved to plan led funding. This has enabled adjustments to be made to allocations within the year and will remove the need for the retrospective recovery of funds.

### Apprenticeships

Apprenticeships Programme expenditure is accounted for on the basis of providers' actual delivery in the financial year concerned.

### Adult and Community Learning

Adult and Community Learning Programme expenditure is accounted for on the basis of the utilisation of funds paid to Local Authorities (LAs). The LSC will recognise a debtor at each year-end representing amounts of unspent funds, based on use of funds statements submitted by LAs for the academic year that has ended in the financial year of account. The LSC may recover any unspent funds or may allow LAs to utilise the unspent funds in the following year.

### School Sixth Form

School Sixth Form Programme expenditure is accounted for on the basis of amounts that are due to LAs in order to pay School Sixth Forms in their locality. The amounts due are based on the LSC formula funding and the Government's Real Term Guarantee. The LSC will recognise a debtor or creditor at each year-end for balances with LAs representing the difference between the proportion of funds due and paid to date for the current academic year. These balances normally arise from changes to funding as a result of returns made to the DfES during the year for pupil numbers.

### 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 Income and Expenditure Account 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.



# Notes to the Accounts (continued)

## Accounting Policies (continued)

### 1.12 Early departure 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 (i.e. the reshaping of the LSC) 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.

### 1.14 Estimation techniques FE Participation Programme expenditure Profile of expenditure

The monthly profile of funding for FE Participation was amended for the academic year 2004/05. This revision to the funding profile is to provide a better estimation of the resources consumed for FE Participation over the academic year.

Although additional funding is provided at the start of the academic year the overall impact on the accounts of the LSC for the first year of this change is a lower charge of 6.8 per cent to expenditure for the period to 31 March 2005.

### Exceptional Funding Support

From 2004-05 financial year any exceptional funding support provided to colleges in difficulty is charged to income and expenditure over the life of the recovery plan agreed (recovery plans typically cover a period of four years). Prior to this funding would be charged to the financial year in which it was paid. The impact of this change for 2004-05 is to charge £15.5 million to income and expenditure in the year and to charge £46.5 million over the next three years.

### Youth and Adult analysis

For the academic year ending 31 July 2004, allocations to FE institutions were in the main assigned between Youth and Adult. Only a small element of the allocations required apportionment into Youth and Adult and this was based on the allocations already detailed into the age bands.

## 2 Grant-in-aid Income

Grant-in-aid income is from the DfES. This note shows the purposes for which the Grant-in-aid income was provided by the Department. The Grant is shown within the DfES's Resource Account.

	Year ended 31 March 2005 £'000	Year ended 31 March 2004 £'000
<b>Programmes</b>		
Young People	4,692,398	4,713,107
Adults	3,341,672	2,970,250
Capital	384,350	337,422
Local Intervention and Development	312,491	354,034
	<b>8,730,911</b>	<b>8,374,813</b>
Administration	226,002	229,487
Transferred to Government Capital Reserve	(15,058)	(15,911)
<b>Grant-in-aid from DfES for revenue purposes</b>	<b>8,941,855</b>	<b>8,588,389</b>

The LSC certifies that grants received from the DfES have been used for their approved purposes.

## 3 Other Income

	Year ended 31 March 2005 £'000	Year ended 31 March 2004 £'000
<b>Other funding for activities</b>		
European Social funding	243,692	224,238
Single Regeneration Budget funding	17,425	13,989
Other Programme income	25,801	19,840
	<b>286,918</b>	<b>258,067</b>
<b>Income from activities</b>		
Sub-letting of part of premises	1,747	1,736
Training/conferences	24	82
Miscellaneous	547	900
	<b>2,318</b>	<b>2,718</b>
<b>Total Other Income</b>	<b>289,236</b>	<b>260,785</b>

# Notes to the Accounts (continued)

## 4a Programme Expenditure

	Year ended 31 March 2005 £'000	Year ended 31 March 2004 £'000
<b>Programmes</b>		
<b>4.1 Young People</b>		
FE 16–18 Participation	2,355,593	2,265,402
School Sixth Forms	1,654,764	1,525,453
16–18 Apprenticeships	615,001	565,260
e2e	246,583	206,329
16–18 Discretionary Support for Students	46,455	57,729
Dance and Drama Awards	9,727	9,740
Education Business Links	36,134	35,320
Aim Higher	13,657	22,105
Level 2 Implementation	22,175	54,170
Increasing Flexibility for 14- 16 Year Olds	44,940	43,810
FE Ethnic Minority Achievement Grant	4,365	5,409
Education Maintenance Allowance	20,781	253
Other Young People programme expenditure	3,246	1,027
<b>Total Young People</b>	<b>5,073,421</b>	<b>4,792,007</b>
<b>4.2 Adults</b>		
FE 19+ Participation including Basic Skills	2,137,695	2,126,824
19+ Apprenticeships	243,162	212,807
Adult Discretionary Support for Students	95,288	94,327
Adult and Community Learning	172,243	172,129
Adult Information Advice and Guidance	36,652	34,872
Workforce Development	48,297	52,425
Neighbourhood Learning in Deprived Communities	20,007	18,659
Employer Training Pilots	88,995	32,718
Family Literacy and Numeracy	27,845	23,129
Family Learning and Adult Learning Promotion	13,360	10,869
Union Learning Fund	11,181	10,037
IIP Small Firms Initiative	12,619	7,045
FE 19+ New Entrepreneur Scholarships	5,818	5,841
Offenders in the Community	8,842	0
NES Employer Pilots	12,690	22,577
Adult Skills Pilot	23,719	20,291
Regional Skills Funds	14,855	5,105
Other Adult programme expenditure	25,467	38,831
<b>Total Adults</b>	<b>2,998,735</b>	<b>2,888,486</b>
<b>4.3 Capital</b>		
Raising Disability Access Standards in FE	26,868	33,445
Raising Disability Access Standards in Community Learning	18,323	16,412
FE and 16- 19 Sector Rationalisation Capital Funding	15,189	20,320
FE Capital – Information and Learning Technology	69,385	43,164
FE Capital – Buildings	201,069	154,124
Programme Systems Development and Support	11,889	8,319
Adult and Community Learning Capital	20,511	15,557
Neighbourhood Learning in Deprived Communities Capital	9,082	8,190
<b>Total Capital</b>	<b>372,316</b>	<b>299,531</b>

#### 4a Programme Expenditure (continued)

	Year ended 31 March 2005 £'000	Year ended 31 March 2004 £'000
<b>4.4 Local Intervention and Development</b>		
Local Initiatives Fund	123,845	188,880
Transforming Local Delivery	86,605	78,036
Local Initiatives Fund – Learning Partnerships	5,608	8,943
Skills for Life	28,603	22,081
Golden Hellos	5,261	5,450
Other Local Intervention and Development programme expenditure	28,075	28,394
<b>Total Local Intervention and Development</b>	<b>277,997</b>	<b>331,784</b>
<b>4.5 Other Programmes</b>		
European Social Fund (ESF)	245,465	224,519
Local Initiatives – Single Regeneration	17,425	13,985
Local Initiatives – Non DfES	26,187	19,127
Other Initiatives programme expenditure	1	286
<b>Total Other Programmes</b>	<b>289,078</b>	<b>257,917</b>
<b>Total Programme Expenditure</b>	<b>9,011,547</b>	<b>8,569,725</b>

**Note** The descriptions and classification of some programmes have been changed in 2004-05. Comparatives for 2003-04 have been amended so as to ensure consistency.

#### 4b Programme Expenditure by Region

	Year ended 31 March 2005 £'000	Year ended 31 March 2004 £'000
<b>Programmes</b>		
Regional analysis of programme funding		
East of England	826,094	792,180
East Midlands	746,546	693,420
Greater London	1,512,792	1,446,923
North East	534,759	522,180
North West	1,293,934	1,240,472
South East	1,255,120	1,169,599
South West	833,342	791,878
West Midlands	1,068,306	1,046,562
Yorkshire and Humberside	940,654	866,511
<b>Total Programme Expenditure by Region</b>	<b>9,011,547</b>	<b>8,569,725</b>

#### 4c Programme Expenditure by Organisation Type

	Year ended 31 March 2005 £'000	Year ended 31 March 2004 £'000
<b>Programmes</b>		
Type of organisation in receipt of LSC programme funding		
Local Authorities	2,172,893	2,111,104
Public Corporations and Trading Funds	17,276	5,936
Colleges	5,080,853	4,788,109
Other Non-Profit Institutions	163,690	111,840
Private Sector	1,178,273	836,033
Other Bodies and Organisations (includes Government Bodies)	398,562	716,703
<b>Total Programme Expenditure by Organisation Type</b>	<b>9,011,547</b>	<b>8,569,725</b>

# Notes to the Accounts (continued)

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

Included in these financial statements are grants to FE learning providers totalling £5,099 million (2003-04 £4,894 million), which the LSC has paid for the academic years ending 31 July 2004 and 31 July 2005. The mis-match between the accounting periods means that certain formal assurances on entitlement and the proper use of the funds will only be received from these organisations in line with their annual accounts and reporting timetable, which extend beyond that for these financial statements. Wherever possible, other arrangements have been put in place to provide interim assurance. The overall picture is described below.

### 5a Further Education colleges and institutions

During the financial year 2004-05, the LSC paid grants of £4,493 million (2003-04 £4,392 million) to colleges and other institutions for the provision of Further Education (FE) on the basis of estimated learner numbers. The LSC has requested and in almost all cases obtained interim assurances to 31 March 2005 on colleges' proper and regular use of funds. Where the amount paid to a body is greater than its entitlement, the LSC may recover the difference.

Under the LSC's plan-led funding initiative, the majority of colleges and many other institutions are within plan-led funding so are no longer subject to annual funding audit. These colleges and institutions will be subject to cyclical reviews of learner existence and eligibility (LEE). LEE reviews have been piloted in respect of 2004/05 and a full programme will begin for 2005/06.

The LSC also paid £605 million (2003-04 £502 million) grants to colleges and other institutions for specific purposes. Interim assurances that these funds have been used for the purposes intended have been received from almost all colleges for the period to 31 March 2005.

The position in respect of the 2003/04 academic year is shown in Tables 1 and 2.

**Table 1: 2003/04 position of FE colleges (£4,697 million) (2002/03 £4,394 million).**

	Due	Received	Outstanding
Final Funding Claims	392	392	–
Financial Statements	392	358	34

There are 34 colleges that have one audited return for the 2003/04 academic year still outstanding. For the 34 colleges with outstanding financial statements, the LSC has assurance from the return submitted that funds have been applied in accordance with the terms of the colleges' financial memorandum with the LSC. The LSC therefore regards the 34 colleges with outstanding financial statements as presenting no significant risk.

**Table 2: 2003/04 position for other education institutions (£263 million) (2002/03 £216 million).**

	Due	Received	Outstanding
Final Funding Claims	226	224	2
Use of Funds Statements	174	107	67

There are 69 other institutions that have one or both audited returns for the 2003/04 academic year still outstanding. The LSC regards only 2 of the 69 institutions as presenting any significant risk and estimates that, under the funding regulations that determine recovery, the maximum amount it may recover will be £0.08 million.

The position in respect of the previous academic year (2002/03) is as follows:

### Further Education colleges

All colleges have now submitted their final funding claims and the LSC regards the seven colleges with outstanding financial statements as presenting no significant risk.

### Other education institutions

There are eight other institutions that have one audited return for the 2002/03 academic year still outstanding. The LSC regards none of these institutions as presenting any significant risk.



### 5a Further Education colleges and institutions (continued)

#### Ufi and learndirect

Ufi Limited was created in 1998 to bring about the government's vision of a "university for industry". Through its network of hubs and learning centres, Ufi aims to promote e-learning. As such, the provision is delivered in a distinctly different way to that delivered directly through colleges.

On 1 August 2004 the contractual arrangements for delivering learndirect activity changed. Previously the LSC directly contracted with the Ufi hubs, but this changed to the LSC funding Ufi Ltd who then became responsible for directly contracting with the hubs. Different assurance arrangements were required in the light of this operational and legal change. As this change occurred mid way through the LSC's financial year, two different assurance regimes have existed in the year ending 31 March 2005.

Before 1 August 2004 the audit approach for Ufi and learndirect reflected the nature of the provision and assessed inherent risks to the LSC. The approach involved the exclusive use of sub-contracting and a high volume of provision both delivered and evidenced electronically. This audit approach was managed directly by the LSC.

After 1 August 2004 the responsibility for the audit of learndirect activity passed to Ufi Ltd. Ufi Ltd has established an adequate assurance framework on which the LSC intends to place reliance.

In previous years, due to historic underperformance by many hubs, an estimate has been included in the LSC's accounts to reflect this underperformance. However, in addition to hub performance significantly improving in 2003/04, the LSC and Ufi Ltd ensured that hub allocations were adjusted prior to the organisational change on 1 August 2004 in order to address any underperformance. The level of hub underperformance at 31 July 2004 was, therefore, not material.

### 5b Adult and Community Learning

The LSC paid £172 million (2003-04 £172 million) for adult and community learning (ACL) to Local Authorities (LAs) in England in the financial year 2004-05. Four months of this relates to the academic year ending 31 July 2004. Eight months relates to the academic year ending 31 July 2005.

For the year ending 31 July 2004, each LA was required to submit an externally audited statement on the use of ACL funding. Of the 150 LAs that received ACL funding in this period, 15 audited statements are still outstanding. For most ACL funding LAs can carry forward unspent funding at 31 July 2004 to the following academic year, subject to local LSC agreement, if specific conditions of carry-forward have been met.

A similar assurance process will operate for the year ending 31 July 2005, with audited Use of Funds Statements due to be received by early December 2005. In the interim, the LSC has examined the use of funds in a sample of 11 LA and non-LA providers with a further six to complete by December 2005.

For the year ending 31 July 2003, two audited statements are outstanding.

### 5c School Sixth Forms

The LSC paid LAs £1,655 million (2003-04 £1,525 million) for school sixth forms in the financial year 2004-05. Four months of this relates to the 12-month period ending 31 July 2004. Eight months relates to the academic year ending 31 July 2005.

All schools are required to make two returns to the DfES through LAs in September and January each year. The LSC calculated funding for each school sixth form in the year ending 31 July 2005 using data from the September 2003 return, pupil numbers per the September 2003 census count and January 2004 pupil level annual school census (PLASC). September 2003 pupil census data was audited in summer 2004 at a representative sample of 89 schools across 10 LAs.

Assurances have been sought from LAs on the use of school sixth form funds in respect of the 12-month period ending 31 July 2004. Of the 149 LAs that received funding in this period, 22 returns are outstanding. For the year ending 31 July 2003, seven audited statements are outstanding.

# Notes to the Accounts (continued)

## 6 Board and Staff Costs

### 6a Board Members' Emoluments

The Chief Executive is appointed by the other members of the Council with the approval of the Secretary of State for Education and Skills.

The other members of the Council are appointed by the Secretary of State.

The amount of the Chief Executive's bonus is decided by the Remuneration Committee, who review 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 2005 £'000	Year ended 31 March 2004 £'000
The emoluments of the Chairman (Christopher Banks, CBE, Age 45) for the period:		
Salary	40	0
Taxable benefit	0	0
	<b>40</b>	<b>0</b>
The emoluments of the Chief Executive (Mark Haysom, Age 51) for the period:		
Basic salary and other emoluments	195	95
Taxable benefit in kind	0	0
Pension contribution (opted to join premium pension scheme)	19	9
Bonus	20	11
	<b>234</b>	<b>115</b>

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

	Date commenced /reappointed or extended	Current term (Years)	Emoluments Year ended 31 March 2005 £'000	Emoluments Year ended 31 March 2004 £'000
<b>Non-executive members</b>				
Christopher Banks, CBE (non-executive until June 2004)	30/10/2000	4	1.6	8.0
Jane Drabble, OBE	31/10/2002	4	4.0	4.0
Councillor John Merry	31/10/2002	4	4.0	4.0
Giles Clarke	01/12/2002	4	4.0	4.0
Shirley Cramer	01/12/2002	4	4.0	4.0
Sir Digby Jones <sup>1</sup>	01/12/2002	4	9.3	0.0
Ruth Harker	01/02/2003	4	4.0	4.0
Dame Alexandra Burslem	30/10/2003	2	4.0	4.0
Bryan Gray	01/01/2004	Indeterminate	4.0	1.0
Gareth Cadwallader	01/06/2004	4	3.3	0.0
Frances O'Grady	01/06/2004	4	5.5	0.0
Ian Ferguson	01/09/2004	4	4.7	0.0
Mary Marsh	01/03/2005	4	0.3	0.0
Claire Ighodaro	01/03/2005	4	0.3	0.0
John Taylor	01/03/2005	4	0.3	0.0
	Date of resignation			
<b>Resigned as members</b>				
Bryan Sanderson, Chairman (until June 2004) <sup>2</sup>			0.0	0.0
John Monks	30/04/2004		0.7	8.0
Imtiaz Farookhi	30/04/2004		0.3	4.0
Lynne Morris	26/01/2005		3.3	4.0
Sir George Sweeney	31/01/2005		3.3	4.0
Professor Bob Fryer, CBE <sup>3</sup>	31/01/2005		17.0	0.0
At the time of departure the following former member had not provided consent to disclose their emoluments:				
Vincent Watts	31/12/2003			

#### Notes

(1) Sir Digby Jones – emoluments includes arrears claimed for period 1 December 2002 – 31 March 2004.

(2) Bryan Sanderson – opted to receive no emoluments from 1 March 2003.

(3) Professor Bob Fryer – emoluments includes arrears claimed for period 30 October 2000 – 31 March 2004.

## 6b Senior Employees Salary and benefits in kind

	Year ended 31 March 2005 Salary £'000	Year ended 31 March 2005 Benefits in Kind (to nearest £100)	Year ended 31 March 2004 Salary £'000	Year ended 31 March 2004 Benefits in Kind (to nearest £100)
<b>National Directors</b>				
Rob Wye Director of Strategy and Communications (from 01/01/2004)	95-100	0	20-25	0
Caroline Neville Director of Learning Group	105-110	3,800	100-105	3,300
David Way Director of Skills Group (from 16/03/2004)	100-105	0	0-5	0
David Russell Director of Resources Group	105-110	2,800	95-100	2,600
<b>Regional Directors (all from 01/01/2004)</b>				
Henry Ball South East	110-115	3,900	25-30	600
Verity Bullough Operations, London	95-100	0	20-25	0
Margaret Coleman Yorkshire and Humberside	100-105	0	20-25	0
Mary Conneely East of England	105-110	4,600	20-25	1,400
David Cragg West Midlands	110-115	0	25-30	0
Malcolm Gillespie South West	110-115	3,100	25-30	600
Jacqui Henderson London	130-135	0	30-35	0
David Hughes East Midlands	100-105	3,500	20-25	700
John Korzeniewski North West	105-110	2,900	20-25	600
Chris Roberts North East	100-105	2,900	20-25	600

### Resigned or retired as Directors

At the time of departure the following former National Directors had not consented to disclosure of their salary and pension details:

Philip Lloyd	Director of Finance Group (until 03/01/2005)
Michael Kesztenbaum	Director of Strategic Marketing (until 31/01/2004)
Avril Willis	Director of Quality and Standards (until 31/03/2004)
Ken Pascoe	Director of Operations (until 30/06/2004)
Robin Newton-Syms	Director of Communications (until 30/04/2003)
Jan Davison	Director of Communications Team (until 29/04/2005)
John Harwood	Chief Executive (until 30/09/2003)

# Notes to the Accounts (continued)

## 6b Senior Employees (continued)

### Pension Entitlements

	Accrued pension and related lump sum at age 60 as at 31/03/2005 £'000	Real increase in pension and related lump sum at age 60 earned in the year £'000	CETV at 31/03/2005 £'000	CETV at 31/03/2004 £'000	Real increase in CETV £'000
<b>National Directors</b>					
Mark Haysom* Chief Executive (from 01/10/2003)	0-5	0-2.5	32	19	9
Rob Wye Director of Strategy and Communications (from 01/01/2004)	30-35 and lump sum 90-95	0-2.5 and lump sum 5-7.5	470	412	30
Caroline Neville* Director of Learning Group	0-5	0-2.5	49	37	17
David Way Director of Skills Group (from 16/03/2004)	30-35 and lump sum 100-105	5-7.5 and lump sum 15-17.5	559	430	0
David Russell Director of Resources Group	40-45 and lump sum 130-135	2.5-5 and lump sum 7.5-10	751	660	54
<b>Regional Directors (all from 01/01/2004)</b>					
Henry Ball# South East	40-45 and lump sum 115-120	2.5-5 and lump sum 5-7.5	763	670	59
Verity Bullough Operations, London	0-5 and lump sum 10-15	0-2.5 and lump sum 2.5-5	52	36	12
Margaret Coleman Yorkshire and Humberside	30-35 and lump sum 100-105	2.5-5 and lump sum 10-12.5	608	525	58
Mary Conneely* East of England	5-10	0-2.5	82	55	21
David Cragg West Midlands	15-20 and lump sum 55-60	0-2.5 and lump sum 5-7.5	352	300	35
Malcolm Gillespie South West	10-15 and lump sum 40-45	0-2.5 and lump sum 5-7.5	255	209	34
Jacqui Henderson London	45-50 and lump sum 135-140	2.5-5 and lump sum 10-12.5	765	699	58
David Hughes* East Midlands	5-10	0-2.5	58	34	18
John Korzeniewski North West	35-40 and lump sum 110-115	0-2.5 and lump sum 10-12.5	637	548	59
Chris Roberts North East	30-35 and lump sum 95-100	2.5-5 and lump sum 7.5-10	549	477	49

\*Opted to join Premium.

# Opted to join Classic Plus.

## 6b Senior Employees (continued)

### Salary

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

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

### Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument. The benefits provided by the LSC to National and Regional Directors disclosed in Note 6b relate to lease cars.

### Pensions

#### 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 between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5 per cent of pensionable earnings for classic and 3.5 per cent for premium and classic plus. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may give up [commute] some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.

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

Further details about the Civil Service Pension arrangements can be found at the website ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

### Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service Pension arrangements and for which the Civil Service Vote has received a transfer payment commensurate to 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.

### 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.



# Notes to the Accounts (continued)

## 6c Staff Costs

	Year ended 31 March 2005 £'000	Year ended 31 March 2004 £'000
The aggregate payroll costs for the LSC were as follows:		
Salaries	119,245	123,525
Social security	10,047	10,417
Pension costs	16,109	16,413
Redundancies and payment in lieu of notice	377	14,428
Other staff (includes agency/contract/seconded staff)	11,629	8,131
	<b>157,407</b>	<b>172,914</b>
Staff costs related to Programmes	(16,893)	(23,817)
	<b>140,514</b>	<b>149,097</b>

## 6d 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 but the LSC is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2003. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

For 2004-05, employers' contributions of £15,500,535 were paid to the PCSPS by 31 March 2005 (2003-04 £15,920,963) at one of four rates in the range 12 per cent to 18.5 per cent of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions every four years following a full scheme valuation. From 2005-06, the salary bands will be revised and the rates will be in a range between 16.2 per cent and 24.6 per cent.

The contribution rates reflect benefits as they accrue, not the costs as they are actually incurred, and reflect past experience of the scheme.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £90,002 (2003-04 £60,628) were paid to one or more of a panel of four 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. In addition, employer contributions of £6,935 (2003-04 £4,859), 0.8 per cent of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

No contributions were outstanding to the partnership pension providers at the balance sheet dates of 31 March 2005 and 31 March 2004.

## 6e Ill-health retirement

For 2004-05 no individuals retired on ill-health grounds. In 2003-04 four individuals retired on ill-health grounds; the total additional pension liabilities in the year amounted to £6,600.

## 6f Average number of staff employed

### (i) Year ended March 2005

This reflects the new structure in place following the reshaping of the LSC.

	Senior Management Staff Number	Payroll Staff Number	Inward Seconded Staff Number	Agency/ Temporary Staff Number	Year ended 31 March 2005 Total Staff Number
The average number of staff employed during the year, including the Chief Executive was:					
<b>Group</b>					
Learning	1	108	3	15	127
Skills	1	94		7	102
Resources	2	408	3	70	483
Strategy and Communications	3	49	1	12	65
Human Resources		98		22	120
Local LSCs	10	3,148	19	232	3,409
	<b>17</b>	<b>3,905</b>	<b>26</b>	<b>358</b>	<b>4,306</b>

### (ii) Year ended March 2004

	Senior Management Staff Number	Payroll Staff Number	Inward Seconded Staff Number	Agency/ Temporary Staff Number	Year ended 31 March 2004 Total Staff Number
The average number of staff employed during the year, including the Chief Executive, was:					
<b>Directorate</b>					
Chairman, Chief Executive Office	1	22	1	2	26
Finance	1	90	8	40	139
HR and Corporate Services	1	111	4	21	137
Policy and Development	1	82	3	8	94
Operations	1	155	2	15	173
National Contracts Service		29			29
Quality and Standards	1	47		5	53
Communication and Strategic Planning	2	32		13	47
Local LSCs	3	3,833	21	231	4,088
	<b>11</b>	<b>4,401</b>	<b>39</b>	<b>335</b>	<b>4,786</b>

## Notes to the Accounts (continued)

### 7a Administration (other costs)

	Year ended 31 March 2005 £'000	Year ended 31 March 2004 £'000
National and Local Council members' emoluments	49	69
National and Local Council members' associated travel and subsistence costs	121	118
Travel and subsistence – staff	7,215	7,732
Recruitment and training	6,955	8,090
Furniture and office equipment	885	1,246
IT and computer maintenance	14,105	15,144
Telecommunications and postage	6,657	6,905
Publications, printing and publicity	3,330	3,566
General administration expenditure	4,015	3,659
Premises	26,643	28,862
External audit fee	150	150
Legal fees and other audit fees	1,656	1,384
Consultancy fees	6,010	9,310
	77,791	86,235
Non pay costs related to Programmes	(3,730)	(3,298)
	<b>74,061</b>	<b>82,937</b>

### 7b Depreciation, impairment and losses on disposal

	Year ended 31 March 2005 £'000	Year ended 31 March 2004 £'000
<b>Intangible Fixed Assets (Note 9)</b>		
Depreciation charge for period	1,936	1,482
Loss on disposal	260	9
<b>Tangible Fixed Assets (Note 10)</b>		
Depreciation charge for period	12,829	12,464
Loss on disposal	668	148
Loss on impairment	2,976	2,996
<b>Total charged for period</b>	<b>18,669</b>	<b>17,099</b>

## 8 Operating Lease Commitments

	Year ended 31 March 2005 £'000	Year ended 31 March 2004 £'000
The LSC had annual commitments under non-cancellable operating leases at 31 March as detailed below:		
<b>(a) Land and Buildings</b>		
Leases expiring within:		
One year	826	171
Two to five years	1,734	2,872
More than five years	13,461	14,584
	<b>16,021</b>	<b>17,627</b>
<b>(b) Others</b>		
Leases expiring within:		
One year	3,572	3,130
Two to five years	1,385	1,256
More than five years	2,074	2,086
	<b>7,031</b>	<b>6,472</b>
The annual charge for the above leases is included in note 7a and consists of the following amounts:		
Land and Buildings (rents and service charges)	15,834	16,841
Other Leases (includes telecommunications and lease cars)	7,005	6,427
	<b>22,839</b>	<b>23,268</b>

## Notes to the Accounts (continued)

### 9 Intangible Fixed Assets

	IT Software £'000	Total Purchased £'000
<b>Cost or Valuation</b>		
At 1 April 2004	7,465	7,465
Additions	493	493
Disposals	(2,020)	(2,020)
<b>At 31 March 2005</b>	<b>5,938</b>	<b>5,938</b>
<b>Depreciation</b>		
At 1 April 2004	(3,306)	(3,306)
Disposals	1,760	1,760
Charge for period	(1,936)	(1,936)
Revaluation	359	359
<b>At 31 March 2005</b>	<b>(3,123)</b>	<b>(3,123)</b>
<b>Net Book Value (NBV)</b>		
At 1 April 2004	4,159	4,159
<b>Total NBV Intangible Fixed Assets at 31 March 2005</b>	<b>2,815</b>	<b>2,815</b>



## 10 Tangible Fixed Assets

	Assets under Construction and other IT £'000	Vehicles £'000	Furniture and Fittings £'000	Plant and Machinery £'000	Computers and other IT £'000	Total Purchased £'000
<b>Cost or Valuation</b>						
At 1 April 2004	3,862	325	18,139	1,973	38,870	63,169
Reclassification of assets under construction	(3,862)	0	0	0	3,862	0
Additions	1,631	0	2,216	310	10,408	14,565
Disposals	0	(238)	(942)	(159)	(1,745)	(3,084)
Revaluation	0	1	440	65	0	506
Impairment	0	0	(9)	0	(5,344)	(5,353)
<b>At 31 March 2005</b>	<b>1,631</b>	<b>88</b>	<b>19,844</b>	<b>2,189</b>	<b>46,051</b>	<b>69,803</b>
<b>Depreciation</b>						
At 1 April 2004	0	(213)	(4,300)	(1,062)	(16,560)	(22,135)
Disposals	0	196	694	122	1,344	2,356
Charge for period	0	(58)	(2,377)	(597)	(9,797)	(12,829)
Revaluation	0	27	241	121	1,455	1,844
Impairment	0	0	9	0	2,368	2,377
<b>At 31 March 2005</b>	<b>0</b>	<b>(48)</b>	<b>(5,733)</b>	<b>(1,416)</b>	<b>(21,190)</b>	<b>(28,387)</b>
<b>Net Book Value (NBV)</b>						
At 1 April 2004	3,862	112	13,839	911	22,310	41,034
<b>Total NBV Tangible Fixed Assets at 31 March 2005</b>	<b>1,631</b>	<b>40</b>	<b>14,111</b>	<b>773</b>	<b>24,861</b>	<b>41,416</b>

## Notes to the Accounts (continued)

### 11 Cost of Capital

Guidance given by the Treasury in respect of NDPBs' Annual Reports and Accounts requires 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.

The average capital employed is defined as an average of total assets less total liabilities at 1 April and 31 March. The total assets are to exclude donated assets, and non-interest bearing bank balances with the Office of the Paymaster General and the Bank of England.

	Year ended 31 March 2005 £'000	Year ended 31 March 2004 £'000
Capital employed as at 1 April	103,536	147,198
Capital employed as at 31 March	12,806	103,536
Average capital employed	58,171	125,367
<b>Interest on capital at 3.50% per annum</b>	<b>(2,036)</b>	<b>(4,388)</b>

### 12a Debtors

	As at 31 March 2005 £'000	As at 31 March 2004 £'000
<b>Due in one year</b>		
College debtors	38,600	101,841
Work-based learning debtors	13,328	35,386
School Sixth Form debtors	24,501	19,104
Trade debtors	3,441	3,324
Other debtors	31,722	38,360
<b>Sub-total debtors</b>	<b>111,592</b>	<b>198,015</b>
Accrued income	114,791	97,509
College prepayments	95,721	91,843
Administration cost prepayments	5,712	6,445
Other prepayments	20,174	14,113
<b>Sub-total accrued income and prepayments</b>	<b>236,398</b>	<b>209,910</b>
<b>Sub-total debtors, accrued income and prepayments</b>	<b>347,990</b>	<b>407,925</b>
Capital debtors (sale proceeds of fixed assets)	2	2
<b>Sub-total due in one year</b>	<b>347,992</b>	<b>407,927</b>
<b>Due in more than one year</b>		
College debtors	4,225	4,570
<b>Total Debtors</b>	<b>352,217</b>	<b>412,497</b>

Within college debtors, the value of the clawback of 2003/04 main revenue allocation repayable to the LSC is £1.4 million (2002/03 £35 million), which has been based on shortfalls against funding agreements for 2003/04, as evidenced by audited or estimated student activity returns. The decrease in the clawback is explained by the new tolerance arrangements introduced from 2002/03 that allowed providers to reduce and repay main revenue allocation in-year with a corresponding reduction in the clawback.

College debtors also include £26.2 million (2003-04 £23.8 million) due to the LSC in respect of advances of future years' funding to 25 providers that experienced cashflow difficulties during the year (the majority of these are due for repayment within 2005-06).

Debtors include a provision for doubtful debts of £8.2 million at 31 March 2005 (£7.8 million 2003-04) after the write-off of losses of £6.9 million in 2004-05 as detailed at Note 27.

The comparatives at 31 March 2004 have been restated to show accrued income separately from other debtors.

## 12b Debtors: Analysed by type of organisation

The following note provides an analysis of the debtors detailed above by type of organisation:

	As at 31 March 2005 £'000	As at 31 March 2004 £'000
<b>Due in one year</b>		
Local Authorities debtors	28,137	27,023
NHS Trusts debtors	23	60
Public Corporations and Trading Funds debtors	53	109
Other Central Government Bodies debtors	17,718	30,293
Non-Profit Institutions debtors	42,288	64,048
Private Sector debtors	21,981	27,067
Other Bodies and Organisations debtors	1,392	49,415
<b>Sub-total debtors</b>	<b>111,592</b>	<b>198,015</b>
<b>Due in more than one year</b>		
Non-Profit Institutions debtors	4,225	4,570
<b>Total Debtors by Organisation Type (excluding capital and prepayments)</b>	<b>115,817</b>	<b>202,585</b>

## 12c Debtors: Balances included above with other Government Bodies

The following note details debtor balances exceeding £1 million with other Government Bodies included in the above:

	As at 31 March 2005 £'000	As at 31 March 2004 £'000
<b>Local Authorities</b>		
Birmingham City Council	1,524	604
Bradford Metropolitan Council	1,084	560
Kent County Council	1,036	1,101
	<b>3,644</b>	<b>2,265</b>
<b>Other Central Government Bodies</b>		
Department for Work and Pensions	10,282	20,302
Ministry of Defence	0	4,620
CITB-Construction Skills	1,409	0
Advantage West Midlands	1,732	2,916
Yorkshire Forward	3,068	104
	<b>16,491</b>	<b>27,942</b>

There were no material (exceeding £1 million) debtor balances at 31 March with the following type of Government Bodies:

- NHS Trusts
- Public Corporations and Trading Funds

## Notes to the Accounts (continued)

### 13 Cash at Bank and in Hand

	As at 31 March 2005 £'000	As at 31 March 2004 £'000
Cash held at the Office of Paymaster General	206,702	111,447
Cash held at other banks and in hand	285	177
	<b>206,987</b>	<b>111,624</b>

The DfES 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 European Social Funds which is also included in the cash held at the Office of Paymaster General above.

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

	As at 31 March 2005 £'000	As at 31 March 2004 £'000
Total resource budget	8,976,739	8,551,135
1% thereof	89,767	85,511
Paymaster General account balance for DfES funding within the above	<b>79,182</b>	<b>55,810</b>

### 14a Creditors: Amounts falling due within one year

	As at 31 March 2005 £'000	As at 31 March 2004 £'000
Trade creditors	14,495	14,774
College creditors	28,794	22,709
Work-based learning creditors	110,937	91,432
Local Authority creditors	10,395	6,707
Tax and Social Security	143	98
Other creditors	33,295	28,085
<b>Sub-total creditors</b>	<b>198,059</b>	<b>163,805</b>
Deferred income	37,408	27,193
College accruals	406	2,218
Work-based learning accruals	3,938	0
School Sixth Form accruals	86	708
Other accruals	138,712	151,239
<b>Sub-total deferred income and accruals</b>	<b>180,550</b>	<b>181,358</b>
<b>Sub-total creditors, deferred income and accruals</b>	<b>378,609</b>	<b>345,163</b>
Capital creditors	3,314	626
<b>Total Creditors</b>	<b>381,923</b>	<b>345,789</b>

The comparatives at 31 March 2004 have been restated to show deferred income separately from other accruals.

#### 14b Creditors: Analysed by type of organisation

The following note provides an analysis of the creditors detailed above by type of organisation:

	As at 31 March 2005 £'000	As at 31 March 2004 £'000
Local Authorities creditors	16,876	10,763
NHS Trusts creditors	160	144
Public Corporations and Trading Funds creditors	2,618	415
Other Central Government Bodies creditors	10,136	16,940
Non-Profit Institutions creditors	62,024	42,346
Private Sector creditors	98,812	75,983
Other Bodies and Organisations creditors	7,433	17,214
<b>Total Creditors by Organisation Type (excluding capital and accruals)</b>	<b>198,059</b>	<b>163,805</b>

#### 14c Creditors: Balances included above with other Government Bodies

The following note details creditor balances exceeding £1 million with other Government Bodies included in the above:

	As at 31 March 2005 £'000	As at 31 March 2004 £'000
<b>Public Corporations and Trading Funds</b>		
Learning and Skills Development Agency	2,142	189
Central Office of Information (COI) Communications	405	1,743
	<b>2,547</b>	<b>1,932</b>
<b>Other Central Government Bodies</b>		
Higher Education Funding Council for England	122	7,485
Ministry of Defence	2,944	0
DfES	32	5,073
CITB-Construction Skills	5,009	1,107
Maritime and Coastguard Agency	0	1,100
	<b>8,107</b>	<b>14,765</b>

There were no material (exceeding £1 million) creditor balances at 31 March with the following types of Government Bodies:

- Local Authorities
- NHS Trusts



# Notes to the Accounts (continued)

## 15 Provisions for Liabilities and Charges

	Year ended 31 March 2005 £'000	Year ended 31 March 2004 £'000
Balance of provision at 1 April	7,706	521
Additional charge in year	238	7,320
Provision utilised in year	(6,250)	(135)
Provision unused and reversed during the year	(68)	0
	<b>1,626</b>	<b>7,706</b>
The above includes a provision in respect of the following items at 31 March:		
Provision for early retirement costs for former employees to age 60	422	386
Provision for reshaping the LSC	1,204	7,320
<b>Total Provision at 31 March</b>	<b>1,626</b>	<b>7,706</b>

## 16 Capital Commitments

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

	As at 31 March 2005 £'000	As at 31 March 2004 £'000
<b>Payable within one year</b>		
Authorised and contracted for	16,954	11,848
	<b>16,954</b>	<b>11,848</b>
<b>Payable between two and five years</b>		
Authorised and contracted for	32,007	11,472
	<b>32,007</b>	<b>11,472</b>

## 17 Commitments to make grants to colleges and schools

Commitments to make grants to colleges and schools at 31 March for FE Participation and School Sixth Forms funding related to the remaining period of the academic year April to July, together with capital commitments were as follows:

	As at 31 March 2005 £'000	As at 31 March 2004 £'000
<b>Payable within one year</b>		
FE Participation	1,951,629	1,417,582
School Sixth Forms	564,926	519,467
FE Capital project support	169,301	185,886
Other capital grants (Accessibility and Centres of Vocational Excellence)	69,217	61,779
	<b>2,755,073</b>	<b>2,184,714</b>
<b>Payable between two and five years</b>		
FE Capital project support	135,632	130,769
Other capital grants (Accessibility and Centres of Vocational Excellence)	25,269	54,867
	<b>160,901</b>	<b>185,636</b>

## 18 Contingent Liabilities

	As at 31 March 2005 £'000	As at 31 March 2004 £'000
The LSC had no material contingent liabilities as at 31 March 2005	0	0

## 19 Financial Instruments

Financial Reporting Standards (FRS) 13 requires organisations to disclose information on the possible impact of financial instruments on its risk profile and how these might affect the organisation's performance and financial condition. As an NDPB, with no borrowings and almost wholly funded by the DfES, the LSC can confirm that it is not exposed to any liquidity or interest rate risks.

It also has no material deposits and all material assets and liabilities are denominated in sterling, hence it is not exposed to interest rate or currency risk.

## 20 General Reserve

	As at 31 March 2005 £'000	As at 31 March 2004 £'000
Balance at 1 April	170,623	123,124
Surplus/(Deficit) before interest	4,897	47,464
<b>Sub-total current period</b>	<b>175,520</b>	<b>170,588</b>
Backlog depreciation	130	35
<b>Sub-total other movements</b>	<b>130</b>	<b>35</b>
<b>Balance at 31 March</b>	<b>175,650</b>	<b>170,623</b>

## 21 Government Capital Reserve

	As at 31 March 2005 £'000	As at 31 March 2004 £'000
Balance at 1 April	44,360	40,793
Allocated from Grant-in-aid (purchase of capital assets)	15,058	15,911
Transferred to Income and Expenditure Account	(17,971)	(16,338)
Revaluation	2,535	4,026
Backlog depreciation	(124)	(32)
<b>Balance at 31 March</b>	<b>43,858</b>	<b>44,360</b>

## 22 Donated Asset Reserve

	As at 31 March 2005 £'000	As at 31 March 2004 £'000
Balance at 1 April	836	895
Balance transferred from TECs on 1 April under Business Transfer Agreements	0	117
Revaluation	174	637
Backlog depreciation	(6)	(3)
Transferred to Income and Expenditure Account	(626)	(810)
<b>Balance at 31 March</b>	<b>378</b>	<b>836</b>

# Notes to the Accounts (continued)

## 23 Reconciliation of Movement in Funds

	As at 31 March 2005 £'000	As at 31 March 2004 £'000
<b>Opening balance of funds</b>	215,819	164,812
<b>Movement in funds:</b>		
General Reserve		
Operating surplus before interest	4,897	47,464
Backlog depreciation	130	35
<b>Government Capital Reserve</b>		
Allocated from Grant-in-aid (purchase of capital assets)	15,058	15,911
Released for the period	(17,971)	(16,338)
Backlog depreciation	(124)	(32)
<b>Donated Asset Reserve</b>		
Balance transferred from TECs on 1 April under Business Transfer Agreements	0	117
Depreciation	(508)	(779)
Backlog depreciation	(6)	(3)
Disposals	(118)	(29)
Impairment	0	(2)
<b>Sub-total</b>	<b>1,358</b>	<b>46,344</b>
Other Recognised Gains and Losses for the year		
Capital – Revaluation	2,535	4,026
Donated – Revaluation	174	637
<b>Sub-total – Other Recognised Gains and Losses for the year</b>	<b>2,709</b>	<b>4,663</b>
<b>Net (reduction)/increase in funds</b>	<b>4,067</b>	<b>51,007</b>
<b>Closing balance of funds</b>	<b>219,886</b>	<b>215,819</b>
	As at 31 March 2005 £'000	As at 31 March 2004 £'000
<b>Represented by</b>		
<b>Balance on Reserves:</b>		
General Reserve	175,650	170,623
Government Capital Reserve	43,858	44,360
Donated Asset Reserve	378	836
<b>Closing balance of funds</b>	<b>219,886</b>	<b>215,819</b>

## 24 Reconciliation of Operating Surplus to net cash flow from operating activities

	Note	Year ended 31 March 2005 £'000	Year ended 31 March 2004 £'000
Operating surplus before interest		4,897	47,464
Depreciation charges	7b	14,765	13,946
Release from Government Capital Reserve	21	(17,971)	(16,338)
Release from Donated Asset Reserve	22	(626)	(810)
Loss on disposal of Fixed Assets		928	157
Loss on impairment		2,976	2,996
(Increase)/Decrease in Debtors	12a	60,280	124,594
Increase/(Decrease) in Creditors	14a	33,446	(83,312)
Increase/(Decrease) in Provisions for Liabilities and Charges	15	(6,080)	7,185
<b>Net Cash Inflow/(Outflow) from Operating Activities</b>		<b>92,615</b>	<b>95,882</b>

## 25 Reconciliation of net cash flow to movement in cash balance held

	Year ended 31 March 2005 £'000	Year ended 31 March 2004 £'000
Cash at bank and in hand at 1 April	111,624	16,738
Increase/(Decrease) in cash for the year – per cash flow statement	95,363	94,886
<b>Cash at bank and in hand at 31 March</b>	<b>206,987</b>	<b>111,624</b>

## Notes to the Accounts (continued)

### 26 Related Party Transactions

The LSC is a NDPB sponsored by the DfES. The DfES is regarded as a related party. During this period the LSC has had various material transactions with the DfES, Department for Work and Pensions, Higher Education Funding Council for England, Ministry of Defence, and the Learning and Skills Development Agency (LSDA) the board of which is appointed by the Secretary of State for Education and Skills.

During the year the LSC entered into material transactions with the following bodies, to which the National Council Members and Management Group Directors stated below are related parties. The transactions were in the normal course of business and conducted at arms length:

- services provided by North West Development Agency for whom Council Chairman Bryan Gray is Chairman;
- services provided by BUPA plc for whom former Council Chairman Bryan Sanderson is Chairman;
- funding allocations to Manchester Metropolitan University for whom Council member Dame Alexandra Burslem is Vice Chancellor;
- services provided by Sector Skills Development Agency for whom Council member Gareth Cadwallader is a Board member;
- services provided for and by The Basic Skills Agency for whom Council member Jane Drabble is a Director;
- funding allocations to Birmingham Local Authority in respect of Bournville School and Sixth Form Centre for whom Council member Ruth Harker is Head Teacher;
- funding allocations to Shooters Hill post-16 Campus for whom Council member Mary Marsh is Governor;
- funding allocations to Salford City Council for whom Council member John Merry is Councillor;
- services provided by North West Development Agency for whom Council member John Merry is a Board member;
- funding allocations to Joseph Chamberlain Sixth Form College for whom Council member Lynne Morris is Principal;
- services provided by UK Skills for whom Council member Frances O'Grady is a Director;
- funding allocations to Catalyst for whom Council member Frances O'Grady is a Director;
- funding allocations to Knowsley Community College for whom former Council member Sir George Sweeney is Principal;
- funding allocations to learndirect for whom former Council member Sir George Sweeney is Director;
- funding allocations to Sheffield College for whom Council member John Taylor is Principal;
- services provided by LSDA for whom Regional Director Henry Ball is a Board member;
- services provided by North London Connexions Partnership Ltd for whom Regional Director Verity Bullough was a Director;
- services provided by Capital Quality Ltd for whom Regional Director Verity Bullough is a Director;
- funding allocations to and services provided by Shipley College for whom the spouse of Regional Director Margaret Coleman is Assistant Principal;
- funding provided to Technology Innovation Centre Ltd and Technology Innovation Centre (Commercial) Ltd for whom Regional Director David Cragg is a Director;
- services provided by Birmingham Partnership for Change Ltd for whom Regional Director David Cragg is a Director;
- services provided by Birmingham Professional Divercity for whom Regional Director David Cragg is a Director;
- services provided for and by Birmingham Core Skills Development Partnership Ltd for whom Regional Director David Cragg is a Director;
- services provided for and by Birmingham & Solihull Connexions Partnership Ltd for whom Regional Director David Cragg is a Director;
- funding allocations to and services provided by Warwickshire College for whom the spouse of Regional Director Malcolm Gillespie is Vice President;
- funding allocations to and services provided by LANTRA for whom Regional Director Malcolm Gillespie is a Director of the subsidiary company LANTRA Awards Ltd;
- funding allocations to and services provided by Centre for Enterprise for whom Regional Director Jacqui Henderson is a Director;
- services provided by South Yorkshire Connexions for whom Regional Director John Korzeniewski is a Director.

## 27 Losses and Special Payments

### 27a Losses statement

The LSC incurred the following material losses in the period to 31 March 2005 (2003-04 Nil). The losses have been charged to the relevant programme in Note 4a.

Category	Description	Year ended 31 March 2005 £'000
A(i)	<b>Cash losses</b>	
	<b>Work-based learning (WBL) providers</b>	
	Cases above £100,000 individually	4,905
	Other cases below £100,000 individually	1,777
		<b>6,682</b>
	<b>European Social Fund Providers</b>	
	Cases below £100,000 individually	136
	<b>Other Programme Providers</b>	
	Cases below £100,000 individually	47
	<b>Total cash losses</b>	<b>6,865</b>

The majority of funding in the LSC is paid on profile rather than on actual invoiced amounts. In the early days of the LSC there were several factors which affected the LSC's ability to ensure that profiles matched delivery and that overpayments to providers of WBL were minimised. This resulted in overpayments to a number of providers and the write-offs listed above relate to cases where the LSC has been unable to recover such overpayments – usually because the provider has gone into liquidation. There were 18 cases (all WBL) over £100,000 of which the largest was £1,369,020 and the second largest was £540,343.

The Chief Executive of the LSC has delegated authority to approve the write-off of cash losses with an item value of up to £5,000 and subject to an overall limit of £100,000 in any one year. The DfES and HM Treasury have approved the other cases within their respective delegated authorities as summarised below:

Authority	Item value	Number of cases	Loss £'000
LSC	Up to £5,000	19	29
DfES	£5,000 to £100,000	54	1,931
HM Treasury	Over £100,000	18	4,905
	<b>Total losses</b>	<b>91</b>	<b>6,865</b>

### 27b Special payments

The LSC incurred no material special payments in the period to 31 March 2005 (2003-04 Nil).



# Annex A

We have a huge job to do. As a result, we're involved in an extremely wide range of strategies, initiatives and programmes with many partner organisations. This is a brief guide to the main ones mentioned in this report.

## 14–19 Reform

The Government's policy document 14–19: opportunity and excellence, published in January 2003, set out plans for reforming the curriculum for 14–16 year olds and giving young people under 19 a broader choice of subjects and qualifications. Pilots of local partnerships linking all the organisations responsible for delivering education and training to this age group will identify and spread good practice, and inform the national development of 14–19 education and training from 2005/06.

## Adult and Community Learning (ACL)

We maintain a national programme of leisure and occupational courses for adults through local Further Education colleges. We also provide extra funding for other ACL such as family and neighbourhood projects.

## Adult basic skills

The ability to read, write and speak in English, and to use mathematics at a level necessary to function at work and in society in general. In 1999, seven million adults in the UK had poor basic literacy and numeracy skills. Half of this number were already in employment.

## Adult Learning Grants (ALGs)

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.

## Apprenticeships

Apprenticeships offer training in the workplace. Young Apprenticeships allow 14–16 year olds to spend two days a week learning a trade. Apprenticeships (equivalent to GCSE level) give people aged 16 and over on-the-job training to NVQ Level 2 while they get 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 and a technical certificate. The LSC funds apprenticeship training and assessment costs.

## Centres of Vocational Excellence (CoVEs)

Training centres that provide vocational training in specialist areas needed by the local economy. Centres of Vocational Excellence are created in existing colleges or training organisations. They build on existing strengths and specialisms, and have strong links with local employers and other training providers.

## 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.

## Employer Training Pilots (ETPs)

These encourage training in small firms by funding training schemes and, in some areas, covering the costs of releasing staff for training in working hours. The employer decides on the type and method of training. ETPs will soon be extended into a National Employer Training Programme.

## Enterprise Adviser Service

Works with 1,000 secondary schools, mainly in deprived areas, to improve the quantity and quality of learning about business. It aims to increase the emphasis on enterprise within the curriculum and strengthen links with employers.

## Entry to Employment (e2e)

A programme for people aged 16 to 18 who have become disillusioned with learning and are not in any sort of education, employment or training. It helps them to move into an apprenticeship, education at NVQ Level 2, or a job.

## Further Education (FE)

There are two streams of education for people over 16: FE and Higher Education (HE). FE covers learning opportunities up to the standard of GCE A-levels and NVQ Level 3.

## Higher Education (HE)

HE includes courses above the standard of GCE A-levels or NVQ Level 3. Examples include degree courses, postgraduate courses and Higher National Diplomas (HNDs).

## Investors in People

The national standard of good practice for workplace training and development. Investors in People Small Firms Initiative helps small firms in England to develop their workforces. So far, only 2 per cent of small firms (with between five and 49 employees) have achieved the Investors in People standard, compared to 45 per cent of medium and large organisations.

## Jobcentre Plus

Gives advice on jobs and training for people who can work, and financial help for those who can't.

## Level 2 entitlement

Free training is available to people studying for their first full NVQ Level 2 qualification. The scheme was successfully trialled in the North East and South East before national roll-out in September 2005.

### 'Light-touch' audit

An inspection of a learning provider that makes limited demands and relies on a level of trust between the inspector and the learning provider.

### National Employer Skills Survey

This survey provides detailed information about employers' recruitment problems, their experience of skills gaps and their involvement in training. We commissioned it in partnership with the Sector Skills Development Agency and the Department for Education and Skills (DfES). It is the largest survey of its kind ever done in England, based on 72,100 interviews from a representative sample of English employers.

### National Vocational Qualifications (NVQs)

NVQs are work-related qualifications.

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

### Business cycle

Introduced in 2004, this is our new process for planning and managing skills training and education to make sure they fit the changing needs of employers. It is based on an annual review of the skills available to employers, which forms the basis of planning and action through the year.

### Plan-led funding

This is the new, simplified way we give funds to FE providers. Providers agree three-year development plans with their local LSC, which pays them to carry out the plans and monitors their performance against those plans.

### Qualifications and Curriculum Authority (QCA)

Regulates standards in education and training. Regional Development Agencies (RDAs) Responsible for economic development and regeneration in the nine regions of England.

### Sector Skills Councils (SSCs)

Independent UK-wide organisations representing groups of employers. They exist to improve skills and productivity in their sector.

### Sixth forms

We became responsible for funding school sixth forms in April 2002. We fund 1,770 school sixth forms in 138 local education authorities (LEAs). In the remaining 12 LEAs the education of over-16s is mainly in FE colleges and sixth-form colleges.

### 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 by 2007.

### Skills Strategy

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

### Success for All

The Government's programme for reforming education and training for over-16s. Launched in November 2002, it is the largest-ever investment in learning and skills, providing an extra £1.2 billion over three years. Its aim is to improve the quality and choice of education and training from schools, colleges, training providers and adult education services. We share responsibility for it with the DfES.

### Trust in FE

Our programme to cut unnecessary red tape for learning providers. It makes the funding process simpler, helps providers make long-term plans with more confidence and gives a freer hand to those that perform well, so they can focus on teaching rather than paperwork.

### Union Learning Fund

An LSC-run fund that helps trade unions improve workforce skills by encouraging training in the workplace.

### Years

The academic year runs from August to July and is written in the style '2004/05' in this report. The financial year runs from April to March and is written in the style '2004-05'.

## Further information

Visit the LSC online at [www.lsc.gov.uk](http://www.lsc.gov.uk) for up-to-date news on the LSC and education and training in England. There's a lot more here about our policies and activities and you can access online versions of LSC publications.

You can also call 0870 900 6800 for information about your local LSC office.

The media should call 020 7904 0923 with any queries about this Report or any other LSC issue.

### Other useful websites

14–19 Reform  
[www.14-19reform.gov.uk](http://www.14-19reform.gov.uk)

Apprenticeships  
[www.apprenticeships.org.uk](http://www.apprenticeships.org.uk)

Centres of Vocational Excellence  
[www.cove.lsc.gov.uk](http://www.cove.lsc.gov.uk)

Connexions  
[www.connexions.gov.uk](http://www.connexions.gov.uk)

Department for Education and Skills  
[www.dfes.gov.uk](http://www.dfes.gov.uk)

Five Year Strategy for Children and Learners  
[www.dfes.gov.uk/5yearstrategy](http://www.dfes.gov.uk/5yearstrategy)

Investors in People  
[www.iipuk.co.uk](http://www.iipuk.co.uk)

ITQ  
[www.e-skills.com/itq](http://www.e-skills.com/itq)

Skills Strategy White Paper  
[www.dfes.gov.uk/skillsstrategy](http://www.dfes.gov.uk/skillsstrategy)

Success for All  
[www.successforall.gov.uk](http://www.successforall.gov.uk)

Union Learning Fund  
[www.unionlearningfund.org.uk](http://www.unionlearningfund.org.uk)

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design group

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Board photography by  
Christine Donnier-Valentin  
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## List of related documents

14–19 Education and Skills White Paper (February 2005)  
[www.dfes.gov.uk/publications/14-19educationandskills/index.shtml](http://www.dfes.gov.uk/publications/14-19educationandskills/index.shtml)  
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Sir Andrew Foster's Bureaucracy Review Group Report (May 2004)  
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Learning and Skills Council  
**National Office**

Cheylesmore House  
Quinton Road  
Coventry CV1 2WT  
T 0845 019 4170  
F 024 7682 3675  
[www.lsc.gov.uk](http://www.lsc.gov.uk)

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