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Dear Bryan

**GRANT LETTER 2002-03**

This is the first grant letter since the Learning and Skills Council became operational in April 2001, and the first since the creation of the Department for Education and Skills. It also follows the publication in October of my new strategy paper, "Education and Skills: Delivering Results - A Strategy to 2006", which sets out the Department's aims, objectives, and priorities, and will require the active involvement of the Council to deliver the challenges ahead.

This grant letter sets out the financial resources I have allocated to the Council to enable it to deliver, in 2002-03, the objectives set out in the remit letter of November 2000 and to make progress towards the targets in the Council's first Corporate Plan published in July 2001.

These overall objectives remain the cornerstone of the Council's work:

- Encouraging young people to remain in learning and increase their attainment;
- Increasing demand for learning by adults;
- Maximising the contribution of education and training to economic performance; and
- Raising standards in teaching and learning, and ensuring equality of opportunity for all.

The Government is committed to delivering improved publicly-funded services in learning and skills; and the Council must make a real difference to people's lives by meeting the targets aimed at extending participation, raising achievement (including basic skills), increasing employer engagement, and raising quality. I expect the Council to show good progress on the targets in its Corporate Plan, and have set out here our broad expectations of what needs to be achieved in 2002-03. I also look forward to receiving details of other proposed targets for 2004, to be published in your next Corporate Plan.

The Council also takes on significant new responsibilities in 2002-03, including the funding of school sixth forms, and decisions at local level about the allocation of funds for young people's and adult learning provision.

The key priorities in 2002-03 will be to:

- Make significant progress on raising standards across post-16 learning provision;
- Work towards a coherent 14-19 phase of education and learning;
- Take responsibility for tackling the legacy of poor basic skills;
- Develop and implement an innovative and responsive workforce development strategy; and
- Develop appropriate progression routes into higher education (HE), contributing to the Government's delivery target of 50% of young people aged 18-30 entering HE by 2010.

The Council will have available in excess of £7.3 billion in 2002-03 to meet this challenging agenda. This represents a 5.9% real terms increase in the Council's overall budget (not including school sixth forms), and I will expect the Council to use this significant extra funding to make demonstrable progress towards its key targets.

I have also increased the flexibility available to the Council to meet its priorities by simplifying the budget structure and removing unnecessary restrictions on how the grant is spent. The grant available to the Council will again be divided into four main blocks, but with far fewer individual budgets and restrictions. The rest of this letter covers each block in turn. The four blocks, which are set out in more detail at Annex A, are:

- Young people;
- Adults, which includes funds for working with employers;
- Standards, Initiatives and Capital; and
- Administration.

A top priority will be to reduce unnecessary bureaucracy and I expect the National Council to pass on the benefits of increased flexibility to the local Councils, who should in turn pass them on to providers. In return for these increased flexibilities, I expect there to be an increased emphasis on clearly defined and relevant outputs, and for the Council to put in place strong management information and control systems. My Ministerial colleagues and I will be looking for the Council to provide timely, accurate, and relevant information about your performance and expenditure in the areas identified below, as well as other areas of importance, particularly for our mid and end-year performance reviews.

### **Increasing the Participation and Achievement of Young People**

I have allocated **£3,932** million from your total budget to support this objective in 2002-03, with considerable flexibilities available to allocate resources where needed. I wish to see the removal of barriers to young people's participation in learning and, subject to consultation, I expect the Council to make it a condition of its grant to FE institutions from 2002/03 that they will not charge 16-18 year olds for registration fees, tuition fees or examination fees. In 2002-03 I expect the Council to:

- Increase the proportion of 19 year olds achieving a level 2 qualification by the end of 2002 by 5 percentage points compared to 2000, recognising that the increased efforts developed this year through local Council action planning will continue to be needed in later years in order to meet the 2004 target;
- Tackle the basic skills needs of those aged 16-18, who still need further help with literacy and numeracy in order to progress, and thereby contribute to the target of raising the literacy and numeracy skills of 750,000 young people and adults by 2004;

- Increase the proportion of 19 year olds with a level 3 qualification by the end of 2002 by at least 1.5 percentage points compared to 2000, setting the foundation for a significant acceleration in the performance against this target in later years, thereby making a major contribution to the target for increased participation in Higher Education;
- Work with the developing Connexions partnerships, especially in joint planning and effective information sharing, to ensure that young people are on appropriate and relevant learning opportunities; thereby increasing the proportion of 16-18 year olds participating in structured learning in 2002 by at least 2 percentage points compared to 2000, and reducing significantly the number of 16-18 year olds not in education, training or work;
- Secure a smooth transfer to the new funding arrangements for school sixth forms, ensuring that their funding does not reduce in real terms relative to the amount they received in 2000-01, provided pupil numbers are maintained;
- Support the development of a more coherent and well-balanced 14-19 phase of learning, and particularly to fund and support the "Increased Flexibility for 14-16 Year Olds" programme. This will help launch the new GCSEs in vocational subjects in 2002 and create up to 40,000 part-time vocational placements for 14-16 year olds who undertake at least part of their study in school, FE college or with a private training provider;
- Raise the status of vocational learning by working with Government to deliver the key recommendations of the Modern Apprenticeship Advisory Committee, and working with employers towards the target that by 2004 more than a quarter of young people enter Modern Apprenticeships before they are 22 years old;
- Encourage the take-up of Curriculum 2000 qualifications through funding individual programmes of study with clear paths of progression to Higher Education or employment; and
- Develop high quality education for young people in sixth form colleges, general further education colleges, school sixth forms and other kinds of dedicated provision (including where appropriate, sixth form centres in FE colleges).

### **Increasing the Demand for Learning by Adults and Employers**

I have allocated **£2,570** million to support adult learning and workforce development in 2002-03, within which I expect the Council to give priority to basic skills provision.

In 2002-03 I expect the Council to:

- Implement its adult literacy and numeracy strategy to ensure that at least 240,000 adults will have improved basic skills by achieving literacy and numeracy qualifications by the end of 2002, and so meet the target of raising the literacy and numeracy skills of 750,000 young people and adults by 2004;
- Develop specific targets for adult participation and achievement at level 2;
- Work with my Department on the development of new funding arrangements for adult learners, including the development of a new ILA-style programme;

- Raise the proportion of adults with a level 3 qualification by the end of 2002 by at least 2 percentage points compared with 2000;
- Widen participation in learning through the innovative and effective use of information and communications technology;
- Contribute to delivering the Government's strategy for Neighbourhood Renewal by supporting a revitalised adult and community learning sector, working with local authorities, Learning Partnerships and the voluntary and community sectors, and focusing on delivering increased learning opportunities to those in disadvantaged communities;
- Develop a strategy for engaging more employers of all sizes in learning, strengthening the link between education and business, and increasing the training offered by employers and undertaken by employees; and in particular for the Council to work with and through its key partners on Investors in People (IiP) delivery, ensuring that 45% of medium and large employers, and 10,000 small firms, are IiP-accredited by December 2002;
- Secure the provision of high quality locally based information, advice and guidance (IAG) services for adults, aligned to the Council's delivery targets, working with local IAG partnerships to improve the availability and quality of local services, and with **Ufi/learnirect** to ensure joined-up delivery to the user;
- Work closely with key partners, such as Jobcentre Plus, to help people affected by industrial and economic change, including joint planning, delivery and evaluation of appropriate labour market programmes, and to improve the supply of trained childcare workers;
- Work closely with the new Sector Skills Development Agency and the new Sector Skills Councils as key strategic partners in identifying sector skills priorities, and agreeing with them, within the plans of the national Council and the appropriate local Councils, specific arrangements for meeting the priorities identified;
- Work with my Department and other Government Departments, including the Performance and Innovation Unit, on the preparation of the Unit's second report on workforce development, to include specific measures to implement the principles in the Unit's first report. I also expect the Council to take this fully into account in the development of its own workforce development strategy, and to implement successfully the new workforce development pilots. The aim will be to pilot an entitlement to initial level 2 courses for adults, linked to incentives and financial support for employers whose staff take time off for such training; and
- Work closely with key partners in each region, including the Employment Service/ Jobcentre Plus, Government Offices, Regional Development Agencies and Local Authorities, to produce the Frameworks for Regional Employment and Skills Action (FRESAs). The first frameworks need to be in place by October 2002, ensuring a coherent approach to employment, skills and economic development.

### **Raising Standards in Teaching and Learning, and Investing in Infrastructure**

In 2002-03 I have allocated **£590** million for raising standards and investing in infrastructure, including the new unified standards fund for learning and skills to support colleges and other providers in raising standards. This new fund will not be constrained by internal ring-fencing

for different funding streams or different sectors. The fund will provide a much more flexible and effective tool for supporting college and provider improvement plans, in support of local Council strategies for the development of their post-16 infrastructure. The standards fund provides considerable scope for reducing bureaucracy and I look to the Council to ensure that intervention is targeted where it is most needed, in inverse proportion to success, working with and influencing other partners as needed, to achieve these ends. It should look to adopt a light touch where provision is successful, and highlight and share good practice.

In 2002-03 I expect the Council to:

- Press ahead rapidly with its work on target and quality indicators for raising standards. I know that the Council is committed to this, and is also in the process of drawing up a Quality Improvement Strategy, which will be put to me for approval;
- Develop appropriate learning provision in each area following the publication of local Councils' strategic plans including, where necessary, to streamline provision in local areas. This may require the establishment of new post-16 institutions;
- Work with LEAs, following area-wide inspections, to develop action plans that provide a clear direction, especially making clear whether structural change is necessary to improve the options for learners and to support the 14-19 agenda. As you know, I have included proposals in the Education Bill to strengthen the Council's powers in this area;
- Be at the centre of the high-priority work to take forward action plans following individual inspections. I look to local Councils to agree action plans that are specific, and focussed on driving improvement;
- Ensure that resources are targeted appropriately at attracting, retaining and rewarding teaching staff; and to develop a diverse workforce that reflects the communities that colleges and other providers serve, and realises the talents of everyone;
- Work with my Department to establish the Leadership College and the professional teaching qualifications for FE staff and work-based learning trainers; encourage the take-up of the qualifications; and disseminate good practice in teaching and training, management and leadership, so as to enhance the professionalism and quality of lecturers, trainers, managers and college Principals;
- Improve the capital infrastructure, including supporting the effective use of ICT in learning, securing high quality facilities for vocational training to levels 2 and 3, and improving access for disabled people. The Council should take stock of the estate in both Further Education, and Adult and Community Learning, and link additional resources to areas of strength or identified local need, leveraging in private resources where appropriate;
- Continue the work in hand to develop vocational excellence, ensuring that by 2003-04, half of all general further education colleges are recognised as centres of vocational excellence; to work with the Higher Education Funding Council for England (HEFCE) to ensure progression for individual learners to provision offered through the New Technology Institutes (NTIs); and to ensure that sufficient funding is available to finance the FE-level training places once the NTIs are established;
- Continue the work to optimise the use of the new technologies in learning programmes and to make e-learning a reality throughout the post-16 sector, working in co-operation

in particular with Ufi; and to work with my Department, Ufi and other stakeholders to develop plans for the future management of UK online centres; and

- Develop and maintain innovative approaches to engaging the hardest-to-help learners and enhancing partnerships through effective use of the local initiatives fund (LIF) and discretionary funds.

### **Effective Administration and Developing a High-Performing Organisation**

I have allocated **£218** million from your total budget to support the Council's work on planning, and raising standards, and to meet the Council's running costs in 2002-03. I expect the Council to take active steps to develop robust forecasting systems and world-class communication systems; and to set in place a clear efficiency strategy to control its costs to enable efficiency gains in future years, and ensure ongoing value for money.

I would also like to see the Council, at both national and local level, developing a style of working that is very much focused on ultimate outcomes for the learner, and which uses effective programme and project management to get there. A strong theme of my strategy paper "Education and Skills: Delivering Results - A Strategy to 2006" is the need to involve both young people and adults in the development of policy and services, and I hope that your officials will work with mine in developing innovative ways of doing this. Equally, the Council cannot achieve its objectives without a strong set of relationships with all the partners and intermediary bodies that provide learning. Involving them, listening to their concerns, and acting and being seen to act on those concerns is a key to delivery, as is promoting more effective provider collaboration through Learning Partnerships.

I expect the Council to develop a high-performing, proactive and highly-responsive culture, building on the strengths, experience and diversity of its people, and in particular ensuring that local Learning and Skills Councils reflect the diversity of local communities and their interests. I welcome the Council's plans to expand the membership of the Young People's Learning Committee to include representation from the Churches and to enhance representation from schools. I now look to the Council to ensure that, as vacancies occur, both the National Council and the 47 local Councils also widen their representation of schools.

I also expect the Council to be an effective European Social Fund (ESF) Co-financing organisation, and to use the full potential of the new arrangements to support delivery of the key priorities.

### **Other Key Achievement Areas**

There are four other cross-cutting key achievement areas we will want to review with you:

- i) Developing the Council's key role in supporting progression towards our target of increasing to 50% the number of people aged 18-30 who participate in higher education by 2010. Excellence Challenge is playing a crucial role in supporting this work, and the Council and its providers need to be fully engaged. I want you to build on existing best practice in HE/FE links, and by working jointly with HEFCE, to ensure that the experience and quality of learning of HE students studying in FE colleges meets that of universities and colleges of Higher Education;
- ii) Under the Learning and Skills Act, the Council is required to have due regard to the need to promote equality of opportunity between people from different racial groups, between men and women, and between people with a disability and people without.

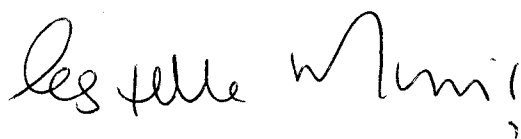
I expect the Council to ensure it builds equality of opportunity into all its policies, programmes and actions, and to ensure that equality becomes a reality. I was pleased that the Council published its own guide, "Equality in Practice", this summer; has taken steps to mainstream equal opportunities in all it does or funds; and has established its relationship with key equality partners. I look forward to receiving the Council's first statutory Equality and Diversity report, outlining what equality-related arrangements it made during 2001-02; how effective they were; and its plans for 2002-03, when important changes to the Race Relations and Disability Discrimination Acts come into effect;

- iii) Developing and implementing the Council's funding system, to ensure that funding follows the learner and facilitating the development of a rational and coherent approach to funding different forms of post-16 provision; and
- iv) Developing and setting out a strategy for securing improved value for money from the Council's main programme areas, ensuring that good practice is shared, and that learning provision is planned, developed and implemented according to the needs of learners, employers, and the local and national economy.

### **Conclusion**

The Council has a vital role to play in ensuring the Government delivers the skills the economy needs. It has a large remit, and I strongly believe it has the tools and structures in place to make a real difference. I look to the Council to make significant strides in the delivery agenda in 2002-03, ensuring that considerable energy is devoted to raising standards and clamping down on poor provision.

My officials will write to the Council with further detailed programme guidance in key areas. I look forward to the Council's revised Corporate Plan and publication of its 2002-03 operational plan.



**Estelle Morris**

## Annex A

|   | (£m)<br><u>2002-03</u> | (£m) Provisional<br><u>2003-04</u> |
|---|------------------------|------------------------------------|
| <b>BLOCK A - YOUTH</b>                                  |                        |                                    |
| Youth programmes  | 2,576.495              | 2,708.493                          |
| School sixth forms                                      | 1,356.000              | 1,428.000                          |
|   | <b>3,932.495</b>       | <b>4,136.493</b>                   |
| <b>BLOCK B - ADULT</b>                                  |                        |                                    |
| Adult programmes  | 2,570.426              | 2,734.260                          |
|   | <b>2,570.426</b>       | <b>2,734.260</b>                   |
| <b>BLOCK C - STANDARDS,<br/>INITIATIVES AND CAPITAL</b> |                        |                                    |
| Raising standards                                       | 217.669                | 232.805                            |
| Teachers Pay Initiative                                 | 100.000                | 135.000                            |
| Capital   | 151.000                | 205.500                            |
| Disability access                                       | 31.000                 | 70.000                             |
| Local initiatives fund                                  | 90.300                 | 90.300                             |
|   | <b>589.969</b>         | <b>733.605</b>                     |
| <b>BLOCK D - ADMINISTRATION</b>                         |                        |                                    |
| Administration  | 218.000                | 218.000                            |
|   | <b>218.000</b>         | <b>218.000</b>                     |
| <b>TOTAL</b>  | <b>7,310.890</b>       | <b>7,822.358</b>                   |

### Notes:

1. The amounts for 02-03 are the Council's resource budgets. These represent the maximum amount of resource that the Council may consume in the financial year further to the purposes for which the budgets are made available.
2. The table excludes additional employer contributions to FE