11 June 2009

Dear (provider first name)

You will have been notified at the end of last week that, as a result of the discussions with Ministers on the current Train to Gain and adult Apprenticeship funding position, we agreed to move the date to confirm Maximum Contract Values (MCVs) to the 19th June. I am writing to you to provide specific details of the package of measures now in place to manage the ongoing success of these services to employers and to provide early notification of other options we are currently exploring.

All of these actions are designed to enable us to stay within the budget allocated for the 2009-10 financial year and to maximise the availability of funding for new starts needed to help employers and learners during the current economic difficulties.

**Actions for 2008/09**

As you will already be aware, the LSC has committed to funding all legitimate Train to Gain and adult Apprenticeship starts prior to 1st April 2009. A ‘legitimate start’ in this context is one that meets our normal requirements for start funding, as set out in the Funding Guidance 2008/09.

For audit purposes, the provider must have evidence to demonstrate that the learner has actively participated in a structured programme as detailed in their individual learning plan prior to 1st April 2009. In line with our standard assurance approach, funding claims will be checked during assurance visits to ensure that for any learners submitted as new starts dated before 1st April 2009; there is evidence that learning had taken place on or prior to 31st March 2009. Provider Financial Assurance will be reviewing the timing of their planned assurance visits and where necessary they will bring visits forward.

Learning and Skills Council

Cheylesmore House  Quinton Road  Coventry  CV1 2WT
T 0845 019 4170  F 024 7682 3675  www.lsc.gov.uk
To continue to ensure we remain within the budget available, we can only commit to funding within the overall MCV those learners that meet these conditions. All remaining new activity will be funded based on the specific agreements made with our local teams and will be subject to overall affordability. As already notified, from April onwards you should only have been taking on new starts where they can be accommodated within your agreed MCV for this year. These commitments must then be considered and supported within any agreed MCV for 2009/10.

Through our Regional teams, we have been working with providers to ensure that MCVs for 2008/09 reflect our commitment to existing learners, and where possible to support new starts. However, to ensure we are able to cover those commitments, we ask that all legitimate learner starts prior to 1st April are recorded on the ILR by 30th June 2009.

Maximising Funding for Participation

As part of the work we have been doing with the Department’s officials and Ministers, we have looked to reduce the level of funding focussed on ‘supporting’ activities, with a view to redeploying that funding into front line participation. As a result of these actions the LSC has freed up £34.5m which will be used to fund additional learning activity in the 2009-10 financial year.

These savings have been made from a number of areas, including the proposed capacity building fund, announced in the autumn of 2008, the cessation of further cluster development work beyond the Phase 1 activity committed to in regions, and a reduction in national marketing activity.

We want this funding to be available to fund additional starts from August 2009 with those providers that offer the highest levels of performance. However, before we can do so we must first be clear that we are covering our existing contractual commitments to meet the costs of learners who started before April 1st 2008/09. We will continue to work with you to agree this commitment as a matter of urgency, as any overspend for the April-July period this year will need to be offset against the contracts we are able to agree for 2009/10. It is therefore vital that you submit data for all pre April 1st starts by 30th June 2009, so that we can release any funding not required in 2008/9 to increase the funding available in 2009/10.

Programme and Management Changes to Train to Gain and Apprenticeships for 2009/10

In addition to maximising the funding available for 2009/10, we have been working on options to both maximise the volume of new starts, addressing Government priorities that can be supported, and to manage the flow of starts over the academic year. These changes are set out below:

Funding Rates
In the summer of 2008, we notified you of our intention to increase Train to Gain rates by 4.5%, which included a 3% ‘premium’ intended to incentivise delivery of Train to Gain at a time when we were growing the capacity of the sector. In light of the very high levels of Train to Gain performance now, and the very low rate of inflation in the economy, it has been agreed that we will not apply this premium, and the Train to Gain rate will increase by 1.5% in line with other LSC programmes. The national funding rate for Train to Gain in 2009/10 will therefore be £2,901 per Standard Learner Number.

Demand for Apprenticeships for Adults (25+) far exceeded our expectations in 2008/09 and our full-year ambition was met by the half-year point. Supporting this level of demand is not sustainable but we recognise the value of the programme to individuals and employers. In 2009/10 therefore it is necessary to introduce a range of measures to ensure that the programme can continue to support affordable volumes. Therefore, all new 25+ starts from 1 August 2009 will be funded at 90% of the 19-24 rate, and details of how this will be implemented will be published shortly. We will continue to support all learners where learning had taken place on or before 31st March 2009 at the prevailing 19-24 rates.

The National Employer Service will also be piloting reduced rates with a small number of large employers in 2009/10, with a view to rolling out a large employer rate across the whole of Train to Gain from 2010/11. This work is to test an approach to fund large packages of learning provision that reflect economies of scale and will enable Train to Gain funding to go much further.

Allowing Virement between Adult Learner Responsive (ALR) and Employer Responsive (ER) budgets

To maximise flexibility at provider level to respond to demand from learners and employers, we are exploring the option of enabling providers in receipt of ALR and ER funding to vire ALR funding into ER delivery, and vice versa. Further work needs to be completed on this proposal, in particular to ensure that we safeguard ALR funded provision that cannot be supported through ER programmes, and to assess the impact of this process on the current arrangements for ALR reconciliation. In developing our detailed proposals, we will consult closely with the sector.

Prioritising Funding for New Starts

Even with the changes highlighted above, it is unlikely that there will be sufficient funding to meet the high level of demand from employers and learners for new starts, particularly in the August-March period of the 2009/10 academic year. Providers therefore need to prioritise their funding for new starts to meet the needs of key learners and employers, as determined by national policy commitments and existing operational arrangements.

Within these priorities it is important that colleges and providers pay particular attention to supporting those learners securing employment as a result of LSC
funded support (i.e. via the Response to Redundancy and 6 Months Plus programmes). Colleges and providers delivering those programmes are expected to ensure that they have the necessary capacity to provide ongoing in work support for learners to acquire the skills and qualifications necessary for them to remain in work.

For 25+ Apprenticeships it is vital that we focus opportunities on those who will benefit most such as learners recruited from unemployment or women returners to work.

Contract and Performance Management Changes

To support all of these changes and ensure that we are able effectively to manage ER provision, we plan to make changes to the way we contract with you and manage performance. In summary these changes are:

Item 1. For 2009/10, contracts will allow for the LSC to increase or decrease MCVs in light of actual performance.
Item 2. Actual performance will be measured against the Statement of Activities we agree with you, specifically the financial profile now contained in the Summary Statement of Activity (SSoA)
Item 3. Starts volumes agreed with providers will need to be profiled sensibly across the year, and MCVs offered to providers will be based on this assumption, to ensure that we can maximise the number of starts across the year
Item 4. The SSoA will in itself form part of your contract.

Given this, we would encourage you to submit both start and completion data for 2009/10 promptly, and would recommend that you submit data relating to both within no more than three months of the start or achievement date, and sooner if possible, as performance management will be done on the basis of actual financial performance (as shown through data submitted to us) compared to profiled. Further information on the application of performance management in Train to Gain and Apprenticeships will be communicated prior to the start of the academic year.

Timetable and Process

I have set out below the three key stages of the allocations and contracting process for 2009/10, and our intended timescales:

a) 19th June – Letters of Intent issued to Train to Gain and Adult Apprenticeship providers, setting out the MCVs for each programme and acting as a variation to your current three year contract

b) From 22nd June – negotiation and agreement of the full SSoA, including the activity and funding profile
c) The issuing of contract variations for 2009/10 will take place following the agreement of SSoAs.

Finally, I would like to thank you for your continued commitment to the Train to Gain and Adult Apprenticeship programmes which continue to benefit employers and learners during these testing economic times.

Yours sincerely

[Signature]

Geoff Russell
Chief Executive