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ATTACHMENTS:

- Financial memorandum

DEFINITIONS

For the purposes of this Management Statement:

'Secretary of State' means the Secretary of State for Education and Skills

'the Department' means the Department for Education and Skills

'the Council' means the Learning and Skills Council

'financial year' means the 12 month period from 1 April to 31 March

'the Act' means the Learning and Skills Council Act 2000

'Grant-in-Aid' means the actual cash requirement in year

'C&AG' means the Comptroller and Auditor General

'provider' means a provider of education and training funded by the Council pursuant to its powers under the Act
INTRODUCTION

This document

This management statement and its associated financial memorandum has been drawn up by the Department in consultation with the Learning and Skills Council for England (the LSC), following the formal review of the previous Management Statement. The address of the Learning and Skills Council is: Cheylesmore House, Quinton Road, Coventry, CV1 2WT.

The Management Statement is a Cabinet Office requirement for all executive NDPBs, and forms part of the LSC’s wider Framework Document. Subject to the legislation noted below, the management statement sets out the broad framework within which the LSC will operate. In particular, it sets out:

- The overall purpose, aims and objectives of the LSC in support of the sponsor Department’s wider strategic aims and current Public Service Agreement (PSA) targets;

- The relationship between the LSC and its sponsor Department (the Department for Education and Skills) at a strategic level, and their respective roles and responsibilities. The joint ‘Roles and Responsibilities’ document agreed in April 2005 sets out the respective roles in more detail; and will itself be reviewed and updated periodically, including to reflect the new roles and responsibilities set out in the FE White Paper, published in March 2006.

- The rules and guidelines relevant to the exercise of the LSC’s functions, duties and powers;

- The conditions under which any public funds are paid to the LSC;

- How the LSC is to be held to account for its performance.

The Management Statement and the Financial Memorandum do not convey any legal powers or responsibilities.

The associated financial memorandum sets out in greater detail certain aspects of the financial provisions which the LSC shall observe. The Management Statement, Financial Memorandum, Remit Letter and Annual Grant letters, and the Corporate Plan (now the Annual Statement of Priorities) are all absolute requirements.

The document shall be periodically reviewed by the Department in accordance with the timetable referred to in Section 8.

The LSC or the Secretary of State may propose amendments to this document at any time. Any such proposals by the LSC shall be considered in the light of evolving Departmental policy aims, operational factors and the track record of the LSC itself. The guiding principle shall be that the extent of flexibility and freedom given to the LSC shall reflect both the quality of its internal controls and its operational needs. The Secretary of State shall determine what changes, if any, are to be incorporated in the document. Legislative provisions shall take precedence over any part of the document. Significant variations to the document shall be cleared with the Treasury or Cabinet Office as appropriate. (The definition of “significant” will be determined by the sponsor department in consultation with the Treasury/Cabinet Office).
The combined document is signed and dated by the Department and the LSC.

Any question regarding the interpretation of the document shall be resolved by the Department after consultation with the LSC and, as necessary, with the Treasury and/or the Cabinet Office.

Copies of this document and any subsequent substantive amendments shall be placed in the Libraries of both Houses of Parliament. Copies shall also be made available to members of the public on the LSC’s website.

1.2 Founding legislation and status

1.2.1 The LSC was established on 1 September 2000 under section 1 of the Learning and Skills Act 2000 (“the Act”). It is an executive non-departmental public body, and is accountable to Parliament through the Secretary of State for Education and Skills. The constitution of the LSC is set out in Section 1 and 19, and Schedules 1, 2 and 3, of the Act. The LSC does not carry out its functions on behalf of the Crown.

1.3 Functions, duties and powers of the LSC

1.3.1 The functions of the LSC as described in the Act are attached at Annex 1.

1.3.2 The LSC’s organisational structure has three main elements:

- the Chairman and Council, who have collective responsibility for setting the specific aims and purposes of the LSC and for the supervision of the efficient conduct of the LSC’s functions and responsibilities, and to whom the Chief Executive is responsible;

- the Chief Executive, who is responsible for the efficient management of LSC business;

- the senior management team, which is accountable to the Chief Executive for the implementation of decisions made under the authority of the LSC for the effective execution of its business.

1.3.3 The LSC also has 2 statutory Committee (a Young People’s Learning Committee and an Adult Learning Committee) and 47 local councils. More recently it has established 9 Regional Boards to oversee the co-ordination, performance and planning of LSC activities at regional level. The Management Statement will be amended to reflect any change to these arrangements at the appropriate time.

1.4 Classification

1.4.1 For policy/administrative purposes the LSC is classified as an executive non-departmental public body.

1.4.2 For national accounts purposes the LSC is classified to the central government sector.

1.4.3 References to the LSC include all its subsidiaries and joint ventures that are classified to the public sector for national accounts purposes. If such a subsidiary or joint venture is created, there shall be a document setting out the arrangements between it and the LSC (paragraphs 63-64 of the Financial Memorandum).
2. **AIMS, OBJECTIVES AND TARGETS**

2.1 **Overall aims of the LSC**

2.1.1 The LSC is responsible for planning and funding post 16 learning, up to Higher Education level, in England, including school sixth form provision, further education, work-based training, and personal and community development learning. It also has specific responsibilities for securing the provision of education and training for people with learning difficulties and/or disabilities.

2.1.2 Provision is generally delivered through a range of providers, including school sixth forms, FE colleges and private sector training organisations. The LSC may act as a direct provider of education and training when not to do so would jeopardise meeting its statutory duties. The LSC will, however, only exercise this power in exceptional circumstances.

2.1.3 The LSC's objectives are set out in the Secretary of State's Remit Letter, published in November 2000. They include:

- to secure a major step forward in encouraging more young people to stay on in learning until age 19 and to achieve at least a level 2 qualification;
- to increase the demand for learning by adults, and the supply of flexible, high-quality opportunities to meet their needs;
- to lead on the action required to maximise the contribution of education and training to economic performance; and
- to have a clear focus on raising standards, in delivering the objectives above.

2.2 **Objectives and Targets**

2.2.1 The sponsor Department determines the LSC's targets and performance framework in the light of the Department's wider strategic aims and current PSA targets (paragraph 1.1.2). The LSC's objectives, key targets and performance indicators shall be agreed within the LSC's corporate and business planning process (as set out in section 4 below).

2.2.2 Guidance on these matters is available on the Treasury's public website.

2.3 **Values**

2.3.1 The LSC operates under Next Steps principles, and is committed to openness, accountability and responsiveness in its dealings with providers, learners, partners and the public.

2.3.2 The LSC will act in a manner consistent with the Modernising Government principles of good quality public service, and with the Government's Code of Practice on Open Government. The LSC will reflect the Nolan principles of propriety and adopt the aims of accountability, probity and openness to guide its work. More details of how this will be achieved are included in Codes of Conduct for Council Members.
2.3.3 The LSC must continue to build equality of opportunity into all its policies, programmes and actions, in accordance with its statutory duties, working closely with key equality organisations including the Equal Opportunities Commission, the Commission for Racial Equality, and the Disability Rights Commission.

2.3.4 In carrying out its functions, the LSC must continue to:

- have regard to the annual guidance (Grant Letter) of the Secretary of State in determining its priorities for funding;
- have regard to the joint Roles and Responsibilities document; and any future agreements which set out the respective roles of the Department and the LSC;
- have regard to the diversity of providers which receive funds from the LSC;
- proceed by consulting those with an interest in its work;
- work closely with other bodies (as set out in section 3.8 on “Relationships with other Organisations”);
- adopt methods of working which are open and impartial; and comply with relevant legislation, including the Freedom of Information Act (Foi);
- ensure that the funds the LSC allocates are used properly and provide value for money (as set out in the Financial Memorandum);
- be an "equal opportunities employer" promoting equal opportunities in all its policies and programmes for learners and developing and maintaining an equal opportunities strategy and action plan;
- be committed to, and promote sustainable development, in line with the targets set by the DfES, in all its policies and programmes, and in the areas of property management, procurement and transport;
- be committed to working in a way that positively reinforces the principles of the Human Rights Act.
3. RESPONSIBILITIES AND ACCOUNTABILITY

This section describes the accountability arrangements for the LSC, including the roles and accountabilities of the Secretary of State and Permanent Secretary of the Department for Education and Skills, and the Chairman, Council members and Chief Executive of the LSC.

3.1 The Secretary of State

3.1.1 The Secretary of State is accountable to Parliament for the activities and performance of the LSC. His/Her responsibilities include:

- determining the broad policy framework within which the LSC operates;
- approving the LSC’s strategic objectives and the performance framework within which the LSC will operate (as set out in this Management Statement and Financial Memorandum and associated documents);
- keeping Parliament informed about the LSC’s performance (the LSC will be expected to provide information to the Secretary of State to enable him/her to fulfil this role);
- approving the amount of grant-in-aid/grant/other funds to be paid to the LSC, and securing Parliamentary approval, including determining the LSC’s annual administration budget.
- carrying out responsibilities specified in the 2000 Act and other subsequent legislation, including appointments to the Council, approving terms and conditions of Council members, approval of terms and conditions of staff, and laying of the annual report and accounts before Parliament.

3.1.2 The Secretary of State will discuss annually with the LSC its overall priorities, performance targets and budgets, and issue an Annual Letter of Guidance (Grant Letter) accordingly; and may from time to time issue supplementary guidance on the Government’s policies and priorities.

3.2 The Department’s Accounting Officer

3.2.1 The Permanent Secretary is the Department’s principal Accounting Officer, and is responsible for the overall organisation, management and staffing of the sponsor Department and for ensuring that there is a high standard of financial management in the Department as a whole. He/she is accountable to Parliament for the issue of any grant-in-aid to the LSC. He/she is also the Departments principal witness in matters taken before the Public Accounts Committee. The principal Accounting Officer designates the Chief Executive of the LSC as the LSC’s Accounting Officer, and may withdraw the accounting officer designation if he/she believes that the incumbent is no longer suitable for the role.

3.2.2 In particular, the principal Accounting Officer of the Department is responsible for ensuring that:

- the LSC’s strategic aim(s) and objectives support the Department’s wider strategic aim(s) and current PSA targets;
the financial and other management controls applied by the Department to the LSC are appropriate and sufficient to safeguard public funds and conform with the Financial Memorandum between the LSC and the Department; and for ensuring that the LSC's compliance with those controls is effectively monitored ("public funds" include not only any funds granted to the LSC by Parliament but also any other funds generated by approved activities or falling within the stewardship of the LSC);

the internal controls applied by the LSC conform with the Financial Memorandum between the LSC and the Department, and to the requirements of regularity, propriety and good financial management;

any grant-in-aid to the LSC is within the ambit and the amount of the Request for Resources, and that Parliamentary authority has been sought and given; and that the conditions attached to the Department's funding of the LSC conform with the terms of the vote.

3.2.5 The responsibilities of a departmental Accounting Officer are set out in more detail in the annex to Chapter 4 of Government Accounting.

3.3 The Department's sponsor team

3.3.1 Within the Department, the Learning and Skills Partnership and Performance Unit is the sponsoring team for the LSC. The team, in consultation as necessary with the relevant Departmental Accounting Officer, is the primary source of advice to the Secretary of State on the discharge of his/her responsibilities in respect of the LSC, and the primary point of contact for the LSC in dealing with the Department. The sponsoring team shall carry out its duties under a senior officer who shall have primary responsibility for overseeing the activities of the LSC.

3.3.2 The sponsoring team advises the Secretary of State on:

- an appropriate framework of objectives and targets for the LSC in the light of the Department's wider strategic aim(s) and current PSA;

- an appropriate budget for the LSC in the light of the Department's overall public expenditure priorities;

- LSC performance and in-year budget management, including how well the LSC is achieving its strategic objectives and whether it is delivering value for money.

3.3.3 In support of the Departmental Accounting Officer the sponsoring team shall:

on performance and risk management -

- monitor the LSC's activities on a continuing basis through an adequate and timely flow of information from the LSC on performance, budgeting, control and risk management, including sight of the LSC's Statement on Internal Control;

- work with the LSC (Chief Executive or relevant National Director) to address in a timely manner any significant problems arising in the LSC, whether financial or otherwise, making such interventions in the affairs of the LSC as the Department judges necessary;
• periodically carry out a risk assessment of the LSC’s activities to inform the Department’s oversight of the LSC; strengthen these arrangements if necessary; and amend the Management Statement accordingly. The risk assessment shall take into account the nature of the LSC’s activities; the public monies at stake; the body’s corporate governance arrangements; its financial performance; internal and external auditors’ reports, the openness of communications between the body and the Department; and any other relevant matters;

**on communication with the LSC** –

• inform the LSC of relevant Government policy in a timely manner; advise on the interpretation of that policy; and issue specific guidance to the LSC as necessary;

• bring concerns about the activities of the LSC to the attention of the Council and/or the Chief Executive and relevant National Director, and require explanations and assurances from them that appropriate action has been taken.

3.4 **The Chairman of the LSC**

3.4.1 The Chairman of the Council is appointed by the Secretary of State. The term of appointment is for up to 4 years; and is made in line with the Code of Practice issued by the Commissioner for Public Appointments.

3.4.2 The Chairman is responsible to the Secretary of State for:

• ensuring that the LSC fulfils the remit given to it by the Secretary of State; including ensuring that its policies and actions support the wider strategic policies of the Secretary of State; and that the LSC’s affairs are conducted with probity. The Chairman shares with other Council members the corporate responsibilities set out in paragraph 3.5.2, and in particular for ensuring that the LSC fulfils the aims and objectives set by the Secretary of State;

• acting as the link between the Council and the Government;

• acting as public spokesman for the Council;

• reviewing annually the performance of the Chief Executive and agreeing with the Department any performance-related bonus resulting from the review;

• ensuring the Council and its committees fulfil their responsibility to promote equality of opportunity in all of its policies and programmes; and

• the effective working of the Council and its committees.

3.4.3 The Chairman has a particular leadership responsibility on the following matters:

• protecting the reputation of the LSC;

• formulating the Council’s strategy;

• ensuring that the Council, in reaching decisions, takes proper account of guidance provided by the Secretary of State or the Department;

• promoting the efficient and effective use of staff and other resources;
• encouraging high standards of propriety;

• representing the views of the Council to Government, partners and the general public.

3.4.4 The Chairman shall also:

• ensure that all members of the Council, when taking up office, are fully briefed on the terms of their appointment and on their duties, rights and responsibilities, and receive appropriate induction training, including on the financial management and reporting requirements of public sector bodies and on any differences which may exist between private and public sector practice;

• advise the Secretary of State of the needs of the LSC when Council vacancies arise, with a view to ensuring a proper balance of professional and financial expertise; and ensuring full consideration is given to quality and diversity in Council appointments;

• assess the performance of individual Council members on a regular basis, and when they are being considered for re-appointment to the Council.

3.4.5 The Chairman shall continue to ensure that a Code of Practice for Council Members is in place, based on the Cabinet Office’s model Code of Practice for Board Members of Public Bodies. The Code shall commit the Chairman and other Council Members to the Nolan seven principles of public life, and include a requirement for a comprehensive and publicly available register of Council Members’ interests.

3.4.6 Communications between the Council and the Secretary of State shall normally be through the Chairman. The Chairman shall ensure that the other Council members are kept informed of such communications.

3.5 The LSC’s Board (Council)

3.5.1 The Council is a body corporate, and members are appointed by the Secretary of State for a period of up to 4 years. Appointments are made in line with the Code of Practice issued by the Commissioner for Public Appointments.

3.5.2 The Council has corporate responsibility for ensuring that the LSC fulfils the aims and objectives set by the Secretary of State and for promoting the efficient and effective use of staff and other resources by the LSC; and for promoting/championing LSC initiatives and the Government’s strategies for learning and skills. To this end, and in pursuit of its wider corporate responsibilities, the Council must:

• establish and develop the overall strategic direction of the LSC within the policy and resources framework determined by the Secretary of State;

• ensure that the Secretary of State is kept informed of any changes which are likely to impact on the strategic direction of the LSC or on the attainability of its targets, and determine the steps needed to deal with such changes;

• ensure that any statutory or administrative requirements for the use of public funds are complied with; that the Council operates within the limits of its statutory authority and any delegated authority agreed with the sponsor Department, and in accordance with any other conditions relating to the use of public funds; and that, in reaching decisions, the Council takes into account guidance issued by the sponsor Department;
ensure that the Council receives and reviews regular financial information concerning the management of the LSC; is informed in a timely manner about any concerns about the activities of the LSC; and provides positive assurance to the Department that appropriate action has been taken on such concerns;

demonstrate high standards of corporate governance at all times, including by using the independent audit committee (paragraph 4.7.2) to help the Council to address the key financial and other risks facing the LSC;

appoint with the Secretary of State's approval any future Chief Executive to the LSC and, in consultation with the Department, set performance objectives and remuneration terms linked to these objectives for the Chief Executive which give due weight to the proper management and use of public monies;

Ensure that key performance targets and objectives are met; and that projects, programmes and activities undertaken by the LSC are consistent with the overall provisions in the Act, with any conditions of grant stipulated by the Secretary of State, and with any directions issued by the Secretary of State.

### 3.5.3 Individual Council members shall act in accordance with their wider responsibility as Members of the Council – namely to:

- comply at all times with the Code of Practice [paragraph 3.4.5 above] that is adopted by the LSC and with the rules relating to the use of public funds and to conflicts of interest;

- not misuse information gained in the course of their public service for personal gain or for political profit, nor seek to use the opportunity of public service to promote their private interests or those of connected persons or organisations;

- comply with the Council's rules on the acceptance of gifts and hospitality, and of business appointments;

- act in good faith and in the best interests of the LSC.

### 3.5.4 Further details of Council Members' responsibilities are set out in the Council's Code of Conduct for Council Members.

### The LSC’s Statutory Committees

Under Section 26 of the 2000 Act, the LSC has established two statutory committees – the Young People's Learning Committee and the Adult Learning Committee. These Committees are responsible for advising the Council on strategies for increasing participation and attainment, and on achievement of national targets. The LSC may also establish other Committees of the National Council as required.

### Regional Boards

The LSC also has 9 Regional Boards, which currently comprise a regional chair and the chairs of the local LSC Councils in the region. Their role is to oversee the co-ordination, performance and planning of LSC activities at regional level; and to support the LSCs work with regional partners. The regional Chairs report directly to the national Chair, and are responsible for appraising the performance of each of the local Chairs within their region.
The Local Councils

3.5.7 Under section 19 of the 2000 Act a local Committee (local Learning and Skills Councils) has been established for each area specified by the Secretary of State. There are currently 47 local Councils. They are responsible for responding to the skills and learning needs of the local area, and must perform those duties, and may exercise those powers, which the Council specifies. Each local Council must also prepare a plan for each financial year, in accordance with Section 22 of the Act.

3.5.8 The Further Education White Paper, published in March 2006, included a commitment for the Chair of the LSC to advise on a new streamlined accountability structure for the LSC. The structure and composition of the LSC’s accountability structure may therefore be subject to change, and any changes will be reflected in a revision to the Management Statement at an appropriate time.

Chairman's and Members' Interests

3.5.9 The Council is required to maintain a Register of Interests of Council and Committee Members. The Register will be publicly available and updated once a year, and will enable the Secretary of State to be satisfied that the financial or other interests of persons appointed are not likely to prejudice the performance of their duties, and that appointees will provide any necessary information for this purpose. Members must also disclose any private interest in a matter to be considered by the Council and withdraw from participation in the relevant discussion. Rules are set out in the LSC’s Code of Conduct for Council Members.

Chairman's and Members' Remuneration

3.5.10 The Chairman of the Council, who is part-time (around two days a week) receives a salary at a level agreed with the Secretary of State. National Council members receive a flat fee, plus travel, subsistence and child care expenses as appropriate.

3.5.11 Under the 2002 Education Act, Chairs of local Councils are paid an honorarium. Members of the local Councils are unpaid. Both Chairs and members are able to claim reasonable travel, subsistence and child care expenses in accordance with the LSC Travel and Subsistence Guide.

3.5.12 Adult Learning Committee and Young People’s Committee members are unpaid, but travel, subsistence and childcare expenses will be payable. The Chairs of these Committees receive a flat fee per annum.

3.5.13 It is for the Secretary of State to agree the types and rates of expenses the LSC may pay to members. Within the agreed framework, it is for the LSC to make individual decisions on what claims it considers reasonable and payable. The Secretary of State is also required should the LSC wish to change the types and rates of expenses payable to its members.
3.6 The Chief Executive of the LSC

3.6.1 With the exception of the first Chief Executive, who was appointed by the Secretary of State, the Chief Executive of the LSC is appointed by the Council, subject to the approval of the Secretary of State. The responsibilities of the Chief Executive are subject to delegation by the Council.

3.6.2 He/she has responsibility for:

- the day to day management of the LSC’s work and the administration of its affairs;
- the proper and efficient management of the LSC’s resources;
- all aspects of employee relations and communications with staff;
- promoting the Government’s and the LSC’s strategies to partners and others;
- liaising and negotiating with the Department and with the most senior levels of institutions and relevant national bodies and groups;
- preparation of the LSC’s Corporate and Operating Plans, and ensuring their effective implementation;
- ensuring that financial considerations are taken into account at all stages by the Council in reaching decisions;
- ensuring that agreed financial, management and performance targets are met and that business is conducted economically, efficiently and effectively.

3.6.3 The Chief Executive must support the Chairman in fulfilling his role, and advise Council Members on the discharge of their responsibilities under the Act and in accordance with this Management Statement. The Chief Executive is also responsible for ensuring that there are periodic reviews of the objectives of programmes and the effectiveness of expenditure.

The Chief Executive’s role as Accounting Officer

3.6.4 The Chief Executive of the LSC is designated as the LSC’s Accounting Officer by the Departmental Accounting Officer.

3.6.5 The Accounting Officer of the LSC is personally responsible for safeguarding the public funds for which he/she has charge; for ensuring propriety and regularity in the handling of those public funds; and for the day-to-day operations and management of the LSC.

3.6.6 As Accounting Officer, the Chief Executive must exercise the following responsibilities in particular:

on planning and monitoring –

- establish, in agreement with the Department, the LSC’s corporate and business plans in the light of the Department’s wider strategic aims and current PSA targets;
• inform the Department of the LSC’s progress in helping to achieve the Department’s policy objectives and in demonstrating how resources are being used to achieve those objectives;

• ensure that timely forecasts and monitoring information on performance and finance are provided to the Department; that the Department is notified promptly if overspends or underspends are likely, and that corrective action is being taken; and that any significant problems, whether financial or otherwise, and whether detected by internal audit or by other means, are notified to the Department in a timely fashion;

• notify the Department in advance of major announcements and events. Subject to not breaching Parliamentary privilege, the Department will advise the LSC in advance of any relevant major announcements or events.

On advising the Council –

• advise the Council on the discharge of its responsibilities as set out in this document, in the founding legislation, and in any other relevant instructions and guidance that may be issued from time to time;

• advise the Council on the LSC’s performance compared with its aims and objectives;

• ensure that financial considerations are taken fully into account by the Council at all stages in reaching and executing its decisions, and that standard financial appraisal techniques are followed as far as this is practical;

• take action as set out in paragraphs 14-18 of the NDPB Accounting Officer Memorandum if the Council, or its Chairman, is contemplating a course of action involving a transaction which the Chief Executive considers would infringe the requirements of propriety or regularity or does not represent prudent or economical administration or efficiency or effectiveness;

On managing risks and resources -

• ensure that a system of risk management is maintained to inform decisions on financial and operational planning and to assist in achieving objectives and targets; and that this is consistent with requirements in paras 18, 19 and 20 of the Financial Memorandum;

• ensure that an effective system of programme and project management and contract management is maintained;

• ensure that all public funds made available to the LSC including any approved income or other receipts are used for the purpose intended by Parliament, and that such moneys, together with the LSC’s assets, equipment and staff, are used economically, efficiently and effectively;

• ensure that adequate internal management and financial controls are maintained by the LSC, including effective measures against fraud and theft;

• maintain a comprehensive system of internal delegated authorities which are notified to all staff, together with a system for regularly reviewing compliance with these delegations;
• ensure that effective personnel management policies are maintained;

**On accounting for the LSC’s activities –**

• sign the accounts and be responsible for ensuring that proper records are kept relating to the accounts and that the accounts are properly prepared and presented in accordance with any directions issued by the Secretary of State;

• sign a Statement of Accounting Officer’s responsibilities, for inclusion in the annual report and accounts;

• sign a Statement on Internal Control regarding the LSC’s system of internal control, for inclusion in the annual report and accounts;

• ensure that effective procedures for handling complaints about the LSC are established and made widely known within the LSC;

• act in accordance with the terms of this document and with the instructions and guidance in *Government Accounting* and other instructions and guidance issued from time to time by the Department, the Treasury and the Cabinet Office - in particular, the Treasury documents *The Responsibilities of an NDPB Accounting Officer* and *Regularity and Propriety*, both of which the Chief Executive shall receive on appointment. Section XII of the attached financial memorandum refers to other key guidance;

• give evidence, normally with the Accounting Officer of the sponsor Department, when summoned before the Committee of Public Accounts on the use and stewardship of public funds by the LSC, and to the Education Select Committee (these responsibilities are set out more fully in the NDPB Accounting Officer Memorandum Chapter 8 Annex 8.2 of Government Accounting).

**The Chief Executive’s role as Consolidation Officer**

3.6.7 For the purposes of Whole of Government Accounts the Chief Executive of the LSC is normally appointed by the Treasury as the NDPB’s Consolidation Officer.

3.6.8 As the LSC’s Consolidation Officer the Chief Executive is personally responsible for preparing the consolidation information that sets out the financial results and position of the LSC, for arranging for its audit and for sending the information and the audit report to the Principal Consolidation Officer nominated by the Treasury.

3.6.9 As Consolidation Officer the Chief Executive must comply with the requirements of the Consolidation Officer Memorandum and in particular:

• ensure that the LSC has in place and maintains sets of accounting records that will provide the necessary information for the consolidation process;

• prepare the consolidation information (including the relevant accounting and disclosure requirements and all relevant consolidation adjustments) in accordance with the consolidation instructions and directions [“Dear Consolidation Officer” (DCO) and “Dear Consolidation Manager” (DCM) letters] issued by the Treasury on the form, manner and timetable for the delivery of such information.
Delegation of duties by the Chief Executive

3.6.10 The Chief Executive may delegate the day-to-day administration of his/her Accounting Officer and Consolidation Officer responsibilities to other employees in the LSC. However, he/she shall not assign absolutely to any other person any of the responsibilities set out in this document.

The Chief Executive’s role as Principal Officer for Ombudsman cases

3.6.11 The Chief Executive is the Principal Officer for handling cases involving the Parliamentary Commissioner for Administration. As Principal Officer he/she must inform the Permanent Secretary of the sponsor Department of any complaints about the LSC accepted by the Ombudsman for investigation, and about the LSC’s proposed response to any subsequent recommendations from the Parliamentary Ombudsman.

3.7 The LSC Executive

3.7.1 The LSC is putting in place a new internal structure, which will consolidate operations at regional and local level through the establishment of 9 new regional centres, and a network of Local Partnership Teams and Economic Development teams, led by a team of new Area Directors. A national office will be retained in Coventry, which will provide the overarching policy, planning and funding framework, manage relationships with national stakeholders, and provide national expertise such as legal services.

3.7.2 The senior management team of the LSC includes the Chief Executive, and the National Directors and Regional Directors. It is responsible to the Chief Executive for the efficient and effective implementation of the LSC’s decisions in relation to its functions, powers and duties; for the development of the LSC’s activities; and for bringing forward recommendations to the Council and its Committees to enable them to carry out their responsibilities effectively.

3.8 Relationships with other organisations

3.8.1 For the LSC to have the greatest impact, it must continue to develop and maintain strong partnerships with those other organisations who can contribute to the achievement of its objectives. It is required to work co-operatively and in partnership with others, including with Children’s Trusts and local Children’s Boards (Children’s Act 2004), and with local authorities and other key stakeholders, particularly in taking forward the 14-19 and FE reforms.

3.8.2 The nature of the LSC’s relationship with partners will vary according to the nature of their business. Relationships at national level are defined individually in a series of jointly agreed Memoranda of Understanding.
4. **PLANNING, BUDGETING AND CONTROL**

**General**

This section describes the planning and control framework. These are described in full in the Financial Memorandum.

4.1 **The Corporate Plan**

4.1.1 Consistent with the timetable for public spending reviews the LSC shall submit annually to the Department a draft of its updated Corporate Plan (Annual Statement of Priorities). The LSC must agree with the Department the issues to be addressed in the plan and the timetable for its preparation, in line with the requirements of the Act.

4.1.2 The plan shall reflect the LSC’s statutory duties and, within those duties, the priorities set from time to time by the Secretary of State. In particular, it must demonstrate how the LSC contributes to the achievement of the Department’s PSA targets.

4.1.3 The corporate plan must set out:

- the LSC’s key objectives and associated key performance targets for the [three] forward years, and its strategy for achieving those objectives;

- a review of the LSC’s performance in the preceding financial year, and an estimate of performance in the current year;

- alternative scenarios to take account of factors which may significantly affect the execution of the plan but which cannot be accurately forecast;

- any proposals for organisational change;

- other matters as agreed between the Department and the LSC.

4.1.4 The main elements of the plan - including the key performance targets - shall be agreed between the Department and the LSC in the light of the Department’s decisions on policy and resources taken in the context of the Government’s wider public expenditure plans and decisions.

4.1.5 In reaching annual decisions on the LSC’s rolling corporate plan and in monitoring progress, the Department shall aim to give the LSC greater planning certainty by observing the principles set out in paragraph 15 of PES(2000)25 concerning three year planning and end year flexibility (EYF). These principles are summarised in paragraph 6 and 77-80 of the Financial Memorandum.

4.2 **The Business (Delivery) Plan**

4.2.1 The LSC will prepare an annual Business Plan (Delivery Plan), as required by section 15 of the Act. The Plan will include key targets and milestones for the year immediately ahead and shall be linked to budgeting information so that resources allocated to achieve specific objectives can readily be identified by the Department. Specifically, the plan must include:

- The main objectives for the next financial year, including performance indicators and targets;
• expenditure plans with implications for staffing, including staff development, the administrative budget;

4.3 Publication of plans

4.3.1 Subject to any commercial considerations the corporate and business plans shall be published and made available on the Internet. A summary version shall be made available to staff.

4.4 Planning/Funding Cycle

4.4.1 The Secretary of State provides funds to the LSC for the purpose of the exercise of its functions under the Act and also as set out in the Remit Letter to the LSC and in subsequent correspondence by the Secretary of State. Funds are subject to the terms and conditions of the Financial Memorandum between the Department and the LSC. The Financial Memorandum also records the understanding of the Department and the LSC as to the manner in which the funds will be expended and accounted for and the arrangements for financial planning.

4.4.2 The Spending Review cycle enables the Government to decide what policies and priorities it wishes to pursue in the next three years, and how much money can be allocated to each Departmental programme. Each year, the Department will invite the LSC to prepare advice on its funding needs, including both administration costs and programme expenditure. As appropriate, the Department will indicate specific areas where the Secretary of State would wish to consider particular requirements. The Secretary of State will give guidance to the LSC on the most appropriate form and timetable for submitting such advice.

4.4.3 In order to assist planning, the Department will continue to send to the LSC at least 3 months before the start of the financial year, a formal statement of the amount of the resources being made available to the LSC for the next financial year and indicative budgets for any subsequent years of the Spending Review period, together with a statement of any change in policies this reflects. The amount notified will be subject to Parliamentary approval.

4.4.4 Throughout the cycle, there will be discussion and dialogue between:

- the national, regional and local tiers of the LSC;
- local LSCs and employers, Local Authorities and providers;
- the LSC and some national and other large employers;
- local LSCs and Regional Development Agencies;
- the LSC and Sector Skills Councils.

4.4.5 The Act envisages that the national LSC will develop the national strategy in consultation and collaboration with local LSCs. The local LSCs are to develop detailed annual plans that must take account of and feed into the national strategy. A timetable will be developed between DfES and LSC and reviewed annually taking into account changes to the LSC’s remit.

4.4.6 Regional Directors play a pivotal role in this process. They will ensure that local plans collectively deliver the skill priorities of each region, and make initial allocations and in-year redistribution of funds and targets between local LSCs within a region.
4.5 Reporting performance to the Department

4.5.1 The LSC shall operate management information and accounting systems which enable it to review in a timely and effective manner its financial and non-financial performance against the budgets and targets set out in its agreed Corporate Plan (Annual Statement of Priorities) and Business (Delivery) Plan.

4.5.2 The LSC must inform the Department of changes in external conditions which make the achievement of objectives more or less difficult, or which may require a change to the budget or objectives set out in the corporate or business plans.

4.5.3 The LSC’s performance in helping to deliver Ministers’ policies, including the achievement of key objectives, shall be reported to the Department on a regular basis, at least four times a year. Performance will be formally reviewed with Ministers (at a Ministerial Review), and with officials of the Department (at the Performance Forum), four times a year. The Performance Forum will be held three to four weeks before the Ministerial reviews. The Secretary of State shall meet the Board formally each year to discuss the NDPB’s performance, its current and future activities and any policy developments relevant to those activities.

4.5.4 The LSC’s performance against key targets shall be reported in the LSC’s annual report and accounts [see Section 5.3 below].

4.6 Budgeting procedures

4.6.1 The LSC’s budgeting procedures are set out in the Financial Memorandum.

4.7 Internal audit

4.7.1 The LSC must continue to maintain and develop its arrangements for internal audit in accordance with the Treasury’s Government Internal Audit Standards. The LSC shall consult the Department to ensure that it is satisfied with the competence and qualifications of the Head of Internal Audit and the requirements for approving appointment in accordance with Government Internal Audit Standards (GIAS) 5.2.

4.7.2 The LSC must have an independent audit committee as a committee of its Board in accordance with the Cabinet Office’s Guidance on Codes of Practice for Public Bodies and the Treasury’s Audit Committee guidance.

4.7.3 The LSC must continue to arrange periodic quality reviews of its internal audit in accordance with the GIAS. The Department shall consider whether it can rely on these reviews to provide assurance on the quality of internal audit. However, the Department reserves a right of access to carry out independent reviews of internal audit in the LSC.

4.7.4 The Department’s Internal Audit Service shall also have a right of access to all documents prepared by the LSC’s internal auditor, including where the service is contracted out. The audit strategy, periodic audit plans and annual audit report, including the LSC’s Head of Internal Audit’s opinion on risk management, control and governance shall be forwarded as soon as possible to the sponsoring team who shall consult the Head of Internal Audit as appropriate.
4.7.5 In addition, the LSC shall forward to the Department an annual report on fraud and theft suffered by the LSC; notify any unusual or major incidents as soon as possible; and notify any changes to internal audit’s terms of reference, the audit committee’s terms of reference or the LSC’s Fraud Policy and Fraud Response Plan.

4.8 **Additional Departmental access to the LSC**

4.8.1 In addition to the right of access referred to in paragraph 4.10.3 above, the Department shall have a right of access to all the LSC’s records and personnel for purposes such as sponsorship audits, operational investigations, and any other purposes as deemed necessary and appropriate.
EXTERNAL ACCOUNTABILITY, INSPECTION AND QUALITY

5.1 Inspection

5.1.1 The LSC must continue to work with the inspectorates to ensure that a planned programme of inspections to underpin and support the LSC’s Corporate Plan (Annual Statement of Priorities) takes place each year.

5.2 Annual report and accounts

5.2.1 After the end of each financial year the LSC shall publish an annual report of its activities together with its audited annual accounts. The report shall also cover the activities of any corporate bodies under the control of the LSC. A draft of the report shall be submitted to the Department 2 weeks before the proposed publication date.

5.2.2 The report and accounts shall comply with the Government Financial Reporting Manual (FReM), http://www.financial-reporting.gov.uk/manual.htm. The accounts shall be prepared in accordance with the relevant statutes and the specific Accounts Direction issued by the Department.

5.2.3 The Annual Report will detail the LSC’s main activities and performance undertaken during the previous financial year and indicate the extent to which the main objectives and targets set out in the Corporate Plan (Annual Statement of Priorities) have been achieved, and the relative performance of the LSC at regional and local level. It will also set out in summary the LSC’s forward plans. Information on performance against key financial targets shall be included in the notes to the accounts, and shall therefore be within the scope of the audit.

5.2.4 The report and accounts shall be laid before Parliament and made available on the Internet, in accordance with the guidance on the procedures for presenting and laying the combined annual report and accounts as prescribed in Chapter 7 of the FReM.

5.2.5 Further information about the LSC’s accounting arrangements is contained in the Financial Memorandum.

5.3 External audit

5.3.1 [NOTE: The arrangements in paragraphs 5.3.4 below will lapse as and when the decisions announced in the Government’s response to Lord Sharman’s report “Holding to Account” are implemented.]

5.3.2 Parliament also exercises oversight and scrutiny of the LSC through the Comptroller and Auditor General (C&AG) who is the head of the National Audit Office. The C&AG is responsible for auditing the LSC’s accounts and may carry out examinations into the economy, efficiency and effectiveness of the LSC’s use of resources. The LSC is required by paragraph 14 of Schedule 1 to the Learning and Skills Act 2000 to keep proper accounts and records and to prepare and send a statement of accounts for each financial year to the Secretary of State and the C&AG. This must be done by the end of August following the financial year to which the statement relates. The accounts will be in a format which has been set out by the Secretary of State and agreed by HM Treasury. The C&AG will examine, certify and report on accounts received from the LSC and lay them before Parliament along with any report he/she may make on them.
5.3.3 The C&AG has agreed to consult the Department and the LSC on who - the NAO or a commercial auditor – shall undertake the actual audit on his behalf. The final decision rests with the C&AG.

5.3.4 The C&AG has agreed to share with sponsor Departments information identified during the audit process and the audit report (together with any other outputs) at the end of the audit. This shall apply, in particular, to issues which impact on the Department’s responsibilities in relation to financial systems within the NDPB. The C&AG has also agreed, where asked, to provide Departments and other relevant bodies with Regulatory Compliance Reports and other similar reports which Departments may request at the commencement of the audit and which are compatible with the independent auditor’s role.

5.4 VFM examinations

5.4.1 The C&AG may carry out examinations into the economy, efficiency and effectiveness with which the LSC has used its resources in discharging its functions. For the purpose of these examinations the C&AG has statutory access to documents as provided for under section 8 of the National Audit Act 1983. In addition, the LSC shall provide, in conditions to grants and contracts, for the C&AG to exercise such access to documents held by grant recipients and contractors and sub-contractors as may be required for these examinations; and shall use its best endeavours to secure access for the C&AG to any other documents required by the C&AG which are held by other bodies.
6. **STAFF MANAGEMENT AND ADMIN BUDGET**

This section outlines the LSC’s organisational structure and describes the general approach to personnel management and the administrative budget.

6.1 **Recruitment and retention of staff**

6.1.1 Within the arrangements approved by the Secretary of State [and the Treasury] the LSC shall have responsibility for the recruitment, retention and motivation of its staff. To this end the LSC shall ensure that:

- its rules for the recruitment and management of staff create an inclusive culture in which diversity is fully valued; where appointment and advancement is based on merit; and where there is no discrimination on grounds of gender, marital status, sexual orientation, race, colour, ethnic or national origin, religion, disability, community background or age;

- the level and structure of its staffing, including grading and numbers of staff, is appropriate to its functions and the requirements of efficiency, effectiveness and economy;

- the performance of its staff at all levels is satisfactorily appraised and the NDPB’s performance measurement systems are reviewed from time to time;

- its staff are encouraged to acquire the appropriate professional, management and other expertise necessary to achieve the NDPB’s objectives;

- proper consultation with staff takes place on key issues affecting them;

- adequate grievance and disciplinary procedures are in place;

- whistleblowing procedures consistent with the Public Interest Disclosure Act are in place;

- a code of conduct for staff is in place based on the Cabinet Office document *Model Code for Staff of Executive Non-Departmental Public Bodies*.

6.2 **Personnel Management**

6.2.1 The LSC must be committed to being an exemplar employer in order to recruit, retain and motivate its staff and enable it to achieve high levels of organisational performance. Being an exemplar employer requires the establishment of certain key foundations which include:

- the development of effective people policies and procedures to support the achievement of its aims;

- creating a high performance culture with a market based reward strategy and active performance management;

- a learning policy which strongly promotes the individual development of its people and addresses organisational capability gaps;

- operating a resourcing policy, which is based on fair and open competition using modern methods of assessment and selection;
- continuing to develop the LSC as an equal opportunities employer ensuring equal opportunities principles are applied and that pro-active work is undertaken in achieving diversity;

- promoting best practice in its communication with employees at local and national level, this includes promoting a constructive relationship in negotiations and consultation with recognised trade unions;

- having a clear policy and procedure for dealing with all disciplinary and grievance issues.

6.2.2 The LSC will work to retain its Investor in People accreditation in order to establish good HR management practice and increase employee skills and productivity.

6.2.3 It should also regularly review its organisational structure and staffing to ensure that the number and costs of its employees are commensurate with its aims and the requirements of efficiency and effectiveness.

6.3 **Administrative Budget**

6.3.1 The Secretary of State sets the total sum available for the LSC’s annual administrative budget in the light of Government policies and spending reviews, and advice provided by the LSC on the resources required to support its *Corporate Plan*, taking account of other competing demands on resources.

6.3.2 Staffing levels are financed through the administrative budget. The LSC determines, with the prior approval of the Secretary of State and consent of HM Treasury, the pay, allowances and other terms and conditions of the staff of the LSC. The LSC may create or re-grade posts, having regard to the principle that staff numbers should be adequate, but not excessive, to conduct the functions of the LSC effectively and efficiently. The LSC has the discretion to recruit staff to posts at all levels below Chief Executive.

6.3.3 The LSC operates a system of devolved administrative budgets under which the local Executive Directors are responsible for identifying and reviewing the resources required to fulfil their respective objectives, and the National Office is responsible for setting and reviewing of the budget allocations.
7. REVIEWING THE ROLE OF THE LSC

The LSC shall be reviewed periodically, in accordance with the business needs of the Department and of the LSC. [NOTE: Departments are required, as part of a Departmental Change Programme or otherwise, to undertake a "landscape" review of all their delivery agents in accordance with methodology prepared by the Office of Public Sector Reform.

8. REVIEWING THE MANAGEMENT STATEMENT

8.1 This Management Statement will normally be reviewed every 5 years, or following a review of the Council’s functions, as provided for in section 7 above.

Signed: 

Date: 6th December 2007

Signed: 

Date: 6th December 2007

DIRECTOR OF RESOURCES

LSC
Annex 1. Statutory Framework

1. The LSC's functions are set out in the Act. Its key functions as set out in the Act in relation to England are:

   - To secure the provision of proper facilities for:
     - education (other than higher education) suitable to the requirements of persons who are above compulsory school age but have not attained the age of 19;
     - training suitable to the requirements of such persons;
     - organised leisure-time occupation connected with such education, and
     - organised leisure-time occupation connected with such training.

   - The LSC must encourage:
     - individuals to undergo post-16 education and training;
     - employers to participate in the provision of post-16 education and training; and
     - employers to contribute to the costs of post-16 education and training.

   - To secure the provision of reasonable facilities for:
     - education (other than higher education) suitable to the requirements of persons who have attained the age of 19;
     - training suitable to the requirements of such persons;
     - organised leisure-time occupation connected with such education;
     - organised leisure-time occupation connected with such training.

2. For the above paragraphs, the terms 'proper' and 'reasonable' refer to the relevant definitions set out in the Act, at section 2(2) and section 3(2).

3. The Secretary of State's Remit Letter of 9 November 2000 set out the vision for the LSC, and the priorities for its first Corporate Plan. Under the provision of Clause 19 of the Act, the Council must establish a committee (to be called a local Learning and Skills Council) for each area of England specified by the Secretary of State: 47 areas have been specified. Local Council members are appointed by the Council, with the approval of the Secretary of State, and he/she appoints one of them as Chair after seeking the Council's advice.