INTRODUCTION

1. This is Management Group’s report to Council including an overview of progress against our targets with associated key issues, followed by a summary of progress against our priorities.

HIGHLIGHTS SINCE LAST REPORT

2. Success rates for full Level 2 qualifications in Further Education have risen to 61.4% in 2004/05.

3. Early indicative planning numbers are broadly in line with target trajectories for Skills for Life, Level 2 at 19 and Apprenticeship completions.

KEY ISSUES

4. There remains a gap between white and ethnic minority achievement in Further Education.

5. Early planning numbers for the Adult Level 2 target, whilst moving in the right direction are dependant on further discussion with providers.
PERFORMANCE AGAINST TARGETS

Attainment at 19
6 There is no updated information since the last report. Our position continues to be that we will significantly exceed the target set for 2006.

Apprenticeship Completions
7 We remain optimistic that we will exceed the 64,237 achievement milestone that we have set for 2005/06.
8 Overall success rates for learners who left with a full framework or an NVQ have increased from 46% in 2003/04 to 53% in 2004/05, building on a similar size improvement in the previous year. Framework success rates increased from 315 to 40%, continuing a trend of strong increases from 24% in 2001/02.
9 For Advanced Apprenticeships, framework success rates have increased by 5.3 percentage points and for Apprenticeships at Level 2 the increase has been 10.2 percentage points.
10 Success rate increases are comparable for both age groups, up 6.6 percentage points for 16-18 year olds and 7.0 percentage points for 19+ learners.
11 Overall there is no gender difference in success rates although women do better on Apprenticeships at Level 2 and men have higher success rates on Advanced Apprenticeships at Level 3.
12 Numbers of non-white groups taking part in Apprenticeships are too small to enable robust comparison of success rates with white learners as they form just 7% of the cohort versus 22% in further education.

Skills for Life
13 There is no updated position since the last report. We remain confident that we are on course to exceed the 2007 milestone.

Adult level 2
14 The latest Labour Force Survey (Winter 2005/06) reports the proportion of economically active adults in England qualified to at least a Level 2 or equivalent was 73.3%.
15 This represents around 17.2 million adults from an economically active population of 23.5 million.
16 There has been an increase of 1.5 percentage points since winter 2004/05 and a small increase (0.1 percentage points) since autumn 2005.
17 The target focuses on first full Level 2 qualifications gained. Each region has therefore received a breakdown by provider of the prior attainment information recorded on the ILR to enable them to have robust discussions about improvements in firstness needed at provider level. The planned level of firstness will be included in all provider plans for 2006/07 allowing the LSC to increase its focus and targeting of learners.
**Further Education Success Rates**

18 In the 2006-07 Grant Letter, we were set a target of 76% for the overall FE learner success rate by 2007/08, having met two years early the previous Success for All target of 72% in 2005/06.

19 FE college success rates have risen by 2.8 percentage points to 74.6% in 2004/05. Progress for priority full Level 2 learning was even stronger with a 5.6 percentage point increase to 61.4% - this coupled with the additional numbers undertaking a full Level 2 means that there are significantly more people achieving a full Level 2.

20 There have been increases in success rates for both long and short courses. The success rate for short courses is 82.8% (+1.6 percentage points) and for long courses, 65.2% (+3.5 percentage points).

21 Female learners continue to have higher success rates than males but the gap narrowed from 2.1 percentage points to 1.6 percentage points between 2003/04 and 2004/05.

22 Whilst success rates improved across all ethnic groups, non-white ethnic groups continue to lag behind white learners and overall the gap widened slightly from 4 percentage points to 4.7 percentage points in the last year. However, the gap between white learners and Black African, Black Caribbean and Chinese ethnic groups narrowed for a second successive year.

23 There is no significant difference in success rates for adults with disabilities compared to those without. However for young people there remains a small gap, with those young people with disabilities having success rates 1-2 percentage points lower than those without.
FINANCIAL SUMMARY

24 At 28 April 2006, the total grant in aid from DfES for the financial year 2005-06 was £10,182.2 million of which £9,750.9 million is classified as Departmental Expenditure Limit (DEL).

25 Against this budget the LSC year end expenditure was £9,726.2 million, representing an underspend of £24.8 million (0.3%), of which approximately £10 million relates to a planned underspend on capital and will be re-provided to the LSC in 2006-07.

PLANNING NUMBERS AND ALLOCATIONS 2006/07

26 All numbers and figures are based on a mid April cut of data. It should be noted there will have been changes since this position and there will continue to be changes until final allocations and plans are agreed.

27 Virtually all further education (FE) providers, and many work based learning (WBL) and adult & community learning (ACL) providers, received their indicative funding allocations for 2006/07 by 31 January 2006. Final allocations will be confirmed by 31 May 2006. In the interim period discussions continue to take place with providers to discuss the detail of their development plans and provision mix, in addition to their associated funding allocations.

28 Programme budgets were issued to LSC regions in November 2005. The budgets took account of Priorities for Success and growth factors. There was a minimum increase of 2% over 2005/06 base budgets for all FE budgets. All regions therefore have an increase in their overall FE budgets, ranging from 2% (four regions) to 3.6% (East of England).

29 The FE budget allocated to regions is 2.6% higher than the base budget for 2005/06 (although some regions subsequently enhanced their budgets by using unallocated or recovered 2004/05 funding). Within the 2006/07 budget, funding for 16-18 year olds was provisionally increased by 7.6% and adult funding reduced by 4.7%. However, as the FE allocation process is a “bottom-up” exercise, the actual budget changes between the different age groups will not be known until after the final allocations are agreed.

30 WBL budgets for 2006/07 only increased marginally between 2005/06 and 2006/07. However, some costs previously covered by WBL budgets are now covered by Education Maintenance Allowances (EMAs), and so the underlying increase in WBL budgets is higher.

31 Budgets for personal and community development (PCDL) have been safeguarded at £210 million – as per Priorities for Success, and providers (all things being equal) will receive a minimum 90% of their 2005/06 funding allocation.

32 The following figures are based on an analysis of the LSC’s current indicative allocations and development plans for providers. This analysis is therefore provisional and final allocations for many providers will be higher than those notified to date, and learner numbers will be subject to change – sometimes downwards.
FUNDING ANALYSIS - FE

33 **Overview.** The LSC has allocated £4.803 billion (99.5%) of its £4.830 billion regional FE budget to providers. The balance is held by LSC regions and will be allocated to providers for growth in priority areas following the current planning discussions, or will be retained to cover exceptional needs. The current position is that over 60% of all providers have already received an indicative allocation which is higher than their 2005/06 final allocation.

34 This proportion is likely to increase slightly as and when unallocated funding is allocated. However, much of the unallocated funding may be retained by the regions to cover exceptional support needs that would have previously been met from the exceptional support budget, as opposed to being incorporated within provider allocations. Some regions may be able to allocate unused 2005/06 funds (and other 2006-07 budgets) in 2006/07 funding allocations. The scope for this action has however been significantly restricted due to the policy of not reducing under performing providers' 2005/06 allocations.

35 **Adult / youth split.** As in 2005/06, volumes of low priority adult activity will continue to be reduced. Those providers whose funding is comprised of mainly adult funding, are therefore likely to see significant overall budget reductions. Train to Gain funding will be drawn down by approved providers during the year as demand is identified, and will be in addition to these allocations.

36 In 2005/06 the split between adult and youth budgets was 41% : 59%. The regional budgets prepared last Autumn for 2006/07 assumed a split of 38% : 62%. Allocations to date appear to be substantially consistent with this assumption, as the current level of youth funding is some 62.5% (ignoring additional learning support).

37 The data currently shows a national increase in 16-18 allocations of 7.7% and for adult funding a reduction of 6.6%. We would expect this to be balanced by increased revenue from fee collection.

38 **Providers with increased/decreased allocations.** The current position showing the distribution of providers’ changes in funding is shown in the following graphs.
The data for the last graph is presented in the following table:

### Analysis of Funding Changes between 2005/06 and 2006/07

<table>
<thead>
<tr>
<th>Funding Change</th>
<th>No. of Providers</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>-10% or lower</td>
<td>51</td>
<td>9%</td>
</tr>
<tr>
<td>-5% to -10%</td>
<td>57</td>
<td>10%</td>
</tr>
<tr>
<td>0% to -5% (inc 0%)</td>
<td>107</td>
<td>19%</td>
</tr>
<tr>
<td>0% to 5%</td>
<td>159</td>
<td>29%</td>
</tr>
<tr>
<td>5% to 10%</td>
<td>109</td>
<td>20%</td>
</tr>
<tr>
<td>10% or greater</td>
<td>72</td>
<td>13%</td>
</tr>
</tbody>
</table>

39 Seven providers are currently missing from this analysis, and their status is being investigated with the relevant regions.
Provider Type Analysis. The analysis of funding allocations by type of FE provider is currently as follows.

<table>
<thead>
<tr>
<th>Provider Type</th>
<th>Average % Movement</th>
</tr>
</thead>
<tbody>
<tr>
<td>External institutions*</td>
<td>-5.9%</td>
</tr>
<tr>
<td>General FE College</td>
<td>+2.1%</td>
</tr>
<tr>
<td>Higher Education Institution*</td>
<td>-3.4%</td>
</tr>
<tr>
<td>Local Education Authorities*</td>
<td>-7.2%</td>
</tr>
<tr>
<td>Sixth Form Colleges</td>
<td>+3.7%</td>
</tr>
<tr>
<td>Agricultural Colleges</td>
<td>+1.3%</td>
</tr>
<tr>
<td>Art &amp; Design Colleges</td>
<td>+0.1%</td>
</tr>
<tr>
<td>Designated Colleges</td>
<td>-1.8%</td>
</tr>
<tr>
<td>Overall Average</td>
<td>+1.9%</td>
</tr>
</tbody>
</table>

* a number of providers within these categories have ceased to deliver FE learning, and as such the average reduction is probably overstated

Funding Analysis – WBL

The 2006/07 academic year budget for WBL is £1,086.1 million, of which £944.0 million (86.9%) has been reported as being allocated. Due to the nature of WBL provision the movement in funding allocations between private providers will significantly greater than for FE providers. The balance will be allocated before 31 May 2006.

Funding Analysis – ACL Providers

The 2006/07 academic year budget for ACL providers is £214.5 million, of which some £176.3 million (82.2%) has been reported as being allocated. The balance will be allocated before 31 May 2006.

Funding Analysis – PCDL

Personal and community development learning (PCDL) is delivered by both FE and ACL providers, and the funding associated with this activity is included within those funding allocations. This activity has been safeguarded at a level of £210 million. Currently, PCDL to the value of £184.8 million (88% of the safeguard) has been identified, and will increase during April and May.
LEARNER NUMBER ANALYSIS

44 The LSC is currently in the middle of the planning round with providers and planning assumptions are therefore not yet complete or agreed. Final allocations and planning assumptions will be agreed by the end of May 2006. Early indications are that the mix of provision is broadly in line with agreed priorities. The LSC is currently reviewing the indicative numbers with Regional Directors to ensure they are suitably ambitious, particularly in regard to the level 2 target. The following gives a snap shot of figures in mid April.

16-18 Learners

45 16-18 FE participation is planned to increase by approximately 12,000 from the 2005/06 estimated outturn of 734,267 to 746,680.

46 Agreements are still being discussed with providers, so final figures are still unavailable. At present the returns show that 702,316 (94%) of the expected 746,680 has been agreed with providers.

47 16-18 apprenticeships are planned to increase by 5,000 from the 2005/06 forecast outturn position, to 174,331.

48 The split between participation on apprenticeships and advanced apprenticeships has narrowed with 30% of provision at advanced level in comparison to 24% in 2005/06.

49 E2E planned volumes remain broadly the same as in 2005/06 with around 47,000 starts planned.

50 School sixth form planned numbers show continued growth at similar levels to last year.

19+ Learner Numbers

51 The number of adult learners in FE is predicted to fall by 300,000 to 2,306,487 compared to a 2005/06 estimated out-turn of 2,601,979.

52 The 2005/06 estimated out-turn is 160,000 lower than the original planned numbers showing an even greater reduction on the 3,096,853 adults in FE in 2004/05. On current figures we are predicting a 700,000 reduction in adult learners in FE over 2 years.

53 Regions report that the focus of planning and funding discussions has been on Skills for Life and level 2 outcomes as opposed to learner numbers. This, coupled with the move towards longer courses and the reduction of short courses, will result in further reductions in overall numbers.

54 19+ apprenticeships are expected to be almost 100,000 in 2006/07. This is a reduction of 2,000 learners on the forecast out-turn for 2005/06. The reason for the reduction is understood to be a result of the rising costs in 16-18 apprenticeships, and increased success rates together with a move towards more learning in high cost subjects.
55 The proportion of Advanced Apprentices as a proportion of the total number of Apprenticeships remains unchanged at 41%. This is 11 percentage points higher than the equivalent proportion in the 16-18 age group.

56 There is a planned reduction of learner numbers in ACL provision of around 40,000. However, final figures are still to be agreed.

57 Based on current numbers and discussions with regions our following position is:

- We are confident about continuing the increases needed to meet the Level 2 at 19 target.
- Regions are confident that the target for apprenticeship completions will be achieved, but noted that this success will be at the expense of participation levels.
- We remain cautious about our ability to meet the Adult Level 2 target although the current position indicates that we are close to meeting the trajectory for FE contributions. Train to Gain provision has yet to be tendered, but if the LSC delivers the planned numbers, we can be cautiously optimistic about the overall trajectory.
- We are confident that Skills for Life achievements will be sufficient to meet the target.
Priority 1: Ensure that all 14-19 year olds have access to high quality, relevant learning opportunities

Implement a national framework for learner entitlement...

58 A research project into effectiveness of the learner entitlement in the East Midlands has reported in draft. This will be used to inform development over the summer to produce a national framework statement.

59 We need to consider the possible overlap with the entitlement to the 14 diploma lines and convince partners of the continuing requirement for a learner offer as a planning and benchmarking tool.

We will encourage collaboration to offer real choice of further learning and employment...

60 14-19 strategies and the outcomes of area inspection and StARs remain significant catalysts to collaborative provision and have contributed to the highest-ever 16-18 numbers in learning. Evaluations of the Increased Flexibility programme involving collaborative provision in approximately 300 partnerships (involving half of all secondary schools) continue to demonstrate high levels of learner satisfaction, better than expected attainment and 90% progression to FE or further training. There is continued development of cluster/collegiate arrangements in many local areas.

61 There is more work needed to clarify the costs and benefits of collaboration. There are several pieces of work underway. This should inform the development of sustainable approaches to support collaboration through mainstream funding.

We will run 16-19 competitions to get the best provision...

62 Guidance documents on 16-19 competitions and 16-19 Capital Fund were published in December 2005. There are currently 3 competitions published, 8 soon to be published, a further 10 in discussion.

We will trial a coherent range of qualifications and learning below Level 2 and increased vocational offer...

63 The UK Programme Board for Vocational Qualifications Reform has now met twice and the LSC led strand of work (Planning, Funding and Delivery of Provision to Learners) is progressing. There is UK wide agreement on the proposed technical specification for tests and trials of unit based qualifications, underpinned by credit with credit accumulation and transfer, along with a prospectus and application pack. Part of this documentation also includes LSC requirements for trials of publicly funded provision in England. It is intended that trial sites in England will be agreed by the end of May.
64 Progress with regard to moving towards significant reform of the National Qualifications Framework remains dependant on agreement across the four countries, but a significant development has been the recent agreement over the specification and tests and trials pack.

65 Work on identifying sites for trials of the Foundation Learning Tier (FLT) from August 2006, is also progressing. Part of this work will now include trials of ‘progression pathways’ within the FLT, as referenced within the recent White Paper. In addition, and following the publication of the recent White Paper, the LSC and QCA will receive a revised Ministerial remit for the development of the FLT.

**14-19 Organisation and Funding Pilots**

66 A number of local authorities have been invited by Ministers to put forward proposals to test new models of funding arrangements and organisational structures. The pilots will have a mix of local authority and local LSC leadership, will involve both revenue and capital funding, and will examine how aligned or shared resources can be used most effectively.

67 The pilots will explore different organisational arrangements in relation to Children’s Trusts, City Regions and Local Area Agreements.

68 They will run for two years, identifying models that can be mainstreamed, and informing the development of the longer-term approach to organisation and funding of 14-19 delivery.
Priority 2: Make learning truly demand-led so that it better meets the needs of employers, young people and adults

We will establish a skills brokerage service to advise on best training to suit employers' needs...

69 Phase 1 roll-out to all LSC areas offering Employer Training Pilots in 2005-2006 with a national framework to ensure consistency of employer journey. The national procurement of broker assessment and accreditation organisations will be complete by August 2006. The management information and evaluation framework has been developed to monitor and manage performance of skills brokers.

Our National Employer Service will support large national employers efforts to increase productivity through skills development...

70 NES is working with over 200+ large national employers on their workforce development strategies. This includes 32 new employers engaged in Apprenticeships over the last 12 months, including Tesco and Rentokil Initial.

71 Approximately 65,000 young people are being supported in Apprenticeships, a threefold increase since NES was established. In addition, a further 20,000 adult employees undertaking full NVQ level 2s have been supported. A single unified Train to Gain offer has been developed for large employers, comprising of Apprenticeships, first full Level 2s for adults and Skills for Life.

72 Progress will continue to be made through developing relationships at the corporate level within large employer organisations, whilst maintaining strong operational relationships. This will enhance our understanding of employer needs as well as to inform LSC policy/strategy.

We will continue to support learners so they can enter and stay in learning and achieve all they are capable of...

73 The Skills Coaching trials provide an intensive guidance service, and include an in-learning "health check" and ongoing support for customers, (IB/JSA benefit recipients) when in learning, and a progression interview. The evaluation of the first year of the trials will report in June.

74 A second year of the trials is commencing, and will include a stronger focus in evaluation on outcomes achieved.

We will improve opportunities and support for those who are experiencing or recovering from mental illnesses...

75 We have produced proposals via the Mental Health Task Group to improve services to learners with mental health difficulties. This includes four broad aims:

i) to build the capacity of sectors
ii) to boost demand for learning
iii) ensure quality of provision
iv) raise achievement levels of learners with mental health difficulties.

76 Nine Regional Project Officers, managed by NIACE, disseminate knowledge and understanding from all regional development work and ensure a co-ordinated approach to improving services for learners with mental health difficulties.

77 Frontline worker training resources have been developed as a part of the Skills for Families programme to recognise and support those with minor mental health issues. These are now available to family learning providers at no cost.

We will increase the capacity of our provider network in each region to deliver learning to people with learning difficulties and/or disabilities...

78 The consultation on Through Inclusion to Excellence (the report of the review of the LSC’s planning and funding of provision for learners with learning difficulties and/or disabilities across the post 16 sector) ended on 28 February 2006.

79 We have received in excess of 200 responses from across the sector and including responses from, for example, Primary Care Trusts. The overall response is supportive of the recommendations made in the report. We have begun a detailed analysis of the responses and plan to publish the results of the consultation in late spring.
Priority 3: Transform the Learning and Skills Sector through *agenda for change*

80 The Further Education Reform White paper ‘Raising Skills, Improving Life Chances’ was published on 27 March 2006. The White Paper sets out the reforms that are needed to make the FE system fit for purpose in meeting the two strategic challenges of transforming the life chances of young people and transforming the skills of the workforce so that employers have the right skills for their businesses to succeed in a competitive global economy.

81 The programme of reform is presented in six key strands:

- **Mission and specialisation** – positioning the economic mission at the heart of the sectors role where institutions in the FE system will become more specialised.

- **Meeting learner and employer needs** – focusing the system more closely on meeting the needs of learners and ensuring employers can get what they want and need.

- **A national strategy for better teaching and learning** – encompassing a single agency and a single strategy for quality improvement to ensure learning will be a more personalised experience with support for workforce development.

- **Spreading success and eliminating failure** – improving inspection and encouraging innovation and new models of delivery.

- **Funding and capital** – introducing a new approach to funding 14-19 year olds, expand the sixth form college sector, ensure adult funding is demand-led, support learners financially and invest in facilities to deliver the new mission.

- **A new relationship with colleges and providers** – streamlining the system to cut burdens and develop a self-improving system.

82 In implementing the White Paper reforms, a large number of actions will be taken forward by the LSC and we are in the process of identifying these and the lead responsibility for each.
Priority 4: Strengthen the role of the LSC in economic development so that we provide the skills needed to help all individuals into jobs

*We will take a proactive approach to the opportunities offered by the city-regions...*

83 We need to be seen as a key strategic partner in this agenda demonstrating how our activity supports and delivers against city-region priorities.

84 National links have been developed with the Office for the Deputy Prime Minister and the Department for Work and Pensions. Regional Directors have been directly involved in the development of the agenda and are leading the implementation of employment and skills boards in some regions.

85 Our response to the city consortia proposals in DWP Green Paper highlighted the need to link with other partnership arrangements. We will need to ensure integration of city-regions across the partnership agenda.

*We will implement the recommendations of the National Employment Panel (NEP)...*

86 A review of progress against the NEP recommendations has been undertaken. Of the twenty three recommendations remitted to the LSC and JCP, nine have been achieved; six have green status; six are amber and two red (one of which has been remitted to NEP for advice).

87 As part of the review, 11 new priorities have been identified and agreed as the focus for future working including Train to Gain, access trials and offender learning. A new implementation plan is being drawn up, combining outstanding red/amber recommendations, and incorporating emerging priorities, which will be presented to the Welfare to Workforce Development Steering Group for approval in June 2006. This will form the basis of future working. A strategic planning event will be held in the summer to drive the new agenda forward.

*We will assume responsibility for Offenders’ Learning and Skills across England...*

88 Regional colleagues in the developing regions, London, the East of England, the South East, East Midlands, West Midlands and Yorkshire and the Humber have concluded post tender negotiations in 21 out of 23 units of procurement.

89 Contracts have been awarded (subject to contract negotiation) as follows:
<table>
<thead>
<tr>
<th>Region</th>
<th>EOI's received</th>
<th>Tenders received</th>
<th>Organisations awarded contracts</th>
</tr>
</thead>
</table>
| London              | 45             | 22               | IAG Unit: London Advice Partnership  
North East Area: City & Islington College  
South Area: Lewisham College  
West Area: Kensington & Chelsea College |
| East of England     | 25             | 18               | Unit 1: IAG ***  
Unit 2: Bedfordshire, Luton & Cambridgeshire – A4e  
Unit 3: Essex & Hertfordshire – Milton Keynes College  
Unit 4: Norfolk & Suffolk – A4e |
| South East          | 36             | 26               | Unit 1: Kent & Medway – A4e  
Unit 2: Hampshire & the Isle of Wight ***  
Unit 3: MKOB & Berkshire – Milton Keynes College  
Unit 4: Surrey & Sussex – NESCOT  
Unit 5: Offenders under 18 years - CfBT |
| East Midlands       | 52             | 42               | Unit 1: Derbyshire – City College Manchester  
Unit 2: Leicestershire and Rutland – City College Manchester  
Unit 3: Lincolnshire – Lincoln College  
Unit 4: Northamptonshire – City College Manchester  
Unit 5: Nottinghamshire – West Nottinghamshire College |
| West Midlands       | 39             | 30               | Unit 1: IAG – Fern Training & Development  
Unit 2: East Sector – Derby College  
Unit 3: West Sector South Group Prisons – City College Manchester  
Unit 4: West Sector North Group Prisons – City College Manchester |
| Yorkshire & the Humber | 20            | 12               | Units 1 and 2 – City College Manchester |
Priority 5: Improve the skills of the workforce who are delivering public services

*We will meet the skills and learning needs of all workers in the public sector without a Level 2 qualification, including sub-contracted services such as cleaning and catering...*

90 The LSC’s framework for Public Services includes action to address demographic patterns in the workforce focusing particularly on reaching those without a first L2. The framework includes plan-led activity to improve access a first L2 qualification and skills solutions linked to widening participation, 14-19 pathways (including Apprenticeships) and TfG support and brokerage services.

91 In addition we are working jointly with the TUC, the Cabinet Office and other stakeholders in the sector to create the first cross Government Forum, to take action to address government barriers to better planning and funding of skills.

*We will ensure that learning, advice and training programmes meet the requirements of the public sector, as part of the NETP (Train to Gain) offer...*

92 Train to Gain includes a recognition that units within public service organisations with delegated responsibility and budgets can, if appropriate, be treated as SMEs and 'hard to reach' employers. We have agreed with the DfES that the Public sector is a fundable priority within Train to Gain based on differentiated funding arrangements to secure added-value and leverage from joint investment potential. The Framework includes guidance to regions on securing added-value and securing a clear public interest benefit from this activity.

CLEARANCE

93 This paper has been cleared by the National Director, Strategy and Communications.

LEGAL IMPLICATIONS

94 This paper has been checked by the Council Solicitor. There are no legal issues arising.