

26 March 2013

Martin Donnelly CMG
Permanent Secretary

Michael Davis
Chief Executive Officer
UK Commission for Employment and Skills
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Westminster
London
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Dear Michael

**UK COMMISSION FOR EMPLOYMENT AND SKILLS (UK COMMISSION) 2013-14
GRANT IN AID AND PRIORITIES LETTER**

This letter sets out the skills priorities of the UK Government (including the Devolved Administrations) for the UK Commission for 2013-14 and budget allocations for 2013-14 set out in Annex A, Table 1.

The total allocation of resources is **£66,910,850**, including non cash costs of **£481,000**. The actual grant in aid cash total is **£66,429,850**. As the Accounting Officer for the UK Commission, you will be responsible for managing the budgets within the agreed tolerance level of 1% under spend. The Chancellor in his Budget Statement on 20th March 2013 announced a reduction in Government Departments' resource budgets of £1.1bn in 2013-14 and £1.2bn in 2014-15. This means there is a continuing risk that this Department's funding could be decreased and the UK Commission may be required to transfer back to BIS a percentage of your 2013-14 Grant in Aid to meet unanticipated pressures. The Department will provide timely and adequate notice should this risk look likely to materialise. The UK Commission will operate within the guidelines set out in Managing Public Money and HM Treasury's Consolidated Budgeting Guidance, the UK Commission's Remit Letter, Framework Document and Co-sponsor's Memorandum of Understanding.

In delivering its objectives the UK Commission will comply with the Equality Act 2010 and in particular, the Public Sector Equality Duty.

The UK Commission's **strategic objectives**, as set out your Remit Letter of 5 May 2011, are:

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- To provide outstanding labour market **intelligence** which helps businesses and people make the best choices for them.
- To work with businesses to develop best market solutions which leverage greater **investment** in, and better use of, skills.
- To maximise the **impact** of employment and skills policies and employer behaviour to support jobs and growth and secure an internationally competitive skills base.

I expect Commissioners to continue to lead on the delivery of these strategic objectives and bring inspirational leadership that will deliver outcomes and key performance indicators to be included in your 2013-14 Business Plan. It is important that the UK Commission continues to attract high calibre Commissioners from large and small employers, trade unions leaders and representatives of the public and voluntary sector.

Priorities for 2013-14

The UK Commission will support the development and delivery of employment and skills policies in each of the four home nations.

In England the UK Commission will have a key role to play in helping to deliver BIS' industrial strategy in support of growth and our response to the Heseltine and Richard Reviews and Wilson Review of Business University collaboration. In addition, you will support BIS Ministers on the reform of qualifications, in maintaining our drive on Apprenticeships, and supporting the unemployed into employment including through the introduction of traineeships and the provision of quality work experience for young unemployed people.

Employer Ownership Pilot (EOP). The UK Commission will continue to play a key role in support of the Department's Employer Ownership Pilot (EOP).

The UK Commission will have a key role to play in promoting and ensuring the success of EOP Round 2. Following agreement of the respective roles and responsibilities between Skills Funding Agency, UK Commission, DfE and BIS I will look to the UK Commission to ensure that it contributes fully to the successful working of this partnership arrangement, including negotiating the content of the Grant Offer Letters to be issued to successful EOP Round 2 applicants. More specifically, the UK Commission will be responsible for the design and management of EOP Round 2 appraisal and grant agreement processes to meet the quality requirements specified by BIS and DfE in a Memorandum of Understanding. I expect the UK Commission to also manage and convene those elements of the agreed Pilot governance structure required to make recommendations of projects for investment and will report progress on the overall implementation of the Pilot competition to BIS and DfE.

I appreciate this will create additional work for the UK Commission and will require you to supplement your existing team with external support who will have particular skills and expertise. You have been granted permission to appoint professional service expertise to ensure that EOP Round 2 bid assessment process runs smoothly and to agreed deadlines. I expect the UK Commission to minimise the additional costs and ensure value for money.

Reform of Qualifications. Nigel Whitehead, the Commissioner, supported by the UK Commission's Executive will work with BIS and others to create a vision of how vocational provision for adult learners should meet the skills needs of employers, and develop a clear strategy for achieving that vision. This will principally consider provision for learners which is

currently funded by the state to move young people into work; it will also touch on privately-funded provision for learners already in work, studying with the support of their employer. The review will also consider how the qualifications address the needs of unemployed and otherwise disadvantaged learners. In looking at these questions, the exercise will look at the balance between apprenticeship and non-apprenticeship routes. The Government's starting point is that these should involve working towards the same accepted, objective standards, and that essentially the balance between different routes should be determined by individual learner preference, and by how industries in different sectors and localities are best able to offer work experience. The UK Commission will, in a timely manner, inform the Devolved Administrations of developments to enable early consideration of implications of the Reform in the Devolved Nations.

Apprenticeships. The UK Commission will encourage employers to engage with Apprenticeships through EOP; help to develop and promote the response to and implementation of the Richard Review; in particular working to engage employers in the range of new functions which the Review envisages for them, and to ensure these functions are optimally designed; help to support quality improvements, both in response to the Richard Review and prior to its implementation, to ensure that Apprenticeships deliver qualifications that employers value and recognise; promote engagement with SMEs to increase involvement in the programme; support the expansion of Higher Level Apprenticeships; and identify sectors with the strongest growth potential for Apprenticeships, and where they could add the most value, in addition to supporting the priority sectors identified as part of the Government's wider Industrial Strategy.

Raising Participation Age, Traineeships and 16-19 Study Programme. In offering more opportunities to young people and using the influence of Commissioners, the UK Commission will support: the UK Government's commitment of achieving full participation of young people aged 16-17 in education or training through working with employers to ensure that young people are able to access relevant training; commitments made in the Alison Wolf report on the Review of Vocational Education and reaffirmed in the Growth Review and Participation Strategy, to increase young people's access to high quality work experience and reduce barriers to employers offering placements; the transition from school to work by encouraging employers to get involved in their local schools, colleges and work-based providers, to develop young people's understanding of business, increase their employability, and support careers information, advice and guidance; the introduction of Study Programmes in September 2013 including Supported Internships and development of Traineeships for 16 to 24 year olds, the 16-19 strand will be delivered within Study Programmes and complementary Intensive Traineeships pilots for harder to reach young people. This will include encouraging the active involvement of both employers and providers in the development and implementation of these policies; the increase in supply and quality of work experience placements through encouraging greater employer engagement from SMEs across the spectrum of Study Programmes, Traineeships and Supported Internships. The UK Commission will also encourage employers to increase both the quality and quantity of undergraduate and graduate student placement opportunities and internships.

Work Related Measures. The UK Commission will collaborate with DWP to develop an understanding of the perspectives of employers and how the system can best meet their needs, including mechanisms that will assist Universal Credit claimants to progress in work and proactively use employer networks to shape and inform the development and delivery of trials and evaluation of outcomes.

The UK Commission will continue to use the influence of its Commissioners to encourage employers to: support the Get Britain Working measures and the Youth Contract by opening up their jobs, offering Apprenticeships or providing work experience and training opportunities for the unemployed and those making the transition to work; provide in-work support for those employees with an entry level 3 or below to gain the necessary functional skills to remain and progress in work and raise awareness and promote the new, online job posting and matching service for businesses and people looking for work - Universal Jobmatch; support the achievement of "Every Business Commits" in England, and capitalise on social responsibility outcomes to help benefit claimants and disadvantaged people into work; support the implementation in England of the young people Participation Strategy - Building Futures, Building Engagement - by working to improve labour market information on careers and offering jobs, Apprenticeships, work experience and mentoring for young people; support the long term aim of developing a national culture for lifelong learning by promoting and raising awareness of Lifelong Learning Accounts for all adults aged 16 + throughout England, ensuring employers understand the benefits and how they can support the development of a skilled and employable labour force.

The UK Commission will work with Sector Skills Councils (SSCs) to promote and support the progression of low-paid workers through: the employer-led Academy Pilot to design and promote academies in their respective sectors; and, in the development of in-work skills support for low paid employees claiming Universal Credit, by brokering meetings with employers to input to the design and offer advancement to employees who succeed.

There are separate arrangements outside of work programmes for claimants in Scotland, Wales and Northern Ireland commissioned and administered by the Devolved Administrations. Additionally the skills and training policies in Scotland, Wales and Northern Ireland are the responsibility of the Devolved Administrations. The UK Commission should take into account the potential for read-across.

The UK Research Asset Work Programme will steer the core research activities for the UK Commission for 2013-14. This will include: the UK Employer Skills Survey (which informs the work of the Migration Advisory Council); the Employer Perspectives Survey; and, evaluation to inform understanding of Best Market Solutions that helps to identify what works around the delivery of the Growth and Innovation Fund, the Employer Investment Fund and Investors in People. The research will be used to develop compelling stories that grab attention and promote a call to action to increase employer's investment in the skills for their people.

Investors in People (IiP). When BIS transferred ownership of the IiP framework to the UK Commission, the UK Commission was asked to take ownership of IiP and develop a strategy to prepare it for the longer term. The UK Commission needs to move IiP from its current position of dependency on the public purse, to enable it to become at least cost neutral. IiP also needs to be more dynamic in its development of products and services to meet business needs, particularly those of SMEs. The UK Commission was also asked specifically to reform the delivery of IiP in England and I recognise the progress that has been made in streamlining the number of IiP Delivery Centres across the UK. IiP will be targeted through 'mid-cap' companies/medium employers aligning with both the UK Commission's wider agenda and focusing marketing on where companies are most responsive to IiP. Large employers are primarily looking for recognition and networking and the UK Commission will encourage them through, for example, high profile events, leveraging the establishment of Commissioner and employer Networks. An on-line diagnostic tool will be used as an entry point for small employers. In 2013-14, I wish to receive a recommendation on the future of ownership of IiP.

Supporting the Devolved Administrations

In Wales the UK Commission will support the Welsh Government in the delivery of its strategic objectives in the Programme of Government and in the development and delivery of a Single Adult Employment and Skills Programme. The UK Commission will also support the Welsh Government's implementation of those agreed recommendations from the Review of Qualifications; the development of policy for Higher Apprenticeship Frameworks and employer engagement in relation to Apprenticeships. It will also work with Leadership and Management Wales and Investors in People to provide advice to raise skills levels and promote best practice with employers in Wales.

In Scotland the UK Commission will support the Scottish Government in its programme of transformational change of the post 16 education and training system, with particular emphasis on the needs of young people.

In Northern Ireland the UK Commission will support the Department for Employment and Learning Northern Ireland in the delivery of the objectives outlined in 'Success Through Skills - Transforming Futures', as appropriate and agreed with Co-sponsor officials.

Managing the UK Commission's Investment Programme

In 2013-14, the UK Commission has been allocated a programme budget of **£59.9m** to cover the costs of delivering the Growth and Innovation, Employer Investment Funds, Standards and Frameworks, Research, Investors in People and other projects that will deliver on the priorities agreed as part of the UK Commission's 2013-14 Business Plan.

In 2012-13, the UK Commission reported under spends of £7.8m against its forecasted programme budgets contributing to an overall 9% under spend variance on the UK Commission's total resource budget. 7% of this under spend related to delays in negotiating and finalising Growth and Innovation Fund (GIF) contracts. As a consequence the UK Commission will have to meet these contractual obligations in 2013-14. In order to help you meet these contractual obligations BIS has agreed to transfer **£4,801,000** from the Programme budget line into the Programme GIF budget line. I expect the UK Commission to ensure that all contracted commitments under the Investment Programme are constantly monitored and where it becomes clear that a preferred supplier is going to fail to deliver the UK Commission will find an alternative delivery partner.

Growth and Innovation Fund (GIF) – England only. The UK Commission will have the lead role (working in partnership with the Skills Funding Agency and BIS) on the implementation of GIF. This will include: managing the operation of effective contract and financial management of residual GIF projects which are funded through the UK Commission (but not those funded through Skills Funding Agency), so as to ensure timely delivery of outputs and outcomes and good value for money; evaluating GIF projects funded through the UK Commission. The allocation of GIF funding to be directly administered by the UK Commission through the 2013-14 Grant in Aid and Priorities Letter is **£17,500,000** (see details of funding in Annex A, Table 1). The UK Commission will keep Co-sponsors informed of progress on GIF and will liaise with the relevant Devolved Administration officials where there are cross-border implications.

Employer Investment Fund (EIF) – UK wide. The UK Commission will: administer EIF supporting 18 licensed Sector Skills Councils (SSCs) in stimulating employer investment in skills across the UK, with a total budget of **£28,500,000** in 2013-14; contract manage the successful delivery of EIF with the SSCs; provide quarterly monitoring reports to Co-Sponsor Departments; track the combined impact of the standards and frameworks and EIF funding competitions on individual SSCs and report regularly to Co-sponsor Departments on any adverse impacts on SSC delivery or financial health; explore with the Devolved Administrations the future management of EIF and other UK Commission Investment Funds to ensure they meet the employment and skills needs of the four nations; and discuss with the Welsh Government the possibility of establishing a Welsh Fund.

Standards and Frameworks – UK wide. The UK Commission will deliver through its lead Sector Skills Councils (SSC) and partners universal services products as follows:

- National Occupational Standards (NOS);
- Nation specific Sector Qualification Priority Lists;
- Apprenticeships/Modern Apprenticeships/Apprenticeships Frameworks;
- Scottish Vocational Qualifications on behalf of Scotland only.

The UK Commission will manage the contracts with the lead SSCs ensuring timely delivery and high quality outputs, by monitoring and reporting on progress against the key deliverables; ensure four nation coverage in the delivery of standards and frameworks, and ensure compliance with the agreed quality assurance procedures; respond on emerging contracting issues in-year and if a preferred supplier fails to deliver the UK Commission will find an alternative delivery partner. In 2013-14 a working budget of **£4,600,000** has been set aside for funding standards and frameworks.

Mid Year Review. At the mid year point I expect you to present the BIS Sponsorship Team with a detailed analysis of pressures and under spends against each of your running cost and programme budget lines including for the Investment Programmes. A decision will then be made on how the UK Commission's pressures will be met and how the under spends will be reallocated to meet BIS pressures.

The Future of Sector Skills Councils (SSCs). The contestable funding of SSCs is due to come to an end 31 March 2014. During 2013-14, I expect you to work with the BIS Sponsorship Team (in consultation with the Co-sponsors) in developing recommendations to Ministers on the future role of SSCs in the skills landscape and implications for standards and frameworks.

Triennial Review January 2014. The UK Commission will participate in a triennial review in the last quarter (January to March 2014) of the 2013-14 financial year.

UK Commission's 2013-14 Business Plan. The UK Commission will develop a 2013-14 Business Plan which reflects the priorities set out in this letter. The UK Commission will provide timely and robust information about performance, risks and expenditure and alert the Department at an early stage to any potential under or over spends.

These continue to be challenging economic times. In delivering the priorities set out in this letter the UK Commission will play a vital role in contributing to supporting economic growth and I look forward to continuing working with you and the staff of the UK Commission over the year ahead.

I am copying this letter to the UK Commission's Co-sponsor Departments.

yours ever

Martin

MARTIN DONNELLY

On behalf of DWP as Lead Joint Sponsor and Co-sponsor Departments including Department for Education, HM Treasury, Department for Employment and Learning Northern Ireland, Scottish Government and Welsh Government.

Annex A: 2013-14 Delegation of Budget Allocations for Grant in Aid and Resource Budget Lines and 2014-15 Indicative Budgets

Table 1: 2013-14 Delegation of Budget Allocations and 2014-15 Indicative Budgets

<u>Resource Description</u>	<u>Category</u>	<u>2013-14 BIS CSR Funding</u>	<u>2013-14 UK Commission Receipts</u>	<u>2013-14 Project Funding</u> - Scotland NOS £500k - Wales NOS/SQP £300k	<u>2013-14 TOTALS</u>	<u>2014-15 Indicative Budgets</u>
<u>Running Costs</u>						
Admin Costs (* see note 1 below)	Ringfenced Resource DEL	6,329,000		180,000	6,509,000	6,329,000
Depreciation	Non Cash Costs	481,000			481,000	494,000
<u>Total Running Costs</u>		<u>6,810,000</u>		<u>180,000</u>	<u>6,990,000</u>	<u>6,823,000</u>
<u>Programme Costs</u>						
Programme – Baseline (**see note 2 below)	Resource DEL	8,571,850	500,000	620,000	9,691,850	44,000,000
Programme – Employer Investment Fund (EIF)	Resource DEL	28,500,000			28,500,000	
Programme – Standards & Frameworks	Resource DEL	4,600,000			4,600,000	
Programme – Growth and Innovation Fund (GIF) (**see note 3 below)	Resource DEL	17,500,000			17,500,000	12,983,000
Programme Capital	Capital DEL	129,000			129,000	143,000
Programme Receipts	Resource DEL - Negative Expenditure	0	-500,000		-500,000	
<u>Programme Total</u>		<u>59,300,850</u>	<u>0</u>	<u>620,000</u>	<u>59,920,850</u>	<u>57,126,000</u>
<u>Total 13-14 Budgets</u>		<u>66,110,850</u>	<u>0</u>	<u>800,000</u>	<u>66,910,850</u>	<u>63,949,000</u>

Resulting Grant in Aid Total (resource total minus non cash depreciation costs of £481k)	<u>66,429,850</u>
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* Note 1 on Admin Costs: A breakdown of the Admin Costs, ie pay, non pay etc, will be confirmed separately to the BIS Sponsorship Team.

** Note 2 on Programme: To provide efficiency savings in 2013-14 the UK Commission are taking a 5% reduction (£451,150) on their original BIS CSR Programme indicative budget of £46,924,000, revised total is £46,472,850 (reduction applied specifically to Programme Baseline budget line of £9,023,000, revised total is £8,571,850). Additionally BIS Finance have approved a transfer of £4,801,000 from Programme to Programme GIF, revised Programme total is £41,671,850.

*** Note 3 on Programme Growth and Innovation Fund (GIF): BIS Finance have approved a transfer of £4,801,000 from Programme to Programme GIF to cover pressures from 2012-13, revised Programme GIF total is £17,500,000.

The total allocation of resource funding available to the UK Commission in 2013-14 is £66,910,850. This figure is to be treated as a control total for resource-based expenditure and must not be exceeded without prior written approval from the BIS Sponsorship Team. This figure includes funding from the Devolved Administrations and is dependent on payments to BIS from them. After allowing for the ring-fenced resource Departmental Expenditure Limit (DEL) non cash costs of £481,000, the resulting figure for cash Grant in Aid is £66,429,850.

This figure is to be treated as a Cash Limit and must not be exceeded without prior written approval of the BIS Sponsorship Team. BIS will notify the UK Commission of any changes to the planned funding and payments through revisions to this letter. There may be further additions to the control total from other policy areas during the financial year.