

Chris Humphries
Chief Executive
UK Commission for Employment and Skills
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Dear Chris,

UK COMMISSION FOR EMPLOYMENT AND SKILLS
GRANT in AID AND PRIORITIES LETTER: 2009-10

1. This letter sets out the UK Government's and the Devolved Administrations' (future references are to "Governments" only) priorities for the UK Commission for Employment and Skills (the UK Commission) in 2009-10. It builds on the priorities for skills, employment and productivity set out in the UK Commission's Remit Letter and should be read alongside that. The funds are payable under sections 2 and 5 of the Employment and Training Act 1973 (as amended), under section 14 of the Education Act 2002, under sections 4 and 6 of the Further and Higher Education (Scotland) Act 1992 and under section 1 of the Employment and Training Act (Northern Ireland) 1950.
2. It gives indicative budget allocations for the UK Commission in 2009-10, and gives you formal delegated authority for expenditure for the areas for which you are responsible as Accounting Officer, setting out the conditions under which your budget is to be managed. The UK Commission's primary role is advisory, giving high level advice to Governments on the impact of current policy and the need for change. Further, the UK Commission will need to use the resources it has available to best advise Governments on the needs of each of the four nations.
3. Our priorities for the UK Commission for 2009-10 are set out in summary below. Further detail is set out in Annex A including details of specific executive roles and project roles that sponsors wish to see in 2009-10.

Priorities for delivery in 2009-10

4. This is the second year of operation of the UK Commission. Considerable progress has been made in 2008-09 in establishing the UK Commission as a functioning organisation. We would ask that the UK Commission continues to build on the foundations that have been laid in 2008-09 to ensure that the UK Commission has the capacity and capability to deliver against its mission to *maximise UK economic competitiveness and individual opportunity through world class employment and skills* as part of a wider vision for a prosperous UK economy built on talent and inclusion.

5. In considering its priorities for delivery in 2009-10 and setting its forward work plan, the UK Commission should continue to take account of the wider UK employment and skills policy landscape, and how the effectiveness of collaboration between spatial and sectoral initiatives, together with local engagement, across the four nations can be maximised.

6. We expect the UK Commission to continue to engage with Ministers and officials across the four countries to agree its programme of work for the forthcoming year and throughout to advise on the extent to which the four home nations are operating commensurate policy frameworks to underpin policy for skills and business support. We look forward to agreeing with the UK Commission, as part of your 5 year Strategic Plan, clearly measurable outcomes and a set of key performance indicators that we will monitor and review with you at regular intervals during 2009-10. We expect to receive your Operating Plan for 2009-10 by the end of June 2009.

7. The co-sponsors of the UK Commission have identified the following key priorities for delivery by spring 2010. The priorities have been grouped under the UK Commission's three strategic priorities:

UK Commission Strategic Priority One: Building a more demand-led and responsive employment and skills system

- To undertake a review of measures, targets and incentives across the UK, learning from international best practice and making recommendations to Governments as appropriate, subject to agreement from Ministers in each nation, and reflecting the World Class Skills ambitions where these apply.
- The UK Commission should work with co-sponsors to deliver a one off review of the local employer engagement landscape across the UK. This review should include an assessment of, and proposals on, the structures that are necessary to deliver more effective engagement, taking into account the integration of employment and skills services and the desire for simplification.
- In England, the Commission will be responsible for ensuring the supply of expert intelligence and analysis needed to ensure we can take forward the Government's emerging industrial and skills activism policies. Further details of the role fleshing out what is in the annex are to be agreed with you.

- In England the Commission should work with co-sponsors to develop the criteria to be used in considering MAA proposals for ESBs with statutory powers, so as to ensure that these ESBs are fit for purpose, have strong and credible employer leadership and are able to support the creation of a more integrated, flexible and demand led delivery system. Where ESBs have statutory powers, their assessment of local skills priorities should be taken into account by the Commission in their periodic reviews of national priorities.
- In England the UK Commission should undertake preparatory work in advance of taking over the functions currently managed by the LSC in relation to FE and skills research.
- The UK Commission should also undertake preparatory work to establish a Skills Research Institute from 2010 -11, based on the virtual network model outlined in their proposal, submitted on 7 July 2008.
- As an organisation, develop expertise in labour market issues across the UK to advise, support and as necessary challenge governments on the production and delivery of effective labour market strategies to support growth, effective public services and sustainable employment. (subject to funding being discussed and agreement reached)
- In Scotland we would ask that the UK Commission contributes to the Scottish Government's thinking on achieving its purpose of creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth. In particular, the UK Commission should seek opportunities to contribute to thinking in response to the recommendations set out by the Council of Economic Advisors in December 2008.
- In Wales we would ask that the UK Commission contributes to the Welsh Assembly Government's thinking on the delivery of its Skills That Work for Wales strategy. In particular that the UK Commission should seek opportunity to advise and support the Welsh Assembly Government and DWP on the preparation of a labour market strategy for Wales in line with its wider remit to advise on employment and skills.
- In Northern Ireland we would ask that the UK Commission contributes to the government's thinking on the delivery of "Success Through Skills" the Northern Ireland Skills Strategy. In particular, during these economic difficulties the UK Commission has a key role to promote the continued investment in skills training across the UK to assist in the preparation for the upturn when it comes taking into account the differing needs of the Devolved Nations and Northern Ireland in particular.

UK Commission Strategic Priority Two: Maximising individual opportunity for skills and sustainable employment

- Assess the quality and effectiveness of the "customer journey" through the employment and skills system for individuals who are out of work as they move into work, training and progression. In particular taking into account the "user voice" and assessing to what extent it shapes service design. Identify opportunities for systemic change and improvement, to promote the integration of employment and skills

services.

- To build on the findings of the UK Commission's recent report on employability skills setting out recommendations for implementation.
- In England to advise Ministers on the performance of the current integrated employment and skills trials and the programmes of JCP/LSC joint working being introduced in April 2009.

UK Commission Strategic Priority Three: Increasing employer ambition, engagement and investment in skills

- Completion of its work to review all SSCs, and to make recommendations to Ministers on the relicensing of SSCs in the agreed tranches so that all licensing decisions can be taken by Ministers by the end of 2009 at the latest;
- Putting in place a revised funding model and transparent performance management system for SSCs that will hold SSCs to account for delivering against their key objectives and milestones, and which ensures that relicensed SSCs continue to perform at a high level across the UK; See annex A;
- By Summer 2009 complete the process of taking strategic ownership of the Investors in People standard, establish the governance structures and support functions needed to ensure the quality and consistency of the standard across the UK, and begin work to increase the impact and reach of the standard;
- Take forward the second phase of the Simplification of the Skills System for Employers in England, sharing the lessons learnt and emerging good practice with the co-sponsors, and advising on priorities for simplification in England and Wales;
- Make substantial progress towards the UK wide roll out of the Talent Map project, consistent with the principles of the Business Support Simplification Programme (BSSP) and with the project being nationally available and self funding by November 2010.
- The UK Commission should also work with Departments and national governments to agree on the best way to ensure investment in the development of high quality leadership and management skills.

Co-sponsors of the UK Commission also recognise that certain priorities for 2009-10 are cross cutting against all three strategic priorities, these being:

- Publication of "a second State of the Nation" report assessing progress towards making the UK a world leader in employment and skills by 2020, and monitoring progress against other leading nations in the context of the aims and priorities of the four nations.
- The commencement of the 2010 review that will have as its focus progress on integrating employment and skills systems in Great Britain (including HE);
- Ensure the UK Commission's advice to Governments takes into account the impact of the current global economic downturn on employment and skills and

potential for recovery and articulates to employers the business case for continuing to up skill and develop their workforce;

Resources

8. We expect the UK Commission to use its resources within the parameters of its remit, as set out in the Remit Letter of 25 March 2008, to work towards delivery of these priorities, and to update Governments on progress in line with the reporting requirements set out below.

9. Your delegated resource budget limits within the Departmental Expenditure Limit (DEL) for 2009-10 are set out in Annex B attached. The amount of resources available to the UK Commission in 2009-10 is **£88,998,000** which includes non cash costs of **£400,000**. **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 Joint Sponsor Unit.** The total includes resources which other Government departments and the devolved administrations have agreed to make available and is dependent on payments from them. We will notify the Commission of any changes to their planned funding and payments. Additional resources, to be utilised on activities formerly funded by the NOS Levy, will be made available, once negotiations on the amount of resources to be transferred are concluded. There may be further additions to the control total from other policy areas during the year.

10. As well as the control total for resource-cased budgets and expenditure, the UK Commission also needs a cash grant-in-aid budget to finance its cash requirements. The total is **£88,598,000** for 09-10, and it will be amended to provide the cash for any additional transfers. The UK Commission must supply the Joint Sponsor Unit with up-to-date forecasts of its cash requirements to support any request to exceed the above figure or when otherwise requested.

11. Your delegated budget limits are subject to the conditions of delegation, and other requirements, set out in the Framework Document. You should operate within the guidelines set out in Managing Public Money, and Annex D summarises some key points on financial control. The Remit Letter and Framework Document, along with this Grant Letter, set out the requirements associated with the control total and cash GiA funding and the maximum limits of spend.

12. The budget shown above and Annex B exclude any expenditure to be financed from income to be taken in directly by UKCES. I would be grateful if the UK Commission could arrange for the Department to receive estimates of any income which the UK Commission plans to take in and use, so this can be included in the agreed budget.

Control

13. You have authority to spend within the limits set out above, and to utilise funding to meet the aims and objectives of the UK Commission. As such you are accountable for both DEL and cash budgets.

14. Of course a proper level of control must be exercised. Government regulations for the payment of cash GiA specify that it may not be paid in advance of need, and payments are normally to be made in monthly instalments against an agreed business plan. Payments will reflect any existing bank balances to minimise cash surpluses. The UK Commission will provide detailed profiles for the financial year 2009-10 to ensure that payments can be claimed. The UK Commission will also need to provide profiles and expenditure returns for resource-budget expenditure. The Joint Sponsor Unit will confirm these and other reporting requirements separately.

15. The UK Commission shall obtain prior written approval from the Joint Sponsor Unit before:

- entering into any undertaking to incur any expenditure that falls outside the delegations or which is not provided for in the NDPB's annual budget as approved by the Department, including any commitment to spending beyond the Spending Review period;
- incurring expenditure for any purpose that is or might be considered novel or contentious, or which has or could have significant future cost implications;
- making any significant change in the scale of operation or funding of any initiative or particular scheme previously approved by the Department;
- making any change of policy or practice which has wider financial implications that might prove repercussive or which might significantly affect the future level of resources required; or
- carrying out policies that go against the principles, rules, guidance and advice in Managing Public Money.

16. Virement from programme to running costs, or the reverse, is only possible with the prior consent of the Joint Sponsor Unit. Annex D sets out some other key points on financial control.

Reporting arrangements

17. For the purposes of reporting to Parliament the UK Commission will report to DIUS, and its Principal Accounting Officer will be Ian Watmore, DIUS Permanent Secretary.

18. The Prime Minister will meet the Chair of the UK Commission on an annual basis to review progress the UK Commission is making in delivering against its remit and objectives.

19. The Secretaries of State from DIUS and DWP, as the lead sponsor Departments, and co-sponsor Ministers of DCSF, BERR, HMT, Scottish Government, Department Employment and Learning – Northern Ireland and Welsh Assembly Government will conduct a mid and end of year review meeting with the Chair and chief Executive of the UK Commission to review strategy, progress against the UK Commission's remit and priorities and emerging issues.

20. In addition the UK Commission will have quarterly formal performance meetings each year with co-sponsor officials to consider the full range of UK Commission business, including performance and finance of the UK Commission.

These meetings will ensure an ongoing dialogue between the co-sponsors, and the UK Commission, to hold it to account for activity, influence in-year priorities and monitor progress against outcomes.

21. The UK Commission also has a role to challenge Governments to make a reality of the importance of skills and employment in driving up productivity. These meetings will provide an important forum to enable this. In addition the co-sponsors will expect regular informal performance meetings, informed by monthly financial management reports, with reference to the UK Commission's operating plan.

22. The UK Commission will be responsible for the performance management of SSCs, and for ensuring that SSCs continue to fulfil their remit in each of the UK nations. The SSC performance arrangements should use a risk based approach, drive continuous improvement, focus on SSC outputs and achievements, and move towards increased transparency and public accountability. As well as regular performance management, the work of each SSC should be reviewed at least every 3 years, and more frequently where risk-based performance management indicates this is needed. The UK Commission will advise the Secretary of State for DIUS should an SSC's performance place at risk their entitlement to hold an SSC licence.

Efficiency

23. We expect the UK Commission to deliver value for money, to be efficient in its use of resources, to share services where appropriate, to make best use of IT and embrace new technology. It will need to create synergies and maintain effective relations with other organisations.

24. To demonstrate a contribution to efficiency your Pay and Non Pay admin costs have been reduced by 5% in real terms. This is the UKCES contribution to the Government target for 5 per cent annual real reductions in administration budgets across all departments announced at the CSR.

25. Any questions about the contents of this note should be addressed to the Joint Sponsor Unit. I am copying this letter to Sir Michael Rake and co-sponsors.

Yours,



Ian Watmore
Principal Accounting Officer

On behalf of the joint sponsors:

DWP
Scottish Government
DCSF

BERR
Welsh Assembly Government

DELNI
HMT

