BIS | Department for Business Innovation & Skills

31 March 2011

Martin Donnelly CMG
Permanent Secretary

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- 4 APR 2011
UKCES

Michael Davis
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Dear Michael

UK COMMISSION FOR EMPLOYMENT AND SKILLS GRANT IN AID AND PRIORITIES LETTER: 2011-12

This letter sets out the UK Government's and the Devolved Administrations' (future references are to "Governments" only) high level priorities for the UK Commission for Employment and Skills (the UK Commission) in 2011-12. The priorities reflect a revised remit for the UK Commission agreed by BIS and co-sponsors and by the Cabinet Office in its agreement to retain the UK Commission as an NDPB of BIS, with refocused functions following the Review of Public Bodies.

Under the new remit, the UK Commission will change its purpose from being a top down advisory body to one that works with employers, trade unions, social and other partners to raise employer ambition. Its focus will be **to secure a much greater commitment from employers to invest in skills to drive enterprise, jobs and growth.** Delivery of the remit will depend on the inspirational and exemplary leadership of UK Commissioners and the creation of powerful and influential social partnership between major employers, unions and civil society, led by Charlie Mayfield (John Lewis Partnership) as the UK Commission Chair. UK Commissioners will include leading employers and Trade Unionists, with strong support in England and the Devolved Administrations, who, collectively, are strongly positioned to be able to bring a UK-wide perspective on skills, jobs and growth.

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For the revised remit, Governments have agreed a new set of strategic objectives, which are set out in greater detail in the UK Commission's revised remit letter. They are:

- 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.

The UK Commission will need to develop partnership working with Sector Skills Councils and the wider sectoral landscape - including trade bodies and prospective guild arrangements in England - to ensure the effective delivery of the sector remit in each of the UK nations for which it is accountable. The UK Commission has been remitted by the UK governments to reform the landscape, and to consider how it a) buys clear outcomes in relation to labour market information, national occupational standards and technical aspects of apprenticeship services and b) invests in the employer-led ambition of key sectors to raise skills levels to drive enterprise, jobs and growth, in line with requirements of the four home nations.

The primary role of the UK Commission will be to invest in sector leadership that can raise skills levels and drive enterprise, jobs and growth. This means moving away from the current equal shares core funding model to an investment-based contestable and differentiated approach, the Employer investment Fund (EIF) by April 2012. The EIF will only be available to licensed SSCs. It reflects the fact that public funding can only ever be part of a wider sector strategy for rising skills for enterprise, jobs and growth. EIF will be £5m in 2011-12 as a forerunner to fully contestable funding from April 2012.

Against these strategic objectives, we have agreed four priorities for the UK Commission for 2011-12.

1. Make and progress a compelling economic argument for greater employer and individual investment in skills at all levels through persuasive intelligence, including robust, high quality, accessible Labour Market Information and analysis at national and sectoral levels, a programme of evaluation, research and benchmarking driven by business relevance and the leadership and visibility of UK Commissioner messages. We would expect the UK Commission to liaise with all of its co-sponsors in developing its overall research plan for the year.

2. Enhance the value and accessibility of vocational training, especially apprenticeships, by ensuring fit-for-purpose standards, qualifications and frameworks, and by championing employer take up of Apprenticeships and Modern Apprenticeships, including supporting fair access for unemployed people.

3. Galvanise industries and sectors to improve the skills and productivity of their workforces – by ensuring strong sectoral leadership and delivery of sectoral functions in the 4 nations and encouraging the development of Best Market Solutions including promoting Investors in People and professional standards, occupational licensing and levies in line with the policy position of each of the 4 nations. In England this includes repositioning Investors in People, developing the 'Workplace Skills Pledge' and managing the Growth and Innovation Fund.

4. Work with employers and sectors to encourage the creation of more and better jobs, maximising opportunities for unemployed people, particularly the most disadvantaged, by building sectoral and individual employer support for Welfare to Work measures to get Britain working, promoting and enhancing sustainable employment and progression, enabling improvements in Information, Advice and Guidance services through improving the accessibility of LMI and supporting the achievement of social responsibility outcomes, such as 'Every Business Commits' in England.

This is the fourth year of operation of the UK Commission. Considerable progress has been made in building the UK Commission's expertise, reputation and capacity to influence, points noted and accepted as the rationale for retention in the Cabinet Office Review of Public Bodies. The UK Commission should continue to build on these strong foundations - and the work done with co-sponsors to refocus functions - to ensure that it has the capacity and capability to support the leadership role of UK Commissioners in delivering the revised remit in support of the aspirations of each of the UK's governments. It will be important for the UK Commission to be sensitive and responsive to developments in priorities in each of the 4 nations throughout the year.

- In England, the joint *BIS/HMT Growth Review, Skills for Sustainable Growth* (November 2010, BIS), the Wolf Review (*DfE published March 2011),* DWP Welfare Reform, and the Higher Education White Paper expected to be published later in the year.

- In Scotland the refreshed *Skills for Scotland* (October 2010) and the recommendations of the *Roe Review,* which is expected to report in May 2011.

- In Wales, the commitments and aspirations are set out in *Economic Renewal: A New Direction* and the accompanying *Skills for Economic Renewal* written statement; *For our Future* Higher Education Strategy and Plan in Wales; and the *Youth Engagement and Employment Action Plan.*

- In N Ireland, the Department for Employment and Learning will shortly publish a revised and updated skills strategy. The draft Strategy looks at the current skills base, examines the skills that will be needed in the future to grow the Northern Ireland economy and highlights areas for action.

This Grant Letter provides the UK Commission with the high level authority to develop its Business Plan for 2011-12 in line with strategic objectives noted in Vince Cable's letter to Charlie Mayfield of 24th February 2011 and set out in the UK Commission's revised remit letter and taking into account ongoing discussions with co-sponsors on priorities. A revised version of this Grant in Aid letter with more detail on outcomes and performance measures will follow.

The Annex to this letter gives high level confirmed budget allocations for the UK Commission in 2011-12. It gives you formal delegated authority for expenditure for the areas for which you are responsible as Accounting Officer and sets out the conditions under which your budget is to be managed.

I am copying this letter to Charlie Mayfield and co-sponsors.

yours sincerely

Martin Donnelly

MARTIN DONNELLY
Permanent Secretary, BIS
Principal Accounting Officer

On behalf of the joint sponsors:
DfE; DEL NI; DWP; Scottish Government; HMT; Welsh Assembly Government.

Annex A: Resources

1. We expect the UK Commission to use its resources within the parameters of its remit, to be set out in the 2011 revised Remit letter, to work towards delivery of these priorities, and to update Governments on progress in line with the reporting requirements set out below.

2. The total allocation of resources available to the UK Commission in 2011-12 is **£73,742,000.00. 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. 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 UK Commission of any changes to their planned funding and payments. There may be further additions to the control total from other policy areas during the year. Please note some important points about this funding:

- Your formal allocations are issued on a full resource basis and are net of any income (receipts). If your income falls short of the expected profile, you will need to manage this budget shortfall within your allocation. If you receive more income than anticipated, please refer to the BIS Sponsorship Team before relying on the additional income, as Treasury rules are complex on this matter.

- The Administrative cost budget is ring-fenced and no virement will be allowed between it and other budgets.

- The Department will not be holding any central contingency fund. Therefore there will be no additional funding available if you over-commit your budget. This means that in delivering your objectives you will have to manage your own finances, commitments and risks within your allocation and ensure you can accommodate any unexpected costs within your own budget.

- If you generate any capital income from assets disposal (above the agree targets) this will have to be surrendered to Treasury unless we can make an exceptionally strong case for retaining it. In these circumstances please seek advice from the BIS Sponsorship Team.

- Allocations are made subject to the financial delegations.

3. The framework within which the Department and partner organisations have to operate has changed as a result of the fiscal situation with factors such as the introduction of spending control by the Cabinet Office and BIS, and Clear Line of Sight and of the administrative cost limits. This means you need to have due regard for the following in particular:

- Cabinet Office and BIS controls on spend and reporting requirements. The existing controls must be assumed to remain in place in 2011-12. These cover spend on marketing and advertising, IT, advisory consultancy, estates as well as recruitment and pay freezes and the movement of procurement to collaborative contracts.

- The need to conclude a corporate plan for the next Spending Review period by the end of March 2011 at the latest. Although work is underway to develop consistent standards for corporate plans in the context of the wider governance framework for BIS and partner organisations, this should not delay the preparation of your plan.

- Ensuring that the BIS Senior Pay Oversight Committee is consulted as appropriate as part of the process of recruiting, appointing and rewarding senior staff including non-executive chairs and directors.

- Cash Management - To comply with Treasury forecasting requirements you will need to provide forecasts by the 8th working day of each month, for the total value of your expected payments and receipts including the expected value of your grant claim for the following month. To enable the Department to accurately manage its cash requirement, your claim must be received by deadlines agreed with BIS Sponsorship Team.

- We will ask you to carefully monitor the legal financial commitments you enter into during the Spending Review and provide regular information on commitments made to the Department. Further guidance will follow on this.

- Management Accounts - Provide accurate and timely actual figures and forecasts of income and expenditure broken down to an agreed level on a monthly basis

- On Clear Line of Sight (CLOS), BIS is required to publish consolidated resource accounts for 2011-12, which will also require BIS to produce a dry run set of accounts for 2010-11. You will need to provide, on a timely basis, both draft accounts information and final audited data, as well as details of counter party transactions in a pre determined format - further details will be provided in due course.

- Transparency is a key operating principle for BIS you meet the commitment to embed greater transparency as a core operating principle and to provide assurance to BIS on initiatives and policies in place to support this.

4. Your delegated budget limits are subject to the conditions of delegation, and other requirements, set out in the Framework Document agreed in July 2009. You should operate within the guidelines set out in Managing Public Money and the Treasury's Consolidated Budgeting Guidance. The Remit Letter and Framework Document, along with this Grant in Aid (GiA) Letter, set out the requirements associated with the control total and cash GiA funding and the maximum limits of spend.

5. The budget shown in paragraph 2 above excludes any expenditure to be financed from income to be taken in directly by the UK Commission. I would be grateful if the UK Commission could arrange for the Department for Business, Innovation and Skills (BIS) 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.

6. Your delegated budget limits for 2011-12 are set out in the table 1 at the end of this annex. 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.

7. You are required to report your expenditure against the Budget Lines identified in Annex B, table 1.

8. Your budget is broken down into Resource Departmental Expenditure Limit (DEL) and Capital DEL.

9. After allowing for the ring-fenced resource DEL non cash costs (as part of the admin costs) of **£459,000.00**, the resulting figure for cash Grant in Aid is **£73,283,000.00.** This figure is to be treated as a Cash Limit and must not be exceeded without prior written approval from the Department for Business, Innovation and Skills. The UK Commission must supply the BIS Sponsorship Team with up-to-date forecasts of its cash requirements to support any request to exceed the above figure or when otherwise requested.

Control

10. 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.

11. 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 2011-12 to ensure that payments can be claimed. The UK Commission will also need to provide profiles and expenditure returns for resource-budget expenditure. The BIS Sponsorship Team will confirm these and other reporting requirements separately.

12. The UK Commission shall obtain prior written approval from the BIS Sponsorship Team 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 Comprehensive 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.

<u>Reporting arrangements</u>

13. For the purposes of reporting to Parliament, the UK Commission will report to BIS, and its Principal Accounting Officer will be Martin Donnelly, BIS Permanent Secretary.

14. 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.

15. The Secretaries of State from BIS and DWP, as the lead sponsor Departments, and co-sponsor Ministers of DfE, HMT, Scottish Government, Department for Employment and Learning – Northern Ireland and Welsh Assembly Government will conduct twice yearly reviews meeting with the Chair and Chief Executive Officer of the UK Commission to review strategy, progress against the UK Commission's remit and priorities and emerging issues. The Chief executive officer will meet with Ministers from the Devolved Administrations to discuss UK Commission activity in each of the Nations on at least an annual basis

16. In addition, the UK Commission will have formal quarterly performance review 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.

17. Separate quarterly meetings will be held between the UK Commission and sponsors to review the performance of the SSC network and individual SSCs as appropriate.

18. 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 Business Plan.

19. 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 BIS should an SSC's performance place at risk their entitlement to hold an SSC licence.

20. It is important that you take into account the Government's equality and diversity agenda. We must ensure that our work reflects the diverse society we live in and we take into account the needs of, and impacts on, all those in our communities. It is

therefore important that we seize the opportunities afforded by engaging all individuals, communities and businesses so that we can create the conditions for business success, promote innovation, enterprise and science and give everyone the skills and opportunities to succeed.

Efficiency

21. 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.

Annex B: Resource Budget Lines - Table 1

2011-12 Delegated Budget Limits

Resource Description	Category	BIS CSR Funding	Growth & Innovation Fund	Devolved Administration Project Funding **NOS** • DELNI £200K, • SG £500k, • WAG £300k **VQR** • WAG £40k **ESS** • WAG £101k • DELNI £67k	TOTALS
Admin Costs *	Ringfenced Resource DEL	8,563,000		112,000	8,675,000
Programme Capital	Capital DEL	276,000			276,000
Programme Recurrent	Resource DEL	54,000,000	10,195,000	1,096,000	65,291,000
Receipts	Resource DEL - Negative Expenditure	-500,000			
Resource Grant Total		**62,339,000**	**10,195,000**	**1,208,000**	**73,742,000**

Resulting Grant in Aid Total (resource total minus non cash depreciation costs)		**73,283,000**

Footnote
*** UK Commission will report against and provide a breakdown of the £8,563,000 admin costs against the following categories:**
Pay - Staff
Pay - Agency
Pay - Consultancy
Non Pay - Travel and Training
Non Pay - Procurement
Non Pay - Miscellaneous
Depreciation (ring-fenced)
Impairments (ring-fenced)

Note – within the administration budget, pay and non pay categories are NOT ring-fenced and funding can be moved across the pay and non pay categories to suit operational need. Depreciation and impairments are ring-fenced and funding can only be moved between the depreciation and impairments categories to suit operational need.