

# **PSA Delivery Agreement 2:**

**Improve the skills of the population,  
on the way to ensuring a world-class  
skills base by 2020**

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October 2007

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# VISION

**1.1** Increasing the skills of the workforce will enable the UK to increase its capacity to respond flexibly to new challenges. By eradicating skills gaps and shortages and supporting individuals and businesses to acquire the skills they need to succeed, the UK economy can benefit in terms of higher productivity, greater social mobility and improved overall economic performance. The UK will be able to compete effectively in the global economy on the basis of high skills, high value-added business strategies, and high performing public services, driven by the skills of the workforce. The education and skills acquired by each person help determine their life chances - whether they will be economically, socially and geographically mobile, or whether they will be trapped in poverty and low aspiration. The ambition is to create an economy in which every person has the opportunity to realise individual potential, overcome disadvantage and achieve economic well-being.

**1.2** The Government's long-term vision is that the UK is a world leader on skills, in the upper quartile of OECD rankings by 2020, meeting the recommendation by the Leitch Review of Skills<sup>1</sup>, which proposed a series of stretching objectives for the UK to reach by 2020. These objectives form the cornerstone of the Government's vision:

- 95 per cent of adults to achieve the basic skills of functional literacy and numeracy;
- exceeding 90 per cent of adults qualified to at least level 2, with a commitment to achieve 95 per cent as soon as possible;
- 68 per cent of the adult population qualified to level 3;
- increasing apprenticeships to 500,000 a year; and
- over 40 per cent of the adult population qualified to level 4 and above.

**1.3** This PSA sets out the progress the Government will make on this vision with a series of stretching interim targets to drive performance in the further and higher education systems and to improve the skills of the UK population at all levels – from basic to degree level skills over the CSR07 period.

**1.4** Achievement of the targets over the CSR period and the longer-term vision will depend on a shared ambition with individuals and employers, it is not a matter of public investment alone. The Government will focus its funding on securing a sound skills platform for all, on which individuals and their employers can invest to build the higher skills that reap higher private rewards in increased wages and profits. It is their demand for education and skills that will bring about the radical increase in participation and progression in learning that is essential to a highly-skilled workforce. The Government will support the ambitions through the Leitch Implementation Plan,<sup>2</sup> which sets out in full the approach to delivery of this PSA. This builds on the success of the 14-19, Skills and Higher Education strategies and reforming the further and higher education systems to respond to demand.

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<sup>1</sup> *Prosperity for all in the global economy – world class skills, Final Report, Leitch Review of Skills*, December 2006

<sup>2</sup> *World Class Skills*, Department for Innovation Universities and Skills (DIUS), July 2007.



# 2

## MEASUREMENT

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**2.1** Six indicators covering basic, intermediate and higher level skills, each underpinned by a national target, will drive improvements over the CSR period and serve as key measures of success:

**Indicator 1: Proportion of people of working age achieving functional literacy and numeracy skills**

**National target:** 597,000 people of working age to achieve a first level 1 or above literacy qualification, and 390,000 to achieve a first entry level 3 or above numeracy qualification.

- This target is consistent with a trajectory towards the Leitch 2020 ambition of 89 per cent of people of working age possessing functional literacy, and 81 per cent possessing functional numeracy skills.
- This indicator will measure the improvements in the basic skills of the working age population to ensure a focus on supporting individuals to acquire the key functional skills they need in the labour market.

**Indicator 2: Proportion of working age adults qualified to at least full Level 2**

**National target:** 79 per cent of working age adults qualified to at least full Level 2<sup>1</sup>

- A full Level 2 qualification is increasingly seen as the basic platform for sustainable employment and progression and this indicator measures progress in increasing the proportion of adults skilled to that level.
- The focus for this indicator for DIUS, Learning Skills Council (LSC), Department for Work and Pensions (DWP) and Jobcentre Plus will be on adults who are in work, or who are actively seeking work. This will deliver the greatest possible impact on economic competitiveness.

**Indicator 3: Proportion of working age adults qualified to at least full level 3**

**National target:** 56 per cent of working age adults qualified to at least full level 3.<sup>2</sup>

- This indicator measures upskilling in the population from lower levels to intermediate skill levels.

**Indicator 4: Proportion of apprentices who complete the full apprentice framework**

**National Target:** 130,000 apprentices to complete the full apprenticeship framework in 2010 -11.

- The proportion of completed apprenticeships will be monitored to ensure that programmes and policies are supporting a greater number of apprentices to succeed.

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<sup>1</sup> Level 2 is equivalent to 5 GCSEs A\*-C or National Vocational Qualifications (NVQ) Level 2 or any agreed equivalent Qualifications and Credit Framework (QCF) qualification.

<sup>2</sup> Level 3 is equivalent to 2 A Levels A-E or NVQ Level 3 or any agreed equivalent QCF qualification.

### Indicator 5: Proportion of working age adults qualified to Level 4 and above

**Target:** 36 per cent of working age adults qualified to Level 4<sup>3</sup> and above by 2014, with an interim milestone of 34 per cent by 2011. The target is in line with the following participation indicator. It is in line with the following participation indicator.

- This indicator is important in ensuring that more individuals in the workforce are able to progress to higher levels of skills.

### Indicator 6: Higher Education participation rate

**Target:** Increase participation in Higher Education towards 50 per cent of those aged 18 to 30 with growth of at least a percentage point every two years to the academic year 2010-11.<sup>4</sup>

- This indicator measures progress in improving the flow of individuals into higher education institutions.

**2.2** All of these indicators are for England only and data for indicators 1 2 3 and 5 will be disaggregated to regional level. While the total eligible pool will be working age adults, the policy objective will be to focus on those adults who are in work or actively looking for work, in order to maximise the impact on productivity.

**2.3** For individuals and employers these targets represent a rapid increase in demand for learning and skills. For government they reflect a greater investment of public funding and rigorous prioritisation of that funding to meet the needs of adults and employers for upskilling. Over the CSR period, alongside the substantial expansion of provision in priority areas linked to the indicators and targets, Government and partners – in particular colleges and training providers themselves - will continue to invest in the capacity and capability of the sector to meet increased levels of demand and prepare to deliver even higher volumes of learning in the period from 2011 onwards.

**2.4** The outcomes we seek from the skills targets are economic progress and social justice. Employers should be able to recruit and retain people with the right skills. Adults should have the skills for employability, further learning, managing their finances, active citizenship and good parenting – because skills are at the heart of social mobility.

**2.5** These are exceptionally demanding goals. The direction of travel is clear. But DIUS will review on an annual basis progress in reshaping publicly funded provision, and its impact on colleges and training providers, to ensure a sustainable approach to achieving these targets.

**2.6** Flexibility will be needed to adapt as circumstances change, recognising that targets only tell part of the story, and ensuring a continual focus on the outcomes the Government is trying to achieve for learners and employers in terms of better lives and more successful, productive businesses. DIUS will also safeguard the availability of programmes for learners with learning difficulties and disabilities, for first step progression opportunities within the Foundation Learning Tier, and for English for

<sup>3</sup> Level 4 is equivalent to various higher qualifications at sub-degree level (more details on what is meant by Level 4 and above are given in the measurement annex for the indicator).

<sup>4</sup> Higher Education (HE) participation covers study at level 4 or higher for at least six months by English-domiciled 17-30 year olds.

Speakers of Other Languages, in addition to the existing safeguard for programmes of personal and community development learning.



# 3

## DELIVERY STRATEGY

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**3.1** This delivery strategy<sup>1</sup> summarises the key actions that will bring about the necessary step-change in performance of both the further and higher education systems and raise employer and individual demand for skills. Central to the strategy will be:

- **delivering improved basic and intermediate skill levels**, by ensuring that vocational qualifications are of economic value, expanding opportunities for work-based learning, greater empowerment for learners, and employers leading the way on skills; and
- **delivering improved higher skill levels**, by broadening learning opportunities beyond traditional full-time provision, improving the interaction between higher education institutions and employers, and driving up teaching quality and individual choice.

**3.2** Success of this PSA will be complemented by other PSA outcomes.<sup>2</sup> These PSAs will ensure better qualified young people are entering the workforce and making a major contribution to a more highly skilled workforce. Raising the skills of the nation will contribute to increases in wealth creation and innovation, which will themselves raise further the demand for skills. In turn, these actions will support the long-term aspiration of developing a world-class skills base, achieving 80 per cent employment and, by breaking the cycle of low-skilled and temporary jobs, eradicating child poverty.

### Key delivery partners

**3.3** There are a number of key partners who are central to this strategy. Two funding bodies, the LSC and the Higher Education Funding Council for England (HEFCE), are responsible for the main funding flows to training providers, colleges and universities for education and training covered by this PSA. The LSC has a range of levers to support the vision of this PSA, including focusing funding on qualifications that are of economic value. The LSC is also responsible for learner support. In the HE sector, learner support is managed through the Student Loans Company.

**3.4** Employer-led Sector Skills Councils (SSCs) are responsible for raising employer ambition and investment in skills at all levels, articulating the future skill needs of their sector, and ensuring that the supply of skills and qualifications is driven by employers. DWP and Jobcentre Plus also play an important part in helping to integrate employment and skills services.

**3.5** At regional level DIUS and the LSC will work closely with Regional Development Agencies (RDAs) and their partners to develop and implement Regional Economic Strategies (and in future, single regional strategies), while continuing to address national targets and priorities. As well as ensuring that the system is increasingly demand-led in response to employer and individual needs, the LSC will seek alignment with regional economic priorities through Regional Skills Partnerships. This PSA will

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<sup>1</sup> The Government's full approach to improving the skills of the workforce by 2020 is set out in *World Class Skills: Implementing the Leitch Review of Skills in England*, DCSF, July 2007, building on the Reform Strategies for Skills (DfES 2003 and 2005) and Further Education (DfES 2006).

<sup>2</sup> In particular PSA 10, 11 and 14.

play an important role in raising UK productivity<sup>3</sup> and improving regional economic performance,<sup>4</sup> since skills form one of the five drivers of productivity.

**3.6** At the local level the Sub-National Review<sup>5</sup> has placed Local Authorities (LAs) under a duty to address economic development in which skills and training have an important part to play. LAs and their partners will therefore contribute to the achievement of the skills target at all four levels i.e. basic skills, L2, L3 and Level 4+.

## DELIVERING IMPROVED BASIC AND INTERMEDIATE SKILL LEVELS

**3.7** To deliver improved basic and intermediate skills, DIUS together with delivery partners, including LSC, SSCs, Quality Improvement Agency (QIA), RDAs, DWP, Jobcentre Plus, learning providers and brokerage services, through Business Link, will tackle:

- the barriers that may leave adults unconvinced of the benefits of learning; or unable to find either funding or a course that suits them; or services that join up their work and learning; and
- barriers that may discourage employers from training their low-skilled people and investing in the skills that their business needs for the future.

**3.8** DIUS will lead the skills system in tackling these barriers, focusing public investment closely on the market failures that affect the most disadvantaged and working in partnership with employers to support them in tackling their workforce skills needs.

## Ensuring that vocational qualifications are of economic value

**3.9** Crucial in tackling the barriers that prevent individuals and employers from investing in training is ensuring that the qualifications being delivered by the system are of economic value. That means ensuring that they deliver real economic returns for the employer in increased productivity and innovation, and for the individual learner in increased wages and employability.

**3.10** This will be achieved as follows:

- SSCs will ensure that vocational qualifications (VQs) meet the needs of employers, as identified by their labour market research and articulated by SSCs in Sector Qualification Strategies (SQS) and National Occupational Standards;
- SSCs will be responsible for ‘approving’ each VQ, a process involving confirmation that each is of economic value and fit for purpose;
- SSCs will advise the LSC on which VQs should be priorities for public funding;

<sup>3</sup> See also PSA 1.

<sup>4</sup> See also PSA 7.

<sup>5</sup> *Review of sub-national economic development and regeneration*, HM Treasury, BERR and CLG, July 2007.

- the LSC will focus funding on qualifications that have been approved by SSCs;
- employers will be able to have their in-house training programmes nationally recognised and accredited, even being able to take on awarding body responsibilities if they desire;
- VQs will be based on units and credits that can be accrued to form full qualifications, making it easier for employers to gain the mix of skills that they need;
- the qualification system will be simpler and more transparent, with clearer qualification titles, enabling employers to understand employee skills and training needs more easily;
- employer satisfaction data will be used to monitor whether the skills being delivered contribute to improved business performance;
- DIUS and the LSC will continue to develop the evidence base on the economic value of qualifications; and
- partners will continue to work on the Management Information Across Partners (MIAP) programme as well as developing the possibility of a link between HM Revenue and Customs data and Jobcentre Plus data. Both these developments aim to improve the data available to monitor the economic value of qualifications gained.

## Expanding work-based learning - apprenticeships

**3.11** Apprenticeships provide the broad framework essential for increasing the supply of economically valuable skills within a strong partnership between employer, individual and the state. Apprenticeships at level 2 and 3 are the principal work-based route for young people and an increasing number of adult learners into sustainable and rewarding careers. Developed in conjunction with employers, they offer a clear pathway for successful progression at work. There are a number of sectors with significant scope for expansion, including some with little previous experience of apprenticeships, such as the creative industries.

### Supporting more apprentices to succeed

**3.12** With the Skills for Business Network and the Apprenticeship Ambassadors Network, DIUS will work to increase the number of places on offer from employers so that in 2013-14 all suitably qualified young people will have an entitlement to take up an apprenticeship. Expansion over the CSR period will be in apprenticeships for 16-18 year olds, in line with growth towards meeting the entitlement and preparing to raise the participation age. In addition, DIUS and its partners (SSCs, LSC, QIA and training providers) will continue to drive up quality and thus further increase the proportion of apprentices who complete all elements of the framework. To achieve the apprenticeships completion target will require an increase in the average number of apprentices in learning to around 300,000 by 2010-11 and a continued focus on driving up success rates.

## Greater empowerment for learners

### Encouraging individuals to take up training

**3.13** The Government will support people to take responsibility for their own skills development, to gain economically valuable skills. It is important to create a culture where all adults understand that training is the route to sustained employability, progression and success over a lifetime. In July 2007 the Government launched a new, long-term Skills Campaign, to promote the benefits of learning.

### Joining up skills and employment services

**3.14** The Government will also bring forward new legislation to strengthen the current funding entitlement for adults to free training in basic literacy and numeracy skills, and to achieve their first full level 2 qualification. The LSC will work with Jobcentre Plus to join up skills and employment services at local level so that people at the margins of the labour market and in disadvantaged communities receive the support that they need to get into learning that will equip them for sustained employment and further learning. The New Deal for Skills, and the basic skills and employability programme will support people to move from welfare to work, especially those for whom low skills or an inability to apply their skills is a barrier to entering sustainable employment.

**3.15** New Skills Accounts will offer support for those needing to improve their skills. There will be a renewed focus on entry level and employability skills. DIUS will provide flexible skills support alongside job search, to enable customers to gain employment, combined with access to in-work training to help them progress. This will ensure a strong partnership between Jobcentre Plus, the LSC and the new careers service. The LSC will also provide funding to support access to training for individuals through the Adult Learner Grant and Career Development Loans, so that those who are currently excluded from the market can gain access.

## Helping people to achieve employability

**3.16** A person's basic skills are the essential foundation for further learning and progression. The new threshold of Level 1 literacy and Entry Level 3 numeracy represents a significant tightening of focus on those adults with a substantial basic skills need. Partners including LSC, Jobcentre Plus, SSCs, RDAs, learning providers and brokerage services will have the incentive to reach out to and attract into learning the most disadvantaged adults, including those out of work, on low incomes, living in excluded neighbourhoods or serving sentences in prison or in the community.

**3.17** Jobcentre Plus staff will carry out light-touch screening at new claims stage for all customers, with particular attention to those who are making repeat claims. Support will be available from day 1 of a claim for those who are below the threshold of Level 1 for literacy and Entry Level 3 for numeracy to improve skills through a new voluntary Employability Skills programme. The programme will include learning leading to achievement of a literacy and/or numeracy qualification and an Employability Certificate at Entry Level 3/Level 1, with job outcomes an additional focus. Other opportunities for a more in depth assessment of skills and referral to the Employability Skills programme or other relevant provision will be available through the Skills Health Check at six months.

**3.18** Through the Foundation Learning Tier, DIUS and its partners will provide clear learning pathways with progression routes that ensure learners not ready for a first full level 2 course have the opportunities that they need. Those gaining higher levels of literacy and numeracy will increasingly do so as part of a first full level 2 qualification. Reformed vocational qualifications that match closely the needs of employment will

provide a range of options for individuals that equip them with economically valuable skills for employability. This strategy will support both progression in learning and increased productivity.

**Improving financial capability** **3.19** Adults with a substantial basic skills need often also have poor financial capability. Ensuring that financial capability is integrated into basic skills learning and promoting the use of financial education as a route to literacy and numeracy skills will play an important role in supporting this PSA. The Government has highlighted the particular need to focus support on those most vulnerable to the consequences of poor financial decisions<sup>6</sup>.

**Improving the employability of adult offenders** **3.20** DIUS is leading a cross-government programme of reform that is designed to drive up quality and participation in learning to improve the skills and employability of adult offenders released from prison and serving community sentences.<sup>7</sup> The skills agenda and the agendas around social exclusion<sup>8</sup> and safer communities<sup>9</sup> will be mutually reinforcing in targeting the employability needs of this specific group and other vulnerable groups of disadvantaged adults.

### Informing and increasing choice

**One-stop shop for careers advice** **3.21** DIUS, DWP, LSC and Jobcentre Plus will provide a universal adult careers service, trialling aspects of the service from 2008-09, to help people select the learning that will best meet their needs. This one-stop shop for learners and potential learners will help them to take control of their own futures and to select options that will increase their economically valuable skills. SSCs, Jobcentre Plus and other partners will improve the availability and quality of labour market information in their sectors. Publication of statistics on returns to qualifications will help in making the most advantageous career and learning decisions. DIUS will continue to improve data sources in order to assess the economic value of skills and qualifications being delivered.

**Increasing contestability to raise flexibility and quality** **3.22** People will have more choice of when and where to study, and reliable evidence on the quality of what is on offer. The LSC will be responsible for using competitions to secure high quality and innovative provision where vocational areas are expanding and more provision is needed, where new demands emerge, or where new provision is needed to substitute for poor quality provision that has been removed. The market will be primed to provide sufficient good quality provision at priority skill levels and in a full range of vocational subjects. Through the Framework for Excellence<sup>10</sup> comparable information on learner satisfaction, destinations and quality of provision and outcomes for colleges and FE providers will be made available.

<sup>6</sup> The Government set out its aspirations on financial capability in *Financial Capability: the Government's Long-Term Approach*, HM Treasury, January, 2007.

<sup>7</sup> The Government's strategy for offender skills is set out in: *Reducing re-offending through skills and employment: next steps*, DIUS, DWP, Home Office (HO), December 2006.

<sup>8</sup> See also PSA 16.

<sup>9</sup> See also PSA 23.

<sup>10</sup> The Framework for Excellence is a new comprehensive approach to performance management and quality improvement in the FE sector, as set out in *Further education: raising skills, improving life chances*, DIUS, March 2006.

## Helping more learners to complete their qualifications successfully

**3.23** Increased personalisation in FE will help to ensure that individuals will be signposted to a learning programme tailored to their personal needs and circumstances. Regular surveys of learner satisfaction with FE inform the development of the sector to respond continuously to user needs. The National Learner Panel that reflects the diversity of the FE sector will champion the views of learners at a national level. Its primary role is to advise DIUS, and national partners on policies that affect the millions of people who participate in further education.

**3.24** Colleges will continue to increase success rates, which have been rising dramatically. The objective of increasing college success rates to 80 per cent in 2010-11 will ensure that learners will be increasingly likely to stay the course and achieve their chosen qualification – through investment in better leadership, teachers, workforce development and quality teaching and learning; and through capital investment in the right facilities. The Quality Improvement Agency (QIA) will work with providers to support progress. Through self-regulation, successful colleges will be given more autonomy to meet the needs of learners. Improved success rates will contribute directly to the speed and efficiency of progress towards the delivery targets, as well as encouraging more participation and investment.

### Encouraging progression

**3.25** As recommended in the Leitch review, DIUS and DWP will allocate resources and drive progress against a new, shared objective of sustainable employment with the opportunity for progression. This means low-skilled jobseekers will need access to appropriate training and to be able to undertake it to a successful completion. Provision will need to be flexible, and getting work should not be a barrier to continuing training, nor should people improving their skills mean having to defer entering work.

### Measuring job outcomes from training

**3.26** To know if training is economically valuable the Government needs to measure its impact on employment and earnings. The aim is to be able to measure the proportion of those who are low-skilled on out-of-work benefits at time 1; who achieve qualifications that demonstrably enhance their ability to gain, retain and be productive in, employment at time 2. DIUS and DWP are committed to developing a better measure of sustainable employment and progression over the course of the CSR07 period.

**3.27** While this measure is developed, both departments will seek to monitor progression and retention to help them improve the outcomes from training. In doing so they will recognise the limitations of current data sources. DIUS will monitor progression using the Framework for Excellence Destinations Survey to assess the proportion of low skilled that leave learning, enter employment and increase their wages. DWP will measure employment retention by using a reduction in time spent on benefits as a proxy for time spent in employment.<sup>11</sup> Both departments will work to put in place plans that will ensure that these interim arrangements lead to real changes in the behaviours of Jobcentre Plus and the LSC.

**3.28** Achieving a level 2 in the short term may be a challenge to many of Jobcentre Plus' clients, for whom acquiring basic skills or qualifications below a level 2 could be

<sup>11</sup> See also PSA 8.

an important step towards gaining a full level 2 qualification. DIUS and DWP will work together on the plan to deliver the progression indicator to make clear each department's role in screening, referring and delivering appropriate training in economically valuable skills with the ultimate aim of progression to a level 2 and beyond.

## Employers leading the way on skills

**Train to Gain 3.29** DIUS is expanding and improving the Train to Gain offer, to become a service that will help employers of all sizes and in all sectors to improve the skills of all their employees, as a route to raising the performance of their businesses. The skills brokerage service will help employers to identify their skills needs and then source provision that meets their needs, including full public funding for literacy and numeracy programmes and first full level 2 qualifications. From 2008-09 employers will be able to access guaranteed matched-funding for level 3 programmes through Train to Gain, and we will continue to build the higher level skills offer on the back of the current Higher Level Skills Pathfinders. The extent of skills gaps and shortages will be monitored through the National Employer Skills Survey

**3.30** Brokers will join up their advice with services funded through the Department for Business, Enterprise and Regulatory Reform (BERR) to ensure the right links are made between business support and skills diagnostic services. Following analysis of the consultation on Business Support Simplification in autumn 2007, DIUS and BERR will jointly develop arrangements to ensure there is a seamless service between skills and wider business support brokerage through a single Business Link access channel. Changes will be made from April 2009. As well as ensuring that access and brokerage to skills services is joined up with wider business support brokerage, skills solutions will be in line with Government's ongoing commitment to simplify support provided to business.

**Increasing employer demand for skills 3.31** Improved marketing to employers will set out the economic benefits of a skilled workforce, focusing on instilling shared responsibility between government, employers and individuals for training at all levels. All employers are encouraged to make a Skills Pledge to support their employees to become more skilled and better qualified, with government help. An organisation that signs up to the Skills Pledge undertakes – as a minimum - to support its staff to get basic literacy and numeracy skills and to work towards achieving their first full level 2 qualification.

**3.32** Investment in support for the development of key management and leadership skills, including through the Management and Leadership Advisory Panel supported by BERR, will enable more employers to understand skill needs and deploy them effectively in their business strategies. BERR will publish in autumn 2007 research communicating the benefits to business of investing in skills at all levels.

## Giving employers more collective power to influence education and training

**3.33** Employers in each sector will have a strong voice in identifying the skills priorities for each sector, through the new Commission for Employment and Skills (CES) and through the network of SSCs. Re-licensed and re-focused Sector Skills Councils will work with employers in their sector to ensure that the supply of skills and vocational qualifications is driven by employers; raise employer ambition and investment in skills; and articulate the future skill needs of their sector. DIUS (and

BERR as co-sponsor of the network) will work with the new CES once established to build the capacity and capability of SSCs to deliver this agenda.

### **Increasing provider responsiveness to employers**

**3.34** Providers will respond, shaping and personalising services and courses to meet the needs of employers and focusing on employability. The new higher standard for employer responsiveness and vocational excellence for colleges and training providers will help employers to identify the provision that will best meet their needs, and build the capacity of providers to deliver high quality training.

**3.35** Employers will be able to influence directly the content and delivery of skills training for their sector by investing in National Skills Academies. The Framework for Excellence will help employers identify the provider that best meets their needs and will develop and embed a culture of provider responsiveness. The responsiveness of the sector will be further developed through the capability-building measures.

### **Building capacity and capability to meet the needs of learners and employers: to 2011 and beyond**

**3.36** The comprehensive strategy outlined above will ensure progress with all the skills indicators covered by the agreement. But in relation to Entry Level 3 Numeracy and Level 3, the scale and pace of increased delivery is particularly challenging in the CSR period. For the new numeracy targets DIUS will need to gear up the system to deliver, working with the National Centre for Excellence in the Teaching of Maths, and also covering dedicated promotional campaigns, getting more learners on to appropriate programmes and delivering to those already engaged through embedding and improving the capacity of the numeracy teaching workforce.

#### **Managing the expansion in intermediate skills**

**3.37** The bulk of the increase in qualification attainment required to deliver the Level 3 target will be delivered through Train to Gain, increasing from 12,000 full Level 3 achievements in 2007-08 to 152,000 by 2010-11. There are risks associated with the speed of expansion, in view of uncertainty about demand, the capacity of Train to Gain to deliver at Level 3, and the expectation of significant employer co-financing to achieve planned numbers. DIUS will achieve this expansion by working with LSC and delivery partners to raise demand for skills using all the levers outlined above, which will be set out in a robust implementation plan. Brokerage advice and support for employers through Train to Gain will also be expanded. And through the quality development programme for Train to Gain delivered by the Quality Improvement Agency, and standards for brokers, DIUS will develop their capability to manage that expansion.

#### **Raising the quality of the FE system**

**3.38** In equipping the sector to deal with the immediate challenge and to prepare for sustained progress on the Government's vision for world-class skills, DIUS will rebuild the FE estate through the LSC capital programme. Through the Improvement Strategy, led by the QIA, colleges and training providers will transform the further education system so that it offers the highest quality and value. Financial incentives for new recruits to FE teaching (bursaries, Golden Hellos), new workforce standards, qualifications and continuous professional development through Lifelong Learning UK, and redesigned training and development for leaders and teachers, will be important in increasing the skills of the further education workforce to respond to the challenge. QIA will continue to identify good practice and support the development of teaching and learning. This could involve a range of support such as resources, coaches and subject networks. Higher standards will be backed by sharp, focused inspection, the

intervention programme to identify and remove inadequate and poor quality provision, and a new emphasis on self-regulation to empower the sector to deliver continuous improvement in the FE system.

**3.39** DIUS will also look beyond the immediate challenge of the CSR period to meet the skills targets for 2011, and continue to invest in the capacity and capability of the sector to deliver even greater volumes and higher trajectories in the years that follow.

## **Funding and managing performance**

**3.40** The skills indicators and target levels convey a strong and urgent message about the scale and direction of change needed in skills acquisition. They align with the clear strategies for skills, FE system reform, the Leitch Implementation Plan and promoting a high-quality, cost-effective HE sector that meets the diverse needs of students, the economy and society.

**3.41** Through its business cycle, the LSC will focus resources to support people in gaining new and higher levels of skill in pursuit of the need for increased productivity and competitiveness. The LSC will constantly communicate and encourage the new balance of responsibilities between the state, employers and learners, raising fees from 25 per cent to 50 per cent for programmes outside the highest priority areas where learners can afford to pay. There will be strong funding incentives for colleges and training providers to help learners and employers to make progress with target skill levels.

**3.42** DIUS will lead the system to ensure sustained progress with the indicators and targets underpinning the PSA. Working with the BERR and DWP, DIUS will join up progress with skills indicators with related drivers of productivity and employment. In 2010 the CES will undertake a review of progress towards our vision, and advise Government as to whether a statutory entitlement to workplace training should be introduced if progress is insufficient.

## **DELIVERING IMPROVED HIGHER SKILL LEVELS**

**3.43** In the HE sector, DIUS intends to make progress towards the Leitch ambitions by increasing the supply of high level skills in the workforce. This will be achieved through increased demand leading to growth in participation in HE – by increasing part-time opportunities through new employer co-funded provision, in addition to traditional full-time provision.

**3.44** DIUS aims to secure a dynamic and sustainable research base, making a contribution to innovation and economic growth and holding its own as second only to the US in the face of increasing international competition. And DIUS intends to continue to raise standards through employers clearly identifying and articulating their skills needs; stronger student choice and voice; enhanced teaching quality; and by encouraging and enabling a diverse and contestable HE sector.

**3.45** To bring about a new focus on workforce development at higher skills levels, DIUS will need to increase interaction between Higher Education Institutions (HEIs) and employers. Many HEIs are already engaged in successful partnerships, with both public and private employers, but much more needs to be done to achieve sustained culture change on both sides - employers clearly identifying and articulating their skill needs and the HE sector introducing new and effective solutions, without losing the quality they are renowned for.

**3.46** The key challenge is to scale up employer involvement in the development of new HE teaching and learning models, for use across the HE sector, which are flexible, relevant and responsive to the needs of employers, their employees and other students. The traditional higher education model of full-time attendance on a university campus to complete a three-year honours degree may not be relevant to many learners and employers. “Bite-sized” learning, credit accumulation, flexible and innovative modes of delivery (for example e-learning, blended learning or learning in the workplace), and curriculum design influenced by employers will all be key features of the future HE system. DIUS will develop a new model for funding higher education that is co-financed with employers, achieves sustained growth in employe-based student places, and is consistent with the principle of employer demand-led funding. DIUS has asked The Higher Education Funding Council for England (HEFCE) to support an additional 5,000 employer co-funded student places in 2008-2009, and to deliver further growth of at least 5,000 additional entrants year-on-year in each year up to 2010-11. In allocating funding for these places, the HEFCE will prioritise support for programmes of work-based learning and those designed or delivered in conjunction with employers and Sector Skills Councils.

**Increasing employer engagement in HE**

**3.47** DIUS is already embedding a demand-led approach where relevant higher education is designed by, and meets the needs of, employers through the expansion of Foundation degrees. Three regional “Higher Level Skills Pathfinders” have begun to explore the practicalities of driving up employer demand and progressing towards co-funding of provision, alongside engaging with Train to Gain, the SSCs, lifelong learning networks and the FE sector. The sector needs to build on the good examples of higher education institutions and relevant SSCs working together, and develop more, and more ambitious, models of collaboration. DIUS will support the speedier development and growth of such models. Collaboration between FE and HE will strengthen our capacity to deliver higher level skills. Lifelong Learning Networks, HE in FE and similar initiatives provide the opportunities to engage with employers, widen participation and support progression into higher education. The design and development of Foundation Degrees is a good example of the result of partnerships between FE and HE institutions as well as employers and Sector Skills Councils.

**3.48** Demand from existing students already drives HEIs’ decisions on course provision and acts as a lever on institutions to improve through the clear information about institutional and subject performance available to customers from the National Student Survey and teaching quality information. We will see an increasing influence for student choice and voice under the new, customer-focused student support arrangements, as well as increased demand for HE from young people because of rising attainment at level 3 by age 19. The development of strong and well understood progression routes into HE will strengthen relationships between schools, FE providers and HEIs, and build on the existing partnership arrangements such as Lifelong Learning Partnerships, Aim Higher Partnerships or one-to-one relationships, for example through a Trust school.

**3.49** Improved institutional performance is driven through a number of market levers and incentives and through investments in improving capability and capacity. HEIs compete for students, including international students; for funding to provide teacher training (from the Teacher Development Agency) and health service training (from Strategic Health Authorities); in response to the Research Assessment Exercise and the competitive market for Research Council; charity and other government funding; and to enhance their national and international reputations. DIUS is encouraging market reforms to the way HE is provided, including by reducing the

barriers for private providers to have degree-awarding powers; and through proposals in the FE Bill to allow FE colleges to award their own Foundation Degrees.

**3.50** DIUS is improving teaching quality through the work of the Higher Education Academy to promote excellence in the student learning experience; using Centres for Excellence in Teaching and Learning in HEIs to build up practice-based research and knowledge exchange; and investing in leadership development through the Leadership Foundation for HE. DIUS is also ensuring improved use of assets by HEIs and progress towards achieving sustainable physical infrastructures through an effective capital investment framework. And it is supporting institutions in their focus on core business by encouraging a sustained reduction in bureaucracy through the HE Regulation Review Group's concordat with funders. DIUS is using targeted support to address specific gaps in the system - HEFCE special funding for initiatives that broaden the geographical spread of HE (e.g. in Cumbria, Cornwall) and the channels through which HE can be offered (e.g. distance learning); intervening to maintain skills levels in strategic subjects; and selective support from DIUS and HEFCE for HEIs to strengthen links with employers, via the HE Innovation Fund. In addition, DIUS is also supporting HEIs to raise more funding for themselves (further building their capacity) through voluntary giving.

**3.51** DIUS funds and manages performance through two main bodies. HEFCE funds teaching and research in higher education institutions. The Student Loans Company (SLC) administers loans and grants to students and oversees repayments. Both operate under a financial memorandum with the DIUS. Specific conditions under which funding is provided are set out annually in a grant letter from the Secretary of State. HEFCE then concludes financial memoranda with each of the institutions that it funds. In addition, the Office for Fair Access (OFFA) has the power to regulate institutions' right to charge variable fees.

**3.52** The main funding lever is exercised through HEFCE grants, with separate funding streams for teaching, research and business engagement. Critical to this PSA is the provision of sufficient funding for growth in employer co-funded and traditional student places (aligned to the targets attached to the indicators underpinning the PSA) in higher education institutions and further education institutions that offer higher education courses. DIUS ensures high standards through external quality assurance of Higher Education Institutions via HEFCE and the Quality Assurance Agency.

## CONSULTATION

**3.53** DIUS has already consulted extensively on the key policies and strategies which impact on this delivery agreement and its key indicators. These include *White Papers on Skills Strategy*,<sup>12</sup> 14-19, FE Reform, HE as well as the Leitch Review of Skills and the Foster review of the role of FE. During the development of this PSA Delivery Agreement, the following stakeholders were engaged:

- the LSC; Providers (colleges and work based learning) – in collaboration with an LSC region; Confederation of British Industries (CBI); Trade Union Congress (TUC); QCA; SSDA and SSCs;
- Association of Colleges (AoC); 157 Group; Quality Improvement Agency;

<sup>12</sup> *National Skills Strategy White Paper*, DfES, 2003 and *14-19 Education Skills White Paper*, DfES, 2003.

- Association of Learning Providers (ALP); Other Government Departments – BERR and DWP; Equal Opportunities Commission (EOC), Commission for Racial Equality (CRE) and Disabled Rights Commission (DRC); Investors in People (IiP) UK; University for Industry (Ufi); UK Skills; Engineering Construction Industry Training Board (ECITB);
- RDAs; HEFCE; the Student Loans Company; the Office of Fair Access;
- the Higher Education Statistics Agency; Universities UK; Guild HE; and
- Foundation Degree Forward.

**3.54** Going forward, the Government will take full account of the views of stakeholders and partners in the management of the skills PSA to ensure that it is achieving its objectives.

## **ACCOUNTABILITY AND GOVERNANCE**

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**3.55** The Secretary of State for Innovation, Universities and Skills is the lead minister for this PSA. The relevant cabinet committee/s will drive performance by regularly monitoring progress, holding departments and programmes to account and resolving inter-departmental disputes where they arise.

**3.56** The Senior Responsible Officer within Government for the PSA will be Stephen Marston, Director General for Further Education and Skills, who will jointly chair with Ruth Thompson, Director General for Higher Education, a Senior Official PSA Delivery Board, comprising all lead and supporting departments. The Board will also monitor progress and review delivery regularly and report to the relevant Cabinet Committee/s.

**3.57** The work of the overall Skills PSA Board will be supported by a number of strategic programme boards led by DIUS, and it will report to the Ministerial Committee on Economic Development – sub-committee on Productivity, Skills and Employment (ED (PSE)).

Indicator 1	Proportion of people of working age achieving functional literacy and numeracy skills
National Target	597,000 people of working age to achieve a first level 1 or above literacy qualification, and 390,000 to achieve a first entry level 3 or above numeracy qualification. <sup>1</sup>
Data provider	Primarily Learning & Skills Council (LSC) - (supported by a specialist survey).
Data set used	Individualised Learner Record (ILR). Supported by Skills for Life Survey.
Baseline	<p>The baseline for the volume delivery of literacy and numeracy achievements is zero at the start of the 2008-09 academic year.</p> <p>The most recent baseline for the percentage of the working age population with Level 1 literacy and Entry Level 3 numeracy is the Skills for Life Survey carried out in 2003. At that time there were 84 per cent with literacy Level 1 and above, and 79 per cent with numeracy Entry Level 3 and above.</p> <p>The time period during which the achievements will be measured, using the ILR, is the three academic years 2008-09, 2009-10 and 2010-11. Data should be available for each year by April the following year – i.e. data for 2010-11 will be available in April 2012.</p>
Frequency of reporting	Annual (supporting survey every few years).
95 per cent confidence interval at last outturn	Measured by administrative data, so confidence interval not applicable.
Data Quality Officer	Deputy Director FE and Skills Analysis, DIUS.
Minimum movement required for performance assessment	Not applicable as an exact count is made from administrative data.

## DEFINITION OF KEY TERMS

- *Functional literacy and numeracy skills:*

Qualifications are approved by QCA. They are also given a "level" to which they correspond. Entry Level 3 is equivalent to the standard used in schools for the academic level which 11 year olds are expected to achieve in Key Stage 2. Level 1 is equivalent to a grade D-G in GCSEs.

<sup>1</sup> Consistent with a trajectory towards the Leitch 2020 ambition of 89 per cent of people of working age possessing functional literacy, and 81 per cent possessing functional numeracy skills by 2011.

- *Working age adults:*

People of working age are all adults aged 16-64 inclusive. Sub-indicators for 16-18 and 19-64 will also be used.

- *Geography:*

England, disaggregated to Government Office region level.

- *Jumpers:*

People whose first achievement is above the required level (e.g. moving from entry level 3 literacy to level 2 literacy instead of level 1) will be counted towards the target.

- *Firstness:*

People will only count once towards each target – e.g. if they achieve at Level 1 literacy and count towards the target, they cannot be counted again for that target even if they achieve again on a Level 1 literacy course. People can count separately towards the literacy and numeracy targets.

- *English for Speakers of Other Languages:*

At Level 1, ESOL qualifications will be taken as a proxy for literacy at Level 1 and will count towards the target. New ESOL courses are being designed that include the requirements of literacy at Level 1.

Indicator 2	Proportion of working age adults qualified to at least full Level 2
National Target	79 per cent of working age adults qualified to at least full Level 2. <sup>2</sup>
Data provider	ONS.
Data set used	Labour Force Survey/Integrated Household Survey.
Baseline	Latest position is 69.7 per cent (LFS Q4 2006).  Baseline data will be based on LFS Q4 2008 (should be available in Feb 2009).
Frequency of reporting	Annually in Statistical First Release (SfR).
95 per cent confidence interval at last outturn	+/- 0.4 percentage points.
Data Quality Officer	Deputy Director FE and Skills Analysis, DIUS.
Minimum movement required for performance assessment	One percentage point.

## DEFINITION OF KEY TERMS

- *Qualified to level 2 and above:*

People are counted as being qualified to level 2 and above if they have achieved at least either 5 GCSEs grades A\*-C (or equivalent i.e. O levels, CSE Grade 1s), two A/S levels, or any equivalent qualification in the Qualifications and Credit Framework.

- *Working age adults:*

All women and men aged 19 to state pension age, including both economically active and inactive.

- *Geography:*

England, disaggregated to Government Office region level.

Administrative data provided by the LSC's Individual Learner Records (ILR) will also enable DIUS and LSC to track progress. The ILR is not however in complete alignment with the Labour Force Survey as it is only able to provide data on LSC funded provision.

<sup>2</sup> This equates with 1,217,000 publicly funded achievements between 2008 and 2011. In delivering this target DIUS would also achieve the target of reducing by at least 40 per cent the number of adults in the workforce who lack NVQ 2 or equivalent qualifications between 2001-10.

Indicator 3	Proportion of working age adults qualified to at least full level 3
National Target	56 per cent of working age adults qualified to at least full level 3. <sup>3</sup>
Data provider	ONS.
Data set used	Labour Force Survey/Integrated Household Survey.
Baseline	Latest position is 49.2per cent (LFS Q4 2006).  Baseline data will be based on LFS Q4 2008 (should be available in Feb 2009).
Frequency of reporting	Annually in Statistical First Release (SfR).
95 per cent confidence interval at last outturn	+/- 0.4 percentage points.
Data Quality Officer	Deputy Director FE and Skills Analysis, DIUS.
Minimum movement required for performance assessment	One percentage point.

## DEFINITION OF KEY TERMS

- *Qualified to level 3 or above:*

People are counted as being qualified to level 3 or above if they have achieved either at least 2 A levels grades A-E, 4 A/S levels graded A-E, or any equivalent qualification in the Qualifications and Credit Framework.

- *Working age adults:*

All women and men aged 19 to State Pension age, including both economically active and inactive.

- *Geography:*

England, disaggregated to Government Office region level

Administrative data provided by the LSC's Individual Learner Records (ILR) will also enable DIUS and LSC to track progress. The ILR is not however, in complete alignment with the LFS as it is only able to provide data on LSC funded provision.

<sup>3</sup> This equates with 496,000 publicly funded achievements between 2008 and 2011.

Indicator 4	Apprenticeship completions
National Target	130,000 apprentices to complete the full apprenticeship framework.
Data provider	Learning and Skills Council.
Data set used	Work Based Learning ILR.
Baseline	98,000 full apprenticeship framework completions (2005-06).  Measurement in the CSR will be based on 2007/08 ILR outcomes data. Provisional data will be available in April 2009, providing current publishing patterns continue.
Frequency of reporting	Annual in Statistical First Release (SFR).
95 per cent confidence interval at last outturn	Measured by administrative data, so confidence interval not applicable.
Data Quality Officer	Deputy Director FE and Skills Analysis, DIUS.
Minimum movement required for performance assessment	Not applicable as an exact count is made from administrative data.

## DEFINITION OF KEY TERMS

- *Completions:*

People are counted as having completed the full apprenticeship framework if they have achieved the full framework at any of levels 2, 3, or higher.

- *Geography:*

England, disaggregated to Government Office region level.

Indicator 5	Proportion of working age adults qualified to Level 4 and above
National Target	36 per cent of working age adults qualified to Level 4 and above by 2014, with an interim milestone of 34 per cent by 2011.
Data provider	ONS.
Data set used	Labour Force Survey / Integrated Household Survey.
Baseline	Latest position is 29.9 per cent (LFS Q4 2006) Baseline data will be based on LFS Q4 2008 (should be available in Feb 2009)
Frequency of reporting	Annual in Statistical First Release (SFR).
95 per cent confidence interval at last outturn	+/- 0.4 percentage points.
Data Quality Officer	Deputy Director FE and Skills Analysis, DIUS
Minimum movement required for performance assessment	One percentage point.

## DEFINITIONS OF KEY TERMS

- *Working age adults:*

All women and men aged 19 to state pension age, including both economically active and inactive.

- *Qualified to Level 4 and above:*

Holding qualifications equivalent to National Qualifications Framework levels 4-8. (Level 4-6 qualifications include foundation or first degrees, recognised degree-level professional qualifications, teaching or nursing qualifications, diploma in higher education, HNC/HND or equivalent vocational qualification. Qualifications at level 7-8 include higher degrees, and postgraduate level professional qualifications.)

- *Geography:*

England, disaggregated to Government Office region level

The target recognises that increasing the number of people participating in higher education should increase the number of people with high levels skills in the workforce. It typically takes 3 years to complete a course of higher education, so the outcome in terms of increased higher level skills in the workforce will be mostly evident three years after the last cohort begins. This is why the indicator of the success of this policy is set at 2014. As a way of measuring progress towards this target DIUS is also setting an interim milestone of 34 per cent of working age adults being qualified to Level 4 or above by 2011.

Indicator 6	Higher Education Initial Participation Rate (HEIPR)
National Target	Increase participation in Higher Education towards 50 per cent of those aged 18 to 30 with growth of at least a percentage point every two years to the academic year 2010/11.
Data provider	Higher Education Statistics Agency (HESA), Learning and Skills Council (LSC), Office for National Statistics (ONS), Government Actuary's Department (GAD).
Data set used	HESA Student Record, LSC Individualised Learner Record, ONS/GAD population estimates (converted to academic year estimates by DfES).
Baseline	The baseline will be the HEIPR figure for 2006/07. The provisional figure for the HEIPR for 2006/07 will be published in March 2008. The provisional figure for the HEIPR for 2005/06 was 43 per cent, rounded to the nearest percentage point from 42.8 per cent.
Frequency of reporting	In a Statistical First Release in March each year.
95per cent confidence interval at last outturn	Not applicable as exact count made from administrative data.
Data Quality Officer	Head of HE: Analysis Statistics and Source Data Development, DIUS.
Minimum movement required for performance assessment	One percentage point change.

## DEFINITION OF KEY TERMS

- *Higher Education:*  
Study at Level 4 or higher.
  - *Participation:*  
Study at higher education level for at least six months.
  - *Initial:*  
No prior HE experience exceeding six months.
- Note that this measure covers English-domiciled 17-30 year olds.