

## **Committee: Cabinet**

**Date: 10<sup>th</sup> November 2014**

Agenda item:

Wards: All

### **Subject: Adult Education in Merton: Options Appraisal**

Lead officer: Simon Williams

Lead member: Cllr Martin Whelton

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#### **Recommendations:**

- A. That Cabinet consider the six options within this report and give an indication of their preferred option
  - B. That Cabinet agree the fundamental principle that the council continues to offer adult education services in the borough and that Cabinet explicitly rules out option 6, cease offering the service
  - C. On balance, taking into account all of the evidence and the financial pressures, Cabinet agrees its preferred option is that the council move to a commissioning model for the provision of Adult Education services
  - D. That a consultation be established to enable the public to input into the model of delivery and the content of adult education courses being offered.
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#### **1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY**

- 1.1. This report provides an analysis of potential options for the future of the Merton Adult Education Service. It is the latest in a succession of reports commissioned to review the service and is designed to bring those reports together and to facilitate a final decision about the future of the service.
- 1.2. The MAE college is a successful service delivering high quality education to the people of Merton and contributing to the council's economic development priorities. Over the past ten years the Head of Service and the college's Management Team have brought the service to an Ofsted 'Good' standard and delivered savings whilst improving outcomes for learners and broadening the learner base; including groups that were previously under-represented in adult learning.
- 1.3. Nonetheless, the service is expensive, with the most recent figures available showing we are at the higher end of spend per learner compared to neighbouring boroughs, and a significant portion of the service's budget is directed at overheads such as administrative and other non-teaching staff. In addition, and despite progress, there is still significant work required to fully address the council's strategy of bridging the gap between the more and less affluent areas of the borough.
- 1.4. Due to reductions in funding from central government the council is facing significant financial pressures and needs to make £32m savings over the next few years. Additionally, the council budget is currently overspending by c£4.5m.
- 1.5. The adult education service is facing two particular funding challenges which together provide the rationale for this review. Firstly, the service is facing an unpredictable funding environment from the Skills Funding Agency. Secondly, the service is facing significant savings planned within the MTFS which are becoming increasingly difficult to find whilst still providing the services required by the SFA.

- 1.6. In light of these challenges and the high fixed costs of providing a small college like MAE, this report reviews alternative options to assess whether any of them can lead to a sustainable and resilient model of delivery which will allow the services to continue to be delivered despite the volatile funding environment.
- 1.7. Broadly speaking there are six options for the service and this report reviews each of them in turn against a series of key questions.

## **2 DETAILS**

- 2.1. The report is split into four broad sections covering the background to the report, the criteria by which a decision should be made, the challenges the service faces, the key issues that need to be considered, an evaluation of the options and then some discussion of implementation considerations.

## **3 BACKGROUND**

- 3.1. At the outset of this options appraisal there was a clear mandate established for the work. Based on the options included within the Target Operating Model (TOM) this report was to investigate the following three possible futures for Adult Education in Merton:

- Adult Education continues to be provided by Merton Council.
- Adult Education is commissioned with Merton providing that commissioning role. This may include a single contract or multiple smaller contracts
- Merton ceases to be involved in Adult Education funding in Merton; leaving the task up to the Skills Funding Agency.

It was agreed at the start that each of these options would also include the possibility of a shared service with another authority or FE provider. This wouldn't change the models considered but would provide greater opportunities for the service to build resilience and savings into each of the potential 'futures'.

- 3.2. In order to achieve this task officers have conducted the following activity:

- A review of previous reports into Merton Adult Education (MAE) including the recent reports by Red Quadrant (RQ) and the Public Value Review (PVR)
- Commissioned a financial viability assessment of MAE
- Met with senior commissioners or providers of Adult Education in Richmond, Wandsworth, Kingston, Camden and Sutton
- Worked with our local FE provider South Thames College to investigate potential alternative models of delivery working in partnership.
- Worked with finance colleagues to develop a unit cost model for every course at MAE (in line with recommendations from the RQ report and PVR)
- Met with the Skills Funding Agency (SFA) to understand the funding position and what impact each of the options would have on overall adult education funding in Merton
- Conducted a soft market testing in Merton to assess the viability of a diffuse commissioned model

- 3.3. Whichever option is chosen as a result of this work the next stage should be to develop further the implementation plan for the chosen option; working with partners where appropriate to understand the specification and the appropriate way of structuring the model. Once this planning is done the solution can be implemented. Even if we continue with the internal model some work should be done to ensure that the model adopted matches Merton's needs.

- 3.4. Recognising that the planning and implementation are important elements of any decision some brief guidance about the implications of the different options is detailed at the end of this report.

## **4 ESTABLISHING NEED AND CURRENT PROVISION**

- 4.1. The question this report seeks to address is what is the best model of service to ensure value for money for the council and tax payers whilst also delivering a quality service for our residents.
- 4.2. In Merton we recognise the valuable role that the skills agenda plays; both in supporting our residents to play a wider role in our local economy and by contributing to the Community Plan aim of promoting economic wellbeing and bridging the inequality gap between the east and the west of the Borough. In addition MAE contributes to the health and wellbeing agenda. Continuing to learn is a key contributor to issues such as aging well and reducing isolation for a variety of groups, and if it is not spread across the whole community this can add to inequality.
- 4.3. Merton Adult Education plays a key role on Merton's Economic Wellbeing Group and contributes to the council's Employment Skills Action Plan, the next iteration of which will include a focus on support for those aged over 25; a group MAE is well placed to support. This skill and training is crucial if Merton, along with every other area in the country, is to close the skills gap. Again, adult education in Merton can have a valuable role to play here.
- 4.4. In addition we recognise that the role of adult education can be wider; enabling residents to have access to other forms of learning on the basis that it creates resilience and is one factor underpinning successful ageing and the wider preventative agenda. This dual purpose is reflected in the two main pots of money provided by the SFA; the Adult Skills Budget (ASB) and the Community Learning (CL) budget. The former funds skills and employability and the latter recognises the wider role of adult and community education.
- 4.5. Over the past few years the Merton Adult Education College has delivered on these expectations, receiving a 'Good' rating from Ofsted and additional grants from the SFA due to over-performance. MAE's priority is to widen participation amongst disadvantaged learners. The strategy has centred on building effective partnerships in order to improve access to excluded communities, combined with undertaking a range of responsive community focused outreach activities.
- 4.6. In the past 10 years the student profile has shifted considerably. In 2004, ethnic minority students amounted to only 17% of the overall student base. Due to successful implementation of the widening participation strategy 38% of our learners are from ethnic minority groups. Almost 40% of learners live in disadvantaged wards. However, over 60% of learners overall continue to come from more affluent wards.
- 4.7. Successful implementation of this strategy has also resulted in a diverse intergenerational student profile.
- 4.8. MAE, in the last academic year, attracted 5054 learners, which produced 7000 enrolments. The college's strategy to improve student attendance and retention on qualification courses has seen progress year on year. Student retention rates have increased to 93% compared to 87% last year. Achievement rates are 93%. Success rates have increased to 87% an increase of 5% compared to last year and a 16% increase when compared to 2010/2011. These are all above national benchmarks and reflect the well-established self-assessment process and performance management provisions delivered by the current MAE management.

<b>Retention</b> (Students on course)	<b>Achievement</b> (Examination success)	<b>Success Rate</b> (weighted formula comprised of retention and achievement )
93.5%	93.1%	87.1%

- 4.9. In addition, through a series of partnerships, outreach events and initiatives MAE have developed a stronger link with learners in the east. In 2012-2013 academic year, for example, MAE had 1386 learners from 'disadvantaged' wards.
- 4.10. In 2012/13 academic year 57% of students on vocational courses went on to further learning and 52% transitioned into employment. The strategy to increase tracking learners resulted in good reporting rates for MAE. This compared well to our neighbouring boroughs:

<b>College</b>	<b>Destination rate % (how much data is captured)</b>	<b>Employment progression rate %</b>	<b>Learning progression rate %</b>
<b>MAE</b>	83	52	57
<b>STC</b>	Insufficient data provided	42	Insufficient data provided
<b>SCOLA</b>	73	45	53
<b>Kingston</b>	Insufficient data provided	44	Insufficient data provided
<b>Wandsworth</b>	81	Insufficient data provided	39

- 4.11. MAE also provides specialist provision for adults with learning difficulties and disabilities and has a high success rate. Last year there was a 97% retention and achievement rate over a variety of courses.
- 4.12. MAE provides a careers service which responds to demand. For example, in one term (term 1 of 2013/14) the Careers Service saw 101 clients for one to one appointments, resulting in 104 enrolments onto MAE programmes.

## **5 CHALLENGES**

- 5.1. Nonetheless, there remain a number of challenges in terms of the service's ability to deliver against the council's key criteria of affordability and quality.

### **Location**

- 5.2. There is recognition that the venues with the largest capacity are not convenient for residents with no access to private transport, especially those living in more disadvantaged parts of the borough. Although adult education services take place in over 40 venues as outlined in Appendix 1, the vast majority of courses take place at Whatley Avenue which is not necessarily in the right location to attract learners from the more disadvantaged areas in the east of the borough. It is also a non-town centre location and suffers from a lack of good transport connections from the east of the borough.
- 5.3. The Marlborough Hall site in Wimbledon also hosts a high proportion of course and is also situated in the western, more affluent part of the borough. However it is a town centre location with better transport links.
- 5.4. Discussion of any new model must consider the need to bridge the gap between the more and less affluent parts of the borough and to reach out to those in the most disadvantaged areas where educational attainment is below the national average.

## Course composition

- 5.5. As demonstrated within Appendix 2 there is a mix of course provision at MAE. However, there are a high proportion of courses in the Creative Arts category, for example, whilst vocational courses and those focused on employability skills currently make up a much smaller proportion of the total courses offered.
- 5.6. In order to deliver on the council's economic development agenda and to bridge the gap between the east and west of the borough it will be important to ensure that vocational and employment focused courses are maximised within any new delivery model.

## High fixed costs

- 5.7. One of the challenges that MAE faces is its high operating overhead cost. Currently, the composition of staff spending within MAE is 54% non-teaching (24% academic and 30% administrative) and 46% on teaching staff. Any new model should seek to focus resources on the front line and to minimise "back office" costs.
- 5.8. Likewise, the Whatley Avenue building cost £140k to run in 2013/14 and it is expected that it will cost a similar amount in the coming year. This doesn't include the £379,377 of backlog maintenance charges outstanding on the Whatley Avenue building.
- 5.9. High fixed costs mean that the college is particularly vulnerable to reductions in its funding and that those reductions have a disproportionate impact on the amount that can be spent on learning.

## Finances

- 5.10. There has been a c£165k reduction in SFA funding for academic year 2014/15. Even without that reduction MAE would have found it difficult to operate without additional council subsidy. We anticipate that the funding position is likely to get worse as Government plans post 2015 suggest a reduction in all non-ring fenced central spending, and SFA funding is not ring-fenced. These reductions will be on top of the £32m the council needs to save from the local authority budget.
- 5.11. Further cuts to the grant will mean one of three things; either the council increases its subsidy, the quality of the service declines or we look to another model.

## 6 ESTABLISHING OPTIONS

- 6.1. In light of the above, if the council wishes to continue to offer adult education services in the borough, there are two questions to address:
- i) How should that provision be delivered in order to achieve value for money?
  - ii) What should be delivered to achieve best quality within the financial envelope?
- 6.2. Whilst both of these are core questions this paper focuses on the former question with the latter to follow and to be delivered by adult education professionals.
- 6.3. Based on previous work from Red Quadrant and the PVR this report was quickly able to narrow down the range of realistic options available to the service. Indeed, the RQ report contained a number of theoretical options within its methodology and evaluation.
- 6.4. In order to take the discussion forward this report will focus on realistic models of delivery based on the work completed during the development of the report. These realistic options are all based on the project brief but are more specific and tangible. They thus provide clear choices to the local authority:
- **MAE continues as it currently is:** LBM continue to directly deliver the service and bear the financial risk of future SFA funding reductions

- **Merton Council forms a shared service with South Thames College (Merton Campus):** The two colleges attract their funding in the usual way but share back office and management functions.
- **Merton Adult Education forms a shared service with another local authority managed college (such as SCOLA):** The two colleges attract their funding in the usual way but share back office and management functions.
- **Merton becomes a commissioner of Adult Education Services:** Commissioned services continue to be delivered in Merton.
- **Merton ceases to be a provider and instead becomes a commissioner of Adult Education Services; partnering with the London Borough of Wandsworth to deliver this commissioning function.** Commissioned services continue to be delivered in Merton in partnership with Wandsworth.
- **Merton ceases to offer adult education services.**

- 6.5. This report has not considered options related to 'alternative business models' as a previous report on this concluded that there were limited benefits, especially if the service was not at a break-even position.
- 6.6. The options above are all viable for the council and which option is chosen depends on the balance of priorities of council decision makers.

## 7 THE FINANCIAL POSITION

- 7.1. The adult education service costs £2.6m per annum to deliver.
- 7.2. £494k of the cost of the service is covered by learner receipts, with £2.1m financed by the Skills Funding Agency and the council. This represents a significant public subsidy. The council also offers a significant effective subsidy in the form of premises and other features.
- 7.3. There has been a c£165k reduction in SFA funding for academic year 2014/15 which will make the delivery of further savings more difficult and will need a very careful review of the courses offered. To make matters more difficult for the college SFA savings are applied on a rolling academic year on year basis and outside of the council budget setting cycle which can cause regular in year challenges.
- 7.4. As such, the college is currently forecast to overspend by c.£158,000 in 2014/15 against this budget. The current MTFs savings plan put forward by the Community and Housing Department calls for this contribution to the college to be eliminated by 2017/18 and the current position of the college principal is that this will be unachievable. Any savings that cannot be achieved, or overspends, will need to be made good by the Communities and Housing Department in setting the 2015/16 budget, and this will have a detrimental impact on the Adult Social Care budget.
- 7.5. Currently, the composition of staff spending within MAE is 54% non-teaching (24% academic and 30% administrative) and 46% on teaching staff. This reflects the high overheads of running a college and the relatively small size of MAE.

### Course cost analysis

- 7.6. Previous reports into MAE (Red Quadrant 2012, PVR 2013) have recommended that a detailed analysis be undertaken of each course offered by the college identifying those that run at a surplus (prior to allocating fixed costs) and those that run at a deficit. This work has now been completed as part of this review and is available for the service manager; whichever option is chosen.
- 7.7. The review doesn't identify obvious savings; in general the courses that are run at a deficit are those that are directly related to qualifications, and thus directly supportive of the council's economic aims and objectives, and those that run at a surplus prior to overheads tend to be those that are funded from the students. These have a limited

demand, and are restrained by the amount of funding we receive in each subsidising 'pot' but where they are run can generate a good surplus.

- 7.8. However, this analysis does demonstrate that by varying the course mix it might be possible to allocate the grant to a different mix of courses which still meets SFA guidelines but is deliverable for us at a cheaper cost.
- 7.9. This work must be used as part of the new model to ensure on-going value for money.

## **8 ASSESSING THE POTENTIAL OPTIONS**

- 8.1. As mentioned in section 6 after considerable work this report has narrowed down the realistic potential options to six.
- 8.2. However, due to the common issues underlying these options there are a few common issues which should be discussed in advance of the analysis of options:

### **Delivery venues**

- 8.3. The adult education service delivers courses from over 40 venues in the borough. See Appendix 1 for a full break down of venues including a number of community venues such as schools, community centres and children's centres.
- 8.4. However, 68% of learners attend the Whatley Avenue site in the west of the borough and 11% of learners are at the Marlborough hall site in Wimbledon. A much lower proportion of courses take place in the less affluent parts of the borough.
- 8.5. Any change to the current adult education service would need to include an assessment of the current range of delivery venues to ascertain the mix that will best bridge the gap and achieve value for money. Options for expanding the range of venues include libraries, schools, the Wandle Valley Resource Centre, community centres and other sites used by our partners. Indeed even if the "no change" option is chosen there will still be a need to review the current venue mix.
- 8.6. In reviewing the delivery site mix there are also opportunities to work with South Thames College to deliver courses there and this has been assessed in more detail in discussions around some of the options. A partnership with STC would allow learners to benefit from the excellent facilities at the college.

### **Economic development**

- 8.7. MAE plays an important role as part of the mix of providers in Merton delivering skills training. This ranges from supporting hard to reach groups through their English, Maths, ESOL and IT provisions to working in partnership with other providers (such as Social Enterprise Merton, Grenfell and Merton Priory Homes) to delivering contracts on behalf of Job Centre Plus.
- 8.8. MAE should also contribute to the Merton Partnership agenda of 'Bridging the Gap' between the East and West of the Borough.
- 8.9. It is thus important that any solution recognises this central role that MAE plays in terms of Merton's economic development.
- 8.10. As such, any model should involve Merton Partnership in helping shape the delivery of the service.
- 8.11. In addition, it has been identified that any change to the design of the provision would need to be judged against the impact on inclusion. The current provision is primarily based in the more affluent areas of the borough at the Whatley site and through the provision of the Marlborough Hall site. This would need to be considered in a new model with locations provided that were both welcoming and accessible particularly for residents from the east of the borough. Most of MAE's current partners are based in the east of the borough.

- 8.12. As mentioned in section 4.3 MAE is responsible for the delivery of a number of actions stemming from the Sustainable Communities Overview and Scrutiny Panel's Review of Adult Skills and Employability. Whilst some of these elements could be delivered regardless of the model delivered some may not be delivered if an alternative model is adopted, especially if that model is commissioning based. These include the move to provide higher level courses, the development of MAE as a commercial brand and the establishment of a virtual business school in Merton. As part of that MAE has already secured accreditation to deliver ABE (Association of Business Executives) courses and is in talks with Kingston University to discuss franchising.
- 8.13. Nonetheless, it is worth noting that South Thames College do provide the higher level courses already and any model that involved them would provide us with the opportunity to link adult education courses with that offer.
- 8.14. Whichever model is chosen any new Merton Adult Education provision should have the economic development agenda and that of other cross cutting agendas such as wellbeing, education and children, for Merton in mind.

### **Transfer of Undertakings (Protection of Employment) Regulations (TUPE)**

- 8.15. Many of these models involve partnering with another organisation to deliver or commission Adult Education Services. This sort of sharing has been proven to deliver resilience and economies of scale in other services but also leads to challenges for the staff involved. In the event that functions carried out by Merton Adult Education transfer to another organisation/s it is likely that TUPE will apply, as this is a form of 'economic entity' that is specified within the Regulations and associated case law. In general terms TUPE protects the conditions of employment of the workforce transferring from one employer to another.
- 8.16. There are currently three types of staff working at MAE and each would be treated in a slightly different way:
- i) **Permanently employed teaching staff:** Tutors on a flexible contract linked to enrolment; they are employed when their course runs. This may include some models and other temp course staff
  - ii) **Claims tutors:** Tutors on permanent contracts; paid for a set number of hours / courses per year even if those courses are subsequently cancelled
  - iii) **Non-teaching staff:** These are non-teaching staff; nearly all on permanent contracts.
- 8.17. The two tutor categories are dealt with slightly different but would likely TUPE into any new organisation, where this option was chosen, continuing to teach the courses they currently teach. Most of the MAE tutors are extremely well regarded both by students and internal MAE assessments and thus, in addition to their legal rights, would be an asset to any commissioned provider. In the event of the business entity, or parts of the business entity, transferring to another organisation a TUPE 'test of assignment' would be applied – this determines which staff are within the scope of the transfer of the business entity and which are not.
- 8.18. Some of the non-teaching staff may also be eligible for TUPE (see 8.17 above and the 'test of assignment') but in addition the likelihood is that any move from being a provider to being a commissioner would lead to some redundancies as such residual functions and duties would cease or diminish at the point of transfer. Merton would be liable for these redundancy costs if they occur.

### **The local provider market**

- 8.19. In two of the models Merton becomes a commissioner of adult education services. To investigate these options we conducted a soft market testing exercise with local providers and spoke to other authorities who have a commissioning model.



- 8.20. The soft market testing took two forms; firstly a survey with local providers and secondly a more thorough discussion with our largest local provider South Thames College.
- 8.21. The survey was completed by five local providers: Grenfell Housing and Training, Capital Training Group, Commonsense Community Development Trust, the Training and Recruitment Partnership and Delrose Earle Training.
- 8.22. There was some evidence that there is some competition within the market and a desire from current training providers to expand their offer and to work closely with Merton in developing this offer. The market is not huge but the evidence of the survey seems to be that there is some capacity in it.
- 8.23. South Thames College is a large provider with excellent facilities and would be able to take on much of the work currently delivered by MAE. An initial assessment showed that the college has the capacity to deliver over 75% of the current MAE offer in the current form.

### **SEND Provision**

- 8.24. Local authorities have a new responsibility towards young people with Special Education Needs and Disabilities aged 18-25 and expect to commission new services to help meet that need.
- 8.25. Any approach to the future of MAE should consider how the new model can quickly move to help meet that opportunity and / or support the commissioning and development of a market to meet that need.
- 8.26. The above opportunity seems to fit in nicely with one of the partnering opportunities as due to the numbers of young people involved shared arrangements, and shared provision, with other boroughs could be the norm that SEND teams look to work with when commissioning this provision.

### **Governance and accountability**

- 8.27. If the council decides to commission the service it will need to ensure that the curriculum is governed to ensure that it meets the needs of the community and benefits from the insight of council officers and our partners. Currently this governance is provided by the economic wellbeing sub-group of the partnership.

### **Other**

- 8.28. Options such as the expansion of the MAE's Virtual Learning Environment (VLE) or the use of MOOCs (Massive Open Online Courses) may open further opportunities for some types of courses in the future. However, this is not viable, or part of SFA funding, currently.

### **Options**

- 8.29. Each of the above issues is mentioned within the following options.

## **9 OPTION 1: MAE CONTINUES AS IT CURRENTLY IS**

- 9.1. MAE is a successful college with a strong Ofsted rating, high user satisfaction and a substantially improved operational and budgetary position.
- 9.2. The current business plan calls for the Merton Adult Education service to break even and no longer receive funding from the council. This would enable the service to pay for the full cost of providing courses from within the SFA funding provision and fee income without a council subsidy, not including the cost of providing premises.
- 9.3. However, there are doubts within the service that these savings can be met; especially in light of the ever changing funding position from the SFA.

9.4. It is unlikely that the college will be able to get to a position where it requires no council contribution. This is especially in the context of rising overheads and falling SFA contributions. In addition, the council would be liable for any risk related to the shifting SFA funding.

9.5. Due to the long term uncertainty regarding future funding for adult education, the risk that future funding changes will impact negatively upon either service delivery or council funds and the potential that other options can deliver a more sustainable service this option is not recommended by officers.

## **10 OPTION 2: SHARED SERVICE WITH SOUTH THAMES COLLEGE**

10.1. South Thames College (STC) is the biggest FE provider in Merton and has a large modern campus in Morden. STC delivers against the Adult Education contract in Wandsworth and thus has a track record of Adult Education provision from the Community Learning and ASB contracts. It is assumed that staff would TUPE across to STC.

10.2. Under this model, students would be able to benefit from the excellent quality services provided by South Thames College.

10.3. A federation with STC would allow for some economies of scale. Information systems, curriculum managers, administrators and management would all be sharable. However, the SFA have made it clear that there would need to be a clear Merton Council strand to the Quality Assurance and Strategic leadership of the shared service in order to ensure funding. A fully merged service would not attract the same funding as this shared model.

10.4. In any shared service with STC it would be necessary to have a strong governance body in place to ensure that the interests of Merton's adult learners were maintained and to assure the SFA that the council still maintained operational control of the funding.

10.5. However, under this model Merton Adult Education would be a very junior partner and a judgement would have to be made as to whether this provided the council with the best opportunity to deliver our proposed outcomes.

10.6. Due to the requirements placed by the SFA the potential economies of scale savings are not that different to a simple commissioning model (either individual or shared) where LBM would retain greater control over the service. Consideration should therefore be given as to whether our relationship with a large FE partner like South Thames College is better as one of partner or one of commissioner (see below).

10.7. As such, this option is not recommended by officers.

## **11 OPTION 3: MERTON ADULT EDUCATION FORMS A SHARED SERVICE WITH ANOTHER LOCAL AUTHORITY MANAGED ADULT EDUCATION SERVICE**

11.1. As part of this project we contacted our neighbouring authorities to investigate whether they were interested in establishing some form of shared service. Discussions with Kingston did not progress further than an initial conversation as at this stage their partner of choice is Richmond. Richmond does not have an in house college and Wandsworth currently commission their service. Discussions with Croydon have so far not progressed.

11.2. As such, our main conversation to date has been with Sutton, whose adult education college is called SCOLA.

11.3. SCOLA is Sutton's Adult Education College providing similar services to MAE. Although slightly bigger the service has comparable Ofsted ratings to MAE and is considered to be a good provider by Sutton's politicians and residents. SCOLA has its own governing

body although is still a part of the council and managed within the local authority structure.

- 11.4. Sutton recognises that although their service currently covers all of its own costs (including corporate overheads) it faces the same on-going financial challenges that we do.
- 11.5. There are logistical problems associated with a shared service with SCOLA. In order to unlock savings it does not really make sense to have two main college buildings as this would not provide the necessary economies of scale.
- 11.6. In terms of shared services there would be economies of scale around management information, curriculum, and administration and management costs. Again, these savings would be tempered by the requirement to keep separate quality, MIS and strategic leadership functions, as per SFA requirements.
- 11.7. Although the immediate savings may be small when offset by the requirements for spend on alternative sites and after managing both authorities overheads the new service would be substantially more resilient and able to work to deliver further savings.
- 11.8. However, there would be a lot of work needed to enable this service to be formed including developing a shared prospectus, a shared model of delivery, a shared governance board, a shared management structure and a shared central hub with multiple separate spokes of delivery. Merton might need to accept a service not provided centrally in Merton.
- 11.9. Currently, discussions with Sutton have not progressed to an 'agreement' stage.
- 11.10. Any shared service option would be very difficult and time consuming for the council to deliver. Not only would the council retain the financial risk during the lengthy negotiation and implementation but the financial risk of the shared service would also rest with the local authority in the future.

## **12 OPTION 4: MERTON BECOMES A COMMISSIONER OF ADULT EDUCATION SERVICES**

- 12.1. In this model Merton becomes a commissioner of adult education services. To investigate this option we conducted a soft market testing exercise with local providers and spoke to other authorities who have a commissioning model.
- 12.2. Details of the local provider market are detailed in section 8 and indicate that there is a market for delivering a commissioning model.
- 12.3. Many of the authorities who have a commissioning model tend to split the provision into three sections:
  - i) Larger contracts with larger providers
  - ii) Small contracts with community providers
  - iii) An in-house provision

The soft market testing of the Merton market suggests that Merton would be able to follow a very similar model

- 12.4. These contracts can then be let using a variety of processes, including formal tendering processes, Service Level Agreements, small grant and partnership arrangements.
- 12.5. Managing this process requires a team of staff. Under SFA rules local authorities may retain 15% of ASB funding and an unspecified amount of CL funding for commissioning purposes. Assuming that we would want to earmark as much funding as possible for learning we would aim to deliver this for as low a figure as possible.

- 12.6. It should be noted that whilst Camden for example have 3 providers able to compete for the larger contracts Merton has only one obvious in-borough option; that of South Thames College and it is likely that they would be a strong bidder for any larger lot offered. This might reduce costs and also necessitate a more partnership based approach to the commissioning.
- 12.7. Under this model, students would be able to benefit from the excellent quality services provided by South Thames College.
- 12.8. The exact details of which SFA requirements would be delivered by the provider and which by the council would need to be worked out in negotiation with our providers. The aim of this process would be to minimise spending on non-teaching and maximise spending on learning.
- 12.9. Ensuring value for money within this model would be crucial, especially with a single dominant supplier but a partnership approach, allied to robust systems to monitor delivery; this should ensure that we are able to deliver the quality and quantity of provision expected by local residents.
- 12.10. A commissioning model would allow the service to manage costs. We would be able to set the budget for delivery and ensure that the services delivered could be met within the funding envelope. The SFA provision allows the majority of funding to be directed towards teaching resource and the local authority would design a commissioning model that lives within that envelope.
- 12.11. The initial establishment of the commissioning model would need additional transitional resource; not least as TUPE would apply.
- 12.12. A new commissioning model does have some risks inherent to it. The tasks of commissioning and providing are different and require different skills and experience. The success of any commissioning model would be based on the quality of the team recruited and processes developed and this represents a risk the council would need to manage.
- 12.13. This option is recommended as it would move financial risk away from the council, make the best use of the local providers in Merton and maximise the benefits to the service users by reducing the amount spent on non-teaching activities. As commissioners the council will be in a position to steer provision and the spread of venues so that the service fully addresses the challenge of “bridging the gap” between east and west. This option is also the most likely to provide long term cost certainty and stability to adult education provision in Merton.

### **13 OPTION 5: MERTON BECOMES A COMMISSIONER OF ADULT EDUCATION SERVICES; PARTNERING WITH THE LONDON BOROUGH OF WANDSWORTH TO DELIVER THIS COMMISSIONING FUNCTION.**

- 13.1. The London Borough of Wandsworth already has a successful commissioning model. As well as commissioning the SFA funded adult education programmes the service has a good reputation of attracting alternative sources of funding and providing a mixed service to residents.
- 13.2. In addition, Wandsworth currently contract with our major likely supplier, South Thames College.
- 13.3. Partnering with Wandsworth has three benefits within the context of a commissioning model:
- i) Wandsworth are already successful commissioners of Adult Education services and have built up an infrastructure to deliver these services. We thus wouldn't be in a position of starting from scratch and would be able to benefit from some of their skills and experience. We could also tap into their experience of bringing in alternative

sources of funding; something that is a real benefit of a well-run commissioned service. We also believe that there are areas of mutual benefit where strengths in Merton delivery could be used to benefit the offer in Wandsworth and vice versa.

- ii) By partnering with a neighbouring authority we would benefit from long term economies of scale and ensure some resilience to our commissioning service.
- iii) As Wandsworth share a dominant supplier with us (in STC) partnering with them would also help us when we come to negotiate our contracts. This is particularly relevant as adult education tends to be a smaller part of a college's business. By representing a bigger slice we would be in a better long term position.

- 13.4. LB Wandsworth has expressed an interest in a partnership of this nature although obviously this would be dependent on member input and currently this has not been sought. The same member input would be needed in Merton and a long-term Governance position agreed between both councils.
- 13.5. Under this model, students would be able to benefit from the excellent services provided by South Thames College.
- 13.6. Setting up this shared service would be complex. We would be forming a new service for the non-teaching staff, thus requiring some staff TUPEing to a commissioning organisation, some redundancies and also teaching staff TUPEing into working for a number of new suppliers. Simultaneously, we would be running a commissioning and procurement process to allocate the spending.
- 13.7. The SFA would also need to approve the model.
- 13.8. If LB Merton were to opt for a commissioning model this represents a strong option; providing both expertise and experience and delivering long term resilience for both organisations and increased negotiating power in the market.
- 13.9. Nonetheless, managing two simultaneous changes – move to a commissioning model and the establishment of a shared service – would prove challenging in a small time period. As such, this option is not recommended at this stage although members may want to consider it subsequently.

#### **14 OPTION 6: MERTON CEASES TO OFFER ADULT EDUCATION SERVICES**

- 14.1. As outlined in section 4 above, the council is committed to the adult education agenda, particularly where it contributes to bridging the gap between the east and west of the borough.
- 14.2. The SFA have made it clear that were Merton Council to opt to cease to offer adult education services they would not guarantee that SFA funding would be allocated to alternative Merton providers.
- 14.3. This option is not recommended by officers for the above reasons.

#### **15 IMPLEMENTATION COSTS AND CONSIDERATIONS**

- 15.1. Unless the council opts for the in-house option there will be implementation costs associated with each of the options.
- 15.2. In addition, any new service model will need a substantial communications plan attached to it. We will want local residents to know about the new service and enable students to transfer seamlessly from one provider to another if required.
- 15.3. Any new model would deliver long term benefits to the local authority as outlined above. The service would also, if established correctly and depending on the model, provide the necessary resilience to ensure that future changes to the funding environment do not pose a risk to the council as a whole.

- 15.4. During the implementation phase it will be important to maintain the quality of the provision for residents; either because of the change from one provider to another or because of the changes associated with sharing services. This process would need to be managed carefully.

## **16 ALTERNATIVE OPTIONS**

- 16.1. As part of this process officers spoke to the Skills Funding Agency about alternative options. Mergers which would require Ministerial approval and may be legally impossible were ruled out.

## **17 CONSULTATION UNDERTAKEN OR PROPOSED**

### **Undertaken**

- 17.1. The following stakeholders have been consulted (supplementing the consultation already undertaken by Red Quadrant):
- a) South Thames College, Skills Funding Agency, LB Sutton, LB Richmond, LB Kingston, LB Camden, LB Bromley, LB Westminster, LB Wandsworth. Numerous internal council stakeholders have also been consulted.
- 17.2. This engagement has been based on an open approach to developing the options and all stakeholders have been kept informed throughout. Once a decision is made it is crucial that this engagement is continued and stakeholders are kept informed throughout.

### **Proposed**

- 17.3. A consultation in two elements run at the same time is proposed:
- 17.4. The first element of the consultation will specifically focus on the model of service delivery; considering the above options and any alternatives proposed by our key stakeholders. In this element we would also be asking the public and interested stakeholders, for other suggestions of how savings can be achieved and the quality and range of courses maintained within the shrinking financial envelope.
- 17.5. The second element would focus on the content of adult education provision. Regardless of the option chosen the council needs to ensure that we are providing the right mix of courses to meet the economic needs, and interests of Merton residents. A public consultation would enable the service, whichever model is chosen, to be delivered in light of this input.
- 17.6. A full consultation plan will be developed for Member approval.

## **18 TIMETABLE**

- 18.1. The consultation will be launched within a week of the Cabinet approval to proceed and will conclude in six weeks. A final paper, for decision, will be brought back to Cabinet in January.
- 18.2. Assuming a decision is made in January we would aim to implement any decision by September 2015 in time for the 2015/16 academic year.

## **19 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS**

- 19.1. MAE currently occupies Whatley Avenue and delivers courses at a variety of venues including Marlborough Hall in Wimbledon and about 40 other community venues including schools and children's centres. Many of these options would allow for a

review of the current mix of venues used to ensure we are contributing to bridging the gap between the east and west of the borough.

- 19.2. Should an external provided model be chosen then prior to a final decision Members would need to be aware of the level of savings of corporate and fixed costs that could be made and which would need to be absorbed into the MTFS.

## **20 LEGAL AND STATUTORY IMPLICATIONS**

- 20.1. None

## **21 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS**

- 21.1. MAE currently aims to contribute to the Community Plan priority around 'Bridging the Gap' between the East and the West of the Borough and any new model will need to build on this and extend the opportunities to residents from less affluent parts of the borough.
- 21.2. Likewise, the college provides courses specifically targeted at adults with learning difficulties and disabilities and any new model would need to ensure that this group is not disadvantaged.
- 21.3. Any change to the model of provision would need to ensure that the above are taken into consideration.

## **22 CRIME AND DISORDER IMPLICATIONS**

- 22.1. None

## **23 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS**

- 23.1. None

## APPENDIX 1

Table 1 below details the current mix of venues used by the adult education service to deliver courses to residents.

**TABLE 1**

<b>MAE Venues: 2013/14</b>			
<b>Venue</b>	<b>Number of Learners</b>	<b>Ward</b>	<b>Percentage of learners</b>
Abbey Children's Centre	33	Abbey	<1%
Acacia Centre	11	Figges Marsh	<1%
All Saints Centre	78	Trinity	1%
Baitul Futuh Mosque	24	Merton park	<1%
Cricket Green School	65	Cricket Green	<1%
Church Road Children Centre	46	Lavender	<1%
Harris Academies Merton and Morden	187	Pollards Hill/Ravensbury	2%
High Path Community Centre	21	Abbey	<1%
Hamleys	1		<1%
Jan Malinowski Centre	57	Cricket Green	<1%
Job Centre Mitcham	128	Cricket Green	2%
MAE Wimbledon	847	Hillside	11%
Merton Job Club – Steers Mead	20	Lavender	<1%
Merton Libraries	68	Various	<1%
Merton Vision	15	Colliers Wood	<1%
Merton Primary Schools	221	Various	3%
Newminster Children's Centre	11	Ravensbury	<1%
Pollards Hill Community Centre	51	Pollards Hill	<1%
St Marks Family Centre	274	Figges Marsh	3.5%
Steers Mead Children's Centre	9	Lavender	<1%
Sorrel Care/Star & Garter Home/St Mary's Primary School	15	Various	<1%
South Mitcham Community Centre	9	Cricket Green	<1%
The Bridges Children's Centre	15	Dundonald	<1%
Whatley	5300	Cannon Hill	68%
Whatley & MAE Wimbledon	7	Cannon Hill and Hillside	<1%
Whatley & SW London YMCA	23	Cannon Hill and Trinity	<1%
Vestry Hall	245	Cricket Green	3%



## APPENDIX 2

Table 2 below outlines the current course mix being delivered by the adult education service

Department	Total Number of Courses	Total Number of Enrolments	Percentage Enrolments
Apprenticeships	4	16	<1%
Careers Information – includes employability courses	24	211	3%
Creative Arts – cookery, pottery, photography, woodwork, sewing, upholstery, stained glass, fine art, etc.	145	1827	30%
Early Years	18	167	3%
English as a Second Language, English and Family Learning (including English as a Second Language, English and maths lessons learned as a family)	117	1145	19%
Fitness – includes tai chi, yoga and similar courses	27	401	6.5%
Information Technology	47	383	6%
Maths	19	197	3%
Merton Training – Includes Management courses; usually courses with employers	43	314	5%
Mind and Body – Health and beauty courses	15	123	2%
First Aid	12	129	2%
Hospitality	15	128	2%
Modern Foreign Language	46	378	6%
Performing Arts – includes drama and dance	13	122	2%
Toward Independence – Adults with Learning Disabilities and difficulties and includes a range of courses from across the curriculum.	37	303	5%
Wider Family Learning (Children) - includes courses in all curriculum areas learnt as a family (i.e. science, first aid, photography and many more)	23	150	2%
Wider Family Learning (Adults) – includes courses in all curriculum areas learnt as a family (i.e. science, first aid, photography and many more)		152	2%

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