

SLOUGH BOROUGH COUNCIL

REPORT TO: Cabinet **DATE:** 14th February 2012

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PART I **KEY DECISION**

Adult Learning – Future Models

1 Purpose of Report

- 1.1 This report makes proposals for a shared service with the Royal Borough of Windsor and Maidenhead to provide adult learning services for decision by Cabinet. The report provides information on a decision taken by RBWM's Cabinet in November 2011 to proceed with a shared service led by Slough Borough Council (SBC) and summarises the findings of the outline business case for the proposal.

2 Recommendation(s)/Proposed Action

The Cabinet is requested to resolve:

- a) That the Assistant Director for Culture and Skills, following consultation with the Commissioner for Opportunity and Skills, be authorised to implement the shared service with the Royal Borough of Windsor and Maidenhead with Slough as the lead authority, subject to there being no major changes to circumstances that significantly change the business case.
- b) That the Assistant Director for Culture and Skills be authorised to notify the Skills Funding Agency of the intention to proceed with a shared service and seek their agreement to implementation.

3 Community Strategy Priorities

- **Celebrating Diversity, Enabling inclusion**
- **Adding years to Life and Life to years**
- **Being Safe, Feeling Safe**
- **Prosperity for All**

Adult learning supports community integration and social cohesion, helps people develop practical skills, gain stimulation through creative activity and build their confidence. It helps increase the knowledge, skill levels and employability of local residents.

4 Other Implications

4.1 Financial

The total SFA grant for both Slough and Windsor and Maidenhead is £1,105,000, of which £540,000 is the grant for Slough.

4.2 There is a proposed full year efficiency saving for adult learning in 2012/13-2013/14 of £96,000 as part of this year's budget setting process. The proposed shared service arrangement with Windsor and Maidenhead enables delivery of these savings through efficiencies in shared management and administration. Because of the larger scale of the unit, it also helps moderate the impact of the planned saving.

4.3 The shared service model enables an additional £18,000 efficiency savings through the reduction of duplicated administration and management costs. The business case proposes that the initial saving to the Council could be re-invested in learning delivery, as an improvement to customer service.

4.4 As the lead authority, the management recharge of £75,000 currently applied to corporate budgets by Windsor and Maidenhead would be transferred to Slough. This is a financial benefit which can be used to cover additional costs incurred by Slough and to improve learning and employment delivery in Slough.

4.5 There will be additional costs in setting up the new shared service, including an additional £10,000-£30,000 (plus pensions) risk for potential redundancy. This risk is shared between the two authorities according to their share of the budget. In addition there is a potential to spend around £30,000 for ICT related implementation costs, for which provision has been made in 2011/12 budgets, subject to approval to carry forward the necessary sums.

4.6 Human Rights Act and Other Legal Implications

Under Section 6 of the Human Rights Act 1998, it is unlawful for the Council to act in a way which is incompatible with human rights or it could result in the Council being subject to judicial review. The actions outlined in this report aim to comply with Article 2 (right to education), which is a qualified right.

4.7 The report seeks authority to implement a shared service with Royal Borough of Windsor and Maidenhead to provide adult learning services. In making this decision the council should have due regard to their duty under section 149 of the Equalities Act 2010 in advancing equal opportunity between persons.

4.8 The report has also raised the issue of TUPE upon the implementation of the shared service agreement. The Council should have regard to The Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE).

4.9 The Skills Funding Agency (SFA) grant is allocated to each local authority area. The rules governing the grant require that it is spent on learning delivery in that area, within a quality framework which is inspected by Ofsted. The SFA will need to agree for a local authority's allocation to be received by another organisation, who then would be the accountable body, subject to inspection for the whole service they deliver in both areas.

- 4.10 A draft Memorandum of Understanding (MOU) between Slough BC and the Royal Borough of Windsor and Maidenhead has been drawn up. The MOU sets out the ways in which the new shared service would operate and precedes a formal Service Level Agreement. It is not legally binding but describes a commitment from both parties how the new arrangement should work and how it will be developed.
- 4.11 Equalities Impact Assessment
A full EIA will be undertaken to ensure reasonable mitigations for any adverse impact on individuals of the measures proposed.
- 4.12 Workforce
It is expected that TUPE would apply to the new arrangement, with Windsor and Maidenhead staff transferring to Slough Borough Council on 1 August 2012. The costs of this are shared between the two authorities.
- 4.13 Work on the outline business case has included preparation of a shared staffing model. Estimated redundancy costs are £10,000 to £30,000 (plus pensions) higher than the planned PPRG efficiency saving would require. This would be shared between the Windsor and Maidenhead and Slough. This is offset by an expected reduction in staffing costs of £18,000 a year in the shared model, which could be available for re-investment in additional learning delivery in the two local authority areas.

5 Background

5.1 Context

The Skills Funding Agency (SFA) currently funds Slough Borough Council (SBC) with £540,000 for adult learning and apprenticeships.

5.2 The council's adult learning and apprenticeships services support employment and the local economy, and enhance individuals' capacity to engage in the community through delivering:

- Targeted support for people with low literacy and numeracy and ICT skills to improve skills levels and enable them to get jobs.
- Support for new communities and the acquisition of basic English language and other core skills.
- Information, advice and guidance to help people make the best of their learning and employment opportunities.
- Informal learning opportunities that engage new learners.
- Craft and vocational learning that helps people set up new businesses.
- Apprenticeships and employment opportunities for young people to work in SBC services.

5.3 There were 2,400 learners and 3,600 course registrations in Slough in 2010/11. These were particularly weighted towards learners from those ethnic and socio economic communities least engaged in employment in the town. It is a particular priority that the service continues to improve how effectively it addresses the skills deficit in Slough, especially for people over 25 and the near 25% of residents who are economically inactive.

- 5.4 In 2010/11 the SFA, in order to reduce its administrative costs dealing with a very large number of directly funded providers, decided not to fund organisations in receipt of less than £500,000 a year.
- 5.5 A clear signal was given in 2010 that this level would be raised in future years. It has been decided to leave the £500,000 threshold unchanged for 2012/13, but the risk remains that it could be raised in future years.
- 5.6 If the threshold were even to remain at £500,000, with likely reductions in government funded programmes, there is a serious risk that Slough BC would not be eligible to continue to receive grant funding from this source. SBC's funding level is so close to that limit that a very small reduction would take it below the threshold.
- 5.7 Changes in the minimum thresholds used by the SFA for authorities to receive funding prompted officers in SBC and neighbouring boroughs to start discussions about how we might best respond. Most Berkshire authorities are at a similar level of funding with Slough, with West Berkshire and Wokingham this year and Bracknell next year all falling just below the threshold. West Berkshire and Wokingham have formed separate arrangements with a local college and the Workers Educational Association (WEA). Bracknell have yet to make a final decision.
- 5.8 In November 2011, the Cabinet of the Royal Borough of Windsor and Maidenhead (RBWM) decided that, even if the SFA threshold were not changed, they wished to join their adult learning service with a neighbouring borough and that Slough should be the lead authority. This recognises the quality of service and capacity to lead improvement in the SBC adult learning service, following Ofsted's judgement in the 2010 inspection that it was a good service with a number of outstanding features.

6 **Options**

- 6.1 Officers from Slough and RBWM have carried out an evaluation of options open to the local authorities. The evaluation considered the status quo and a number of different models which combined services with another partner to achieve greater efficiencies of scale and a larger funding base.
- 6.2 One model was for another larger partner to receive the funding. Options considered were the local college, a national charitable organisation such as the WEA, or a larger local authority. Soft market testing was carried out with potential providers to test what they might offer and to establish the benefits and disadvantages of each option. A further option was to combine the grants from two or more boroughs to develop shared management arrangements.
- 6.3 The initial conclusion reached by officers, as reported to and agreed by Cabinet in Windsor and Maidenhead, that the preferred solution is a shared service between Windsor and Maidenhead and Slough. This solution was summarised as follows:

Benefits

1. Opportunities to extend the range of learning opportunities through a larger and more flexible service unit.
2. Retains local authority control and influence to ensure responsiveness to community needs through shared governance arrangements.

3. Opportunities to improve value for money and improve operational service efficiency.
4. Allows flexibility to explore partnerships with the local college and other providers and to retain existing sub-contracting arrangements.
5. Potential to grow a larger unit through additional partners.

Issues

1. One off transfer and set-up costs borne by the two authorities.
2. While there are some efficiencies of scale, the unit is too small to deliver transformational benefits.
3. Significant risks if either partner should withdraw as there are only two partners.

6.4 The overall conclusions were:

- There is an opportunity for better value for money and consequently better investment in learning delivery by working in a larger unit.
- This change should be explored thoroughly regardless of changes in the SFA funding rules.
- The preferred option was a local solution between the two boroughs, RBWM and Slough.
- The lead authority should be Slough BC, recognising the quality and effectiveness of the borough's adult learning service and its Ofsted good (grade 2) rating in 2010.

6.5 Further to this, an outline business case has been prepared that covers the following main issues and areas of risk for the preferred solution:

- Alternative models for a shared service or a stand alone function
- Scope of a shared service
- Staffing
- Legal and governance
- Finance

7 **Implications and scope of a shared service**

7.1 **Implications of a shared service model**

A shared service to deliver adult learning for both local authorities would involve:

- Slough Borough Council, as lead body, would receive direct from the SFA funding currently allocated separately to both authorities for adult and community learning and apprenticeships.
- As lead body, SBC would be accountable for the quality of service and would be the body subject to inspection of adult and community learning by Ofsted.
- A single management structure would be in place with quality management systems in place to ensure that the service delivers consistently across both local authority areas.
- A joint management committee (51% voting for SBC) would be established to ensure that decisions can be made for the whole service with buy-in from both local authorities.
- Set up and other shared costs will be allocated according to each authority's percentage share of the budget of the new service.

7.6 A draft Memorandum of Understanding makes provision for shared governance, with a 51% voting right for Slough as the lead authority.

7.2 **Scope of services**

The proposed shared service will include adult learning services in both RBWM and Slough and also the Employment and Enterprise function run by SBC. Combining Adult Learning and Employment and Enterprise is included in a 2012/13 PPRG savings proposal to enable reductions in management costs.

7.3 The shared service may in due course extend to include RBWM's Grow Your Own service, their equivalent of Employment and Enterprise or other related functions.

7.4 This scope of services provides an opportunity to attract additional funding and run programmes across two boroughs and not just Slough, providing additional resilience in ensuring the service can maintain and improve support to skills and employment.

7.5 In addition to the SFA funding of £540,000, Slough Borough Council currently also invests £585,000 in skills and employment support through both Adult Learning and Employment and Enterprise.

8 **Assessment**

8.1 The outline business case indicates that a shared service between RBWM and SBC, with Slough as the lead authority, would have the following specific benefits over the status quo:

1. Retains local authority influence to ensure service responsive to community needs.
2. Opportunity for re-investment of staffing efficiency gains of £18,000+ in improved learning delivery and support to employment for local people.
3. Continuity of service if the government decided to increase the eligibility threshold to receive funding from the SFA up to £1m per organisation funded or if funding allocations for one or both authorities were to fall below £500,000.
4. Service safeguarded against an increase in SFA thresholds to £1m, while retaining flexibility to join with a larger partner if exit strategy required
5. Greater resilience to deliver planned PPRG savings and reductions in management and administrative capacity through a larger unit.
6. The range of courses available can be extended by offering more specialist or less popular courses across two boroughs to engage a sufficient number of learners to make them viable
7. Potential for employment related and targeted projects to be extended across two boroughs, increasing capacity to attract external funding
8. Retention of existing specialist provision through contracts with college and other local providers.
9. The transfer of the £75,000 management recharge by RBWM to SBC would cover the council's management overheads for the new arrangement and is a significant additional benefit to Slough. It is proposed that any additional surplus would be re-invested in learning delivery.

8.2 Appendix A is a summary of the findings of the outline business case, together with a summary risk assessment. It is proposed that the business case shows

significant benefits to local people and to both local authorities in the shared service model.

8.3 The business case proposes that a joint service will be more resilient and adaptable in the future uncertain funding climate. In addition key points to highlight include:

1. A shared service, with its larger scale, will help ensure full delivery of agreed PPRG savings in management and administrative staffing costs without adverse impact on customer services.
2. At least the same number of teaching hours (15,000) can be delivered, potentially more.
3. A joint management committee would be responsible for key decisions, with 51% voting for lead accountable partner (SBC).
4. The service would be accountable to Scrutiny and significant changes in policy would be referred to SBC and RBWM Cabinet for decision.
5. SBC's SFA and council funding for adult learning would be ringfenced to Slough.
6. Risk for TUPE and start up or termination costs are allocated according to each authority's share of resources.
7. Redundancy costs for the shared service are estimated to be £10-30,000 (plus pensions) higher in 2012/13 than for a stand alone solution.
8. There is a risk to the Council's Ofsted rating because the new service would include RBWM services, though those were rated good (the same as Slough) at their last inspection in 2006.
9. There is a significant risk to RBWM in identifying how it will mitigate against the loss of £75,000 corporate recharge for management costs transferring to SBC. This issue is as yet unresolved.

9 **Comments of Other Committees**

9.1 The draft of this report was tabled at the Education and Children's Services Scrutiny Panel, who welcomed the report in principle. Any further comments received will be presented at the Cabinet meeting:

10 **Conclusion**

10.1 The report proposes that a shared service provides a more robust and sustainable model for adult learning than a standalone service for Slough alone. An evaluation of the options available proposes that the preferred solution is a shared service between Slough and Windsor and Maidenhead.

10.2 The outline business case for a shared service with RBWM proposes that the benefits outweigh the disadvantages and risks. Through combining the two services and reducing duplication there is the potential to increase investment in learning delivery for local people. While there are significant risks of cost in the transition, including TUPE, the draft Memorandum of Understanding provides assurance that these will be shared between the two local authorities.

10.3 It is recommended that Cabinet approve that officers proceed to implement the shared service, subject to there being no major changes to circumstances that significantly change the business case. This is subject to the agreement of the Skills Funding Agency

Appendices Attached

- A Executive summary of the outline business case for the adult learning shared service model

Background papers

None

APPENDIX A

Executive summary of the outline business case for the adult learning shared service model

A The outline business case indicates that a shared service between RBWM and SBC, with Slough as the lead authority would have the following major benefits over the status quo:

1. Opportunity for re-investment of staffing efficiency gains of £18,000+ in improved learning delivery and support to employment for local people.
2. Continuity of service if the government decided to increase the eligibility threshold to receive funding from the SFA up to £1m per organisation funded or if funding allocations for one or both authorities were to fall below £500,000.
3. Retains local authority influence to ensure service responsive to community needs.
4. Greater resilience to deliver planned PPRG savings and reductions in management and administrative capacity through a larger unit.
5. The current level of 15,000 learner teaching hours maintained.
6. £75,000 allocated to management costs by RBWM would transfer to SBC.

B In each area considered by the business case, key conclusions were:

B1 **Benefits for learners and local authorities include:**

1. Continuity of local delivery and community responsive service
2. Service safeguarded against an increase in SFA thresholds to £1m, while retaining flexibility to join with a larger partner if exit strategy required
3. The range of courses available can be extended by offering more specialist or less popular courses across two boroughs to engage a sufficient number of learners to make them viable
4. Potential to extend apprenticeships
5. Retention of existing specialist provision through contracts with college and other local providers
6. Potential for employment related and targeted projects to be extended across two boroughs, increasing capacity to attract external funding
7. Reduction of staffing costs could release an initial £18,000+ for re-investment in additional learning and employment support

B2 **Safeguarding delivery of agreed PPRG savings**

1. A shared service, with its larger scale, will help ensure delivery of agreed PPRG savings in management and administrative staffing costs without adverse impact on customer services
2. PPRG savings can be delivered in full

B3 **Level of learning delivery sustained and improved**

1. Outline staffing arrangements deliver the same volume of learning activity (15,000 teaching hours) and community development as the current SBC or RBWM structures, subject to funding levels being maintained
2. There is a risk to the Council's Ofsted rating because the new service would include RBWM services, though those were rated good (the same as Slough) at their last inspection in 2006.
3. In addition to savings identified as part of the PPRG process, areas that are proposed for streamlining in a shared service are management information,

family learning and co-ordination of externally funded projects. A 10% contingency fund in staffing will ensure these functions are reinstated if required.

4. Proposed focus on curriculum management will help deliver consistent levels of service.

B4 Efficiency in shared staffing arrangements

1. Initial work on the staffing structure shows that staffing costs can be reduced and £18,000+ can be re-invested in learner delivery.
2. The indicative staffing structure used in preparing the business case has no impact on the volume and quantity of learning delivery.
3. Joint management information and administration will deliver simple efficiency gains through the removal of duplication.

B5 Strategic direction for the service

1. A management committee would be responsible for key decisions.
2. Agreed principles for commissioning, locally delivered learning programmes, responsiveness to local priorities.
3. Accountable to Scrutiny and significant changes in policy referred to SBC and RBWM Cabinet for decision.

B6 Safeguarding local resources

1. SFA funding for each local authority area would be ringfenced to that area after agreed central costs were found.
2. SBC's local funding for adult learning would be ringfenced to Slough

B7 Decision making and dispute resolution

1. Management committee proposed of 2 officers from each authority determining strategic plans.
2. 51% voting for lead accountable partner, SBC.
3. Escalation procedure proposed in the Memorandum of Understanding.

B8 Allocation of risk and liability, including TUPE

1. It is not possible to terminate agreement mid year.
2. Risk for TUPE and start up or termination costs is allocated according to share of resources.

B9 Efficiency improvement

1. PPRG savings can be delivered in full, with greater assurance against service reduction because of the increased scale of the shared service.
2. The outline staffing model indicates staffing costs will be at worst maintained at their current level, allowing for PPRG, or reduced by up to an additional £18,000+.
3. Savings can be made in the procurement of new systems, in particular the likely purchase of a replacement management information system in the event of supplier failure, saving a one-off £40-50,000.
4. There are very limited opportunities for savings in premises or other learning delivery costs through a shared service, at least in the first instance.
5. Further efficiency opportunities will be explored with specialist input, including from finance.

B10 One off costs and savings

1. One off costs for redundancy are estimated between £40,000 and 90,000 plus pensions. These costs will be met from corporate funds set aside for this purpose.
2. Redundancy costs for the shared service are estimated to be £10-30,000 (plus pensions) higher in 2012/13 than for a stand alone solution.
3. The redundancy risk for SBC is at the same level as it was to deliver the planned PPRG saving in management and administrative costs.
4. The shared service staffing model enables the reduction of duplication and a more efficient way of working. This more efficient staffing model has enabled a contingency budget for capacity building and additional learning delivery of £18,000+.

B11 Management fee

1. The transfer of the £75,000 management recharge by RBWM to SBC would cover the council's management overheads for the new arrangement and is a significant additional benefit to Slough. It is proposed that any additional surplus would be re-invested in learning delivery, reviewing how the arrangement is working after the initial set-up period for August 2013.
2. There is a significant risk to RBWM in identifying how it will mitigate against the loss of £75,000 corporate recharge for management costs transferring to SBC. This issue is as yet unresolved.

C Risk management

Risk area	Likelihood (1-4)	Impact (1-4)	Mitigation	Impact post mitigation (1-4)
Increase in SFA funding threshold means that SBC cannot receive government funding direct	3	4	<ul style="list-style-type: none"> • Shared service doubles the funding level above £1m • All other potential options remain unchanged for working with a larger partner if threshold above £1m • Larger unit better placed to negotiate with a potential partner 	2
One partner decides to terminate the arrangement	1	4	<ul style="list-style-type: none"> • Allocation of risk ensures that a partner acting unilaterally would carry the full cost of terminating agreement • Notice must be given by 31 December (7 months) allowing time to plan exit • Shared risk allocation if termination enforced by external factors or joint decision 	2

Risk area	Likelihood (1-4)	Impact (1-4)	Mitigation	Impact post mitigation (1-4)
Staffing insufficient to allow current service levels to be maintained	2	3	<ul style="list-style-type: none"> • 10% added to staffing model costs as contingency • Efficiency in staffing of £18,000+ provides contingency. Sum to be re-allocated to direct learning delivery if not required 	1
Local authorities cannot agree on strategic issues or resources	2	3	<ul style="list-style-type: none"> • Agreed governance and strategic plan across both authority areas • Management committee • 51% vote for lead authority (SBC) 	1
SBC incurs additional cost of TUPE	2	3	<ul style="list-style-type: none"> • Joint allocation agreed in the draft Memorandum of Understanding proportionate to funding levels 	1
Incomplete integration resulting in duplication and change not enacted	3	3	<ul style="list-style-type: none"> • Management committee sets agreed direction • Integrated staffing and processes • Shared information and understanding in developing and implementing changes at all levels 	2
Local community connections, esp in RBWM, not maintained	3	2	<ul style="list-style-type: none"> • Structure with neighbourhood working as well as thematic roles and responsibilities • Management committee retains strategic links • Reporting to Scrutiny and role of Members • Retain physical presence in both authorities • Targeted community based projects 	1

Risk area	Likelihood (1-4)	Impact (1-4)	Mitigation	Impact post mitigation (1-4)
RBWM are unable to identify income or savings equivalent to the £75,000 management cost now allocated to Slough	4	1	<ul style="list-style-type: none"> • RBWM may wish to allocate income to Council budgets (reducing sum available for learning in RBWM) • Other efficiency savings in children's services 	3
Parties don't agree the allocation of risk proposed in the Memorandum of Understanding	2	4	<ul style="list-style-type: none"> • Document drafted jointly by officers from both authorities • Early review by both legal teams • Document shared with senior officers in both authorities at an early stage 	2
SFA don't approve that SBC receive the grant for RBWM	2	4	<ul style="list-style-type: none"> • SFA regional staff informed at every stage • National SFA asked for advice on process prior to Cabinet • Clear business case and benefits delivery • Alternative arrangement to sub-contract to SBC core delivery 	3