

# Communities Committee

Item No.

<b>Report title:</b>	<b>Norfolk Community Learning Services: Business Plan for the new Vision</b>
<b>Date of meeting:</b>	<b>27<sup>th</sup> January 2016</b>
<b>Responsible Chief Officer:</b>	<b>Tom McCabe, Executive Director of Community and Environmental Services</b>
<b>Strategic impact</b> <p>This business plan provides the financial justification for the re-visioning of Norfolk Adult Education Service, now called Norfolk Community Learning Services ('the service') and the new operating model, both of which have been previously presented to Communities Committee.</p>	

## Executive summary

The new vision and operating model for the service have previously been presented to this Committee and comprise a series of learning opportunities with the option for individuals to join at a point appropriate to individual prior experience and achievement. Also on offer will be a programme of commercially delivered 'Full cost' courses. The aim of the 'Full cost' provision is to ensure that there continues to be 'leisure and pleasure' courses on offer which meet the need for extended social learning in a range of disciplines, mainly arts and crafts and language courses. The fees for these courses will be raised to £7.50 per hour with a reduced rate of £4.20 for those on income related benefits. From January 2016, a range of full cost learning experiences will be developed with the aim of marketing these for a September 2016 start and running this unit of the service as a commercially focussed entity outside of Ofsted and Skills Funding Agency oversight. In all cases, courses and programmes will be quality assured and quality controlled to ensure sustainability of the service. The service's apprenticeship programme will continue to be extended offering opportunities that are not offered by others in Norfolk. The financial modelling required to complete this business case has been undertaken by the NCC finance service. For 2015/16 financial year, a balanced outturn is forecast and the budget for 2016/17 will be rebuilt based on the new staffing structure for the service which will be consulted on during Spring 2016. Risks and issues associated with the change of direction for NCLS are considered on a regular basis by service managers and where relevant reported to this Committee.

### Recommendation

- Communities Committee is recommended to approve this Outline Business Plan and the on-going delivery of community learning services in Norfolk by NCLS.
- And to delegate to the member steering group the oversight of the development of the detailed Business plan and its delivery.

## 1. Proposal

### 1.1. Purpose of the Business Plan

The aim of the Strategy for NCLS is to:

- I. Align Norfolk Community Learning Services more effectively with the priorities of Norfolk County Council:

- a. Excellence in Education

- b. Real Jobs
  - c. Good infrastructure
  - d. Supporting Vulnerable People
- II. Build on the Post Inspection Action Plan (PIAP), address the recommendations of the Ofsted report (January 2015) and the service's Self- Assessment Report (November 2015)
- III. Address the recommendations of the FE Commissioner following the Ofsted inspection in particular the following:
 

*'On the basis that Norfolk County Council wishes to continue its commitment to delivering an adult education service it should, through its Steering Group of elected members, take a more strategic view in setting the mission and deciding the key objectives of the service in order to concentrate resources more effectively on its core provision and market. Significant investment will be required to improve organizational culture, introduce new information systems and raise the quality of teaching and learning in order to strengthen the offer to learners.'*
- IV. Position the service in the best possible place to respond to the direction of travel for central government grant funding, in particular as a provider that specialises in the delivery of apprenticeships and second chance learning. This will also enable the service to attract further discretionary funding, for example, from European Social Funds
- V. Build resilience in the service that will enable it to survive in an era of austerity.
- VI. Recognising the significant investment made by the Council so far and recommended by the FE Commissioner, as quoted above (IV), provide a return on this investment (ROI) for the Council with the service providing important parts of the following corporate outcomes for example:
  - a. Children's Services Early Help offer
  - b. Adult Social Care preventative strategy
  - c. Local Enterprise Partnership economic priorities
  - d. Devolution bid

The business plan as set out in this report will look to deliver the strategy as outlined above.

## 1.2. **Service funding**

The service receives a grant from central government which is administered through the Skills Funding Agency (SFA) and amounts to £4.97 million for the academic year 2015/16 (1<sup>st</sup> August 2015 to 31<sup>st</sup> July 2016). Of this approximately £350,000 is top-sliced for central service costs. The remaining budget is currently used to deliver a range of 'courses' to learners in Norfolk and provide the infrastructure to manage and quality assure this learning provision. In addition to the grant received, the service generates income by charging fees for some courses including 'leisure and pleasure' courses, apprenticeships and classroom based qualifications. The grant allocations for the past 3 years are shown at Appendix 1.

## 1.3. **Summary of vision**

The new vision and operating model for the service has been endorsed by Communities Committee and comprises a series of learning opportunities for

individuals in Norfolk with the option to join at a point appropriate to individual prior experience and achievement. Students will be able to progress and advance through levels of learning starting at community engagement level and, depending on individual ambition and aspirations, be assisted through to higher level vocational qualifications and onto programmes delivered by partners including colleges and university. At every point in their learning 'journey', learners will be offered support to make the best of the 'second chance' opportunities that the service offers.

#### 1.4. **The 'full cost' offer**

The aim of the 'Full cost' provision is to ensure that there continues to be 'leisure and pleasure' courses on offer which meet the need for extended social learning in a range of disciplines, mainly arts and crafts and language courses. There is a clear need and demand for these courses with learners continuing to meet and learn together for many years (in some cases up to 15 years and still continuing). Through the engagement with learners that has taken place in the development of the new Vision, learners on these courses have made it very clear that they wish the service to continue to offer this provision and it is also clear to service managers that there is a market for the specialist teaching and skills development that falls within this area of the service's offer.

1.5. These courses do not however fit with central government and local priorities to up-skill the Norfolk workforce and improve the local economy including bringing reluctant and unconfident learners back into active learning and out of welfare benefit. This is the unique role of Norfolk Community Learning Services.

1.6. Learners on these courses have described their frustration at having to complete paperwork that is required by both the SFA and Ofsted as part of the grant-funded provision. If these courses are not to be grant-funded then the requirement for paperwork is removed (except where this is a health and safety requirement for example). This would be a very positive development as far as these social learners are concerned.

1.7. In order to continue to offer 'leisure and pleasure' courses for continuing social learning groups and at the same time increase the funds generated by the service, the new operating model describes this offer as 'full cost'. The aim of this offer is to ensure that charges for these courses:

- Will fully cover the cost of delivery so that they do not require any grant funding and will be based on the assumption that:
- The operating model is sustainable;
- The pricing structure we enable a subsidy to those learners on means-tested benefits who wish to take part in these types of courses (In 2014/15, 43% of learners who joined 19+ classroom-based qualification programmes were resident in the 30% most deprived LSOAs)
- That there will be sufficient funding, that can be used by the service to offer additional opportunities to 'hard to reach' learners
- Generate funds that can be used by those who require additional learning support whilst on their learning programmes with NCLS. In 2014/15, 18% of learners with NCLS had stated additional learning needs e.g. dyslexia, mental health difficulties etc.

1.8. This year (2015/16) the fees for leisure and pleasure courses are £5.50 per hour with

a reduced rate for those on means-tested benefits of £2.20. It is proposed that for the year 2016/17 for courses where learners are clearly committed to a social learning group where formal progression and Ofsted compliant quality measures are not required, the fees are raised to £7.50 per hour with a reduced rate of £4.20 for those on income related benefits. Some existing leisure and pleasure courses which fit the above definition will be offered at this rate from January 2016 and this 'offer' has formed the basis of the financial modelling for this business case. The remainder of existing courses which fit the definition, will be offered at the increased rate at the start of the next academic year from August 2016.

- 1.9. The rate has been set at £7.50 following analysis of expenditure related to course delivery and assumed average number of attendees on course. At this stage this is based on the known, worked-up 'offer' that the service is planning and able to account for. Over time the offer will be extended as more intensive marketing and market research takes place. It is not possible at this stage to predict the extent of the new full cost programme nor therefore to set high targets for additional fee income. At this stage the additional fee income for 2016/17 has been assumed to deliver a modest additional £200k.
- 1.10. For all other courses which fall into categories not defined as 'full cost' the rates per hour will remain at £5.50 and £2.20 for those on benefits. These rates will be in place for the whole of the academic year 2015/16 and will be reviewed over the spring term with a new Fee Policy scheduled to be presented to Steering Group for sign off in June 2016.
- 1.11. From January 2016, a range of full cost learning experiences will be developed with the aim of marketing these and running this unit of the service as a commercially focussed entity with the aim of sustaining itself as well as part of the rest of the service by means of cross-subsidy. The aim of this commercial unit will be to develop the range of courses (product) on offer and market these to the population of Norfolk, nationally and possible internationally.
- 1.12. There is evidence that specialist weekend courses can be marketed and 'sold' to learners at much higher rates than the proposed £7.50 per hour with devotees to particular specialist arts and crafts media willing to pay high rates to access quality experiences. From August 2016 these packages and experiences will be further developed and marketed with reference to the local tourism industry.
- 1.13. **Quality assurance**  
In all cases the learning experience offered needs to be of high quality. Both grant funded provision and the commercial offer will be quality controlled and assured. Systems put in place by managers post the Ofsted report in January 2015 are raising standards across the service and this has been confirmed by the recent Ofsted monitoring visit. The drive to continually improve the quality of teaching, learning and assessment will continue as part of the 'normalised' self-assessment/continual improvement processes that characterise good and outstanding services.
- 1.14. At Steering Group on 23<sup>rd</sup> November a number of quality measures were agreed and are to be assembled into a dashboard of indicators that will act as a monthly health-check for the service. These indicators and their strategic importance to the service are shown Appendix 2.

Please note, there are a large number of further indicators and management information that managers are using to measure improvements to the service and

operational effectiveness.

## **2. Evidence**

### **2.1. Engagement of stakeholders**

The approved new operating model has been tested and refined by a variety of stakeholders including:

- Service staff at the recent staff conference (November 2015)
- Skills Funding Agency as part of the monthly progress meetings
- Ofsted as part of the regular Support and Challenge meetings
- Ofsted as part of the recent Monitoring visit
- Partner Colleges as part of the ongoing dialogue with sector partners
- Trades Unions

2.2. There has been universal approval of the new vision and operating model with stakeholders contributing to the detailed discussion and planning for the new-look service.

### **2.3. Apprenticeships**

Whilst funding for most of post 16 learning and skills development remains a target for future potential cuts, the government has pledged to extend the national apprenticeship programme with the aim of offering 3 million apprenticeship places within the current Parliament. The NCLS apprenticeship programme is currently being rapidly expanded and offers recognised high quality provision up to Level 5 in subjects that service competitors do not currently offer. In this way NCLS fulfils its vision to offer what other providers cannot, for the benefit of learners across Norfolk and under the purview of Members of the Council helping to ensure that local needs are met.

### **2.4. The Apprenticeship Levy**

The Government has set an Apprenticeship Levy which means that all larger employers will have to provide 0.5% of their overall pay-bill towards delivery of apprenticeships. The levy will only be paid on tax bills in excess of £3 million and it will be introduced in April 2017. Employers who pay the levy will be committed to apprenticeship training and it can only be spent by employers on apprenticeship training.

2.5. NCC Economic Development has estimated the levy cost to NCC in a year will be in the region of £650,000. It is hoped that NCC will consider NCLS as their first choice apprenticeship training provider, with the high quality of this provision making this the right choice for the apprentices where NCC is the paying employer.

## **3. Financial Implications**

3.1. Following the recent CSR, it is clear that the grant received from central government and administered through the SFA will not be reduced in the year 2015/16 (having been reduced over the past 5 years by 24%) however it remains a likely target in future years as austerity continues and other parts of the Department for Education budget are guaranteed to be protected. In January 2016, the SFA will inform NCLS what the 2016/17 grant will be and for the purposes of this report we have made the assumption that it will be £4.97 million (the same as for 2015/16).

- 3.2. To help build resilience into the system and to ensure that the service remains efficient as well as effective it is planned to rationalise staffing structures and service costs and thereby reduce the cost of running the service by 20% (£800k). Discussions with trades unions are taking place with plans to enter into a formal consultation with staff in February 2016. In addition there will be a review of the buildings and accommodation needs of the service and how these can best meet the planned outcomes and outputs for the service. The efficiency saving will be retained within the service, maximising the use of the available grant funding in the delivery of courses.

3.3.	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
<b>Expenditure</b>				
Community Engagement*	500	500	500	500
Community Second Chances*	1,280	1,280	1,280	1,280
Apprenticeships*	1,000	1,000	1,000	1,000
Second Chance Skills* including student loan facility	1,950	1,950	1,950	1,950
Learner support*	250	250	250	250
<b>Other costs</b>				
Central Services Costs	350	380	400	400
Premises costs	580	550	500	500
Full Cost recovery Courses	200	200	200	200
Other costs	20	20	20	20
<b>Total expenditure</b>	<b>6,130</b>	<b>6,130</b>	<b>6,100</b>	<b>6,100</b>
<b>Income</b>				
<b>Grant Income</b>				
Adult Skills budget	(2,327)	(2,327)	(2,327)	(2,327)
24+ Advance Loans Facility	(806)	(806)	(806)	(806)
Adult Community Learning	(1,659)	(1,659)	(1,659)	(1,659)
16-18 Apprenticeships	(76)	(76)	(76)	(76)
Adult Discretionary learner support Funding	(63)	(63)	(63)	(63)
24+ Loans Bursary Funding	(40)	(40)	(40)	(40)
<b>other income</b>				
Course Fees	(959)	(960)	(960)	(960)
Full cost offer Income	(200)	(200)	(300)	(400)
<b>Total Income</b>	<b>(6,130)</b>	<b>(6,131)</b>	<b>(6,231)</b>	<b>(6,331)</b>
<b>Net Cost/ (surplus)</b>	<b>()</b>	<b>(1)</b>	<b>(131)</b>	<b>(231)</b>

\*See Appendix 3 for descriptions and examples

- 3.4. In April 2015, funding arrangements were made available for the purposes of supporting the service up to the next unannounced Ofsted inspection. This includes the cost of additional leadership support (interim Head of Service), a series of mandatory CPD events for all staff, additional external scrutiny of the observation of teaching, learning and assessment processes. To date (November 30<sup>th</sup> 2015) this has amounted to £187k. The latest that Ofsted are likely to re-visit the service for a full inspection is September 2016 (although this is never a certainty) and the earliest they might visit is January 2016 although the Head of Service contract has been set up to March 2016. Therefore the loan may be extended to between £232k and £287k.
- 3.5. It is planned to pay back the loan through additional central support charges and by using the additional fee income from full cost provision over a period of time which will

be defined once there has been a realistic assessment of the potential profit to be made although a prudent estimate is shown in the table above. Not unlike any new small business start-up this will need to be managed carefully with growth in the business assured and sustainable. In addition the 20% efficiencies proposed will provide some financial 'head-room' for pay back of the loan should the full cost offer not deliver the funds currently anticipated within year 1.

- 3.6. For 2015/16 financial year, a balanced service outturn is forecast with a loan of up to £287k (depending on when Ofsted complete their re-inspections of the service). The budget for 2016/17 will be rebuilt based on the new staffing structure for the service which will be consulted on during Spring 2016.
- 3.7. At the end of the 2013/14 academic year, the Skills Funding Agency clawed back grant value £53K, based on the service's inability to enrol sufficient learners onto courses as had been predicted. At the end of the academic year 2014/15 the clawback was £187k and the balanced outturn for the financial year 2015/16 includes this claw-back figure. This is a failure in planning and a failure to meet the needs of Norfolk's learners. The new vision and operating model will ensure a more flexible and responsive approach to planning and delivery of the service and there is currently no predicted clawback for the academic year 2015/16.

#### **4. Issues, risks and innovation**

- 4.1. The next unannounced full inspection of NCLS could take place anytime between January 2016 and December 2016. If it takes place between January and July, inspectors will use the last full year's data to make their judgements and this data will be for 2014/15. Although improvements have been made on the 2013/14 data, these are not yet sufficient to achieve a Grade 2 'Good' rating from Ofsted which is the main aim for the service.
- 4.2. If Ofsted inspect between September 2016 and December 2016, the last full year's data will be for 2015/16 and with all the improvements being made, it is anticipated that this will show that all our learners receive a good and better service. The rationale for achieving a 'Good' grade and not a 'Requires Improvement (RI)' grade from the current position of being judged 'Inadequate' is that RI means that the service would remain at a heightened risk of receiving no further grant funding when considered as part of any Area Review and as RI the service cannot bid for any further discretionary funding such as European Social Funds (ESF).
- 4.3. Prior to January 2015, Norfolk Adult Education Service was a 'traditional' adult education service that was based on a tried and tested, established model but which did not systematically address the economic and social needs of Norfolk's population. The new vision and operating model represents a shift to a more responsive, outward-looking service where there is clarity about the different needs of learners and how the service addresses these needs. The planned innovations are being implemented over the 2015/16 academic year through a disciplined, robust, programme management approach and it is anticipated that the service will look and feel very different in September 2016 compared to September 2015.
- 4.4. There is, however, an inherent risk associated with the shift to a new operating model and this is the risk that the current staff will not have the skills, competences, attitudes and aptitudes that will be needed to make the new-look service successful. In particular the move to a commercially sound basis for the full cost provision may prove a challenge. For this reason, the Interim Head of Service is leading and driving a 'Behaviour and Culture' work-stream as part of the Service Transformation project with the aim of achieving demonstrable shift in behaviour and culture particularly for middle managers. Over time it may be possible to appoint an additional manager to

lead and develop the full cost offer and in so doing cover the cost of the appointment as well as increase the profit of this part of the service's operation for the benefit of Norfolk's learners, the staff delivering this provision and the service overall.

## **5. Background**

### **5.1. Ofsted Inspection and Monitoring Reports –**

<http://reports.ofsted.gov.uk/inspection-reports/find-inspection-report/provider/ELS/53545>

FE Commissioner's Report –

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/433042/Norfolk\\_County\\_Council\\_-\\_Further\\_Education\\_Commissioner\\_assessment\\_summary.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/433042/Norfolk_County_Council_-_Further_Education_Commissioner_assessment_summary.pdf)

Previous Committee Report and Vision document –

<http://norfolkcc.cmis.uk.com/norfolkcc/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/372/Committee/12/Default.aspx>

## **Officer Contact**

If you have any questions about matters contained in this paper or want to see copies of any assessments, eg equality impact assessment, please get in touch with:

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