

COUNCIL

16 DECEMBER 2008

**MERGER OF POOLE AND BOURNEMOUTH ADULT LEARNING SERVICE:
REPORT OF THE PORTFOLIO HOLDER FOR STRENGTHENING OUR
COMMUNITIES**

1. PURPOSE OF THE REPORT

- 1.1 To consider recommending to Council agreement in principle to the Merger of Poole and Bournemouth Adult Learning Service from the Academic Year 2009/10.

2. DECISIONS REQUIRED

That Council:

- (i) agree in principle to the merger of Poole and Bournemouth Adult Learning Services from the Academic Year 2009/10;
- (ii) note that the merger will be dependent on further financial analysis and due diligence;
- (iii) agree the final decision for Poole to merge, based on the acceptance of a viable financial plan, be delegated to the Chief Executive in consultation with the Portfolio Holder;
- (iv) agree that if the merger is agreed, that the Service Unit Headquarters is likely to be based in Bournemouth and the employing Council to be the Borough of Poole

3. BACKGROUND/INFORMATION

- 3.1 Cabinet, at its Meeting on 2 December 2008, unanimously agreed the recommendations as detailed above for approval by Council.
- 3.2 A Joint Bournemouth and Poole Member Working Party had been established to explore the possibility of a single joint Adult Learning Service to ensure that the Service maximised benefits for learners and residents. The Working Party had considered in detail the benefits and risks of the proposals of combining the two Services, including a governance model, financial issues and the need for consultation.
- 3.3 I feel that the merging of the two services would be a step forward for improved facilities for the conurbation and urge you to support the proposals.
- 3.4 The Report to Cabinet is enclosed for Members' information.

Councillor Peter Adams
Portfolio Holder for Strengthening our Communities

BOROUGH OF POOLE

CABINET

2 December 2008

**MERGER OF POOLE AND BOURNEMOUTH ADULT LEARNING SERVICES:
REPORT OF THE PORTFOLIO HOLDER FOR STRENGTHENING OUR
COMMUNITIES**

1. Purpose of report

- 1.1 To report on progress of the Bournemouth and Poole Joint Member Working Group on Adult Learning regarding the potential merger of the two Services.

2. Decisions Required

That Cabinet recommend to Council:

- 2.1 That agreement in principle is given to the merger of Poole and Bournemouth adult learning services from the academic year 2009/10.
- 2.2 That it be noted that the Merger will be dependent on further financial analysis and due diligence.
- 2.3 That the final decision for Poole to merge, based on the acceptance of a viable financial plan, be delegated to the Chief Executive in consultation with the Portfolio Holder.
- 2.4 That if the merger is agreed, that the Service Headquarters is likely to be based in Bournemouth and the Employing Council to be the Borough of Poole.

3. Background Information

- 3.1 At its meeting of 1 April 2008, Cabinet agreed to the setting up of a Joint Member Working Group. The Terms of Reference, as amended at Full Council of 15 April 2008, were:

“To explore the possibility of a single joint Adult Learning Service to ensure that any proposals maximise benefits for learners and residents”.

Five Members from each Council form the membership of the Working Group. It has met 3 times: twice in September 2008 and once in October 2008. A further meeting to review the financial details of a merger is to be planned.

- 3.2 A Memorandum of Understanding was agreed at the Working Group Meeting of 22 September 2008 and approved by Cabinet on 17 October 2008. This sets out the following objectives for a joint service:

- Integrating the provision of the service across both Boroughs;
- Managing sources of income so far as possible to provide continuity of funding for the maintenance and improvement of the service;
- Diversity, choice and access;
- Inclusion;
- Effective change and asset management.

- 3.3 The Working Group discussed the benefits and risks of the proposal, including a governance model, financial issues and consultation.

The Merger of the two Services would bring benefits to learners:

- Improved access to information through a single brochure and website
- A single Virtual Learning Environment (VLE) for staff and tutors would reduce duplication and expand content
- An improved curriculum offer by widening the range of courses available
- Fewer courses cancelled due to lack of take-up

A merged service would also lead to improved efficiency by:

- elimination of duplication
- better use of public assets
- increased resources focussed at frontline delivery
- a greater potential to generate funds to sustain services and improve choice
- increased capacity to deliver in priority areas

- 3.4 The Working Group agreed at its meeting on 14 October 2008 to seek formal approval from both Councils for the 'in principle' merger of the two Services. The Group had agreed at its Meeting on 22 September 2008 that if a merger was approved, then it would recommend that the Service Headquarters should be in Bournemouth and the Employing Council should be the Borough of Poole.

- 3.5 Staff and Unions have been kept informed and the Head of Personnel and Training is working with the Service Unit Head to plan and implement any changes appropriately so as to ensure good employee relations. Staff changes would be managed under the existing Borough of Poole policies for the management of change. It is expected that TUPE will apply and that staff would transfer into the new organisation on their existing terms and conditions and that the service would then work towards harmonisation. Wherever possible staff would fit into appropriate roles within a new structure and, in line with established policy, every effort would be made to avoid redundancies.

- 3.6 A legal agreement between both Councils will be prepared with support from the Heads of Legal Services in both Councils. The joint agreement would include provision for the creation and operation of a joint governance board and it would formalise any necessary details regarding property related issues and the treatment of any liabilities.
- 3.7 Appendix 1 provides relevant extracts from the financial report discussed by the Working Group at its Meeting of 14 October 2008.

4 Risk Management

- 4.1 Adult Learning can be a complex business area and there are some risks inherent in normal operation of the business. Some of these are described in Appendix 1. In recent years Poole Adult Learning has demonstrated a consistent and successful track record in effectively managing its business activities.
- 4.2 Poole Adult Learning is relatively small and both the Learning Skills Council (LSC) and the Joint Member Working Group support this proposed merger on the understanding that a larger organisation would be better placed to provide the specialist skills and operational flexibility to manage a complex business. There is likely to be an ongoing change in the adult learning sector and a larger organisation would be better equipped to manage future changes.
- 4.3 Whichever year a merger may take place there will always be a problem of potential clawback for the first two years of operation. With regard to the current position, highlighted in paragraph 4.7.2 of Appendix 1, if targets are not achieved there is a risk that the LSC might claw back funds from either service for the years 2007/8 and, following the end of the current financial year, 2008/9. The timelags can be considerable and this problem would be the same whatever year a merger was being considered. The risk of clawback needs to be managed and a formal agreement will be developed between the two Authorities on how clawback will be managed. Negotiations are continuing with the LSC to minimise the impact of any clawback, but there remains a risk that if either service could not resolve a clawback position that the merger might not proceed. This risk will continue to be assessed and will be resolved as part of the due diligence process.

5 Communities Overview and Scrutiny Committee

The recommendations of the Joint Member Working Group on Adult Learning were considered in Poole by the Communities Overview and Scrutiny Committee on Tuesday 18 November 2008. See minutes of this meeting for details.

Cllr Peter Adams

Portfolio Holder for Strengthening our Communities

Background Papers

Adult Learning Service Joint Working with Bournemouth, Cabinet 1 April 2008

Memorandum of Understanding, Cabinet 7 October 2008

Communities Overview and Scrutiny Committee Minutes, 18 November 2008

Officer Contact

Kevin McErlane, Head of Culture and Community Learning

**EXTRACTS FROM BOROUGH OF POOLE AND BOURNEMOUTH BOROUGH
COUNCIL ADULT LEARNING JOINT MEMBER WORKING GROUP - 14TH
OCTOBER 2008**

ITEM 4: CONSIDERATION OF FINANCIAL ISSUES

3.0 BACKGROUND

3.3 The Learning and Skills Council (LSC) fund both Adult Learning Services. Previous meetings of the working group have heard details that in the next few years the functions of the LSC are likely to be split and reallocated. Details are to be confirmed but the LSC's 16-18yrs funding responsibilities are planned to pass to Local Authorities and 19+yrs to the new Skills Funding Agency. Members also heard that national funding priorities in this area have been subject to significant change in recent years and are likely to be subject to ongoing change in the future. This means that the management of ongoing changes in the methods of funding and in the priorities of the main funders will continue to be an issue whether the merger proceeds or not. The Working Group has previously considered that a larger service would be in a better position to manage these issues.

3.4 For next year, it is expected that the LSC will agree outline funding levels and targets for adult learning in Poole and Bournemouth for 2009/10 during January and February 2009. The completion of that negotiation will enable further detailed planning about the cost and delivery options for the future.

4.0 CURRENT FINANCIAL POSITION OF THE TWO ADULT LEARNING SERVICES

4.1 Financial planning for adult learning takes place within two separate but related time periods – the Local Government financial year and the Adult Learning Service's normal business cycle which is the academic year.

4.6 Note on actual outturn for academic year 2007/8

The outturns for the academic year 2007/8 are still subject to the reconciliation of potential clawbacks by the LSC. This reconciliation may not be confirmed until March 2009.

4.7 Notes on projected outturns for financial year 2008/9

4.7.1 Final financial outturns are subject to a number of complex and detailed influences that need to be carefully managed throughout the year and cannot be confirmed until the business cycle of the year is complete. These influences include the number of learners that join advertised courses, fee income earned and concessions awarded, the completion rate and achievement of learners, the costs incurred in delivering courses and success in attracting and delivering against a range of project funded activities.

4.7.2 Failure to achieve prescribed targets can result in the 'clawback' of funding after the end of the academic year usually in March of the following year. The

achievement of targets can be influenced by some factors within the services control (such as effective planning, successful marketing, good reputation, and good levels of service) and some factors outside services control (such as competitors, economic climate, social changes, cost changes and national led target setting).

- 4.7.3 There is always a risk that current projections for outturns may not be achieved. If this happened in the current financial or academic year, the result could be that the new merged service was required to pay back in March 2010 some of the grant that had been received by one or both of the separate services before the merger.
- 4.7.4 There are two basic approaches employed in the management of clawback. In one method the Adult Learning Service will respond to a clawback position when it emerges by rolling forward the liability into the following years costs to become part of next years budget balance. Alternatively where the clawback can be anticipated early enough, an in-year provision can be made by building a clawback contingency during the year when the anticipated clawback is incurred. Adult Learning Services are used to working in flexible ways that include the carrying forward of liabilities for clawback from one year into the next where it often can be managed into the financial planning cycle. However, the early identification and provision for clawback in-year is a more stable financial approach.
- 4.8 To mitigate the risk of clawbacks arising from trading in the academic year 2008/9 that would potentially impact on a new merged service in the first year of operation there are some issues to consider:
- The two Services would work very closely together to monitor, share and manage the two financial positions towards a balanced outcome.
 - The LSC, without making a definite commitment, will endeavour to help us smooth out any clawback issues as far as they can.
 - The building up and use of a clawback reserve can be explored, particularly where either service identifies an emerging potential problem.
 - An agreement to carry forward an agreed level of liability into the merged organisation could be made.

5.0 Principles for financial management of joint service

- 5.1 The Memorandum of Understanding has already established an agreement that both parties will bear the cost of supporting the furtherance of the project in equal proportions.
- 5.2 The Memorandum of Understanding includes provision for the Heads of Legal Services of both Authorities to support the appropriate development of a more detailed formal agreement if Members agree that the merger should proceed. The financial issues considered by Members as part of this report should form part of the agreement.
- 5.3 It is acknowledged that for reasons explained above in 3.4 there is insufficient knowledge about future funding levels for the Service to be able to develop a detailed financial plan for the proposed new Service. Therefore any recommendation to create a merged service should be subject to a due diligence test at an appropriate time to provide a detailed financial plan that shows a viable service budget based on anticipated income, costed staff and resources and planned programme of operations, prior to commencement of any joint service. The acceptance of a viable financial plan will be a Cabinet level decision and could be exercised by Portfolio Holders or full Cabinet decision.
- 5.4 This Report has described the uncertainties and risks of potential clawbacks that continue to exist from both 2007/8 and the current financial year. Therefore the Heads of Financial Services in Bournemouth Borough Council and the Borough of Poole are asked to propose arrangements between the two Authorities to ensure the equitable treatment of any clawbacks and liabilities during and after the transition into a merged service. Formal terms between the two authorities for dealing with any clawbacks should be in place to support the more detailed Financial Plan referred to in 5.2 and would form a part of the formal agreement between the two Authorities this is proposed in the Memorandum of Understanding.
- 5.5 The Proposed Formal Agreement should contain appropriate provision to ensure that each Authority shares the risks associated with a merged service.
- 5.6 The Formal Agreement should contain clauses to ensure that any costs associated with the dissolving of the joint service at any point in the future would be shared appropriately.

Kevin McErlane
Head of Culture and Community Learning