

## **Cabinet – 27 July 2016**

### **Walsall Adult and Community College Budget for 2016/17**

**Portfolio:** Councillor R Burley, Children's and Education

**Related portfolios:**

**Service:** Young People's Directorate

**Wards:** All

**Key decision:** No

**Forward plan:** No

#### **1. Summary**

- 1.1 This report sets out Walsall Adult and Community College's Budget for 2016/17.
- 1.2 In December 2014, the Walsall Council Cabinet approved the College's two stage spin out from the Council. The College became a wholly owned subsidiary of the Council on 1 August 2015. Prior to the December 2014 Cabinet decision, detailed business planning for a five year period was undertaken. The Operational Plan and Budget for 2016/17 are an update of the December 2014 plans.

#### **2. Recommendations**

- 2.1 That the Cabinet approves the Walsall Adult and Community College Budget for 2016/17.

#### **3. Report detail**

- 3.1 In early 2014, Walsall Council recognised the College to be the main service within the Council for consideration as a spin out. The Council secured 'Delivering Differently' funding from the national Cabinet Office for a 'Structure and Prospects' appraisal via KPMG and Eversheds. This work informed the development of business plans and financial forecasts.
- 3.2 This business development activity culminated in Walsall Council's Cabinet giving approval in December 2014 for the College to become a wholly owned subsidiary of the Council with effect from August 2015, with a view to achieving full independence after two years. The College became a wholly owned subsidiary of the Council on 1 August 2015.

- 3.3 The College is now nearing the end of its first year of trading as an independent entity and the forecast outturn for 2015/16 is looking positive with the College expecting to better the budget by £28k.
- 3.4 The 2015/16 year hasn't been without its challenges; before the year even started the College experienced a cut in education funding of £415k. This necessitated a re-budgeting exercise, where cost savings were identified and actioned to meet the shortfall.
- 3.5 Despite these challenges the College is on target to deliver over 8,000 learning opportunities to the people of Walsall, 47% in the 6 most disadvantage wards.
- 3.6 The College's current delivery profile for 2015/16 is showing that 79.3% of these learning opportunities have been taken up by people who are unemployed or not economically active; 13.5% with disabilities or learning difficulties of which 3% have disclosed a mental health issue.
- 3.7 In preparation for 2016/17 and future years, the College has been successful in securing further project funding for City Deal and new project funding for the Building Better Opportunities initiatives.
- 3.8 Since 2009, Walsall Adult and Community College has demonstrated its clear strengths and uniqueness in the local market through vigorous pursuit of its Mission, Vision and Values, and by achieving Ofsted 'Outstanding'. The College has made a significant contribution to developing learning and skills in Walsall and surrounding areas, focusing its efforts on those with the highest needs who are furthest away from employment and/or engagement in local communities.
- 3.9 2016/17 will be a year where the College builds on the successes of 2015/16, and further develops its offer to reach more Walsall residents and increase their skills and engagement to enable them to move closer to employment.
- 3.10 The 2016/17 budget has been drawn up to support the curriculum plan to deliver 9,995 learning opportunities, which is an increase of 1,838 on 2015/16. There are three main growth areas; 16-18 provision, European Grants and Apprenticeships.
- 3.11 It is planned that 13% of education contract income will be sub-contracted to targeted local training providers and community organisations, with a focus on support for community cohesion in line with Walsall's emerging strategy. This will be achieved through the provision of educational activities and language courses targeted at existing and new communities.
- 3.12 The College's Budget for 2016/17 builds on the business and financial plans developed in 2014. The Operational Plan takes account of key local and regional priorities such as those produced by Walsall Council and the Black Country LEP. This plan also reflects the College's Strategic Plan and ongoing developments in the curriculum, some of which have emerged through the internal self-assessment process.
- 3.13 Overall the Budget for 2016/17 is in line with the 5 year plan submitted to Cabinet in December 2014. The key area of change is that there is a reduced reliance on growth in Apprenticeships with higher targets being set and achieved for growth

in Education Funding Agency funded 16-18 provision and European Grant funded projects. The loss of English for Speakers of Other Languages (ESOL) mandated funding has been managed through a reduction in costs.

- 3.14 The 2016/17 Budget sets out the key indicators that the College's Senior Leadership Team and the Board of Directors will monitor monthly throughout the year.

#### **4. Council priorities**

- 4.1 Walsall Adult and Community College's established role in providing high quality learning and skills first step provision for the most disadvantaged in Walsall ensures that, in 2016/17, it will continue to make an important contribution to the Council's corporate priorities:

- **creating jobs and helping people get new skills** – the College provides a wide range of learning opportunities that enable people to develop new skills and work towards economic independence
- **improving educational achievements** - the College provides high quality (Ofsted Outstanding) learning opportunities that enable people to achieve qualifications and progress to work, further training or greater independence
- **promoting health and wellbeing** – many of the College's learners experience an increase in their sense of worth when they progress in their studies, frequently for the first time in their lives; some go on to make a positive contribution to society through reduced dependence on the state. Many learners also increase their understanding of healthy lifestyles through their learning programmes and the advice and support received at college.

- 4.2 Overall, the College's provision meets the needs of local communities and enables individuals and groups to work towards and achieve appropriate qualifications, progress to employment and/or further training and make a positive contribution within the borough.

#### **5. Risk management**

- 5.1 A key risk for the Council has been identified as:

- if the College fails to achieve its contract targets, as stated in the Budget and Operational plan, there is a risk that the College would face funding claw back and become financially unviable, potentially leading to a financial risk to the Council.

- 5.2 Key risks associated with the 2016/17 Budget for Walsall Adult and Community College have been identified as:

- if the College fails to achieve its contract targets, as stated in the Budget and Operational plan, there is a risk that the College would face funding claw back and become financially unviable.

- If the College fails to administer the European Grant funding correctly there is a risk that grant claims will be rejected and income not forthcoming to cover costs incurred.
- If the recent EU referendum result impacts on current and future grant funding there is a risk that the College will fail to deliver its income targets resulting in a greater deficit than planned.
- If the College fails to increase participation on full cost recovery courses, there is a risk that the College will return a greater deficit than planned.

5.3 The above risks will be mitigated through close monitoring of income and expenditure throughout the academic year. Additional resources have been included in the budget to adequately administer and support the projects funded via European Grants.

5.4 The College has received written assurance from the Big Lottery Fund that they are committed to the current round of European Grants up until 2020. For future grant opportunities the risk of funding being withdrawn part way through a project will be assessed as part of the College's due diligence.

5.5 Risks have been discussed at Senior Management and Board meetings. The outcomes of these meetings have informed the recommendations in this Cabinet report.

## 6. Financial implications

6.1 A summary of the full budget that has been developed for 2016/17 is attached at **Appendix A**.

The headlines are:

	<b>Budget (£000s)</b>
Education contract income	£3,653
Grant income	£386
Other income	£662
<b>TOTAL INCOME</b>	<b>£4,701</b>
Staffing costs	£3,077
Other expenditure	£1,887
<b>TOTAL EXPENDITURE</b>	<b>£4,964</b>
Surplus/(Deficit) before Council support	(£263)
Council support	£176
<b>SURPLUS/(DEFICIT) after Council support</b>	<b>(£87)</b>

6.2 In line with the financial plan presented to the Walsall Council Cabinet on 17 December 2014, the College's proposed budget for 2016/17 has a deficit of £87k after Council support of £176k.

- 6.3 The total budgeted income for 2016/17 is £4,701k; staffing costs are £3,077k; other expenditure £1,887k.
- 6.4 Initial contract allocations for 2016/17 totalling £3,653k have been received from the Education Funding Agency (£449k) and Skills Funding Agency (£3,204k) and the curriculum has been planned to deliver these contract amounts.
- 6.5 The allocation from the Skills Funding Agency includes £353k for Apprenticeships. No additional in year funds for apprenticeship growth have been included in the budget, however should Apprenticeship growth exceed this then funding for growth will be applied for.
- 6.6 £336k of the £386k target for grant income has already been confirmed and the bidding process for the remainder underway. The College has expressed an interest in being a delivery partner for the Youth Employment Initiative and further European projects.
- 6.7 Staffing costs of £3,077k have been budgeted for. This represents 65% of income which is in keeping with the sector average of 65%.
- 6.8 Teaching staff costs represent 55% of the total staffing cost, with Learning Support and Quality representing 14%. The remaining 31% is invested in Business Development and Business Support. A cost of living increase of 1% has been assumed in the budget.
- 6.9 The budget for other expenditure is £1,887k which includes £376k in fees for subcontracted provision.
- 6.10 Capital expenditure of £200k is proposed for 2016/17.
- 6.11 A total of £157k is proposed to be spent directly from reserves. This is the remainder of the agreed investment in 2015/16 to support the further growth in apprenticeships. These funds will be used wider to also support further growth in the 16-18 provision.
- 6.12 The budgeted balance sheet for the year ending 31 July 2017 has net assets of £1,555k and unrestricted cash reserves of £1,203k.
- 6.13 The budgeted level of cash reserves means that the College could continue to operate for 98 days in the event that all income sources ceased.

## **7. Legal implications**

- 7.1 The main source of funding for the College is the Skills Funding Agency (SFA) grant. This will have to remain in the Council's name until such time as the SFA agrees to pay the grant direct to Walsall Adult and Community College when the college completes its full spin out from the Council. In the meantime, the Council will rely on the Teckal exemption which is codified in regulation 12 of the Public Contracts Regulations 2015, in order to procure the services which the SFA grant is intended to fund from the College. This means that the Council can contract direct with the College for these services without having to comply with the EU procurement regime which is set out in the Public Contracts Regulations 2015.

- 7.2 To be compliant with the Teckal exemption in regulation 12 more than 80% of the business activities of the College must be for the Council. WACC's budget and operational plans meet this requirement.
- 7.3 Regulation 12 of the Public Contracts Regulations 2015 also requires that the Council exercises a level of control over WACC similar to that which it exercises over its own departments. These controls are incorporated into WACC's Articles of Association and are the basis for the recommendations in this report.

## **8. Property implications**

- 8.1 The College will continue to occupy the Hawbush Centre in Leamore and the Whitehall Centre in Caldmore rent free for 2016/17. This forms part of the £176k of Council support, approved by the Walsall Council Cabinet at their meeting on 17 December 2014.
- 8.2 As part of the restructure necessitated by the cut in ESOL Mandated funding the College had identified that cost savings could possibly be made if suitable alternative premises for the provision at Whitehall Centre could be found. To date no such suitable alternatives have been identified so the 2016/17 Budget includes a full years running costs for the Whitehall Centre.

## **9. Health and wellbeing implications**

- 9.1 Participating in learning activities through the College enables many learners to reduce their dependence on the state and become positive contributors to their local community.
- 9.2 Many learners also increase their understanding of healthy lifestyles through their learning programmes and the advice and support received at college.

## **10. Staffing implications**

- 10.1 The Budget for 2016/17 has no direct staffing implications. Four new full time posts have been included in the budget to support the increased income and grant funded projects. The College is mindful of the need to ensure that staff skills are developed in order that changing curriculum needs and funding agency priorities can be met.

## **11. Equality implications**

- 11.1 Walsall Adult and Community College directly supports inclusion by targeting its learning programmes and support services to the most disadvantaged individuals and groups locally, including those with protected characteristics as defined by the Equality Act 2010.
- 11.2 Many of the College's learning programmes are designed to address worklessness and to reduce the number of local young people who are not accessing education, employment or training. The College also offers a wide range of community provision that encourages those who are not yet ready to access mainstream programmes to attend a local first-step course.

11.3 The College supports inclusion by promoting community cohesion and reducing inequalities through the delivery of targeted programmes across the borough via its nine community partners.

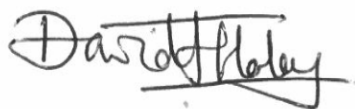
## 12. Consultation

12.1 In recent months, consultation has taken place with the College Board's Finance and Resources Committee who will be recommending that the Budget and Operational Plan for 2016/17 is approved by the Board at the meeting on 26 July 2016.

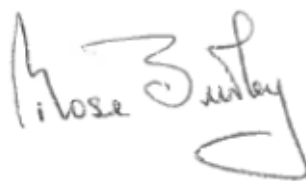
### Appendix A Walsall Adult and Community College Budget 2016/17

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David Haley  
Executive Director  
19 July 2016



Councillor Burley  
Portfolio Holder  
19 July 2016

## Walsall Adult and Community College - 2016/17 Budget

£000's	2016/17 Total Budget
<b><u>INCOME</u></b>	
Education Funding Agency (EFA)	£449
Skills Funding Agency (SFA)	£2,852
Apprenticeships	£352
<b>Education Contracts Sub Total</b>	<b>£3,653</b>
<b>Grants</b>	<b>£386</b>
<b>Other Income</b>	<b>£662</b>
<b>TOTAL INCOME</b>	<b>£4,701</b>
<b><u>STAFFING COSTS</u></b>	
Contracted Staff	£2,195
Sessional Staff	£339
Employer On Costs	£543
<b>TOTAL STAFFING COSTS</b>	<b>£3,077</b>
<b><u>OTHER EXPENDITURE</u></b>	
Staff Related Costs	£99
Resources	£762
Premises	£363
Other Costs	£574
Depreciation	£89
<b>TOTAL OTHER EXPENDITURE</b>	<b>£1,887</b>
<b>SURPLUS/(DEFICIT)</b>	<b>(£263)</b>
<b>COUNCIL SUPPORT</b>	<b>£176</b>
<b>SURPLUS/(DEFICIT) AFTER COUNCIL SUPPORT</b>	<b>(£87)</b>
<b><u>BALANCE SHEET - EXTRACTS</u></b>	
<b>Net Assets</b>	<b>£1,555</b>
<b>Capital Investment</b>	<b>£200</b>
<b>Growth Investment</b>	<b>£157</b>
<b>Cash Reserves</b>	<b>£1,203</b>