

Report to:	Cabinet	Date of meeting:	2 November 2017
Subject:	Merger of South Sefton College with Hugh Baird College as recommended by the Liverpool City Region Area Review		
Report of:	Head of Schools & Families	Wards Affected:	Ford and neighbouring wards where pupils reside
Is this a Key Decision:	Yes	Included in Forward Plan:	No – Rule 27
Exempt / Confidential Report:	No		

Summary

Following a consultation on the proposed merger of South Sefton College and Hugh Baird College Cabinet approved the proposal for the colleges to merge. However, the proposed merger with Hugh Baird did not proceed in accordance with the original timetable due to a significant drop in student numbers in September which impacted on the business plan which had been agreed with the Council.

The purpose of this report is to consider the revised business plan which has been updated to take into account the current position and the revised financial implications for the Council.

Recommendation(s):

Cabinet are recommended to:

- (1) Note the latest position on the merger of South Sefton College with Hugh Baird College as recommended by the Liverpool City Region Area Review of post 16 education and training institutions contained in the report; and the reduced student numbers.
- (2) Note the commitment of Hugh Baird and South Sefton Colleges towards the merger in agreeing a memorandum of understanding to enable joint working in anticipation of the formal merger.
- (3) Note that the alternative to progressing the merger would be closure which would have an adverse impact on students, staff and affect educational opportunities for young people in the south Sefton area.
- (4) Agree the revised financial implications associated with the merger with Hugh Baird as set out in the report and authorise Officers to finalise the merger with Hugh Baird and South Sefton College as soon as practicable,
- (5) Note that the proposal was a Key Decision but had not been included in the Council's Forward Plan of Key Decisions. Consequently, the Leader of the Council and the Chair of the Overview and Scrutiny Committee (Children's Services and Safeguarding) had been consulted under Rule 27 of the Access

to Information Procedure Rules of the Constitution, to the decision being made by Cabinet as a matter of urgency on the basis that it was impracticable to defer the decision until the commencement of the next Forward Plan because the merger needs to take place before the end of term to avoid further uncertainty and increasing cost.

Reasons for the Recommendation(s):

Given the change in student numbers the Local Authority need to agree the revised financial implications following a review of the merger proposal

Alternative Options Considered and Rejected: (including any Risk Implications)

The alternative option would be to close South Sefton College because it is no longer viable. This would have a major impact on current staff and students as well as future educational opportunities for young people in South Sefton.

What will it cost and how will it be financed?

(A) Revenue Costs

As part of the merger discussions, agreement was reached whereby the Council would provide interim financial support to Hugh Baird. This support is based upon a business plan that covers the next 3 years and represents the Councils maximum exposure.

The council holds a reserve that is in place to support the costs associated with the closure or transfer of schools, where the costs of deficits fall due to the local authority. This balance will not be sufficient to meet the costs included within this report therefore the Council will need to identify additional resources from its other reserves and balances. The Funding implications of this are detailed in the body of the report.

(B) Capital Costs

N/A

Implications of the Proposals:

Resource Implications (Financial, IT, Staffing and Assets):

As part of the consultation process meetings have been held with staff in the school and their trade union representatives

Legal Implications:

The consultation on the proposal to merge the school and publication of the statutory notice has been carried out in accordance with the requirements of the Education and Inspections Act 2006 and specifically the School Organisation (Establishment and Discontinuance of Schools) Regulation 2013/3109 as amended.

Equality Implications:

There are no equality implications.

Contribution to the Council's Core Purpose:

Protect the most vulnerable:
Facilitate confident and resilient communities: retention of local post 16 provision in a deprived area of the borough
Commission, broker and provide core services:
Place – leadership and influencer: the merger of South Sefton College with Hugh Baird College was recommended by the Liverpool City Region Area Review of post 16 education and training institutions
Drivers of change and reform: the merger of South Sefton College with Hugh Baird College was recommended by the Liverpool City Region Area Review of post 16 education and training institutions
Facilitate sustainable economic prosperity: providing local post 16 educational opportunities in a deprived part of the borough where travel may potentially be a barrier to participation
Greater income for social investment:
Cleaner Greener:: local provision means local people do not have to travel as far.

What consultations have taken place on the proposals and when?**(A) Internal Consultations**

The Head of Corporate Resources (FD 4900) and Head of Regulation and Compliance (LD 4184.) have been consulted and any comments have been incorporated into the report.

(B) External Consultations

Public consultation on the proposal has taken place through the statutory notice and consultation regarding staff transfer as part of the merger has taken place with staff and trade unions. The merger was the preferred option.

Implementation Date for the Decision

Immediately following the expiry of the “call-in” period for the Minutes of the Cabinet meeting

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Appendices:

None

Background Papers:

There are no background papers available for inspection.

1. Background

- 1.1 Members will recall that Cabinet approved the merger of South Sefton College and Hugh Baird College following a detailed statutory consultation, and all of the necessary legal documentation was ready for completion.
- 1.2 However, the merger between South Sefton College and Hugh Baird did not proceed as planned or in accordance with the original timetable because of a significant drop in pupil numbers which meant Hugh Baird's business plan was no longer viable.
- 1.3 Hugh Baird's Board have subsequently met and following a comprehensive review of their business plan have resolved that they are still keen on the merger and would like to take over running of the College via a memorandum of understanding in advance of a formal merger. Following the review of the business plan they also have asked the Council to re-negotiate the financial support that will be provided over the next 3 years to ensure their business plan is viable. If A-level student numbers did not increase Hugh Baird would want to run alternative FE courses to provide an offer from the site.
- 1.4 It should be noted that the financial detail contained within this report represents the maximum exposure that the Council will be exposed to, with an support being subject to an 'open book' review of financial performance. Based upon the work undertaken in recent weeks the increase in cost for the Council, above what has already been approved is £1.4m.

2 Discussions with Hugh Baird and South Sefton

- 2.1 Despite the low student intake there is a joint commitment from both organisations to making the partnership work into the longer term. The organisations have agreed a memorandum of understanding which will enable Hugh Baird to provide essential support to South Sefton in advance of the formal merger taking place particularly around student recruitment and marketing for next year.

- 2.2 There is a strong commitment from Hugh Baird to A levels as the core purpose of the curriculum, however recognising that this would be continuously reviewed based on numbers to ensure the right mix of offer in the best location for students.
- 2.3 Hugh Baird is keen to develop the potential for apprenticeship degrees and good A level and BTech provision is essential for this to happen.
- 2.4 The College will be re-branded to make it more attractive with a Campus model being developed which is based on other successful FE Colleges. This is important given the current key stage 5 outcomes in South Sefton are significantly below the national average.

3. Options

3.1 Merger Option

- 3.1.1 Previous reports have set out the significant benefits associated with the merger of the two colleges as set out in the Liverpool City Region Area Review of post 16 education and training institutions.
- 3.1.2 From a strategic perspective the merger would provide clear, high quality professional and technical routes to employment, alongside robust academic routes, which allow individuals to progress to high level skills valued by employers. As well as being more responsive to local employer needs and economic priorities, which will help give the sector the agility to meet changing skills requirements in the years ahead.
- 3.1.3 The decision of the two Colleges to propose a merger is based on a strategy to offer the very best post 16 education for the South Sefton area. Both Hugh Baird College and South Sefton College have a distinctive offer. The proposed merger keeps the two existing campuses and builds on the strengths of the two institutions to ensure the best quality provision.
- 3.1.4 The merger will ensure a broad curriculum offer for school-leavers with high quality A Level and vocational provision for South Sefton. The merger will also ensure that all school leavers in South Sefton and the surrounding area can be guaranteed a place in a specialist centre on a course that is right for them and their career ambitions. This is important as key stage 5 outcomes for South Sefton are significantly below national averages.
- 3.1.5 In order to ensure the viability of the merged college, given the low student intake in September, Hugh Baird have revised their business plan to take into account the loss of income from these students over the next two academic years. The maximum additional cost to the Council of agreeing this option would be £1.4m. The agreement would put a ceiling on the Council's financial contribution as per the previous agreement and any payment would be based upon an open book review of financial performance.

3.2 Closure Option

- 3.2.1 During the consultation on the merger proposal it was made clear that if the merger did not proceed, South Sefton College was not viable as a standalone setting any longer and would have to close.
- 3.2.2 Closure would have an impact on current students and staff (who would be made redundant) and on future students who would not have local independent A-level provision.
- 3.2.3 The cost of closure is estimated to be around £1.9m but the Council would incur ongoing costs in terms of rates (£125k per year) and security/mothballing until an alternative use can be found. There is likely to be a call for the local authority to provide financial support to other schools for the current year 12 students who will have to move to alternative settings for their final year as these settings will not receive any funding directly from the EFA for transferring students.
- 3.2.4 If Members wished to defer the closure until August 2019 to minimise the effects of closure on student mid-course the financial deficit at the point of closure would increase significantly to approximately £2.82m and with other exit costs added would mean a total cost in excess of £3.2m that the Council would need to support.

4. Financial Implications

- 4.1 In considering the two options that are available, a financial evaluation of each has been undertaken to determine the cost to the Council. A summary of this is shown as follows:

Option 1 – Support for Hugh Baird Business Plan to merge the Colleges

	£
2017/18 Operating Deficit 31st July 2017 revised to reflect actual position (write off by the Council)	- 529,037
Academic Year 2017/18 Operating deficit Aug 2017 – July 2018	- 704,261
Academic Year 2018/19 Operating deficit Aug 2018 – July 2019	-1,229,727
Academic Year 2019/20 Operating deficit Aug 2019 – July 2020	-1,100,044
Total Support to Hugh Baird	-3,034,032
<u>Total Support to underwrite deficit until 31st July 2020</u>	<u>-3,563,069</u>

Option 2a – Closure of South Sefton Sixth Form College 31st August 2018

	£
2017/18 Operating Deficit 31st July 2017 (actual)	- 529,037
2017/18 Operating Deficit Aug - March 2018 (-£73,185 per mth)	-585,480
2018/19 Operating Deficit April - Aug 2018 (-75,280 per mth) - 1% uplift on Price / Pay	-376,400
<u>Estimated Severance Costs -31st August 2018</u>	-419,160
Total Cost of Closure – known at this point in time	-1,910.077
Other Costs which will need to be met	
Transitional Support - Current Year 12 Students placed at other schools	Not known at this point
Mothballing Costs / upkeep of playing field	125,000 rates per year but additional costs not known at this point
Any Contractual / Leasing arrangements that need finalising	Not known at this point

- 4.2 From the work undertaken it can be seen that the cost of closure would be a minimum of £1.9m with the support to Hugh Baird as part of a merger being a maximum £3.6m over 3 years.
- 4.3 As discussed, Members in agreeing to the Merger with Hugh Baird, have previously approved that the associated costs would be met from the use of the closed schools reserve of £1.48m together with a contribution from its earmarked reserve.
- 4.4 The additional maximum financial contribution that is required following the review of the business plan is £1.4m as set out earlier in this report. At present there is no budget provision for this within the Councils revenue budget and the funding required will represent a 'one-off payment to Hugh Baird. It is therefore proposed that if required the Council utilises additional 'one-off' Business rates receipts that are anticipated in 2018/19 and 2019/20.
- 4.5 In the event that the merger proceeds the Council will work with Hugh Baird to continually monitor financial performance, with the outcome of these exercises being presented to the Cabinet Member