

**Our Ref: Cllr PJ/H1365/jcm**  
**17<sup>th</sup> February, 2011**

**Councillor Peter John**  
**Leader of the Council**  
Labour Member  
for South Camberwell Ward

Cabinet Suite  
Southwark Council  
P.O. Box 64529  
London SE1P 5LX

Tel: 020 7525 7158  
Fax: 020 7525 7269  
E-mail: peter.john@southwark.gov.uk

Dear Nicola,

I am writing to explain why it has been necessary to change the fees policy for and amend the minimum learners policy for Southwark's Adult Learning Service. My colleague Cllr Veronica Ward, the Cabinet Member for Culture, Leisure, Sport and the Olympics, has asked scrutiny to look into the way adult learning is delivered in Southwark, and I hope that scrutiny will work with learners to identify improvements that can be made to the service.

After a number of years of decline, the 2009 OFSTED inspection of the service found that it had improved and was now "satisfactory" with many good features. At the core of the changes that have been made to the adult learning service is the aim of continuing this improvement and of keeping the service sustainable for the future.

Under the fees system that existed prior to September last year the adult learning service was overspending every year (see table 1 at the end of this letter). This was because the amount of funding that the council receives from the Skills Funding Agency (SFA) is based upon the number of unique learners that attend courses and does not cover the extra costs placed on the council for returning learners, for whom the council receives no external funding. For this purpose "unique learners" are individual learners who are counted only once for any course they take in an academic year in our returns to the SFA, regardless of the number of courses they take.

While this has always been the case, in the past the council has failed to limit the number of subsidised courses that a learner can enrol on, leading to an overspend which has had to be covered from the council's central budget. In previous years some learners have taken as many as 9 or 10 courses per year, for which the council has only received one subsidy. Given the scale of the cuts being forced on the council by government we can no longer afford to subsidise this service from the council's budget; the previous fees regime was therefore unsustainable.

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The council has also in previous years risked clawback of the funding that it receives for the adult learning service from the SFA by failing to meet its unique learner target. Funding clawback would place further pressure on the service and the council. While the service met its target last year, this was the first year in many years and it is not guaranteed that without change to the fees policy and minimum learner policy we would continue to meet this target.

Performance monitoring by the Learning and Skills Council (now replaced by the Skills Funding Agency) identified Southwark's service as one of the most expensive to run in London, based on the funding subsidy and learner numbers. The Skills Funding Agency (SFA) is the sole source of public funding for the Southwark Adult Learning Service and the service is therefore subject to the quality and funding requirements of that organisation.

### **Fees and concessionary charges policy**

In order to make the service sustainable a new fee structure was introduced in the Adult Learning Service in line with the academic year, from September 2010. This was advertised in the autumn term brochure. Team leaders were also briefed extensively on the changes and tutors were briefed by team leaders. The new fee policy is as follows:

There are four fee categories: Standard (S), Concession (C), Nil (N) and Subsidised Cost Recovery (R)

- Standard fee: £3.60 per hour
- Concessionary fee: £1.55 per hour\*
- Subsidised cost recovery fee: £5.50 per hour (for learners wishing to enrol on second and subsequent courses)
- Nil fee: no cost to the learner.

\* those who are in receipt of a means tested benefit (including pension credit) are eligible for concessionary fees on their first course. We also give a concessionary fee for the first course to those whose sole source of income is the government state pension.

Means tested benefits that are eligible for a concessionary fee are:

- Jobseekers allowance
- Income support
- Housing benefit
- Council tax benefit
- Working tax credit
- Unwaged dependent on one of the above
- Pension credit

As part of the change in the fees policy the council has limited the number of subsidised courses that learners can take to one a year. This means both that learners are not able to take more than one subsidised course in one term and that learners are not able to take more than one subsidised course over an academic year, including in the same subject. For learners who attended one course in the autumn term the cost recovery fee came into effect when they enrolled for a further course in January as they would have paid a subsidised fee for the first course that they started in September.

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There are some exceptions to this funding requirement, for example, an individual may take part in a subsidised family learning activity and remain eligible for another subsidised course in the same funding year.

As stated above, the reason for this change in fees policy is down to the sustainability and viability of the service. The full costs of courses are covered in table 2 at the end of this letter. Those costs are not met either solely by a full class of learners paying the concessionary fee, the standard fee or the subsidised cost recovery fee, without subsidy from the SFA. This is because even the highest fee, the subsidised cost recovery fee of £5.50, does not represent full cost recovery. Full cost recovery (i.e. for learners to attend courses without any subsidy from either the council or SFA) would be £9.50 per hour.

Furthermore, the costs of courses funded through the Personal Community Development Learning (PCDL) funding stream would not be met if the number of hours taught as part of that course were extended to last a full year, even with a full class of unique learners. This is because the level of subsidy that the council receives is fixed, based upon the number of learners, not the number of hours taught, while increasing the number of hours taught on a course would increase variable costs beyond that fixed income.

Courses funded through the PCDL funding stream are non-accredited courses (those that do not lead to a qualification – including art, ceramics, woodwork, upholstery and fashion).

### **8 Unique Learners Minimum**

We have always had a minimum number of learners per course. This year the policy has been amended so that there is a minimum number of **unique** learners per course. We can accept repeat learners (on receipt of the subsidised cost recovery fee) onto a course as long as there are 8 new learners so that the course's costs are covered. Most classes have space for upwards of 10 learners – ceramics classes have space for 10, upholstery space for 14 and other classes have space for between 18 and 24. It is our intention is to deliver all courses as planned across the academic year but classes may close if they do not recruit enough new learners as they are not financially viable. However, they will be offered again in the following term. This is normal practice across the sector.

As above, the reason for this change is to make the service sustainable and viable. Classes which run with under eight unique learners do not meet their costs as they do not receive enough subsidy from the SFA and therefore place a financial burden on the council's central budget.

### **Other action to make the service sustainable**

Changes to the fees and minimum learner policy needed to be made in order to make the service viable. However, this is only one of a number of changes that we are making or have made to the service to ensure the sustainability of the service. The council is also:

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- Delivering courses within the guided learning hours recommended by Skills Funding Agency on the learning aim database (in previous years courses were delivered in too many hours, thereby reducing the number of learners who could be taught)
- More proactively promoting courses, including through our own brochure which is distributed widely across the borough, a presence on Hot Courses and Floodlight, an adshels campaign last year using telephone boxes at key locations in Southwark, improved presence on the Council's website, taster sessions during adult and family learning weeks and occasional special offers including one in co-operation with Morrisons super market.
- Continuing to pay a hardship fund to pay exam fees for students less able to afford them and significant subsidy of places in the nursery at the Thomas Calton Centre
- Refurbishing the Thomas Calton Centre having secured a capital grant of £750,000 from the Skills Funding Agency which is being matched with £250,000 of capital investment from the Council.
- We are in correspondence with the government to ascertain the certainty of the future role and existence of the SFA.

I hope that this clarifies the reasons for and rationale behind the current fees and charges for Southwark's Adult Learning Service, our amended minimum class size policy and the other action that we are taking to make this service sustainable.

Yours sincerely,



**COUNCILLOR PETER JOHN  
LEADER OF THE COUNCIL**

**Table 1: Adult learning service's overspend – covered from the council's budget**

Academic year	09/10	08/09
Service overspend	£114 698	£155 405

**Table 2: Funding generated from Skills Funding Agency compared with funding generated by subsidised cost recovery fees**

**Note in the table below:**

- The amount of funding generated by 8 repeating learners paying subsidised cost recovery fees (row 6) is considerably less than for 8 unique learners generating funding from the Skills Funding Agency (row 4)
- In order to generate as much funding from subsidised repeat learners as we get from 8 unique learners the class size of repeat learners would need to be considerably larger than 8 (see row 7)
- Costing per class calculations, based on 8 unique learners for set number of hours (as defined in row 3) start at row 15.

1	funding stream	First steps	PCDL	PCDL	PCDL
2	per unique learner generated from SFA	£525.37	£374.97	£374.97	£374.97
3	<b>no. hours teaching</b>	<b>72</b>	<b>30</b>	<b>20</b>	<b>90 (3 terms of 3hrs / week x 10 weeks)</b>
4	amount of funding generated from SFA by 8 unique learners – is not dependent on number of teaching hours but allocated on a per learner cost	£4,202.96	£2,999.76	£2,999.76	£2,999.76
5	subsidised cost recovery fees collected for 1 learner (£5.50 per hour) x no. teaching hours	£396.00	£165.00	£110.00	£495
6	subsidised cost recovery fees collected for a class of 8 (£5.50 per hour) x number of teaching hours	£3,168.00	£1,320.00	£880.00	£3,960
7	Course is only viable with what number of learners? - i.e. how many learners paying subsidised cost recovery fees to generate as much funding as we would earn from SFA	11	18	27	Course is not viable at 90 hours SFA funded or paid for by subsidised cost recovery fees as class size is too
8		£4,356.00	£2,970.00	£2,970.00	

					large
9	<b>14 unique learners generate from SFA</b>	£7,355.18	<b>£5,249.58</b>	£5,249.58	£5,249.58
10	<b>Funding we can generate if we have some new, some returning, in one class</b>				
11	e.g. Upholstery (14 learners can attend),				
	10 unique (new) learners	£5,253.70	<b>£3,749.70</b>	£3,749.70	£3,749.70
	4 repeat learners	£1584.00	<b>£660.00</b>	£440.00	£1,980.00
	total generated	£6,837.70	<b>£4,409.70</b>	£4,189.70	£5,729.70
12	e.g. Upholstery (14 learners can attend),				
	8 unique (new) learners	£4,202.96	£2,999.76	£2,999.76	£2,999.76
	6 repeat learners	£2,376.00	<b>£990.00</b>	£660.00	£2,970.00
	total generated	£6,578.96	<b>£3,989.76</b>	£3,659.76	£5,969.76
13	<b>Course costing based on 8 unique learners generating funding from SFA</b>				
14	<b>Funding generated from SFA by 8 unique learners</b>	<b>£4,202.96</b>	<b>£2,999.76</b>	<b>£2,999.76</b>	<b>£2,999.76</b>
15	course costing				
16	Tutor cost - £40/hr (to include their hourly rate of £25 plus management of them, payroll, admin, support etc)	£2,880.00	£1,200.00	£800.00	£3600.00
17	15% management (includes head of service, quality management, building management)	£630.44	£449.96	£449.96	£1,349.88
	total	£3,510.44	£1,649.96	£1,249.96	£4,949.88
18	<b>Remaining</b> - to cover course materials provided*, initial assessment costs, and contribution to building overheads**, photocopying, telephone, admin support, reception staff.	£692.52	£1,349.80	£1,749.80	- £1,950.12
<p>* as an example: in skills for life this includes dictionaries, books, worksheets; in ceramics this includes clay, tools, glazes, firing the kilns, repairs to equipment such as pottery wheels, extractors, sink drainer etc</p> <p>** including gas, electricity, water, rates, premises officer, repairs and maintenance</p>					