

## **Sunderland City Council**

### **Training Centres: ITeC and Riverside Training**

#### **Business Plan August 2013 – July 2016**

##### **1. Overview**

This 3-year business plan identifies opportunities for business development and growth that can be achieved by externalising service delivery from the City Council. It also details the projected savings that can be achieved as part of the process.

The externalised service will be a social enterprise type organisation, independent of the Council, with a primarily social objective or purpose. The broad objective will be to continue to deliver its services to the Council's demographic target. For the purpose of this business plan the new delivery organisation will be referred to as "Newco".

Newco will be a Non Profit Distributing Organisation (NPDO). The company legal form has been decided through a process of consultation with the Council, current centre management and staff, having taken advice from specialists experienced in the setting up of similar entities and a Community Interest Company has been identified as the most suitable form. Council assets transferred to NewCo will be subject to an "asset lock". The "asset lock" will prevent the transfer of assets other than at full market value (except to a similar organisation) and requires the transfer of assets on dissolution to a similar body. NewCo will not have any special tax status and will incur VAT costs.

The following budget forecast is based on the contract areas in which the Training Centres currently deliver with forecast increases in contract values factored in. The budget does not include new government funded contracts that may be secured in the future as new opportunities arise. It is expected that new funding opportunities will become available either as a direct contract or through sub-contracted delivery for other organisations, but given the lack of certainty at this point these have prudently not been factored in to the budget at this stage.

To establish NewCo and achieve the 3 year budget (set across academic financial years which start on 1 August annually) and income targets there are a number of key business developments required and operational changes to be implemented. The key requirements are detailed in this plan. A project board is tasked with addressing these development needs as products within a project plan. The target date for the launch of NewCo is 1 October 2013.

## 2. Summary Budget Forecast

	Year 1 2013/14	Year 2 2014/15	Year 3 2015/16
	£	£	£
<b>Expenditure</b>			
Direct Employees	534,843	534,843	534,843
Employee Expenses	16,250	16,300	16,350
Agency / Short Term Staffing	180,000	290,000	401,000
Premises	103,200	104,450	105,800
Supplies and Services	82,800	73,730	77,925
Learner Costs	320,000	349,000	380,500
Irrecoverable VAT	66,617	85,962	108,814
<b>Total Expenditure</b>	<b>1,303,710</b>	<b>1,454,285</b>	<b>1,625,232</b>
<b>Income</b>			
Skills Funding Agency	600,000	737,000	865,000
Education Funding Agency	475,000	500,000	545,000
Other Income	21,000	42,000	55,000
Placements - Employer Contribution	220,000	235,000	250,000
<b>Total Income</b>	<b>1,316,000</b>	<b>1,514,000</b>	<b>1,715,000</b>
<b>Trading Surplus (Deficit)</b>	<b>12,290</b>	<b>59,715</b>	<b>89,768</b>

The above budget summary shows a forecast surplus position in each year of trading. Further explanation of the assumptions underpinning the budget are provided with this plan. **Appendix 1** to the plan provides a more detailed analysis of the budget.

### **3. Outcomes**

ITeC and Riverside Training (RT) prioritise the following High Level Outcomes:

- To provide the training and skills required by the residents of Sunderland to fulfil the ambitions of the Economic Masterplan.
- To offer specialist provision to engage the most deprived residents and ensure none are excluded from the opportunity to improve basic and employability skills.
- To increase the number of residents in Sunderland in employment, education and training.
- Deliver a curriculum that will provide the skills needed by local employers and the opportunities for learners to progress directly into sustainable skilled employment.
- Provide residents of Sunderland opportunity for self-improvement, personal growth and progression through continued education and training.

These outcomes are measured. The Strategy, Policy and Performance Management team helped to identify a suitable outcome scorecard for the training services. This has been populated and is available in **Appendix 2** along with benchmarking analysis against other local suppliers. Analysis of service delivery to disadvantaged individuals, families and communities is also included. This evidences the importance of the service in delivering the socio-economic outcomes valued by the Council.

**NewCo will continue to deliver these outcomes and social benefits for Sunderland.**

### **4. Staffing**

The proposed Staffing Structure for NewCo. is shown in **Appendix 3**.

It is considered that the current training centre staff will be subject to TUPE transfer. It is proposed that, in consultation with the Trades Unions, the staffing structure of NewCo will be populated by the existing employee profile, however, some changes will be necessary:

- No back-filling of current vacant Trainer Assessor posts
- Two 'grade D' administration staff (costing £20,160 p.a. each) included in TUPE to NewCo from Council Shared Services.

ITeC and RT have historically operated independently, but delivery utilises staff and resources across both centres. Further development of integrated delivery is needed, with staff working across disciplines and programmes. The reduction in staffing may determine that support services and learning delivery are brought in on an 'as needs' basis. This will not necessitate formal recruitment and has been budgeted for under 'Training Services and Fees'.

The administration staff based at Riverside are currently provided by Council Shared Services and budgeted for through Council service charges. It is assumed that the two current administrative positions will also be subject to TUPE.

Current staffing costs are £565,616 (assuming current posts in structure are filled). NewCo will incur staffing costs of £480,694. **Staffing changes will result in a net saving of £84,922.**

Detailed Costing of the proposed structure is show in **Appendix 4.**

**A process of staff consultation began in January 2013, and is highlighted below.** This has ensured participation in the decision making processes and clear communication regarding progress towards an agreed outcome.

- January / February 2013 - Unions informed of plan to undertake initial staff consultation by centre manager. Contextualised discussions regarding the future opportunities for the business within the challenges facing Sunderland City Council.
- Commencing April 2<sup>nd</sup> 2013 – Sustainable Enterprise Sunderland deliver staff 'workshops'. Aim to establish a clear understanding of alternative delivery and legal models. Unions and legal team invited to attend.
- 22<sup>nd</sup> April 2013 SES workshops completed. Agreement with staff on preferred model for NewCo.
- July 2013 –TUPE consultation process will begin. HR will provide support to management as and when appropriate.

## **5. Pensions**

The TUPE transfer process will provide staff with continued membership of the Local Government Pension Scheme or equivalent. This will require NewCo. to seek admission in to the Tyne and Wear Pension Fund or a broadly comparable Government Actuary Department (GAD) approved scheme.

It is proposed that NewCo's LGPS or equivalent is operated as a 'closed scheme'; this will prevent new entrants in to scheme following transfer. It is also anticipated that the scheme would transfer 'fully funded' and be set-up on a 'subsumption' basis, which provides for the transferring of pension liabilities back to the Council's fund should the admission end.

**The current cost to the Training Centres of the LGPS scheme is 14.4% of full salary costs. The cost to NewCo to provide pensions is anticipated to**

**increase. Although the exact cost will need to be determined by a full actuarial assessment, which will take in to account the profile of transferring staff (i.e. including length of service, age, grade, etc.) an estimated increase up to 30% has been factored into the business plan budget. This increase equates to 15.6% above the current contribution rate.**

A number of the current training centre staff have chosen to opt out of the LGPS. However, in light of new pension legislation and the auto-enrolment process, the business plan assumes staff currently not in the pension scheme will be enrolled in to the National Employment Savings Trust (NEST) scheme. This will require a minimum employer contribution of 3% of salary. New starters will be enrolled in to NEST given the LGPS or equivalent will be a closed scheme.

The staffing cost estimates have been calculated on the assumption that the staff currently in the fund will be the members in the fund as at the date of transfer. All staff not currently in the fund have been budgeted at a 3% employers contribution rate should they wish to opt-in in to NEST at some point post transfer.

In addition to budget provision for the employer's contribution, the business plan also makes provision for;

- £3,000 Pension Bond
- £5,000 Annual actuarial evaluation (which will inform the required employer's contribution rate)

## **6. Flexible Delivery Model (staffing)**

A key advantage for NewCo will be the ability to buy in training services on an as needs basis. This will remove the need to deliver through permanent or fixed-term contracts of employment. It will enable the easy purchase of support services through a third party such as a teaching supply agency or self-employed tutor/assessor. This will provide a number of advantages:

- **Improve responsiveness to customer demand and opportunity.**
- **'Pay as you go' arrangement with no costs incurred during 'down time'.**
- **Reduce recruitment costs.**

## **7. Premises**

NewCo will reduce premises costs (rent) by £40,000 p.a. from October 2013.

NewCo will retain Riverside Training's current premises at Colima Avenue, Sunderland Enterprise Park, SR53XB. Ownership of these premises transferred to the Council in April 2013 following the planned closure of Tyne and Wear Development Company.

ITeC will vacate its current premises Unit 6A, Southwick Industrial Estate, SR53XT and relocate some of its operations to an alternative office space. Sunderland Software Centre, Tavistock, has been identified as suitable. However, preferred accommodation is to be confirmed. Some current apprenticeship provision will be delivered at Colima Avenue. Research to date has identified that ITeC can secure up to 100 square meters of space at a cost of approximately £20,000 p.a. inclusive of service charges, utilities and business rates.

To achieve a saving of £40,000 p.a the Council will reduce the rent at Colima Avenue from £70,000 p.a. to £30,000 p.a.

If the Council cannot agree to reduce the rental costs at Colima Avenue, NewCo will vacate the premises from October 2013 and find a cheaper alternative.

The premises at Southwick Industrial Estate are no longer fit for purpose. Major repairs (e.g. re-roofing) are required.

In addition to cost savings, the relocation of ITeC's operations, as proposed, will offer a number of advantages:

- Address current health and safety issues
- Improve accessibility by public transport
- Potential 24/7 accessibility
- Excellent quality facilities attracting business and individual clients (especially for commercial delivery)
- An improved image and profile for NewCo business.
- Located alongside local ICT businesses in bespoke facilities offering greater opportunity for easy employer engagement and partnership development.
- Costs inclusive of premises services.

## **8. Opening / Operating hours**

ITeC and RT currently operate Monday – Friday 8.30am to 4.30pm. Increasing the opening hours of facilities and/or the delivery of services (potentially to include evenings and weekends) will improve accessibility for customers and increase learner numbers. This will be important for developing commercial training delivery as it is expected that most customers will be in full-time employment and looking to up-skill to achieve career progression and meet employer needs.

The additional costs associated with extended opening (e.g. staff, utilities) have been included in the 3 year budget. Any extended operating hours will not need to be staffed by employees whose current working hours are fixed and already stipulated in contracts of employment. This can be covered by support services 'bought in' and budgeted for under 'training services and fees'.

## **9. Commercial Training Delivery**

Developing commercial training delivery will contribute additional income for NewCo. **A cautious and prudent approach has been taken in forecasting growth in commercial delivery.** The business plan reflects an expectation of expansion on existing contract areas but not the move in to other areas of delivery. It is believed that, in the longer term, development of commercial delivery can offer further and more significant growth.

The facilities are good at Riverside and offer substantial additional capacity. They are also easily accessible with extensive parking available. In addition to centre based activity, a range of work based (NVQ) qualifications can also be delivered commercially.

However, competition is strong in commercial training. NewCo will not be well placed to compete with the University and College for delivery of higher level training programmes during years 1-3. Also, most basic employability and functional skills programmes are fully funded with no potential for commercial delivery.

A commercial opportunity exists to deliver Level 2, Level 3 and Level 4 work based qualifications and technical certificates (NVQs and BTEC) in ICT, Telecoms, Business Administration, Customer Service, Active Leisure and Retail. There is also a market for 'personal interest classes' in ICT and basic construction skills at all levels.

Perhaps the most profitable opportunities for NewCo will be in delivering specialist ICT qualifications such as Microsoft Specialist. ITeC is currently in the process of attaining Microsoft Academy status. These qualifications also broaden the curriculum offer associated with mainstream apprenticeship delivery and will act as a further 'hook' for employer engagement with funded training.

Soft market testing, previous employer/customer enquiries and market research suggests that NewCo can offer a range of quality training and specialist qualifications at a competitive price including:

- Exam 70-410 Installing and Configuring Windows Server 2012
- 70-411 Administering Windows Server 2012
- 70-412 Configuring Advanced Windows Server 2012 Services
- Microsoft Office Expert
- CISCO
- COMPTIA
- ITIL
- Prince 2

*Example: Microsoft Office Expert provision is limited locally. Providers offering this currently charge a minimum of £950 + VAT per person for a 1 week intensive programme (approx. 40 hours guided learning hours). The cost of delivery is approximately £2,250 for a cohort of 6 learners (inclusive of all staff, facility, resources, exam costs) with an income of £4,500 based on a competitive price of £750 per learner. This could achieve a profit of £2,250 per course and can be*

*delivered intensively or, more likely, as a part-time evening course. Even anticipating a relatively small demand resulting in 3 x 15 week programmes (part-time 15 hours per week) per year, this will generate additional income from commercial training of £6,750 p.a.*

The business plan targets a modest income of £10,000 from commercial specialist qualification training in year 1 with a 50% increase in years 2 and 3. The anticipated demand is based upon experience of current employer enquiries at ITeC. Further market research may establish a greater demand and opportunity locally. However, establishing a quality service and reputation will be important to sustainability and long term growth, so a cautious view has been taken with regard to extensive marketing for rapid growth in the short term.

Riverside Training has a track record of success in delivering alternative curriculum support to schools. There is increasing pressure on schools to source such support as Local Authority provision is reducing (e.g. Pupil Referral Units). The growing number of Academy status schools with greater control of their own budgets has also increased. NewCo is well placed to grow its schools provision. ITeC and RT are one of only 2 training providers in the city to have achieved the Sunderland Partnership Platinum Quality Award along with the Safeguarding Award. In 2011, schools support generated an income of approximately £6,000 p.a. In 2012 staff recruitment issues determined that RT could not commit to this delivery plan. It is realistic to target a resumption of schools support delivery in year 1 with an income value of £6,000. In year 2 this will increase to £12,000. This will be maintained in year 3. Further growth is expected to be restricted by local school budgets.

## **10. Raising of the Participation Age (RPA)**

From 2013 it will be a legal requirement for all young people to remain in some form of learning or training up to 17 years old. From 2015 young people will be required to remain in learning or training up to 18 years old. This does not necessarily mean staying at school (6<sup>th</sup> Form) or F.E. College. There will be a number of options for 16 year olds including:

- Apprenticeship
- Independent training provision
- Work with training
- Self-employment with training
- Volunteering with training

RPA will increase the number of young people who take part in learning after they are 16. This offers an opportunity for NewCo to increase learner numbers. NEETs will now effectively be mandated into learning programmes. Despite decreasing local population numbers in terms of age group, this will help to ensure stability of learner numbers for foundation programmes (EFA funding) delivered by NewCo.

A flexible delivery model will enable NewCo to broaden its curriculum offer and be more responsive to demand. Current market research is being undertaken with schools and other referral partners to determine growing areas of learner demand.



Learner demand also needs to be managed in terms of local employer needs and opportunities. Work has been done to improve the IAG given to school pupils but NewCo will strive to improve its partnership working with local schools and employers to ensure it can match learner choices to employer demand and provide effectively for both.

## **11. Apprenticeship Training Agency status (ATA)**

ITeC has applied to the National Apprenticeship Service for Apprenticeship Training Agency status. Establishing ATA status requires that Sunderland City Council's Business Investment Team agree to act as the ATA, with NewCo delivering the apprenticeship training. This means that the Council (as the ATA) will be responsible for paying the apprenticeship wage for the duration of their programme. However, NewCo will effectively continue to pay apprentice wages through a Council payroll service and reimburse the Council (BIT) on a monthly basis. This is the current arrangement that ITeC has and it is intended that NewCo will still use Council payroll services. This arrangement can be enforced by an SLA between NewCo and the Council BIT. It also requires that there is a nominated point of contact /lead for the ATA based within the Council BIT. This will require a minimal amount of administration as NewCo will provide full management and administration of apprentice information, employee payments and employer charges.

The advantages will be:

- Allow NewCo to grow contracts (particularly 16-18 apprenticeships) through sub-contracting. NewCo may not be able to do this until directly contracting with the SFA.
- Increase in employer referrals for NewCo, therefore increasing funded apprenticeship income.
- Recruitment support and reduced costs for SME's to recruit apprentices.
- Maintain excellent success rates for apprentices.
- Mechanism for the Council to retain an interest in NewCo business.
- A model that will enable the Council to contribute significantly to apprenticeship numbers in Sunderland without any direct learning delivery or recruitment into its own organisational structure.
- Possibility of generating income for Council BIT through management fee payable by NewCo.

The SFA and NAS are keen to establish successful ATA s. There is currently no ATA based in Sunderland. It is anticipated that ATA status will benefit NewCo by increasing NAS direct employer referrals. Any expected increase in referrals is tempered by the generally low rate of employer referrals generated by NAS. National research of existing ATA pilots shows that they are slow to build momentum over the first year. However, NewCo could expect to see a more significant increase in referrals from year 2. This could help to maintain current contract value in year 1 and contribute to an increase in income (improving performance to contract) from direct delivery of 16-18 apprentices by year 3.

## **12. Contract Growth**

### **Skills Funding Agency (SFA) 16-18 Apprenticeships:**

This funding can be grown and is not capped or subject to cuts at present. The Government has reiterated its commitment to prioritising apprenticeship opportunities for young people aged 16-18 and views apprenticeships as an important element of the learning provision that will support the raising of the participation age (RPA) being introduced in 2013-2014.

ITeC and RT's 16-18 apprenticeship delivery in 2012-13 is predicted to be valued at £375,000. This includes a significant number of Local Environmental Services apprentices employed by The Council's Street Scene department. These apprentices are unlikely to progress or to be replaced, placing a pressure on the maintenance of this contract value. The target for NewCo in year 1 is to achieve and maintain this level of performance for direct delivery, with growth targeted in year 2 (up to £402k) and year 3 (up to £430k).

However, NewCo aims to significantly increase sub-contracted delivery. This is minimal at present and only consists of some specialised elements of apprenticeship delivery and not full frameworks. NewCo intends to commission partnership delivery up to £100k in year 1, increasing to £200k in year 2 and £300k in year 3.

Sub-contracted delivery will contribute to achievement of Minimum Contract Value to facilitate future novation of contract from the Council to NewCo. It will also generate additional income through a management charge of 20%. This will be £20k year 1, £40k year 2, £60k year three. The additional management costs incurred by NewCo will be minimal as an efficient quality assurance and performance management framework is already in place. The number of sub-contractors will be minimal. The additional cost (10% of additional net income) has been included under 'training services and fees'.

**Partnership development and sub-contracted delivery offers the opportunity to grow contract value and increase business income through contract management fees. Invitations to tender will be released April / May 2013 through the Council's established procurement system. The SFA allows a second tier of sub-contracting in exceptional circumstances. This may be possible for NewCo from October 2013. If not, management / administration of these contracts will continue to be carried out by NewCo staff on behalf of the Council (single SFA contract) from October 2013.**

### **Skills Funding Agency Adult (19-24 and 24+) Apprenticeships:**

ITeC and RT currently deliver approximately £85,000 of adult apprenticeships and a further £30,000 is available for NEET 19-24 Apprenticeships. This allocation of the Council's single contract with the SFA across the 3 delivery areas (Family Adult and Community Learning, Tyne and Wear Care Alliance and the Training Centres) is not subject to any formal agreement or allocation mechanism. This SFA flexible Adult Skills Budget (ASB) allows delivery of a wide range of qualification frameworks.

NewCo is well placed to increase its 19+ learning delivery by broadening its curriculum offer.

The availability of £30,000 NEET apprenticeship funding will end in July 2013. This requires that NewCo is allocated an increased share of the Council's remaining flexible ASB in 2013-14 to achieve a funded income level of £125,000 for 19+ provision. This will accommodate a small increase in delivery of adult programmes to meet demand and achieve income targets.

It is intended that NewCo will utilise the 24+ loans fund to achieve part of this increase. However, as 24+ learning delivery is a 'new' market for NewCo, a period of programme development and employer engagement tempers expectations of significant utilisation of this fund in year one. It is anticipated, therefore, that the Council will need to provide additional funding from 19-24 allocation in year one.

### **13. Conditions for Growth**

#### **SFA Contract**

The projected increase across all apprenticeship delivery is underpinned by:

- More flexible delivery model
- Additional sub-contracted delivery
- Raising of the Participation Age (RPA)
- Preferred provider status for the Council's own apprenticeship recruitment
- Extended opening hours
- Development of Higher Level programmes
- Establishing an ATA partnership with Sunderland Council.

Sunderland Council will allocate (sub-contract) 16-18 Apprenticeship funding, up to £500,000, and 19-24 Apprenticeship funding up to £125,000, during year 1. From year 2 NewCo will contract directly with the SFA and other external delivery partners will become direct sub-contractors of NewCo following novation of contract value from the Council to NewCo.

The business plan projects an SFA contract value (directly relating to its level of performance) of £600,000 in year 1, increasing to £737,000 in year 2 and £865,000 year 3.

#### **EFA Contract**

RT delivers Foundation Learning (FL) programmes (aimed at 16-18 yr old NEETs) with a contract value of £450,000. This programme is funded by the Education Funding Agency (EFA), but is delivered under a sub-contracting arrangement with the lead provider Springboard. The FL programme will be replaced by a new Study Programme in August 2013. It is anticipated that the contract values will remain unchanged. RT's performance to contract is forecast to remain stable during year 1 of the study programme. An increase (£70,000) will be achieved by year 3. This will be driven by NewCo's greater operational flexibility and curriculum development.

RT delivers approximately 25% of all FL provision for the Sunderland FL consortium, led by Springboard. The contract is believed to be secure for the foreseeable future as RT makes a significant contribution to overall contract performance and growth. RT has been a secure and valuable partner to Springboard in this respect for more than 10 years and it is not anticipated that externalising current Council provision will undermine this. NewCo's performance and quality will continue to determine this arrangement going-forward and it is anticipated that externalisation will improve both.

#### **14. Securing funding (SFA and EFA):**

EFA funding received via lead provider Springboard will not be threatened by externalising RT's delivery. EFA does not currently place sub-contracting restrictions on Springboard beyond the 'normal' due diligence, performance management and quality assurance expectations. The EFA does not require providers in receipt of significant sub-contracts (e.g. above £100,000) to be established on an approved register (as is the case with the SFA).

**Discussions with Springboard have confirmed their commitment to continuing to contract with NewCo for delivery of the Study Programme that will replace Foundation Learning August 2013.**

However, SFA sub-contracting rules require the meeting of certain criteria for new businesses. NewCo needs to secure its share of SFA funding from the Council's single ASB.

**To allow the Council to sub-contract in excess of £100,000 SFA funding, NewCo must be accepted onto the SFA's 'Register' of Training Organisations (RTO). As NewCo will not be able to provide previous financial records, the Council must provide a parental guarantee until direct contracting status is achieved.**

**For NewCo to be accepted onto the Register, it must complete the SFA's Due Diligence Gateway (DDG) during an 'open period'. To ensure that the Council can sub-contract to NewCo from 1<sup>st</sup> October 2013, NewCo needs to complete legal formation and be accepted into the Register before that date. The next DDG open period has not yet been confirmed, but it is very likely that NewCo will need to be established as a legal entity before end of May 2013.**

For NewCo to achieve direct contract status with the SFA beyond year 1 it must achieve performance in excess of £500,000 across the Council's SFA funded provision during year 1. The business plan forecasts that the MCV will be exceeded by end of year 1.

During this period NewCo will be eligible to bid for new (direct) contracts with the SFA. This will offer potential opportunities for NewCo to increase income by delivering as a subcontractor. However, as NewCo, will be a new and relatively small provider, it is unlikely to be competitive in securing new contracts from the SFA as a lead provider. In recent years the SFA has tended to offer large contract values to regional consortiums and/or large national providers because of its internal restructuring and pressures to reduce administration costs.

**NewCo will achieve direct contracting status with the SFA from year 2 commencing August 1<sup>st</sup> 2014. This requires agreement for novation of contract value (from the Council to NewCo) to be finalised by end of March 2014.**

### **15. Council Apprenticeships**

Also important to the achievement of NewCo's business plan is continued support from Sunderland City Council in respect of the Council's own apprenticeship recruitment. Although NewCo will not expect to monopolise this, it is expected that the Council will seek to achieve success for NewCo by establishing a closer working partnership. Establishing preferred provider status for NewCo will help to realise NewCo's business plan.

## Appendix 1 Detailed 3-Year Forecast

BUSINESS PLAN PROJECTIONS	Year 1, Aug 13 - Jul 14 NewCo	Year 2, Aug 14 - Jul 15 NewCo	Year 3, Aug 15 - Jul 16 NewCo	Notes
<b>EXPENDITURE</b>				
Salaries (inc. on costs)	480,694	480,694	480,694	Savings based on staff restructure plan. Costs based on 1 x POI, 1 x POH, 3 x SO1, 9 x Scale 5, 1 x Scale 4 and 2 x Admin grade D.
GAD Pension increase (15.6%)	54,149	54,149	54,149	Assumes rate of 30% (may be less). A £3k p.a. pension bond is included in figures together with £5k actuarial fees p.a.
Staff Travel	13,000	13,000	13,000	Smarter and home based working maintains flat profile
Staff Training CPD	2,500	2,550	2,600	Increase relating to improved QA.
Recruitment	750	750	750	Recruitment minimal, use existing networks, website etc.
Training services and fees (including 16-18 apprenticeship delivery by subcontractors)	180,000	290,000	401,000	Increases reflect additional delivery needs - services 'bought in'. This includes registration and certification fees 70% and delivery support 30%. Delivery support @ £20.00 ph for commercial training and pro-rata to salary for funded training.
Premises (rent & rates)	80,000	80,000	80,000	Fixed agreement. Based on rent reduction and relocation plan, as outlined in Business Plan.
Cleaning & supplies	1,000	1,000	1,000	Cleaning performed by own maintenance apprentices. Cost for materials only.
Electricity	4,000	4,500	5,000	Premises savings yr 1, increases thereafter with extended opening
Gas	2,700	3,000	3,500	" "
Water	2,800	2,900	2,900	" "
Insurance	2,000	2,000	2,000	Negotiable cost, flat profile maintained.
Security, Fire & Alarms	7,500	7,650	7,800	2% inflationary increase per annum
Repairs, alterations, improvements	2,000	2,000	2,000	Initial small increase in budget needed. Improve premises maintenance.
Refuse (skips)	1,200	1,400	1,600	Increase in usage with delivery growth.
Transport: Insurance, maintenance, repairs	1,300	1,500	10,000	Year 3 includes new minibus lease agreement.

Catering	1,000	1,000	1,000	
Telephones/internet	4,800	4,800	4,800	Assumes fixed cost.
ICT support services / hardware / software/MIS	25,000	15,000	10,000	Initial budget increase in year 1 as part of upgrades, decreasing years 2 and 3.
Marketing	5,000	5,000	5,000	Mostly covered by 'stationery' but small additional advertising budget.
Training materials, stationery, postage	22,000	22,500	23,000	Initial savings achievable with small inflationary increase added years 2&3 (based on smarter use, less wastage and sourcing cheaper supply)
External audit fees	8000	8160	8225	
Learner expenses (travel & subsistence)	50,000	55,000	60,500	Learner/client numbers increased. Based on FL learners receiving £15pw (e.g. yr 3 26 wks x £15 x 150 learners = £60,500)
Payments to trainees	270,000	294,000	320,000	Learner numbers increased, also direct apprenticeship employment by NewCo
Payroll services	12,000	12,000	12,000	Assumes use of Council payroll. Offers legal and administrative savings and supports ATA development.
Union representation	950	970	1,000	Retained Council service
Legal support	1,750	1,800	1,900	" "
OHU	1,000	1,000	1,000	" "
Council Service Charges	0	0	0	Admin support, transactional finance, auditing, HR processes all included in NewCo budget
<b>Irrecoverable VAT</b>	<b>66,617</b>	<b>85,962</b>	<b>108,814</b>	
<b>Expenditure Total</b>	<b>1,303,710</b>	<b>1,454,285</b>	<b>1,625,232</b>	
<b>INCOME</b>				
SFA 16-18 Employer Responsive	475,000	602,000	730,000	7% growth of direct delivery p.a. considered realistic. Subcontracted delivery increasing £100k p.a.
SFA 19+ Employer Responsive	125,000	135,000	135,000	
EFA Learner Responsive(as a sub contractor of Springboard)	475,000	500,000	545,000	Raising of participation age (RPA) and introduction of Traineeships provides opportunity for growth despite decreasing cohort of 16-18's.

Other potential grant income	5,000	15,000	20,000	This does not include any larger additional contracts, only small grant projects. Significant scope here for bidding into new funding opportunities.
Commercial	16,000	27,000	35,000	Commercial training delivery includes specialist ICT certification, schools support and community/leisure learning as described later in the Business Plan
Payments from employers	220,000	235,000	250,000	Possible management fee payable to ATA (Council BIT) not deducted.
<b>Income Total</b>	<b>1,316,000</b>	<b>1,514,000</b>	<b>1,715,000</b>	
<b>Trading surplus / (deficit)</b>	<b>12,290</b>	<b>59,715</b>	<b>89,768</b>	



## Appendix 2

### Comparative analysis of local training providers (success and quality)

In order to understand what the continued impact of NewCo will be, it is important to compare ITeC and RT's current delivery to alternative providers. Performance data for current city-wide provision has been collated along with qualitative information including OFSTED inspection grades, qualification success rates and a weighted quality factor.

Key to measures:

Quality Factor	Ofsted Grade	Success Rate
Gold = 25	1 = 25	86 -1 00 =25
Silver = 20	2 = 20	71 to 85 = 20
Bronze = 15	3 = 15	55 to 70 = 15
		Under 55 = 10

The following tables evidence that the Council training centres out-perform other local providers:

## General Overview

### Training

Quality Factor
Ofsted Inspection Grade
Success rate for each discipline:~
Cust Service
Bus Admin
ICT
Retail
Leisure, Travel and Tourism
Agriculture & Horticulture
Engineering
Construction
Motor Vehicle Repair
Motor Vehicle Refinishing
Hospitality / Catering
H&SC
Supporting Teaching and Learning
Childcare Learning and Development
Accounting and Finance
Business Management
Team Leading
IAG
Cleaning and Environmental Services
Youth Work
Warehousing
Digital Print for Pre Press
Industrial Applications
Contact Centre
Sales / Telesales
Carpentry and Joinery, Painting and Decorating, Brickwork

### Training Provider

ETEC	ITEC / Riverside	Key Training - No update 2011	Militech	Springboard	Sunderland College - No update 2011	Team Wearside	Zodiac	Carillion
20	25	20	20	25	25	25	20	?
20	20	20	15	20	20	20	20	?
	25	20	25	20	25	25	15	
25	25	20	25	20	20	20	20	
25	25	25				25	20	
	25	15		15		20	20	
	25							
	25			25				
	25		15	20				
15	25				15			
			20	20	20			
			20	20	25			
				15		20		
		20		15		20	20	
				25				
				20			20	
					25			
			25				10	
			25				20	
		20		20				
							20	
	25			25			10	
				20				
				20				
							25	
15								20

## Weighted Overview 1.

In order to evaluate the overall rating for course by provider the councils Workforce Development Team sum the ratings to identify the best supplier. This table is seen below.

### Training

Quality Factor
Ofsted Inspection Grade
Success rate for each discipline:~
Cust Service
Bus Admin
ICT
Retail
Leisure, Travel and Tourism
Agriculture & Horticulture
Engineering
Construction
Motor Vehicle Repair
Motor Vehicle Refinishing
Hospitality / Catering
H&SC
Supporting Teaching and Learning
Childcare Learning and Development
Accounting and Finance
Business Management
Team Leading
IAG
Cleaning and Environmental Services
Youth Work
Warehousing
Digital Print for Pre Press
Industrial Applications
Contact Centre
Sales / Telesales
Carpentry and Joinery, Painting and Decorating, Brickwork

### Training Provider

ETEC	ITEC / Riverside	Key Training - No update 2011	Miltech	Springboard	Sunderland College - No update 2011	Team Wearside	Zodiac	Carillion
20	25	20	20	25	25	25	20	?
20	20	20	15	20	20	20	20	?

	70	60	60	65	70	70	55	
65	70	60	60	65	65	65	60	
65	70	65				70	60	
	70	55		60		65	60	
	70							
	70			70				
	70		50	65				
55	70				60			
			55	65	65			
			55	65	70			
				60		65		
		60		60		65	60	
				70				
				65			60	
					70			
			60				50	
			60				60	
		60		65				
							60	
	70			70			50	
				65				
				65				
							65	
55								20

Dark Blue squares indicate planned for provision.

## Weighted Overview 2

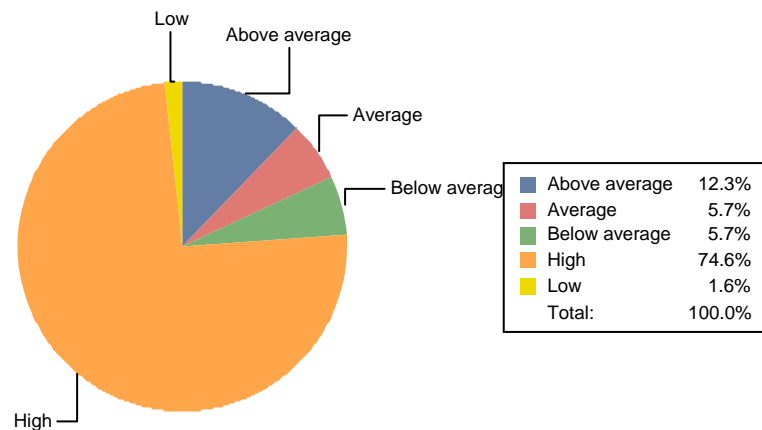
It may be considered more appropriate when using a combination of measures as here to multiply the factors rather than summing them; this increases the differentiation between providers, allowing the better providers stand out.

Training Provider	ETEC	ITEC / Riverside	Key Training - No update 2011	Milltech	Springboard	Sunderland College - No update 2011	Team Wearside	Zodiac	Carillion
Quality Factor	20	25	20	20	25	25	25	20	
Ofsted Inspection Grade	20	20	20	15	20	20	20	20	
Success rate for each discipline:~									
Cust Service	0	12500	8000	7500	10000	12500	12500	6000	
Bus Admin	10000	12500	8000	7500	10000	10000	10000	8000	
ICT	10000	12500	10000	0	0	0	12500	8000	
Retail	0	12500	6000	0	7500	0	10000	8000	
Leisure, Travel and Tourism	0	12500	0	0	0	0	0	0	
Agriculture & Horticulture	0	12500	0	0	12500	0	0	0	
Engineering	0	12500	0	4500	10000	0	0	0	
Construction	6000	12500	0	0	0	7500	0	0	
Motor Vehicle Repair	0	0	0	6000	10000	10000	0	0	
Motor Vehicle Refinishing	0	0	0	6000	10000	12500	0	0	
Hospitality / Catering	0	0	0	0	7500	0	10000	0	
H&SC	0	0	8000	0	7500	0	10000	8000	
Supporting Teaching and Learning	0	0	0	0	12500	0	0	0	
Childcare Learning and Development	0	0	0	0	10000	0	0	8000	
Accounting and Finance	0	0	0	0	0	12500	0	0	
Business Management	0	0	0	7500	0	0	0	4000	
Team Leading	0	0	0	7500	0	0	0	8000	
IAG	0	0	8000	0	10000	0	0	0	
Cleaning and Environmental Services	0	0	0	0	0	0	0	8000	
Youth Work	0	0	0	0	0	0	0	0	
Warehousing	0	12500	0	0	12500	0	0	4000	
Digital Print for Pre Press	0	0	0	0	10000	0	0	0	
Industrial Applications	0	0	0	0	10000	0	0	0	
Contact Centre	0	0	0	0	0	0	0	0	
Sales / Telesales	0	0	0	0	0	0	0	10000	
Carpentry and Joinery, Painting and Decorating, Brickwork	6000	0	0	0	0	0	0	0	

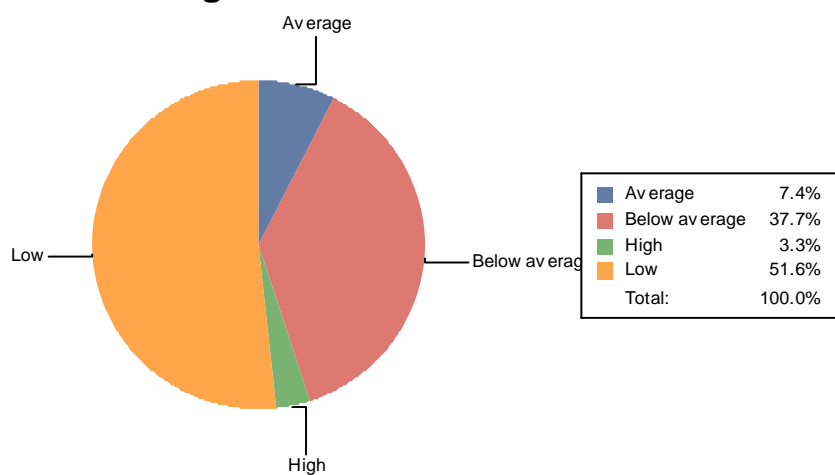
**Socio-Economic Impact – delivering to Sunderland’s disadvantaged communities (last 3 year analysis).**

**Riverside Training, 2009-2010  
Entry to Employment programme (16-18 NEETS)**

**Likelihood Household on Benefits**

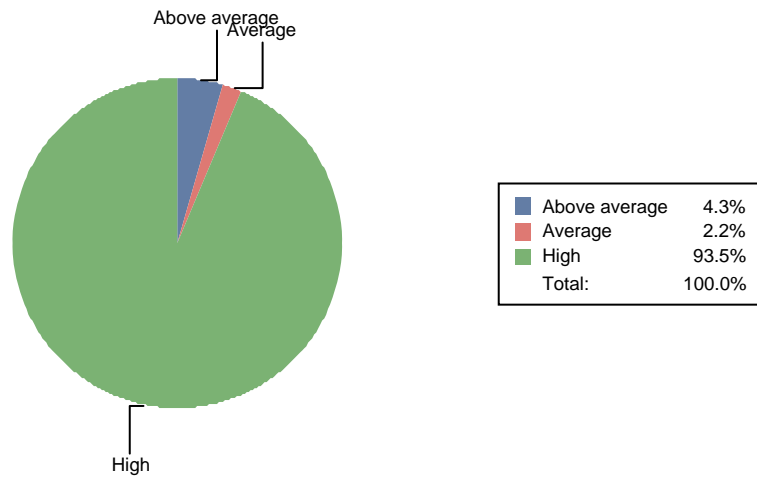


**Average household income band**

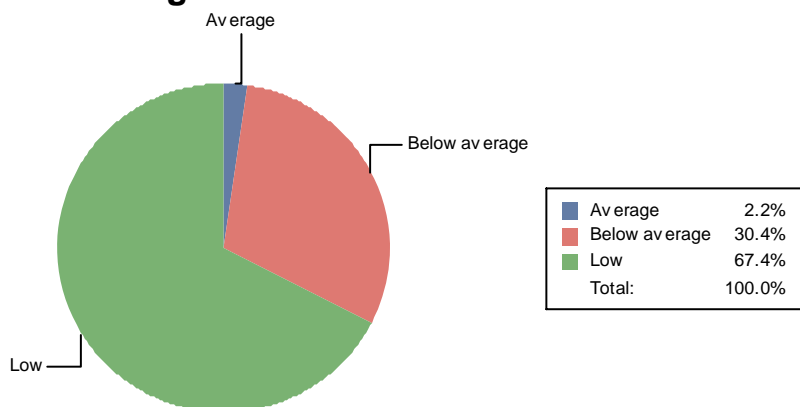


**2010 to Present  
Foundation Programme**

**Likelihood Household on Benefits**

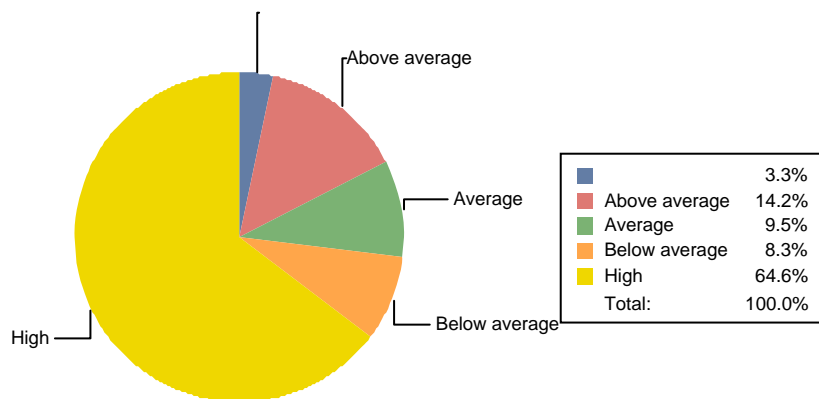


**Average household income band**

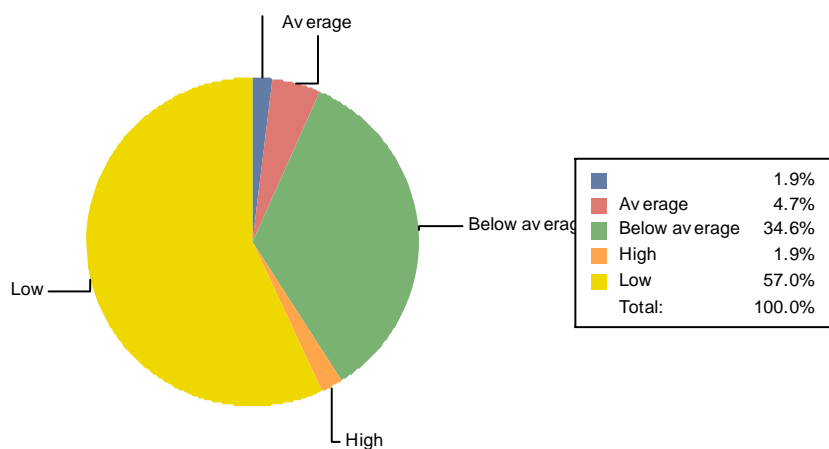


**2009 - Present**  
**Programmes for the Unemployed (19 +)**

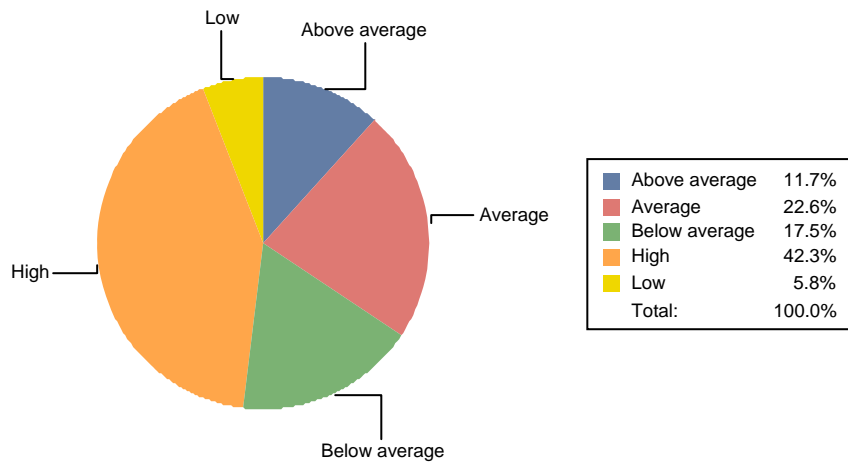
**Likelihood Household On benefits**



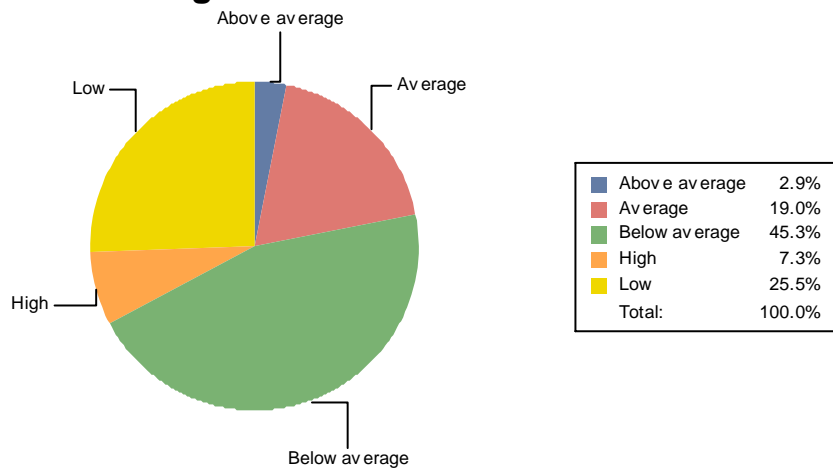
**Average household income band**



### Likelihood Household will be on Benefits

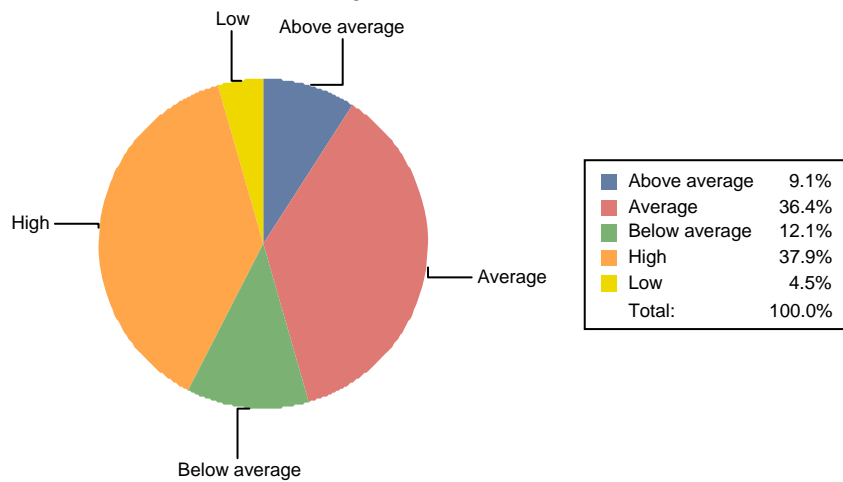


### Average Household Income Band

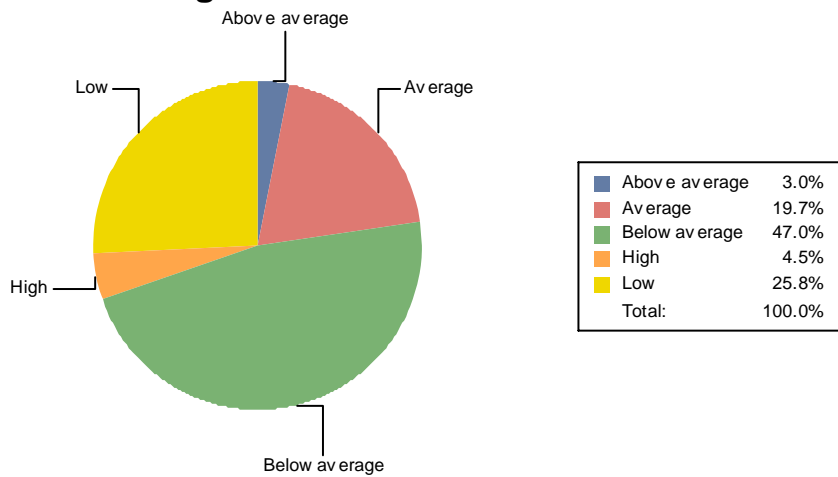




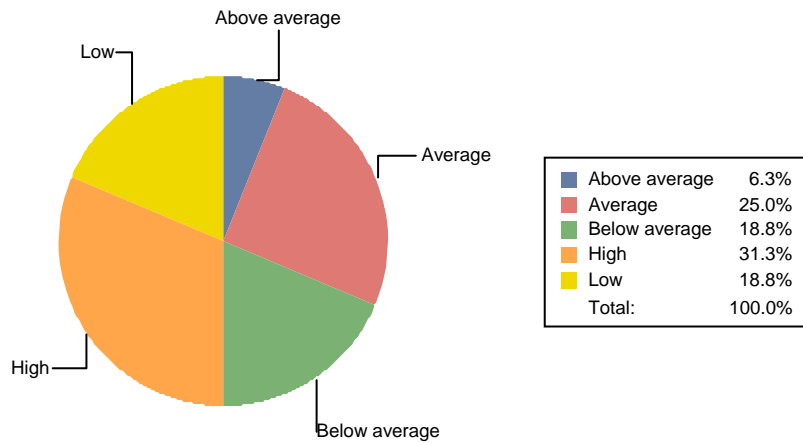
### Likelihood Family will be on Benefits



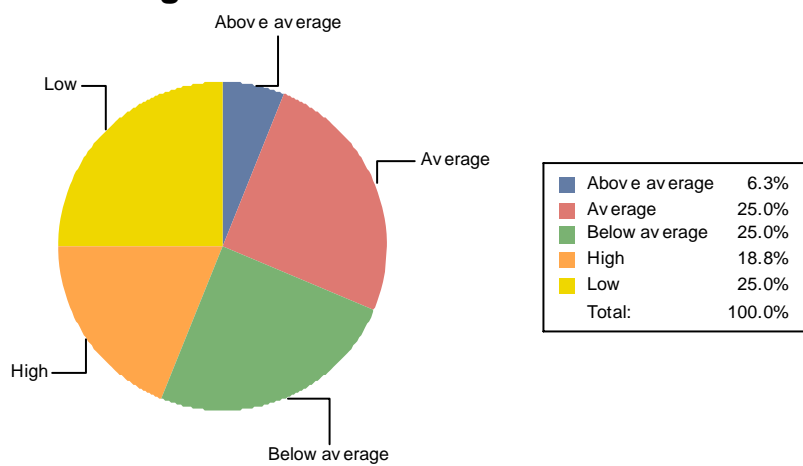
### Average Household Income Band



### Likelihood Family will be on Benefits



### Average Household Income Band

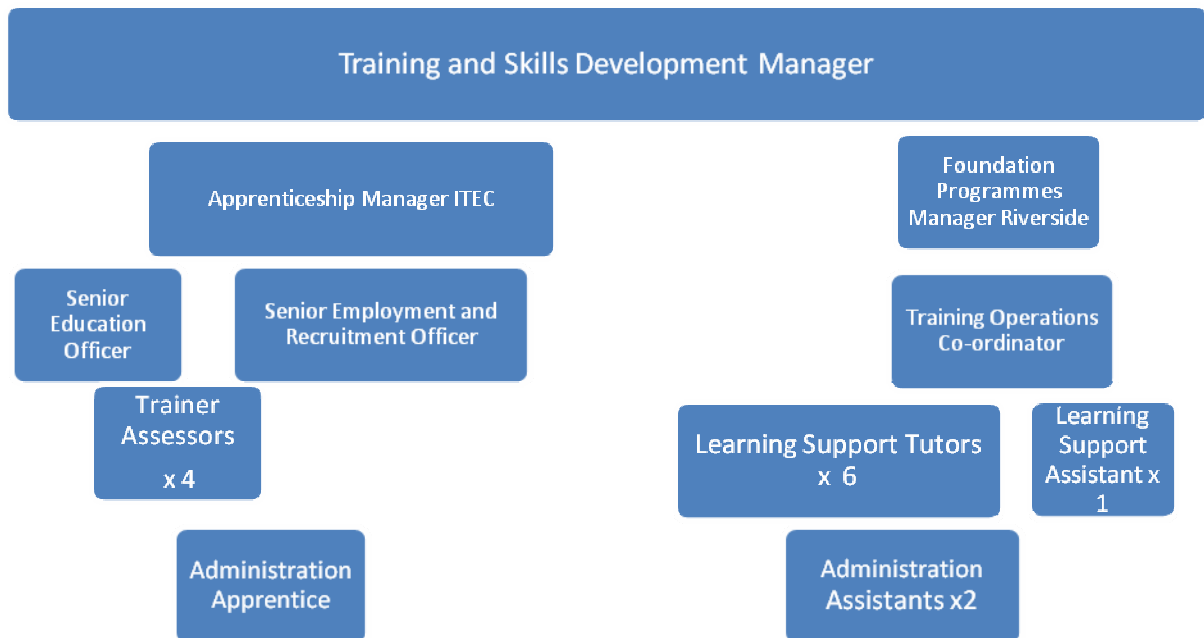


## **Learner success and customer satisfaction – Key Headlines**

- Proportion of those undertaking training who successfully completed their course - ITEC 95% , Riverside 84%
- Proportion of those undertaking training who completed their course but at below the pass rate - ITEC 0%, Riverside 6%
- Proportion of those undertaking training who did not complete their course - ITEC 5%, Riverside 16%
- Proportion of customers who went on to employment or further education/training - ITEC 90%, Riverside 50%
- Measures of customers satisfaction with the training course including whether they felt the course improved their employability - Official QMOL stats for ITEC 100% learner satisfaction
- Measures of customers satisfaction with the outcomes of their training course - All external regulation by Ofsted and SFA is learner/customer focused. They are assessed by external inspectorates. ITEC / Riverside were the first providers in the City (the only other subsequent award was to the College) to be awarded the Sunderland Partnerships own Platinum Quality standard for outstanding provision. This is externally assessed by Nexus (Sheffield) and ratified by the Council's 14-19 Partnership.
- Measures of employers satisfaction with the skills gained by trainees as a result of their course - ITEC QMOL employer satisfaction 100%
- Proportion of employers who feel the courses provided in the city meet their needs and requirements - ITEC's QMOL responses from own employers are 100% satisfaction. (Across the city the wider employer view is that courses and apprentices do not fulfil their skills needs/gaps).

## Appendix 3

### Current Staffing Structure



### NewCo Proposed Staffing Structure



## Appendix 4      New Co. Salaries and Pensions Costing

Grade	Salary	NI	S/ann	Total	No. Required	Total	Additional S/ann (15.6%)	
POH	39855	3301	5739	48895	1	48,895	6,217	Assumed remaining post in pension
SO1	26276	1889	3784	31949	2	63,898	8,198	
Scale 5	21519	1394	3099	26012	7	182,084	23,499	
Scale 4	19126	1145	2754	23025	1	23,025	2,984	
D	16830	906	2424	20160	2	40,320	5,251	
<b>Subtotal for LGPS employees</b>						<b>358,222</b>	<b>46,149</b>	<b>404,370.86</b>
POI	41616	3537	1248	46401	1	46,401		
SO1	26276	1889	788	28953	1	28,953		
Scale 5	21519	1394	646	23559	2	47,117		
<b>Subtotal for NEST employees (3%)</b>						<b>122,472</b>	<b>0</b>	
<b>Total ALL employees</b>						<b>480,694</b>	<b>46,149</b>	<b>526,843</b>

The above salary projections have been calculated as follows;

- using the proposed staffing structure for NewCo.
- the current membership of LGPS is anticipated to be membership on transfer for budgeting purposes
- for staff not currently in the LGPS, pension provision of 3% has been provided.
- an increase of 15.6% pension cost has been included to reflect the 30% total employers contribution estimate.

