

Doc. 3:

**EXPLANATORY MEMORANDUM & REGULATORY IMPACT
ASSESSMENT FRAMEWORK**

**Explanatory Memorandum to the Coleg Llysfasi College Further
Education Corporation (Dissolution) Order 2010**

This Explanatory Memorandum has been prepared by The Department for Children Education Lifelong Learning and is laid before the National Assembly for Wales in accordance with Standing Order 24.1.

Minister's Declaration

In my view, this Explanatory Memorandum gives a fair and reasonable view of the expected impact of the Coleg Llysfasi College Further Education Corporation (Dissolution) Order 2010. I am satisfied that the benefits outweigh any costs.

Leighton Andrews

Minister for Children, Education and Lifelong Learning, one of the Welsh Ministers

6 July 2010

(i) Description – This Order provides for the dissolution of the Coleg Llysfasi College further education corporation and the transfer of its property, rights and liabilities to Deeside College further education corporation.

(ii) Matters of special interest to the Constitutional Affairs Committee

There are no matters of special interest to the Constitutional Affairs Committee.

(iii) Legislative Background –

This Order is made under section 27 of the Further and Higher Education Act 1992 ("the 1992 Act").

The functions of the Secretary of State under section 27 of the 1992 Act were transferred to the National Assembly for Wales by virtue of article 2 of and Schedule 1 to the National Assembly for Wales (Transfer of Functions) Order 1999 (S.I. 1999/672). The functions of the National Assembly for Wales were transferred to the Welsh Ministers by virtue of paragraph 30 of Schedule 11 to the Government of Wales Act 2006 (c.32).

This Order will follow the negative resolution procedure.

(iv). Purpose and intended effect of the legislation –

The dissolution of Coleg Llysfasi College further education corporation and the transfer of its property, rights and liabilities to Deeside College further education corporation is intended to secure the provision of facilities for post-16 education and training in regional work base learning and the wider land based sector.

Financial forecasts demonstrate that Coleg Llysfasi College is facing immediate financial pressures resulting largely as a result of a reduction in the recurrent grant awarded whilst maintaining an increase in pay and non-pay costs, this aligned with significant recent capital expenditure on a refurbishment and capital improvement programme. The Colleges' overall financial position has been assessed as Category C in recent years. This is a low categorisation and is defined as '*The institution's financial position or its financial strategy require improvement to support the institutional plan*'.

The proposal to dissolve the Corporation must be viewed in the context of these financial difficulties and the governing body's failure to secure improvements to the College's financial health, which remains at category C.

Merger with Deeside College which is a Category A 'financially sound' institution is considered a prudent way forward. Merger of the two colleges will create an enlarged college with a combined turnover of ca £35.5 m, (of which some 30% will be non-core funding reflecting the College's response to the training and education needs of local business and industry), ca 20,000 learners, ca 950 staff and a network of 4 main campuses supplemented by outreach centres across the region providing an enhanced operational platform. It would be able to operate across the core catchment within North East Wales and in selected areas, most notably in Work Based Learning and Land based provision, beyond.

The combined financial forecast demonstrates that the merged college will remain financially robust and will be best placed to maintain financial viability, particularly in the event of less favourable circumstances.

With a combined revenue of around £36 m the merged College will be a very significant organisation, creating a college with the largest Land-based provision in Wales. Operating in rural and coastal areas of North East Wales, the College has the capacity to have a significant impact on learners and the economy of the region.

(v). Implementation –

The Coleg Llysfasi College Further Education Corporation (Dissolution) Order 2010 implements a proposal jointly received from both Corporations to merge functions. The Coleg Llysfasi College Corporation has been consulted and the corporation of Deeside

College is content with the proposal which will come into effect on August 1st 2010. Both colleges are fully prepared for the merger.

(vi). Consultation –

Coleg Llysfasi College further education corporation has been consulted with in accordance with section 27(7) of the Further and Higher Education Act 1992 and the transfer of property, rights and liabilities is made with the consent of Deeside College further education corporation as required by section 27(2) of the Further and Higher Education Act 1992.

The colleges have consulted widely with both internal and external stakeholders and the proposals to merge have been broadly welcomed. DCELLS officials have considered summaries of the consultation responses.

(vii) Regulatory Impact Assessment –

This Order has no impact on the statutory duties (sections 77 – 79 Government of Wales Act 2006) or imposes any additional burdens upon the statutory partners (sections 73 – 75 GOWA 2006).

a) **Options (for achieving the policy objective – as set out in paragraph (iv) above) –**

Various options have been considered and rejected prior to the decision made by the parties to dissolve the Corporation of Coleg Llysfasi College and merge operations as set out in a Statement of Intent dated August 2009.

The ‘do nothing’ option is not viable in that financial projections predict a steadily worsening situation for Coleg Llysfasi College which would see the eventual demise of the institution. The Coleg Llysfasi College Board recognised that the college is not viable in the medium to long term, given the increased demands on colleges and current funding arrangements. The impact would be a potential loss of the economic benefits the college brings to the area and the danger that provision would in fact contract in a mainly rural district with a challenging geography.

The Corporation concluded that Merger with Deeside College will provide the financial robustness, expertise and a strong track record of efficiency that would be most likely to guarantee that existing provision is safeguarded and extended. Merger will also capitalise on the previous Deeside College merger with the Welsh College of Horticulture, further strengthening the land-based curriculum offer.

Both colleges are closely matched in terms of expertise with operating multiple sites and a merger would not necessitate further reduction in sites or staff.

Merger with Coleg Llysfasi College is considered financially viable by Deeside College. The latter institution is deemed of sufficient scale to absorb any potential deficit, securing potential benefits by helping to strengthen the provision offer- particularly in meeting the 16-19 bilingual requirement as further school collaborations are considered and allowing links to be strengthened with land-based provision.

Financial and Legal Due diligence exercises have been undertaken on both institutions which have identified where immediate efficiencies and savings can be made.

In terms of efficiency gains, it is envisaged that the merger will bring about eventual cost savings of £200k+ per annum, which would allow the current cost efficient provision provided at the College to continue without disadvantage to the learner.

b) Benefits –

Deeside College have consistently been rated among the top FE colleges in Wales with regard to quality and financial viability and these systems will be applied to the merged institution. Comparison of the due diligence exercises carried out on both institutions has identified various areas where further efficiencies can be achieved. The curricula of the two colleges are complementary in nature, offering all members of the community an expanding choice of educational opportunities. Learners will be able to progress to a much wider range of programmes within the merged College, aided by common procedures, facilities and standards of service. The integration of the staff of the two colleges will bring together a greater variety of skills and experience for the benefit of the learners and the future development of the merged College.

c) Costs –

The dissolution will bring the process to date to a satisfactory conclusion and provide a sound basis upon which to take the merged College forward in a way that optimises the efficient and effective delivery of FE provision in North East Wales. The action will safeguard public funds through the application of robust, proven systems, and provide a mechanism to address issues identified in current governance and management systems.

d) Competition Assessment –

The outcome of this Order will have no impact on the costs of business, charities or the voluntary sector. The merged institution will have a major profile and significance within the learning network in Wales and will have the potential to play a key local, regional, and national role in achieving the Welsh Assembly Government's ambitions for learning in Wales.

e) Consultation – covered above in paragraph (vi).

f) Post implementation review –

The merger process is subject to ongoing review procedures which will be monitored and followed with a comprehensive report 18 months after the date of dissolution order.

g) Summary –

This Order is necessary to dissolve the Corporation of Coleg Llysfasi College and transfer its property, rights, and liabilities to Deeside College further education corporation with effect from the 1st of August 2010. The wider North Wales Further Education sector will benefit from the action set out in this Order.