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**Meeting:** Customer and Central Services Overview and Scrutiny Committee

**Date:** 16 January 2012

**Subject:** Traded Services to Schools

**Report of:** Cllr Maurice Jones, Deputy Leader and Executive Member for Corporate Resources

**Summary:** The report seeks the views of the Overview and Scrutiny Committee on a proposal to withdraw from the provision of certain traded services to schools.

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**Advising Officer:** Richard Carr, Chief Executive and Deb Clarke, Assistant Chief Executive, People and Organisation.

**Contact Officer:** Charles Warboys, Chief Finance Officer

**Public/Exempt:** Public

**Wards Affected:** All

**Function of:** Executive

## **CORPORATE IMPLICATIONS**

### **Council Priorities:**

1. The booklet detailing the service provision for schools aligns with the Council's priority of Educating, protecting and providing opportunities for children and young people.

### **Financial:**

2. The Council has a number of statutory responsibilities within the service provision to schools. As defined by the Schools Finance Regulations, there are certain statutory services which must be provided free of charge to schools. These services are delivered from within the Council's Budget. These services are generally focussed in areas where the Council is classed as the employer or where child protection matters are the responsibility of the Council as the responsible body.
3. Traded Services to schools are provided in a competitive market with private commercial companies and other local authorities providing similar services. The increase in Central Bedfordshire Council charges, combined with the move to academies has seen a reducing trend in the number of schools purchasing services, leading to a loss of income and shortfalls against income targets.

4. The full cost recovery exercise identified the true costs of running the HR service (including on costs and overhead contribution) to be £831k per annum, with £370k income received. With the relevant adjustment for statutory service provision at £274k, there was an income shortfall of £187k.  
  
Similarly ICT services do not fully recover costs whilst Assets and Bursary contribute to corporate overheads. Full costings of the traded services now need to be reviewed and any financial implications mitigated as much as possible. Any changes will be included in the budget report to Executive in February.
5. The HR and Bursary function has restructured part way through the financial year to a new operating model which streamlined the provision of the schools service, reducing the costs of the service delivery. However, a number of recently converted Academies have indicated that they are actively appraising the market and have observed that current Council charges can be higher than external competitors for a similar service.
6. Whilst the discretionary element of traded services can be run for a smaller number of schools with a lower number of staff, there will be a point when it is no longer cost effective to run a service and/or charges become prohibitive to schools. This is certainly proving to be the case for the Bursary Service where the speciality of the skill set required for these roles means that it is difficult to recruit people to these posts and the salaries offered by the Council are no longer attractive when compared to the remuneration packages schools are able to offer.
7. The provisions of any traded service are underwritten by the General Fund of the Council and staff termination costs such as redundancy payments are payable by the Council and not via the income achieved from paid for services.

**Legal:**

8. In its capacity as local education authority, the Council has certain statutory obligations to provide support to the schools that it maintains. Reference to these statutory duties is made in the text of the report. If the Council withdraws the provision of traded services, it will need to maintain the capacity to comply with its statutory duties.

**Risk Management:**

9. Failure to discharge Statutory Responsibilities

There may be a failure to discharge the Council's Statutory responsibilities as clarity between statutory and discretionary services have not always been clear. These will include, but may not be limited to, Health and Safety, Statutory Payroll returns including TPA returns, breaches of IT security, statutory financial returns and other Section 151 officer responsibilities.

There is also an additional linked risk of failure to maintain the statutory day to day functions due to reduced capacity arising from withdrawing support to traded services and the consequential reduction in central resources.

10. Financial risk

These will include, but may not be limited to,

- Loss of income and profit
- The Council, as employer, is ultimately responsible for bearing the cost of Employment tribunals etc. if maintained schools have not followed the correct HR processes. The risk of withdrawing HR advice on difficult employment issues is that the costs incurred by the Council are higher than would otherwise be the case.
- Redundancy costs
- Where a school fails to ensure adequate insurance cover in accordance with the Council's advice there is a risk that additional costs will be the responsibility of the Council.
- If the overall objective of withdrawing support to schools is to save money, there may be a risk that these savings will not be delivered.

11. ICT Security Risk

There is a risk of not obtaining required MIS information if the data extraction utility is removed.

There is a risk of IT service disruption to schools which could impact on the Authority if/when data are required from schools.

12. Reputational Risk

This could be attributed to inadequate insurance cover acquired by the schools if the Council's advisory limit is not complied with.

Additionally this could also be the result of the risk of failing to carry out Equality Impact Assessments correctly leading to risk of legal challenge and the failure to establish clear exit strategies with the schools.

13. The identified risks would be managed as part of the exit strategies developed with schools.

**Staffing (including Trades Unions):**

14. Exiting from Traded Services will be subject to consultation with schools, staff and Trade Unions, the latter of which have indicated they would perceive this to be a negative move as the Unions believe there could be an increased risk to the schools if the quality of service provision elsewhere is lacking.

**Equalities/Human Rights:**

15. The Council must ensure that decisions are made in such a way as to minimise unfairness, and that there is not a disproportionately negative effect on people from different ethnic groups, disabled people, and men and women.

16. The statutory equality duties must be exercised in substance, with rigour and an open mind. To ensure that the Council have complied with the equality duties, and that any decision made does not unfairly discriminate, they should:
- carry out robust equality impact assessments and consult and involve relevant stakeholders as part of the decision-making process
  - Consider all relevant, available information in order to anticipate any likely negative impact and to seek to avoid that negative impact by taking alternative courses of action wherever possible.
  - Keep an adequate record showing that they had actually considered their equality duties and pondered relevant questions.
  - Be rigorous in both inquiring and reporting to Members the outcome of the assessment and the legal duties. When decisions are made, decision makers must have the relevant data, including the results of equality impact assessment, and of consultation and involvement, to ensure they reach an informed decision.
17. Equality Impact Assessments are currently in progress and should any matters arise from these the implications will be reported to the Committee when it meets.
- Community Safety:**
18. Not applicable.
- Sustainability:**
19. Not applicable.
- Procurement:**
20. Not applicable.

- RECOMMENDATION(S):**
- The Committee is asked to:-**
1. **Consider and comment on the proposals set out in the report to the Leader attached as Appendix A.**

### **The Proposal**

21. The report attached as Appendix A was recently submitted to the Leader seeking a decision from him about the future provision of traded services to schools. The background and rationale for the proposal are set out in that Appendix.
22. In summary, it is proposed that the Council should cease to provide the following services to schools on structured basis:
- HR and payroll Services;
  - Bursary Service;
  - Insurance Services;
  - ICT Services; and
  - Property and Assets.

23. The proposal to withdraw these services will be brought forward as part of the Executive's budget proposals for 2012/13 and the Committee is asked to comment on the proposal.
24. A number of options are set out in paragraphs 37 – 41 of Appendix A. The preferred option is (e) which would result in the withdrawal of the services in a structured way.
25. The Council will need to facilitate the transition, in particular for lower schools that have fewer available resources, and continue to provide a facility if needed. Rather than seek to exit in September 2012 completely, the proposal is to support schools through the transition. If needed, the Council will still provide these services, provided that we achieve full cost recovery. Given that more schools are likely to choose to source the services from elsewhere, the charges will need to be increased significantly to achieve this.
26. A letter has been sent out to all Headteachers and Chairs of Governing Bodies inviting their comments on the proposal.

**Appendices:**

Appendix A – Report dated 3 January 2012 entitled Traded Services to Schools

**Background papers and their location: (open to public inspection)**

None