

---

**Leader's Decision on behalf of the Executive**

**Date:** 3 January 2012

**Subject:** Traded Services to Schools

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

**Summary:** This reports sets out the options when considering the future level of the Council's Traded Services to Schools.

---

Advising Officer: Deb Clarke, Assistant Chief Executive, People & Organisation

Contact Officer: Charles Warboys – Chief Finance Officer

Public/Exempt: Public

Wards Affected: All

Function of: Executive

Key Decision No

Reason for urgency/  
exemption from call-in  
(if appropriate)

A 'minded to' decision is needed on behalf of the Executive to withdraw from the discretionary elements of Traded Services provision to schools on a structured basis. This will enable the production of the school booklet to correctly reflect the level of statutory service that will provided and allow for schools to make the relevant decisions as early as possible. It will also ensure the Council can provide structured and appropriate support and guidance throughout the changes in service provision.

---

## 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
17.
  - 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.
18. Equality Impact Assessments are currently in progress and should any matters arise from these the Leader will be informed immediately.

**Community Safety:**

19. Not Applicable.

**Sustainability:**

20. Not Applicable.

**Procurement:**

21. Not applicable.

**Overview and Scrutiny:**

22. This matter has not been considered by Overview and Scrutiny

**RECOMMENDATION(S):****The Leader is asked to:**

1. indicate on behalf of the Executive that the Council is minded to adopt a structured approach to withdrawing from the provision of traded services to schools as proposed in option (e).

<i>Reason for Recommendation(s):</i>	So that schools can be advised by way of the publication of the Services to Schools brochure 2012/13 of our likely intention to cease traded services to all schools, limiting service provision to statutory levels only with a phased effect from next academic year. Services currently trading with schools include HR, Payroll, Bursary, Insurance, ICT and Assets. The final decision on levels of service provision should they be any different to this paper will be taken as part of the budget process.
--------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

### **Executive Summary**

23. This reports sets out the options when considering the future level of the Council's Traded services to Schools against a backdrop of a changing economic climate and national agenda in school provision. The agreed level of service provision is required for the purposes of producing the schools annual brochure of services offered to schools and that suitable notice can be given to schools with regards to any likely significant changes. As consideration is being given to reduce services to statutory levels only, schools need to be made aware of this at the earliest opportunity in order that they can make the relevant decisions and that we can provide structured and appropriate support and guidance throughout any changes in service.

### **Background**

24. Local Authorities have historically provided a number of services to schools, some of which are a statutory requirement. A number of services are provided at a cost, going beyond the statutory minimum and some services are provided at full cost recovery. For the purposes of this paper the traded services under consideration include;
- HR and payroll Services;
  - Bursary Service;
  - Insurance Services;
  - ICT Services; and
  - Property and Assets.
25. With the drive for efficient use of the Council's resources and the changing education environment, the Council regularly reviews its service provision to schools, seeking to improve the standard of service provided at reduced cost, to ultimately ensure the most appropriate investment of the Council's funds to achieve its core objectives.
26. The national agenda is to encourage schools to convert to Academies and to seek greater freedom from the Local Authorities. This agenda has been embraced by Central Bedfordshire and is actively supported. The increase in the number of schools moving to Academy status and forming Pyramids and Trusts has impacted on the number of schools seeking central services support from the Council, which is reflected in the financial position regarding traded services buy back.

## Service Provision

### 27. HR and payroll Services.

In 2010/11 of the 138 schools in Central Bedfordshire, all bar one school bought back the HR Advisory Services but take up was not as high in the administrative and payroll areas with around 10 schools opting to have their services provided elsewhere.

28. For the Trading Year 2011/12, the HR and Payroll teams undertook a detailed exercise to establish the full cost of providing services to schools, establishing an appropriate contribution to overheads and compared this to income earned. This evidenced that the service was heavily subsidised by the Council and that radical changes to the charging structure was necessary to achieve full cost recovery.

29. The HR service has developed over a number of years and there has been a gradual loss of clarity between our statutory responsibilities and discretionary (paid for) services. As part of the exercise into establishing the costs of service delivery, there has been more emphasis placed on determining the statutory elements of the service in order to establish those costs which remain with the Council.

The HR statutory services which must be provided free of charge include the Teachers Pensions Annual Service Return, being the conduit for the payment of General Teaching Council fees, monitoring Health and Safety responsibilities which have been delegated to school governing bodies, and consultation with representatives of staff, pupils, governing bodies and others (including Trade Unions and Professional Associations) as regards conditions of employment in maintained schools.

### 30. Bursary Service

For Bursary service there are currently 91 CBC schools supported by the service and it is likely that 63 Schools will be continuing into 2012/13. The current Bursary service provides services to both Central Beds and Bedford Borough schools although it is no longer a shared service arrangement. Schools buy the services direct with the Bursary team at a charge out rate of £60.00 per hour. Charges are calculated at full cost recovery.

31. The Bursary Service provides mainly non statutory services although where the Bursary function has been used to support the statutory work elements there is limited capacity for these services to be transferred to the small Statutory School Finance Team that provides the statutory services in respect of ensuring good financial governance and stewardship. Additionally, this statutory function will be able to continue with a specific non statutory contract arrangement with the Schools in administering the Long term absence pool which has historically been undertaken by the Bursary Service. This contract will run until 31 March 2014.

32. Software and system support provided by the Bursary Service is not a statutory function and provision can be sought directly from the providers or other Bursary Services. It must be recognised there is a risk in relation to the Statutory Financial returns that the Council requires from the schools in order to fulfil the S151 requirements and assurance, however it is not the Council's responsibility to provide and support the systems to deliver this.

33. Insurance Services

Insurance Services currently provides services to 137 CBC schools and it is anticipated this will reduce to 110 in 2012/13. Services to schools are provided from the core council staffing requirement and are offered on a fee earning basis, although not deemed as full cost recovery.

34. Property and Assets

Assets Services currently engages with 30 schools via a written SLA agreement with 1 additional school in the process of signing into this service. The service operates on a full cost recovery basis and withdrawal from the SLA requires written 12 month's notice.

35. In respect of the Assets function, the advisory service is provided to a small number of schools in connection with the school capital building/maintenance programme. It operates as an incremental activity to the main purpose of the Assets team is opportunistic rather than strategic and that small capacity could be better used in further improving the delivery of the capital programme.

36.. ICT Services

For the trading year 2011/12, the ICT team provided Secure Network Services for schools, formerly known as the Schools Broadband Service to all but one of the schools in Central Bedfordshire. This service includes the provision of a wide area connection to the internet, web filtering, access to the learning platform and email services. Specifically the service provides for schools:

- Secure network access to the internet and service desk support
- McAfee (anti-virus software)
- Avco (secure file transfer system between schools and the LA)
- Groupcall (Exporter – automated data extraction utility taking data from schools' MIS for LA)
- Learning platform access
- Email account management

37. In respect of the ICT Services the local authority has a single network supplier for the schools secure network service. This commits the Council to a network contract with this supplier for a minimum 12 month period. The full costs are recovered from participating schools. Providing no more than 10% of schools withdraw from this service the contract costs can be adjusted. When more than 10% of schools withdraw the contract remains at a fixed cost leaving the Council with an ongoing liability. Schools will be asked to commit to another years service for 2012/13 and providing 90% sign up for the service the LA will be able to continue to provide the service.

**Options for future services**

38. The current financial position of the General Fund underwriting the traded service provision to schools is not sustainable. To achieve a cost neutral service, a number of options have been explored:

39. [a] Drive further efficiencies within the current service provision. For example, within HR and Payroll services a number of existing processes are based on manual systems, paper driven with limited use of IT. Some additional efficiency (by reducing staffing levels) could be achieved with investment into the necessary technology to facilitate the direct submission of forms and updates. Investment cost would be high as any system used would need to be compatible with the variety of IT systems used within Schools or sufficiently firewalled to achieve security compliance. Where possible, vacancies could be held and staffing levels reduced to reduce costs of service delivery. This option will have an immediate impact on the ability to provide services and as such, is likely to have a negative impact on future buy back levels.
40. [b] Review costs and charges seeking full cost recovery for all traded services. As there is currently a projected budget shortfall in HR, Payroll and ICT services, this is likely to lead to a further increase in charges. It is therefore realistic to expect a resulting decrease in the number of schools buying back these services from the Council. Although staffing levels would be adjusted in line with the lower requirements and a cost reduction can be achieved, in the short term the Council will continue to financially support the service provision to a high level.
41. [c] Invest in the Services to enable the recruitment and retention of the calibre of staff required to provide the level of service that justifies the full cost recovery rates. However, this is contrary to the ethos of the Council concentrating on its core services.
42. [d] Work in partnership with another local authority or external provider with a view to reducing costs and sharing responsibilities. Whilst this aligns with the medium term plans of the authority, this may require some initial set up costs and an increase in contract management costs. Further development of this option would be required if it was to be actively pursued and in a competitive market there is a risk of further reduction in take up whilst the options and potential partners were in discussion.
43. [e] Cease traded services in a structured way providing appropriate support to schools to secure alternative service providers and clarity over statutory responsibilities. Trading with schools is currently undertaken on a financial year basis and with providing notice of the change; this could naturally move to service contracts to align with the academic year, which is preferable to schools. This would be subject of consultation with schools commencing in January 2012 and with staff and trade unions.
44. The Council will need to facilitate the transition, in particular for lower schools that have fewer available resources, and therefore we will continue to provide a facility if this is needed. Rather than seek to exit in September 2012 entirely, we will seek to support schools through the transition. If it is necessary for us to do so, we will still provide these services on the basis of full cost recovery. Given that more schools are likely to choose to source services from elsewhere, the charges will need to be increased significantly to achieve this.
44. Withdrawing from this area of service provision will result in a loss of income for the Council, but there will also be a reduction in the Council's costs which will be reviewed and actions will be taken to mitigate the effects as far as possible. This option does allow the council to focus on its core business and statutory obligations. Appendix A sets out the scope of services affected and proposed exit strategy, each option being supported by a transition plan.



**Appendices:**

Appendix A – Scope of Services

**Background Papers:** None