
Cabinet Member (Education)

21 January 2014

Name of Cabinet Member:

Acting Cabinet Member (Education) – Councillor D Chater

Director Approving Submission of the report:

Executive Director, People

Ward(s) affected:

All

Title:

Services to Schools Pricing Strategy 2014/15

Is this a key decision?

No - Although this matter may affect all wards, the impact of the proposals is not expected to be significant

Executive Summary:

To report on the pricing strategies of those Council services providing services to schools and update on whether these services are achieving full cost recovery.

Recommendations:

In line with Scrutiny Board 1 report of 23 January 2013 and more recently the Cabinet Member and Scrutiny Board 1 report of 29 July 2013, the Acting Cabinet Member is asked to:-

- a) Agree proposed Service Level Agreement charge increases as set out in appendix 1.
- b) Require services that are not achieving full cost recovery to set out a plan and timescale for moving towards full cost recovery.

List of Appendices included:

Appendix 1 – Cost Recovery

Background Papers:

None

Other useful documents:

Scrutiny Co-ordination Committee briefing note dated 23rd January 2013
Cabinet Member (Strategic Finance and Resources) report dated 29th July 2013

Has it been or will it be considered by Scrutiny?

No

Has it been or will it be considered by any other Council Committee, Advisory Panel or other body?

No

Will this report go to Council?

No

1. Context (or background)

The on-going financial situation presents significant challenges to the Council in balancing the revenue budget. Setting the appropriate level for fees and charges is an important element in raising revenue to meet the medium term financial pressures. It is essential that the Council maximises its income to ensure that, wherever possible, it at least recovers its costs for the service that are provided.

In January 2013 Cabinet approved the recommendations from the Council Services to Schools Task and Finish Group of Scrutiny Board 1, which included adopting a consistent charging policy for the delivery of services to all schools, the starting point of which should be that services recover the full cost of service delivery.

Any Council service which provides a service to schools is required to complete the Full Cost Recovery Tool on an annual basis to identify whether full cost recovery is achieved and if not, develop a pricing strategy or cost reduction strategy to move towards full cost recovery.

In identifying any shortfall between forecast income and expenditure, consideration needs to be given to the impact on school buy back if services increase charges by more than inflation. In cases such as this action plans need to include phased increases and/or cost reduction strategies to move towards full cost recovery.

It is recognised that there may be some exceptions where there may be a valid reason why a service should not recover full cost which will require approval. Appendix 1 details those services which are forecast to require a subsidy and do not have an action plan to move towards full cost recovery.

2. Options considered and recommended proposal

Where services are not recovering the full cost of delivering their service they are required to create an action plan to move towards full cost recovery.

This action plan could include phased price increases and/or cost reduction strategies.

If Services are not able to implement plans to move towards recovering the full cost of the service approval for any subsidy is required.

3. Results of consultation undertaken

As part of the annual budget setting process income budgets were previously inflated automatically by a corporately agreed percentage. Income budgets are now inflated in line with the full cost recovery principles which may result in varying increases between services.

4. Timetable for implementing this decision

As detailed in the Commercialisation and Income Maximisation report of 29th July 2013, Service Managers have undertaken a review of their current service costs using the Full Cost Recovery Tool to identify any forecast shortfall.

The results of any changes to fees and charges, based on any agreed action plan shall be communicated to schools through the on-line Service Level Agreement catalogue in February. Revised charges will take effect from 1st April 2014.

The financial performance of these services will be monitored through the budgetary control process.

5. Comments from Executive Director, Resources

5.1 Financial implications

The full cost recovery principles will ensure all services are costed on a consistent basis and aims to make charges applied by services comparable with external providers.

Finance officers have developed a costing model which allows traded services to make an assessment of whether they are recovering the full cost of their service.

Full cost has been defined as all direct service costs, an apportionment of central overheads and an appropriate percentage of any relevant directorate overheads, for example, senior management costs.

All managers of traded services with schools were asked to complete the costing tool and compare the costs of their service with their projected levels of income for the 2014/15 financial year to determine whether or not these services were being provided on a full cost recovery basis.

For those services achieving full cost recovery they are required to ensure that price increases for 2014/15 and beyond are sufficient to maintain this position.

For services not achieving full cost recovery, service managers were asked to develop strategies to enable them to move towards full cost recovery. These strategies could include:-

- Increasing prices by more than inflation
- Reducing the cost of providing the service

A service by service analysis of the forecast position for 2014/15 is included at appendix 1 together with any actions.

In summary, the key points to note are:-

- 13 services are covered in the analysis.
- Of the 13 services, 5 are forecast to recovery full cost in 2014/15.
- Of the 6 not achieving full cost recovery:-
 - 3 have a strategy to move towards full cost recovery in 2014/15.
 - 3 Services have no plans in place to achieve full cost recovery and are services which will end trading to schools in July'14.
 - 1 Service has core funding identified to support the service in line with existing City Council policy agreement to fund from existing resources.
 - 1 Newly restructured service which will be working with Finance to achieve full cost.

The additional income generated through the exercise will be built into the budget setting process.

A number of services within the Special Education Needs (SEN) service have been excluded from this process because although they are SLA funded they are also funded by Dedicated Schools Grant which is currently meeting any subsidy. These services will be reviewed during 2014/15 and included in the Full Cost Recovery process for 2015/16, with any DSG elements being discussed with Schools Forum.

5.2 Legal implications

The Local Government (Goods and Services) Act 1970 enables local authorities to supply goods and materials, and to provide administrative professional or technical services for other local authorities and other designated public bodies which includes educational; establishments Section 1(3) of the Act provides in effect that any agreement by the parties relating to the supply of goods or the provision of services may contains terms as to payment for those goods or services.

6. Other implications

6.1 How will this contribute to achievement of the Council's key objectives / corporate priorities (corporate plan/scorecard) / organisational blueprint / Local Area Agreement (or Coventry Sustainable Community Strategy)?

Increasing fee income within a consistent agreed policy to ensure the full cost of service delivery is recovered, which will enable the Council to better meet key objectives and help to protect frontline services provided to residents and local communities. This also supports the corporate key transformation objective of ensuring that the Council's medium term financial strategy provides the resources to meet its priorities and delivers a balanced budget.

6.2 How is risk being managed?

The key risk associated with any proposal to increase charges is the possible decision by schools not to buy back into the services detailed in this report. Where possible, inflationary increases have been kept to a minimum to only achieve full cost recovery.

If buy back from schools does reduce, services will need to be proactive in reducing direct expenditure costs to ensure full cost recovery is maintained.

6.3 What is the impact on the organisation?

If there is a significant reduction in the buy back position for specific services, then service managers will need to consider both the impact on current staffing levels within the service and the on-going viability of continuing to offer the service to schools. Reductions in staffing levels will require formal consultations with staff and the trade unions and the Security of Employment Agreement and the Teachers Redeployment Scheme will have to be observed. Provision will also need to be made for any resulting redundancy payments.

6.4 Equalities / EIA

None

6.5 Implications for (or impact on) the environment

None

6.6 Implications for partner organisations?

None

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Nicky Scott	Learning & Behaviour Support – Secondary	People	7 th January 2014	9 th January 2014
Sharon Cassidy	Work Related Learning	People	7 th January 2014	8 th January 2014
Alistair Cook	Doly Moch	People	7 th January 2014	10 th January 2014
Pauline	Reading Learning & Achievement	People	7 th January 2014	8 th January 2014
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Councillor D Chater	Acting Cabinet Member (Education)	-	7 th January 2014	7 th January 2014

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Appendix 1

Services forecast to achieve full cost recovery in 2014/15:-

Service	Forecast Exp. £	Forecast Inc. £	Net Position £	Comments
Governor Support	350,611	(350,605)	6	2% Inflation proposed
Performing Arts Service	1,455,178	(1,464,292)	(9,114)	0% Inflation proposed
Educational Psychologists	481,592	(502,629)	(21,037)	1% Inflation proposed
Data Team	128,024	(128,293)	(269)	1% Inflation proposed
Schools Library Service	167,512	(168,438)	(926)	1% Inflation proposed

Services not achieving full cost but have action plan to move towards full cost recovery:-

Service	Forecast Exp. £	Forecast Inc. £	Net Position £	Comments
Learning & Behaviour Support Primary Service	462,569	(454,400)	8,169	1% Inflation proposed. Service restructure planned during 2014/15.
Learning & Behaviour Support Secondary Service	221,927	(219,052)	2,875	1% Inflation proposed. Service restructure planned during 2014/15.
Work Related Learning	210,128	(164,376)	45,752	2% Inflation proposed. Work underway to review expenditure.

Services not achieving full cost where subsidy agreed:-

Service	Forecast Exp. £	Forecast Inc. £	Net Position £	Comments
Doly Moch	898,867	(829,391)	69,476	The subsidy provided for Dol-y-Moch is to provide a financial discount to pupils from disadvantaged families in accordance with an existing City Council policy decision

Services not achieving full cost recovery requesting subsidy for 2014/15:-

Service	Forecast Exp. £	Forecast Inc. £	Net Position £	Comments
Learning & Achievement Early Years	22,091	(9,600)	12,491	SLA ending July'14 – One off shortfall to be met from existing resources
Learning & Achievement Secondary 11-19	32,902	(25,600)	7,302	SLA ending July'14 – One off shortfall to be met from existing resources
Learning & Achievement Birth to 11	71,382	(64,000)	7,382	SLA ending July'14 – One off shortfall to be met from existing resources
Partnership Centres	230,597	(228,590)	2,007	Service proposing to hold prices to prevent further fall in buy back due to significant price increase in 13/14.