
Cabinet Member for Education

10 March 2015

Name of Cabinet Member:

Cabinet Member for Education – Councillor D Kershaw

Director Approving Submission of the report:

Executive Director of People

Ward(s) affected:

All

Title:

Services to Schools Pricing Strategy 2015/16

Is this a key decision?

No - Although this matter may affect all Wards of the City, 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 the approved charging proposal reports of Scrutiny Co-ordination Committee on 23 January 2013 and the Cabinet Member for Strategic Finance and Resources and Finance and Corporate Services Scrutiny Board (1) on 29 July 2013, the Cabinet Member for Education is requested to:-

- 1) Agree proposed Service Level Agreement charge increases as set out in Appendix 1 of the report.
- 2) 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 23rd January 2013

Finance and Corporate Services Scrutiny Board (1) report 29th July 2013

Cabinet Member for Strategic Finance and Resources report 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. Revised charges will take effect from 1st April 2015.

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

5. Comments from Executive Director of 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 2015/16 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 2015/16 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 2015/6 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, 7 are forecast to recovery full cost in 2015/16.
- Of the 6 not achieving full cost recovery:-
 - 5 will be undertaking full reviews of service delivery with the aim of moving towards full cost recovery in 2015/16.
 - 1 Service has funding identified to support the service during 2015/16.

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

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.

In procuring goods and services schools will need to comply with their own procurement procedures and the Public Procurement regulations where applicable.

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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Appendix 1

Services forecast to achieve full cost recovery in 2015/16:-

Service	Forecast Exp. £	Forecast Inc. £	Net Position £	Comments
Business Support – Data Team	127,746	(131,487)	(3,741)	2.7% Increase in charges proposed
Children's Sensory Support Service	144,287	(155,901)	(11,614)	2.7% Increase in charges proposed
Educational Psychologists	505,202	(510,138)	(4,936)	2.7% Increase in charges proposed
SEN Early Years	54,610	(55,514)	(904)	2.7% Increase in charges proposed
Speech and Language Service	39,162	(39,788)	(626)	2.7% Increase in charges proposed
Work Related Learning	753,491	(783,580)	(30,089)	2.7% Increase in charges proposed
Performing Arts Service	1,301,006	(1,301,006)	0	Between 0% & 3% Increase in charges proposed

Services not achieving full cost where subsidy agreed:-

Service	Forecast Exp. £	Forecast Inc. £	Net Position £	Comments
Outdoor Education Service	891,502	(861,666)	29,836	1.4% Increase in charges proposed. One off cost of remissions for Summer term due to charges being aligned to academic year. Further work planned to reduce remaining subsidy of approx. £15k.

Services not achieving full cost but service reviews planned to move towards full cost recovery in 2015/16:-

Service	Forecast Exp. £	Forecast Inc. £	Net Position £	Comments
Governor Support Service	418,022	(371,620)	46,402	3% Increase in charges proposed. Part year savings from staff restructure in 2015/16. Review of service delivery proposed to reduce running costs.
Learning & Well Being Service	456,216	(410,695)	45,521	2.7% Increase in charges proposed. Review of service structure proposed.
MGSS	466,857	(340,105)	126,752	Full redesign of SLA for 15/16 which requires further review once school buy-back known to move towards full cost recovery.
Partnership Centres	237,243	(214,300)	22,943	3.4% Increase in charges proposed
Schools Library Service	202,307	(186,452)	15,855	Between 0 and 5.6% Increase in charges proposed.