

SOLD SERVICES TO SCHOOLS

Review of Health & Safety/Occupational Health Service

1. Background

- 1.1 The council currently has around 15 services which it sells to schools and from 2012/13 all these services have been set up as Trading Accounts with the intention that they operate on a full cost recovery basis. Currently the only two services that are not operating on full cost recovery are the Education Development Centre (DSG) and Property Reactive Services (RSG) which have a cost in the region of £600k and £32k respectively.
- 1.2 The services we sell to schools can be split into 3 categories which are Business Support, School Improvement and Every Child Matters, with the services which fall broadly within each section shown below:-

Business Support

- Property Facilities Management
- Property Reactive Maintenance
- Occupational Health/Health and Safety
- Human Resources
- Financial Services
- Audit Services
- Free Schools Meals

School Improvement

- NQT Assessment (HR)
- Education Development Centre (DSG & RSG)
- Research & Statistics

Every Child Matters

- Behaviour Support (primary & secondary)
- Education Welfare
- Education Physiology

- 1.3 Recently officers did some very detailed work to separate the services that were statutory and/or in the councils best interest from the discretionary element of the service. This gave a clearer picture of the functions and responsibilities that would remain with the council if members took the decision to no longer continue to sell services to schools and also to ensure that all discretionary services were operating on a full cost recovery basis.
- 1.4 This paper now looks at one of the service heads in detail, to identify the services provided and impact if this was commissioned in a different way.

2. Occupational Health/Health & Safety

- 2.1 The Health & Safety service is currently available **free of charge** to all maintained, community based and voluntary controlled schools, as the council is the employer and has a statutory obligation to provide such services to our employees.
- 2.2 Foundation, academies and voluntary aided schools are not the responsibility of the council and as such we can charge for any services we provide, which for 2012/13 is on a full cost recovery model.
- 2.3 There are currently 2.62 ftes working within the Health & Safety Team, of which 0.75 of an FTE is the secretariat support to the Occupational Health contract.
- 2.4 The Health & Safety Manager allocates 15% of her time to sold services with the remainder of costs being the Occupational Health contract of which 35% of the contract work done is on behalf of schools that we are not directly responsible for. The table below provides a detailed break down of the budget for this service:-

		2012/13	Core 2012/13	Sold Services 2012/13
Staff	FTE	£	£	£
Health & Safety Manager	1.00	59,609	50,609	9,000
Safety Advisor	0.87	38,427	38,427	
Secretary to OH contract	0.75	19,180	19,180	
Less turnover provision		-3,866	-3,266	-600
	2.62	113,350	104,950	8,400
Running costs/Employee related				
Leased Car		4,020	3,420	600
Running Expenses		5,320	5,320	0
Contract				
Occupational Health Contract		121,340	79,340	42,000
		130,680	88,080	42,600
Recharges to be recovered				
		41,340	38,060	3,280
Income				
Schools		-54,280		-54,280
Other Local Authorities		-8,910	-8,910	
		-63,190	-8,910	-54,280
Total		222,180	222,180	0

2.5 The council, as an employer, landlord and provider of services has statutory H&S functions under the Health and Safety at Work Act. Although not exhaustive, the most relevant regulations with regard to council activities are listed below. In addition to statutory requirements there are numerous HSE, industry, DFE etc guidance notes, quoted by the courts as a framework of best practice. Given that the council is an enforcement body for some aspects of H&S law (Env Health) the council is expected to be exemplary in maintaining compliance within its own areas:-

- *Health & Safety at Work Act*
- *Corporate Manslaughter Act*
- *Management of H&S Regulations*
- *Occupiers Liability Act*
- *Personal Protective Equipment Regulations*
- *School Premises Regulations*
- *Manual Handling Regulations*
- *Control of Substances Hazardous to Health Regulations*
- *Fire Reform Order Regulations*
- *Display Screen Equipment Regulations*
- *Loading Operations & Lifting Equipment Regulations*
- *Work time Regulations*
- *Workplace Regulations*
- *Equality Act (disability H&S issues)*

2.6 As you will see from the table in para 2.4 above the statutory services which are of value to the council costs £184,120 before recharges of £38,060 are added.

2.7 The service does recover all of its discretionary costs and is forecast to generate income of £54,280 this year from selling its services to foundation/voluntary aided and community schools etc based on selling to 77 schools at an average current price of £705.

2.8 At the moment this service has 81% of the market selling its services to 77 schools out of a total of 95.

2.9 The Team have sustained a record 8 year prosecution free spell, and with the latest H&S fine relating to a workplace fatality (could result in a £485k fine), there is a need to balance potential savings against this risk or ensure this is adequately defined in any contract that is put in place.

2.10 The Health & Safety Team are based at the Civic Centre and the service is available between 8.30-5pm with emergency advice available outside of the core hours via a mobile number. The Occupational Health Unit is also based at the Civic Centre and this service is provided to the council via a third party contract. The contract provides for advice from a qualified OH Nurse and Physician.

- 2.11 Should members decide to outsource this service the only costs which would fall onto the council would be the £3k from recharges (as this cost would just be recharged to other services within the council).

Current Risks

- 2.12 By putting our sold services to schools on a more business level they are now set up as Trading Accounts and all but two are working on full cost recovery basis, a decision needs to be made as to whether these services continue to be marketed proactively or the council looks to outsource them, potentially with many if not all of the statutory elements as well. The risk going forward is around the external market, how much it expands and in the longer term if we are unable to offer value for money or compete against the services being offered to schools by our competitors.
- 2.13 By not actively marketing our sold services to schools and understanding the customer and competition the council runs the risk of eventually being left with only the statutory/value to council, elements of the service because schools may opt to use other providers. If this were to happen the service element would no longer be sustainable resulting in these costs falling onto the RSG budget or as the council downsizes the service it will have to pick up any redundancy or associated costs, such as pension liabilities.
- 2.14 Outsourcing of both the discretionary and non discretionary elements of the services is an option. Potentially all the time the council is able to package the “sold services” elements into any commissioning model it is likely to be an incentive to providers who are looking to expand in the market, as they will be able to use the expertise and skills of our existing workforce.
- 2.15 Due to the level of uncertainty around sold services to schools, the expertise of our workforce becomes a risk. A number of staff are likely to look for jobs elsewhere and therefore the resilience of the service going forward will become an issue as a number of these teams are very small in size and depend on key officers with years of experience. Failure to make a decision around the direction of travel for these services ultimately may mean they will by default become single points of failure.
- 2.16 Now that most of the sold services to schools are operating on a full cost recovery basis, it means that all **recharges** from central departments, administrative building costs and IT support costs are being recovered via income from schools. In some instances these recharges are considerable and therefore the risk is that the council will have to bare these costs at least in the short to medium term. A few of the sold services are generating a surplus, due to the high demand for these services and therefore this could also impact on the budget

Future Sustainability

- 2.17 As more schools convert to Academies the market will develop and the risk to the council increases around the income it generates from sold services to schools. Schools will be able to exercise choice from a range of providers. Schools already have a large degree of autonomy over their budgets. Recent government announcements will mean that this is likely to increase with the introduction of the National Funding Formula in 2015 and the move towards funding Pupil Referral Units much like schools (in 2013/14 they will have their own delegated budgets and will be set up like a school rather than a centrally controlled service).
- 2.18 As the Government continues to progress in reducing the longer term role of local authorities a market will mature consisting of private sector providers entering into the market as well as consortiums of schools selling services to other schools. This further questions whether local authorities continue to remain providers of these services in the longer term.
- 2.19 A decision on where the council sees the future of sold services and even the provision of statutory elements needs to be made sooner rather than later to ensure that the council is able to either outsource but with the “sold element” being where the provider will be able to expand in the market using our expertise and experience to build upon **or** the council is more proactive in its approach to sold services getting a better understanding of what the customers wants, making sure out charges are set at the right level and that services which are not widely bought by our customers are phased out or packaged in a different way.
- 2.20 The financial prospects for the council, in the ongoing austerity period, results in a smaller council with local resources needing to focus on “core” areas of business.

Health & Safety specifically

- 2.21 Looking specifically at the Health & Safety service, this could be commissioned externally without any direct impact on our ability to fulfil our statutory functions as the council would ensure any contract with a third party dealt with compliance to legislation and standards. The benefit of any contract around this service would be that as more schools convert to Academies our costs would fall (officers would need to ensure the contract was volume related) and this would then give an incentive to any provider to actively sell services to both schools or other local authorities. This also provides a greater level of flexibility to adapt to a changing environment. What is not clear is the market for this service at present.

- 2.22 As more services are commissioned the council would need to take a view on the overall client function to ensure that the monitoring of any contracts against key performance indicators is kept to a minimum.

3. Going Forward

- 3.1 The government agenda is clearly to make the Local Authority move away from the position of 'service provider' to one that focuses on strategy, quality assurance and commissioning, and with Education in particular to give schools greater control and independence. It is likely therefore, that there will be further changes around grant funding and the council's statutory responsibilities.

- 3.2 What is clear is that should the council opt to become a commissioner of services it will retain (and is likely to in the near future) a clear strategic role to

- Intervene in Failing schools (whilst they are maintained)
- Provide additional support for most vulnerable children & young people e.g. SEN
- Provide fair access to schools for every child, through admission process
- Provide sufficient school places for children of statutory school age

The local authority currently also retains the power to withdraw the delegated budget from maintained schools in certain specified cases.

- 3.3 Packaging what, if any, of the 15 services is to be outsourced, needs to be carefully considered as the council needs to ensure that no hidden costs revert back onto the council. The Business Support services are likely to have the least risk of this with the services included in Every Child Matters carrying the most risk.
- 3.4 There is an argument that sold services to schools brings additional benefits to the council, such as an insight into what is going on in a school and therefore any changes to the service going forward needs to ensure that the council is not totally isolated (this argument gets diluted as more schools convert to academies).
- 3.5 However, what is clear is that from a financial perspective the council needs to avoid potential future liabilities and the earlier a decision is made about how these will be provided in the future the less risk the council will be exposed to.

Options

- Develop a Sustainable Business Model to increase the income generated from sold services to schools (perhaps setting clear income targets) which will need to include good marketing analysis of our services with the aim of retaining services in-house. This will need to be considered along side the risks associated with it, as set out in section 2.11 – 2.14 of this paper.
- Work towards setting up Arms length delivery models – only benefit would be for staff themselves and would require quite a lot of senior management time initially. It might also expose the council to risk if the market develops quickly in the next year or so and our income falls considerably.
- Commission services – exploring how this is best packaged up. This also meets the council's broader COP principles.

. Lesley Moore
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