

Decision Maker: **Education Budget Sub-Committee**

Date: **8th April 2014**

Decision Type: Non-Urgent Executive Non-Key

TITLE: COST IMPLICATIONS OF RECHARGES - BEHAVIOUR SERVICE AND PUPIL REFERRAL UNIT ALTERNATIVE PROVISION

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Ward: Boroughwide

1. REASON FOR REPORT AND SUMMARY OF BUDGET POSITION

- 1.1 The Education PDS received a report on the 18th March 2014 on the Behaviour Service and Pupil Referral Unit Provision and the potential for the reorganisation of these services (report number ED14023) It was requested by the committee that a report on the cost implications of the recharges of this report be brought back to a future meeting of the Education Budget Sub Committee.
- 1.2 The report shows that there are recharges of £133k for 2013/14 and that these will become a cost to the Council should the decision be made to integrate functions into the Pupil Referral Unit (PRU).

2. RECOMMENDATIONS

2.1 The Education PDS Budget Sub-Committee is invited to:

- (i) **Consider the financial position of the proposal and recommend savings in the Education Portfolio to offset the cost implications of recharges.**

The Education Portfolio Holder is recommended to:

- (i) **Agree any identified savings in the Education Portfolio to offset the cost implications of recharges; and,**
- (ii) **Should it not be possible to find savings within the Education Portfolio, to recommend the Executive approve a budget growth request.**

Corporate Policy

1. Policy Status: Not Applicable:
 2. BBB Priority: Children and Young People:
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Financial

1. Cost of proposal: Up to £133k:
 2. Ongoing costs: Up to £133k:
 3. Budget head/performance centre: Education Portfolio budgets
 4. Total current budget for this head: £ net zero as DSG funded
 5. Source of funding: DSG
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Staff

1. Number of staff (current and additional): N/A
 2. If from existing staff resources, number of staff hours: N/A
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Legal

1. Legal Requirement: Statutory Requirement:
 2. Call-in: Applicable
-

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): N/A
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Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments:

3. COMMENTARY

Background

- 3.1 A report was brought to the Education PDS committee on the 18th March 2014 proposing changes to the service delivery of the Behaviour Service and Respite teams and the possibility of them being transferred to the Bromley Alternative Provision Academy (BAPA). BAPA is an Academy sponsored by Bromley College and is independent of the Local Authority. Service benefits were detailed in the report outlining the advantages of moving in this direction.
- 3.2 However, there are financial implications that would arise from this and the Education PDS asked for these to be detailed and brought back to a future meeting of the Education Budget Sub Committee.

Behaviour and Respite Services

- 3.3 The cost of the service for 2013/14 is set out in table one below.

Table One

	Secondary Respite	Primary Team	Manager & Admin	Total
	2013/14 Budget	2013/14 Budget	2013/14 Budget	2013/14 Budget
	£	£	£	£
Employees	497,010	174,170	126,210	797,390
Running Costs	52,600	14,470	1,750	68,820
Trading Account Income	-346,050	0	0	-346,050
Recharge to SEN	-305,770	0	0	-305,770
Recharge to DSG	0	-194,080	-154,360	-348,440
Controllable Total	-102,210	-5,440	-26,400	-134,050
Non Controllable	890	0	0	890
Recharges	101,320	5,440	26,400	133,160
Grand Total	0	0	0	0

The Service is funded through the Dedicated Schools Grant (DSG). It can be seen from the table that there are £133k of recharges charged to the service. Historically the Council has always used an element of grant funding to offset existing 'core' costs

Recharges

- 3.4 All services provided by the Council will have elements of costs attributable to them for recharges for 'back office' functions not directly linked to the delivery of the services themselves. These costs are called recharges and are allocated against individual service areas according to various 'drivers'. These drivers can include head count, full time equivalent, office space, etc.
- 3.5 Central costs are recharged to show the 'true' cost of running any service and to ensure that when benchmarking costs to other Local Authorities, the correct unit cost is used

- 3.6 The behaviour service/respice service currently has £133k of recharges attributable to the service.
- 3.7 These are made up of the following costs as set out in table two.

Table two

<u>Recharge</u>	<u>Cost £</u>
Support Services	48,350
Admin Buildings	3,900
Computer Charges	51,550
Strategic & Business Support	14,750
Commissioning & Partnerships	14,610
	<u>133,160</u>

Support services: Within support services there will be an element of the Head of Paid Service, Section 151 Officer, Chief Monitoring Officer, finance, HR, Legal, Payroll, Pensions. Services are reviewed annually to ensure they are as efficient as possible. Significant savings have been made in these areas in the last few years

Admin Buildings: Costs of buildings and its maintenance. Savings will only be possible through rental of accommodation to outside organisations or if the asset is able to be sold.

Computer Charges: IT maintenance and the infrastructure. There are opportunities at the margins to save costs but the majority of IT expenditure relates to hardware/systems expenditure which does not reduce.

Strategic & Business Support: recharge of elements of the Strategy Division within ECHS

Commissioning and Partnerships: recharge of elements of the Commissioning Division within ECHS.

Impact

- 3.8 Currently the recharges are paid for by the Dedicated Schools Grant as the service is held centrally. If that were to change and another supplier were to supply the service Bromley would be unable to charge the recharges to DSG as these services would no longer be used by the service. In this case the recharge would therefore revert back to being RSG funded and would become a new pressure on the Council that would either have to be funded from elsewhere or given as growth.
- 3.9 It would be difficult for the divisions providing the services to make savings to realise the £133k. This is part is because of the following:-
- As this is a small part of the organisation potentially going elsewhere the overall impact of the delivery of the recharged services will be small and services will not be able to reduce their costs in the short term.
 - There are statutory duties that will remain and that will still need to be recharged e.g. S151 officer, etc.

- c) The amounts represent small parts of each service. It can be described as 'fingers and toes' of individuals or very small elements of a particular service e.g. payments team
- d) Savings have been made in these areas already and in effect additional savings will be double counting this.
- e) A majority of the recharge is made up of already contracted out services. These may be changed to a degree but many provide a rump of a service where costs will be incurred regardless of size e.g. cost of a server for an IT system would cost the same if there were 100 or 1,000 users.
- f) There are fixed cost elements the services delivered in house and as in c) above these cannot be changed easily. E.g. some accommodation costs of a building whether it is full to capacity or only three quarters full.

3.10 Savings may be realised in the medium term if there was a quantum of size where larger parts of the organisation or a greater number of smaller parts were brought together. Then savings may be realised as greater reductions in activity levels from these services are achieved rather than on an individual basis and some reductions in costs could be made. However this would not realise all of the costs of the recharge because as mentioned above, there are fixed costs and statutory elements that will remain and need to be charged.

3.11 Moreover this is likely to occur with any service that has its costs covered by the DSG, or any other specific grant e.g. Public Health as the services cannot be recharged if they are provided elsewhere and not receiving the recharged services.

3.12 This paper looks at the financial implications only. There are service implications that need to be considered and these have been covered in the earlier paper. Any decision would need to take this into account as well.

4. POLICY IMPLICATIONS

4.1 "Building a Better Bromley" refers to the Council's intention to remain amongst the lowest Council Tax levels in Outer London and the importance of greater focus on priorities.

4.2 The "2013/14 Council Tax" report highlighted the financial pressures facing the Council. It remains imperative that strict budgetary control continues to be exercised in 2013/14 to minimise the risk of compounding financial pressures in future years.

5. FINANCIAL IMPLICATIONS

5.1 If the service does get provided by BAPA or any other organisation independent of the Council then there will be at least in the short to medium term an issue with finding the cost of the recharge previously funded by the DSG. This amounts to £133k

5.2 In the first instance this should be found by the service itself and managed within Education. Over the past few years more costs have been transferred to DSG from previously RSG funded services. The room for manoeuvre to find additional RSG savings is shrinking as the RSG funded pot reduces.

5.3 If this is found to be impossible then this needs to be referred to the Executive as it in effect becomes a request for growth which under the regulations will need to be agreed and approved by the Executive.

5.4 This brings up a wider issue of how the organisation deals with recharges as service delivery options are reviewed.

Non-Applicable Sections:	Legal Implications Personnel Implications
Background Documents: (Access via Contact Officer)	None