

TRADING UNITS UPDATE

To: Audit and Accounts Committee

Date: 22nd November 2016

From: Keith Grimwade: Service Director for Learning

Electoral Division(s): All

Purpose: The purpose of this report is to:

1. Describe the level and significance of trading activity in the Learning Directorate.
2. Set out actions being taken to address any issues with trading to secure 16/17 budgets.
3. Through two detailed case studies to illustrate the Directorate's approach to business planning, charging and risk management.

Recommendation: The Committee is asked to note and to comment on the report.

<i>Officer contact:</i>	
Name:	Keith Grimwade
Post:	Service Director for Learning
Email:	keith.grimwade@cambridgeshire.gov.uk
Tel:	01223 507165

1. BACKGROUND

- 1.1 The Learning Directorate's gross budget (2016/17) is £55.5 million. The LA contribution to that budget is £19 million. Centrally retained or de-delegated Dedicated Schools Grant accounts for £2.5 million. The remainder, £34 million, is traded income, earned mainly from trading with early years settings and schools.
- 1.2 Almost all Learning Directorate services trade to some extent and this has increased as schools have become academies. This is because funding moves from the LA to the academy on conversion but many academies choose to continue with services they have received from the LA through a buy-back arrangement.
- 1.3 This paper focuses on the seven 'fully traded' services that account for the majority of the Directorate's traded income, and presents two case studies to illustrate the approach to business planning, charging and risk management.

MAIN ISSUES

- 2.1 Table 1 below shows the year-end position of the seven main traded services for the last two years. A minus variance against net budget represents an overrecovery, and therefore a positive position. However, it should be noted the minus variance for the Catering and Cleaning Service is against an expected contribution to the Council budget of £350k, i.e. it still contributed over £300k 'profit' to the Council.

Table 1 14/15 & 15/16 Year-end position

	14/15			15/16		
	Net Budget	Actual	Variance	Net Budget	Actual	Variance
CCS (Catering)	-250,240	-192,710	57,530	-350,000	-367,655	-17,655
Burwell House	-337	11,601	11,938	-337	10,284	10,621
Cambridgeshire Music	20,000	-7,629	-27,627	0	-148,456	-148,456
CEES (Environment Education)	-1,343	13,962	15,305	-1,343	26,900	28,243
EdICT	229,767	235,789	6,022	0	14,046	14,046
Grafham Water	-26,401	6,345	32,746	-26,576	23,264	49,840
Professional Centre Services	-35,046	-44,714	-9,668	-45,046	-32,517	12,529

- 2.2 Currently, the Learning Directorate is reviewing all of its traded services. The aim is for them to be sustainable, profitable and high quality. If this is not possible to achieve, services may be closed, e.g. the Grounds Maintenance Service was closed last financial year because it was never going to be able to compete with large providers who have scale economies, or small local providers, who have low overheads. We worked with schools to find alternative providers and there was no disruption of service to customers.
- 2.3.1 CCS are budgeted to achieve a £400k contribution to the Local Authority and at present it is forecast that this will be achieved although the service does have a number of risks.
- 2.3.2 The Northants CC closure of their school meals service resulted in the loss of orders for 3.1m meals annually (70% of the production), and has necessitated the closure of the B4 Distribution Centre, and the winding down of the C3 Cook Freeze Centre which will incur significant costs. Work is underway to assess the most effective options for the service and C3 production unit going forward.
- 2.3.4 A plan of savings and restrictions of expenditure is in place to accommodate the £144k forecast trading shortfall and the estimated £82k the dilapidation & demobilisation costs of current B4 premises. Further to this there are potential additional £188k costs relating to the redundancy and pension strain costs for any staff who cannot be redeployed.
- 2.3.5 Finally, the NJC pay award for the lowest grades increased above the expected level which is a pressure for the service as it affects a large percentage of CCS operational staff (cleaners and catering assistants). A proposal for either a joint venture, or a strategic partnership, for CCS is going to CYP Committee on 8th November.
- 2.4 Burwell House is budgeted to make a small contribution of £337 and at present it is forecast that this will be achieved this year.
- 2.5 Cambridgeshire Music has a net nil budget and it is currently forecasted that they will be on budget.

- 2.6 CEES is budgeted to achieve a contribution of £1,343. At present it is forecast that there will be a deficit of £7k against the budget. This position is as a result of redundancy costs and a shortfall in income although it has been possible to mitigate some but not all of the impact as a result of other staffing savings.
- 2.7 The ICT service is budgeted to provide a £100k contribution in 2016/17 whereas previously it was expected to just break-even. Currently it is forecast that this additional contribution will be met in full.
- 2.8.1 The Grafham Water budget includes a £26,576 targeted contribution back to the Local Authority in addition to the repayment of a loan back to the local authority, the 16/17 payment totals £99,160. Grafham are currently forecasting an £86k deficit against this position.
- 2.8.2 National Living Wage changes in addition to increased pension and National Insurance contributions have had a particular impact on Grafham causing greatly increased staffing costs. Prices for residentials are set a year in advance and therefore the increased staffing costs could not yet be passed onto customers. Furthermore, it has been necessary to be considerate of the costs the market can sustain in terms of price increases. In addition to this, a number of in year issues have caused the forecast to worsen including a number of staff on long term sick leave, a last minute cancellation and planning costs for the new bike track coming in higher than expected.
- 2.8.3 To try and mitigate these issues, Grafham have advertised a number of new staffing position to reduce the need for more expensive agency staff. Furthermore, the Centre have been actively marketing the centre to all their market segments, developing the programme to create new ideas and attract new custom.
- 2.9 Professional Centre Services is closing its provision at Wisbech Castle and this will bring its budget back into line. It is expected to make a £45,046 net contribution to the authority this year and as at the end of October it is forecast that this will be achieved in full.

CASE STUDIES

- 3.1 Two case studies are presented as separate confidential appendices (Appendices 1 and 2) to illustrate the Directorate's approach to business planning, charging and risk management.

