

TRADED SERVICES PRICING 2008/09

Report of the Director of Children, Schools and Families

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1. Purpose

- 1.1 To inform members about proposed price changes for traded services in 2008/09.
- 1.2 To seek members approval for charging arrangements for payroll services in respect of supply teachers paid through the HCC payroll.

2. 2008/09 effects of previous decisions

- 2.1 At the meetings of the Schools Forum preparatory to the budget for 2007/08, both Schools IT Support Service (SITSS) and the Schools HR Service proposed that changes to pricing structures should be phased over two years.
- 2.2 At the meeting on 17 January 2007 Schools Forum agreed a change to the pricing structure for SITSS which reflected:
 - the impact of significantly higher than inflation in Capita license and maintenance fees; and
 - greater differentiation in prices between the phases and sizes of schools.

The underlying increase in unit pricing for 2008/09 will be 2.5%, however some schools will experience a higher rate of increase than this to reflect the second year of the phased change to prices agreed at January 2007.

- 2.3 At the December 2006 meeting Schools Forum approved a revised charging basis for HR services to schools. The approved proposal

included a phased change over two years, with unit charges frozen at the 2006/07 rate for 2007/08.

The unit rates for HR charges will increase in line with the rate of inflation for 2008/09 however most schools will experience a greater than inflation increase in the charge for HR services due to removing the protection arrangement agreed for 2007/08. The financial impact varies considerably between schools as set out in the report taken at the December 2006 meeting of the Forum.

- 2.4 Schools Library Services for Middle, Nursery, Primary and Special Schools are being revamped from April 2008. The prices for these services were agreed at the October 2007 meeting of the Forum. Prices for the Secondary Schools Library Service will increase in line with inflation.
- 2.5 In common with the IT service, the Financial Support for Schools is being asked to pay increases in license fees for software above the rate of inflation by both Capita and by RM. At present the indication is that this would necessitate an average increase of 3% in the charges for FSS. Negotiations are continuing and it is intended that the increase in charges for FSS will be brought in line with inflation.

3. Payroll Service

- 3.1 At the December 2006 meeting Schools Forum approved an amended charging basis for payroll services. This was accompanied by delegating to schools the entire remainder of the budget for schools payroll services which had previously been managed by the authority. The estimated charge necessary to recover the 2007/08 costs of the payroll service was £59.25 per employee.
- 3.2 Due to the outcome of queries about charges for teachers with multiple contracts, a reduction in the number of payslips processed, and the fact that no charge has yet been made to schools for the cost of supply teacher payroll services, the charge is currently projected not to cover the cost of the payroll service in 2007/08 by approximately £200k.
- 3.3 Whilst the charging basis is straightforward in respect of substantive employees, there are difficulties in applying the agreed methodology to supply teacher payments. The most significant difficulty is that supply teachers are generally paid weekly rather than monthly, which means that the cost of processing their payroll is greater than that for substantive teachers. In addition, many supply teachers work for more than one school during a pay period and it is therefore unclear how the charge should be allocated.
- 3.4 To resolve these difficulties it is proposed that charges for the payroll costs for supply teachers should be made on a per timesheet basis.

Market research has only identified one payroll provider which charges in this way for supply teacher payments covering multiple schools. The charge levied by this provider is £3.25 per timesheet in 2007/08. It is proposed that the payroll service charge for processing supply teacher payments should be £3.00 per timesheet in 2007/08. Applying this charge to 2007/08 is anticipated to cover approximately £120k of the under recovery of the costs of the payroll service. This charge would be increased in line with inflation for 2008/09.

- 3.5 The change to the payroll charging basis was made at the same time as a revision to the contractual relationship with Serco, which operates the payroll on behalf of the authority. The revised relationship with Serco has enabled the authority to obtain a reduction in the costs of delivering the contract for 2008/09.
- 3.6 The net effect of the under recovery of costs in 2007/08, the reduction in the charging base, and the contract cost reduction means that it will be necessary to make a price increase in line with the rate of inflation for payroll services in 2008/09.

4. Conclusion

- 4.1 Schools Forum is asked to note that the rate increases for traded services for 2008/09 will be in line with inflation, however that some schools charges are also affected by decisions taken in the previous year.
- 4.2 Schools Forum is asked to approve the charge of £3.00 per timesheet for processing supply teacher payrolls in 2007/08.