

SUBJECT:	Revisions to the South East Wales Education Achievement Service Collaboration and Members Agreement (the CAMA)
MEETING:	Cabinet / Individual Member Decision (tbc)
DATE:	tbc
DIVISION/WARDS AFFECTED:	All

1. PURPOSE:

- 1.1 The purpose of this report is to provide members with the opportunity to update the South East Wales Education Achievement Service Collaboration and Members Agreement (the CAMA) to provide a suitable and necessary level of support to the Education Achievement Service (EAS) should the need to make significant staffing changes, with consequential restricting costs, impact on their ability to operate as an ongoing concern.

2. RECOMMENDATIONS:

- 2.1 It is recommended that Members agree to the revised form of wording in paragraph 3.8 below and agree to allow the EAS to retain at fifty percent of their balances to protect their liquidity.

3. KEY ISSUES:

- 3.1 The current CAMA was agreed by all five local authorities in 2013 (following the establishment of the EAS in 2012), at that time the structure of the organisation and the public funding arena were different to current operating model. The organisation has pivoted away from a traded services model to one which is predicated on system based resources e.g. the role of school bases School Improvement Partners. Simultaneously and as a consequences of the covid-19 pandemic and governmental focus on health recovery there is a potential risk to the significant grant flows that the Welsh Government has provided to the EAS.
- 3.2 The EAS's previous leadership noted the uncertainty around the funding model and in particular the level of protection in the CAMA. Following a period of challenging industrial relations where both staff terms and conditions and redundancy terms were being renegotiated there was an intervention from the Chief Executives (through the then lead Chief Executive) to provide assurances that the five controlling authorities would support the EAS if there was a requirement to fund redundancies. This took place in 2016. This paper and agreement will move the commitment away from an informal agreement to a formalised adaption of the CAMA.
- 3.3 The various governance elements of the EAS, namely the Board and the Audit and Risk Assessment Committee (ARAC) have continued to raise this issue with Directors throughout the period.

3.4 As the lead authority for the period 2019-2021 Monmouthshire County Council has been engaged with its legal representative to assess the need for the amendment to the CAMA. Upon reviewing the original CAMA it was their view that no further amendment was required as paragraph 8.4 in the current document provided the mechanism for additional funding:

“8.4 The Company shall provide the Joint Executive Group with the financial information identified in Clause 9.6 and any other information as the Joint Executive Group may require from time to time to verify how the Company is performing against Budget.

Any additional funding required to fulfil the Company operations shall be considered by the Joint Executive Group and shall be shared between the Home Authorities in proportion to the contribution made by each Home Authority in the year ending on 5th April before the deficit arises.”

3.5 The Board has been advised of this position at meetings throughout the past period.

3.6 However, through those discussions with the Board it has become apparent that there remains a risk (albeit one that is not quantified at this time) that the current funding does not make allowances for the abnormal cost burden that can be incurred in the event of severance arrangements being necessary. These severance costs, which may be incurred due to the continued need to implement efficiencies given financial constraints, could force the company into liquidation. Allowances for such provision is already contained within the Joint Services Protocol covering joint services across Greater Gwent and the principle is that a comparator model is agreed for the EAS.

3.7 The EAS working with Directors propose that the five controlling authorities formalise an agreement, similar to the home authorities Joint Services Protocol, to underwrite certain severance costs (i.e. redundancy payments and any employer capital pension costs) arising through the EAS having to take appropriate action to achieve a balance budget.

3.8 This will be achieved through:

The home authorities underwriting those severance costs incurred within the EAS which arise through actions required to meet a balance budget. Home authorities will underwrite those costs, pro rata to their current core contribution percentages, subject to the company first contributing 50% of its retained balances towards the total cost.

3.9 Other costs, such as payments in lieu of notice and payments for accrued but untaken holiday pay, will be absorbed as part of the normal operational costs of the EAS and will not form part of any costs to be underwritten by the home authorities.

3.10 To achieve this outcome, it will be necessary for the proposal to be considered in accordance with each Local Authority's legal, financial and democratic procedures.

3.11 The proposed wording of the amendment would be:

Costs of Employee Severance Arrangements

In the event of enforced employee severance costs (i.e. the costs of redundancy payments and any employer capital pension costs) being incurred by the Company in order to achieve a balanced budget in the current financial year or to set a balanced budget for the proceeding financial year, the Home Authorities will (subject to clauses 1.5.2 and 1.5.3) pay those costs, pro rata to their core contribution percentages in the financial year in which those costs are incurred by the Company.

The severance costs to be paid by the Home Authorities will be any amount remaining after the Company has used 50% of its previous year end reserve balance to pay the first portion of those severance costs.

Any costs incurred by the Company in addition to the severance costs as defined in clause 1.5.1 (for example, payments in lieu of notice and payments for accrued but untaken holiday entitlement) will be borne by the Company as part of its normal operational costs and will not form part of any severance costs to be underwritten by the Home Authorities.

4. REASONS:

- 4.1 The EAS has become an integral part of the school improvement architecture in south east Wales. As it nears ten years since its creation its role in ensuring the continued improvement activities in all schools and its current critical role in supporting the creation and implementation of the new Curriculum for Wales.
- 4.2 The amendment set out above in 3.8 provides a greater level of protection to the EAS than the current arrangement (3.4). Given the collective commitment to the education agenda in south east Wales and the fact that there would be a greater risk to the five authorities to recreate advisory services individually the new clause appears to be a proportionate measure to ensure continued service.

5. RESOURCE IMPLICATIONS:

- 5.1 This change in the CAMA would have an impact on the responsibility of partners to meet the costs of change associated with any potential future decrease in funding received by the EAS. Whilst not an exact science the illustration below provides a sense of how the mechanism could work and the exposure of each local authority based on its current contribution to the EAS.

	2021/2022	2022/2023	Scenario A	Scenario B
			2023/2024 (0%)	2023/2024 (5%)
End of Year Balance	256,140	213,328	65,254	-82,820
Grant budget setting	2,883,225	2,961,482		2,813,408
Grant reduction – 5%		148,074	148,074	140,670
Impact on balances		65,254	-82,820	-223,491
Change Management		130,000		
EAS Contrb.		32,627		
LA Contrb.		97,373		
BGCBC		11,282		
CCBC		31,606		
MCC		13,014		
NCC		25,244		
TCBCB		16,227		

5.2 The model above shows the impact of a 5% reduction in core Welsh Government Grants (£148,074) and its impact in reducing the year end balance to £65,254. If the EAS then had to make staffing changes equivalent to £130,000 it would see its balances protected by 50% or in this case £32,627. This would see the five local authorities having to contribute £97,373 to protect the company and allow it to retain its solvency. The numbers in the table above are based on the current contributions from each authority.

6. WELLBEING OF FUTURE GENERATIONS IMPLICATIONS (INCORPORATING EQUALITIES, SUSTAINABILITY, SAFEGUARDING AND CORPORATE PARENTING)

7. CONSULTEES:
Joint Executive Committee
South East Wales Consortia (SEWC)

8. BACKGROUND PAPERS:

9. AUTHOR: Will McLean, Chief Officer, Children and Young People, Monmouthshire County Council

10. CONTACT DETAILS:

Tel: 07834435934

E-mail: wilmclean@monmouthshire.gov.uk