

# WORCESTERSHIRE COUNTY COUNCIL

## RECORD OF OFFICER EXECUTIVE DECISION

Item	Outcome
Date of Decision	13 February 2020
Decision Maker	Catherine Driscoll, Director of Children's Services
Brief Description of Decision	<p><b>Transfer of Learning and Achievement Services from Babcock Training Ltd to Worcestershire Children First</b></p> <p>The Cabinet decision on 14th March 2019 gave delegated authority to the (then) Director of Children, Families and Communities to work with Babcock Training Ltd (Babcock) to transfer services to Worcestershire Children First (WCF) at the earliest opportunity.</p> <p>This decision is to:</p> <ul style="list-style-type: none"><li>a) Cease the contract for Learning and Achievement with Babcock at 23.59hrs on 31<sup>st</sup> May 2020.</li><li>b) Agree the Heads of Terms with Babcock on the basis as set out in this Decision Notice.</li><li>c) Authorise the payment of £168,288 to Babcock, 50% on 1 June 2020 and 50% on the later of 30 September 2020 or the date that all outstanding handover information set out in the Exit Plan has been delivered, from Council core budget (i.e. non-DSG funding).</li></ul>

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<b>Reason(s) For Decision</b>	<p>The contract for Learning and Achievement Services between the Council and Babcock expires on 30 September 2020. The Cabinet decision on 14 March 2019 gave delegated authority to the Director of Children, Families and Communities (subsequently the Director of Children's Services) to work with Babcock to transfer services to WCF at the earliest opportunity. The Council's aim was to negotiate an earlier end date.</p> <p>The scope of WCF was widened to include the education services some of which are delivered by Babcock. This will create an integrated education and social care service, with a particular focus on prevention and vulnerable learners.</p> <p>A transfer date has been agreed with Babcock as the 1<sup>st</sup> June 2020.</p> <p><b>Commercial Traded Services</b>          Babcock provide a range of services directly to schools on a commercial basis. These services are not within the scope of the contract and therefore would not by default transfer to WCF on contract expiry. It is proposed, however, that these services are transferred to WCF to ensure that schools continue to receive the services that they require. Delivery of the services are by staff who also undertake the core contract activity and activity is related to educational and child outcomes. This is also a commercial opportunity for WCF to trade services with schools for income. Babcock have agreed to provide a royalty free licence for intellectual property that supports the delivery of traded services at no cost. Babcock are also not requesting any payment for transfer of any forward order book. It is advantageous both operationally and financially to widen the scope to include traded services as part of the transfer.</p> <p><b>Finance</b>          The contract price (excluding trading income) for 2019/20 is £6.3m primarily funded by DSG (approximately 70%). There are savings built into the MTFP for 2020/21, £87k plus savings in previous years to be delivered (£122k). Subsequent to these being delivered the base starting point is around £6.1m to fund the services.</p> <p>Part of the Babcock contract was that specific costs that were incurred during the first year would be amortised over the duration of the contract and recovered by Babcock through the monthly payments by the Council. On early termination of the contract Babcock are entitled to payment of the remainder of these costs which they have not yet covered. These costs are as stated below:</p> <table data-bbox="496 1839 1270 1977"> <tr> <td>Irrecoverable Identified Restructuring Costs</td><td>£144,000</td></tr> <tr> <td>Irrecoverable rent and rates</td><td>£8,288</td></tr> <tr> <td>Disposal of IT equipment and transition of data</td><td>£16,000</td></tr> <tr> <td><b>Total early exit costs</b></td><td><b>£168,288</b></td></tr> </table>	Irrecoverable Identified Restructuring Costs	£144,000	Irrecoverable rent and rates	£8,288	Disposal of IT equipment and transition of data	£16,000	<b>Total early exit costs</b>	<b>£168,288</b>
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	<p><u>Irrecoverable Identified Restructuring Costs</u> Part of Babcock's bid was to reduce the staff numbers by approximately 100 posts in the first year of the contract. The payroll, redundancy and pension strain costs associated with this was "ring-fenced". The £1.5m payroll costs of the staff that were made redundant from the contract start on 1st Oct 2015 until their employment ceased was amortised over the five year contract duration and added into the contract price. There were also costs of Babcock's temporary accommodation of £159k and transition team of £461k that were also amortised.</p> <p><u>Irrecoverable rent and rates</u> Babcock have a three month notice period for the building they occupy at Woodbury Lane Norton, Worcester. This is the cost of rent and rates until the building is vacant in June 2020.</p> <p><u>Disposal of IT equipment and transition of data</u> These demobilisation costs are recoverable by Babcock as "Transitional Services Charges" in accordance with contract clause 36.2</p> <p>Initial analysis suggests that income of £1.2m is achievable in a full financial year from trading with schools, however there is no credit control or invoicing capacity to support this as these staff are not in scope for TUPE. This was a function carried out at Babcock Corporate HQ. This resource will need to be included into the final financial model. It is yet to be established where transactional services sit, potentially in the Council and charged back as part of the Support Services Agreement to WCF, which would be more efficient and resilient. There is still more detail to be resolved but prudent indications suggest an ongoing financial benefit for 2021/22 to the Council and will result in better outcomes from all services in one place.</p>
<b>Alternative Options Considered and Rejected</b>	A number of alternative dates and phased approaches were considered. These were either practically unachievable or were not acceptable to Babcock.
<b>Any Conflict of Interest declared by a consulted Cabinet Member/ any dispensation granted</b>	