



CABINET – 12TH JULY 2023

SUBJECT: REVISIONS TO THE SOUTH EAST WALES EDUCATION ACHIEVEMENT SERVICE COLLABORATION AND MEMBERS AGREEMENT (THE CAMA)

REPORT BY: CORPORATE DIRECTOR EDUCATION AND CORPORATE SERVICES



1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to seek Cabinets approval to revise the South East Wales Education Achievement Service Collaboration and Members Agreement (the CAMA).

2. SUMMARY

- 2.1 The current Collaboration And Members Agreement (CAMA) was first agreed by all five local authorities in 2013 and has been refined from time to time over the ensuing ten year period.
- 2.2 As a result of the impact of the Covid-19 pandemic, the challenging landscape for public service funding and some potential risks around the Welsh Government Grant flows that underpin the EAS budget, a refinement to the CAMA is being sought.
- 2.3 The revised CAMA document seeks to provide a suitable and necessary level of support to the EAS, should the changing financial circumstances bring about the need to make significant staffing changes, with consequential restricting costs, impact on their ability to operate as an ongoing concern.
- 2.4 The revised arrangements are based on the Joint Services Protocol and the revised wording has already been agreed by all of the other Gwent Local Authorities.

3. RECOMMENDATIONS

- 3.1 Cabinet agree to:
- 1) the revised wording in paragraph 5.16 below and agree to allow the EAS to retain fifty percent of their balances to protect their liquidity

4. REASONS FOR THE RECOMMENDATIONS

- 4.1 The EAS is an integral part of the school improvement architecture in South East Wales. Since its inception it has played a role in driving improvement across all schools in Gwent and, more recently has also helped develop and implement the new Curriculum for Wales.
- 4.2 The amendment set out above in 5.16 provides a greater level of protection to the EAS than the current arrangement set out in 5.7. Given the importance of the education agenda the new clause appears to be a proportionate measure to ensure continued service.

5. THE REPORT

- 5.1 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 very different to the current operating model.
- 5.2 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 based School Improvement Partners (SIPs).
- 5.3 Simultaneously, and as a consequence of the Covid-19 pandemic, governmental focus on health recovery and the adverse financial landscape for public services, there is a potential risk to the significant grant flows that the Welsh Government has provided to the EAS.
- 5.4 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.
- 5.5 The various governance elements of the EAS, namely the Company Board and the Audit and Risk Assessment Committee (ARAC) have continued to raise this issue with Directors throughout the period.
- 5.6 As the lead authority for the period 2019-2021 Monmouthshire County Council engaged with its legal representative to assess the need for an amendment to the CAMA.
- 5.7 Upon reviewing the original CAMA it was Monmouthshire's 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.”

- 5.8 The Board has been advised of this position at meetings throughout the past period.
- 5.9 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.
- 5.10 These severance costs, which may be incurred due to the continued need to implement service and financial efficiencies given financial constraints, could force the company into liquidation.
- 5.11 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.
- 5.12 The EAS working with Directors proposed that the five controlling authorities formalised 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.
- 5.13 It was intended that this 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 would 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.
- 5.14 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.
- 5.15 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. This has now been agreed by all four of the other Gwent Local Authorities with Caerphilly the last to do so.
- 5.16 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.”

5.17 Should Cabinet be minded to agree the changes, the CAMA would be amended accordingly.

5.18 **Conclusion**

The EAS in collaboration with the five controlling local authorities are seeking to make an amendment to the Collaboration And Membership Agreement (CAMA). The changes are intended to align the arrangements associated with financing any severance costs with the Joint Services Protocol in place that covers similar services across Greater Gwent.

6. **ASSUMPTIONS**

6.1 None.

7. **SUMMARY OF INTEGRATED IMPACT ASSESSMENT**

7.1 No Integrated Impact Assessment has been completed for this report as the proposal is merely a financial adjustment.

8. **FINANCIAL IMPLICATIONS**

8.1 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.

8.2 Whilst not quantifiable at this stage and ultimately dependent on the circumstance at the time, an illustration has been attached at Appendix A which provides a sense of how the mechanism could work and the exposure of each local authority based on its current contribution to the EAS.

9. **PERSONNEL IMPLICATIONS**

9.1 None as a direct result of this report.

10. **CONSULTATIONS**

10.1 The list below sets out the consultees in full and all feedback is contained within the main body of the report.

Author: Richard Edmunds, Corporate Director Education and Corporate Services

Consultees: Christina Harray, Chief Executive
Dave Street, Deputy Chief Executive
Mark S Williams, Corporate Director Economy and Environment
Robert Tranter, Head of Legal Services and Monitoring Officer
Lynne Donovan, Head of People Services
Steve Harris, Head of Financial Services and S151 Officer
Keri Cole, Chief Education Officer
Eluned Stenner, Cabinet Member for Finance and Performance
Cllr Gary Johnson, Chair Policy and Resources Scrutiny Committee
Brenda Miles, Vice Chair Policy and Resources Scrutiny Committee

Appendices:

Appendix A – Funding Illustration for 5% WG Grant Reduction

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	2021/2022	2022/2023	Scenario A 2023/2024 (0%)	Scenario B 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 Contrib.		32,627		
LA Contrib.		97,373		
BGCBC		11,282		
CCBC		31,606		
MCC		13,014		
NCC		25,244		
TCBCB		16,227		

This model 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.

Should the EAS then have to make staffing reduction 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 2022/23 contributions from each authority.