

**Cabinet**

**4 June 2013**

Report of the Cabinet Member for Finance, Performance & Customer Service

### **City of York Trading Ltd (CYT) Business Development**

#### **Summary**

1. Following Cabinet approval (4 October 2011) to establish CYT Ltd as a Local Authority Trading Company, the company commenced trading as a schools supply agency in June 2012 under the name WwY@CYT using the internal casual staffing team, WorkwithYork (WwY) to deliver the service.
2. In May 2013, the council's Shareholder Committee which oversees the performance and development of CYT Ltd on behalf of the council received the company's outturn Performance Report for 2012/13, Business Plan 2013/16 and details contained in the attached business case (see annex) for further business development.
3. The business case has already received approval from the company's Board of Directors and the Shareholder Committee. All major decisions relating to the company's activities, however, require Company Board, Shareholder Committee, and Cabinet approval.
4. Cabinet is therefore asked to consider the case for the extension of the supply agency activity, and approve the transfer of all remaining casual staff business from the council to CYT Ltd from 1 September this year.
5. It is further proposed to keep the internal HR team who manage the WwY service, within the employment of the council for reasons outlined in the business case.

## **Background**

6. Services that were transferred to CYT in June 2012 (supply teachers/support staff to schools) have been provided very effectively through the company over the last year. A reduced cost service has been provided to schools, whilst retaining the high level of quality. In doing so, the “company” model for the provision of supply staffing has been proved to be highly effective.
7. Operating through the company has allowed for the provision of a flexible pricing structure, and a related pay structure, that can be tailored to the needs of customers. Feedback from schools has been excellent, and they have welcomed the change to a more commercial approach which delivers the most effective solution for their needs.
8. The company reported a successful growth in the WwY@CYT business and turned a profit on turnover of £37k in the first ten months of trading.

## **Business Case Summary**

9. The staff agency service to schools was transferred to the company because the service was unable to operate competitively or effectively whilst it remained within the council, and it had seen a number of previous customers transfer to other competitors. The move of the service to the company has seen it win back customers who had left the service, and it has placed the service in a position of generating profit and being sustainable, with further opportunity for expansion.
10. The non-schools services provided by WorkwithYork (WwY) the council’s internal staff agency, have so far remained as part of the council activity and in 2012/13 generated income of £2,594k, with an associated cost of £2,535k, with an estimated outturn surplus £59k.
11. The business case supports a proposal for all WwY services to schools, City of York Council and other organisations, be traded through CYT Ltd, and to consider the transfer of all non-WwY casual work also.

12. Essentially, the rationale for this transfer is the same as that previously applied to the transfer of supply staff to schools:
- as service budgets have reduced over time, demand for casual staff from the internal WwY service has become erratic, with some services cancelling all casual work for months at a time to save money. In other areas casual staff have been used to support services undergoing restructures, but as these come to a conclusion, demand is likely to diminish here too. This has and will continue to cause a budgetary pressure for the internal team which is required to cover costs and produce a surplus; and
  - costs to the council are going to increase further as casual staff overheads rise (resulting from pension auto-enrolment in 2013 and the rolling out of the Living Wage to casual workers in 2014).
13. If no action is undertaken to change, the WwY internal service will become uncompetitive on price, and the council will be forced either to stop using casual staff altogether, or to use staff provided by private external agencies at the price and quality that the market determines. Both of these will risk the viability of the internal WwY HR Team which is a non-statutory service, and will in turn affect the CYT schools agency business which the team supports.
14. The business case also refers to the transfer of interims and specialists work, and if approved in principle this work will be subject to a further report to the Shareholder Committee.
15. The fulfilment of the business case will bring the following benefits and flexibilities, already provided by the schools supply agency by:
- keeping agency staff costs to a cost-effective level for the council whilst maintaining quality of service;
  - managing emerging financial risks around pension changes and the costs of implementing the Living Wage for the council whilst still delivering against these commitments;
  - expanding the customer base for the services;
  - growing a successful commercial business and profits that can be returned back to the council (see estimates in business case of approximately £130k profit after tax for a full year's trading);

and importantly

- placing the service on a sustainable footing to provide an ongoing source of employment in the city, supporting the delivery of priorities within the Council Plan.

### **Consultation**

16. The proposals have been discussed with the Trade Unions and the council will keep them informed of developments and processes connected with the transfer of the work, over the coming months.
17. Casual workers engaged with WwY have been informed of the proposals and if approved, their representatives and their managers will be fully engaged in the process of change up until the transfer of work from September 1<sup>st</sup> this year. Transfer of remaining services will take place on a phased basis working with local managers and casual workers

### **Options**

18. The options for Cabinet to consider are:

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|----------|---|
| Option 1 | Transfer all WwY casual work by September 2013.   |
| Option 2 | Transfer all casual work in option 1 plus non WwY casual work, phased over time to December 2013. |
| Option 3 | No change.  |

### **Analysis**

19. The full analysis of the options is contained in the attached business case.

### **Council Plan**

20. This report will assist in developing private enterprise and innovation to deliver the Core Capabilities within the Council Plan, it will also assist in sustaining employment in the city and addressing low pay under the priorities around Creating Jobs and Growing the Economy.

## **Implications**

21. All relevant implications are covered in the business case and include financial, human resources and legal implications.

## **Risk Management**

22. This report will help to the manage the risks around future-proofing against a loss of internal business and resulting loss of employment opportunity for WwY casual staff and the team within Human Resources, which delivers the service currently to CYT Ltd and to the council. It also contributes to the management of financial risks for the council of increased employment-related costs emerging over the next 12 months.

## **Recommendations**

23. Members are asked to agree:
  - a) Option 2: The transfer of all CYC casual work (WwY & non WwY) and related casual only staffing resources to CYT Ltd on a phased basis until December 2013 (commencing with existing WwY services in September 2013).
  - b) To support in principle the transfer of interim and specialists work and authorise the Director of Customer and Business Support Services to proceed subject to a further report to the Shareholder Committee.
  - b) The WwY Team within CBSS Human Resources to remain within the council and all costs recharged to CYT Ltd.

Reason: To achieve the benefits summarised in paragraph 14 of the report

## Contact Details

<b>Author:</b>	<b>Cabinet Member and Chief Officer Responsible for the report:</b>		
Pauline Stuchfield Assistant Director HR & Customers Telephone: 01904 551706	<b>Cllr Dafydd Williams,</b> Cabinet Member for Finance, Performance and Customer Service  Ian Floyd Director of Customer and Business Support Services Telephone: 01904 551100		
	<b>Report Approved</b>	√	<b>Date</b> 22 May 2013
<b>Specialist Implications Officer(s)</b> <i>List information for all Implication (Financial)</i> <i>Jean Lewis</i> <i>Accountant</i> <i>Tel No. 01904 551645</i>			
<i>Implication ie Legal</i> <i>Andy Docherty</i> <i>AD (ICT &amp; Governance)</i> <i>Tel No.01904 551004</i>			
<b>Wards Affected:</b> <i>List wards or tick box to indicate all</i>			<b>All</b> √
<b>For further information please contact the author of the report</b>			

### Background Papers:

None

### Annexes:

City of York Trading Ltd: Business Case for WorkwithYork Phase II