

# Birmingham City Council



## Report to Cabinet

15 October 2024

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<b>Title:</b>	<b>ALTERNATIVE SOLUTION FOR SCHOOLS HR, PAYROLL AND FINANCE BUSINESS CASE</b>
<b>Lead Cabinet Portfolio:</b>	Councillor Mick Brown Cabinet Member for Young People and Families
<b>Relevant Overview and Scrutiny Committee:</b>	Education, Children and Young People Overview and Scrutiny Committee
<b>Report Author:</b>	Catherine Taylor-Ludolf, School HR & Payroll Programme Lead People Services Catherine.Taylor-Ludolf@birmingham.gov.uk
<b>Authorised by:</b>	Dr Sue Harrison, Strategic Director of Children & Families Children & Families Directorate
<b>Is this a Key Decision?</b>	Yes
<b>If this is a Key Decision, is this decision listed on the Forward Plan?</b>	Yes – Ref 013338/2024
<b>Reason(s) why not included on the Forward Plan:</b>	Not Applicable
<b>Is this a Late Report?</b>	No
<b>Reason(s) why Late:</b>	Not Applicable
<b>Is this decision eligible for ‘call in?’</b>	Yes
<b>If not eligible, please provide reason(s):</b>	Not Applicable

**Wards:**

All

**Does this report contain exempt or confidential information?**

No

**Has this decision been included on the Notification of Intention to consider Matters in Private?**

Not Applicable

**Reasons why not included on the Notification:**

Not Applicable

## **1 EXECUTIVE SUMMARY**

- 1.1 The purpose of this report is to provide an alternative solution for the provision of HR, Payroll and Pensions services to schools following the decision that Oracle will not be reimplemented for schools.
- 1.2 This paper also provides an indicative timeline for implementation of the solution and a summary of the resources required.
- 1.3 BCC currently provides three traded services to schools - Schools HR, Payroll and Pensions and Schools Financial Services.
- 1.4 While valued by schools, the services are currently loss-making, and their customer base is reducing year on year. Without Oracle, BCC will be lacking the infrastructure to continue trading two of these services – HR and Payroll & Pensions.
- 1.5 It is proposed that BCC will cease to offer HR, Payroll and Pensions as a traded service, instead retaining some staff to provide an audit and compliance function in line with its statutory duties.
- 1.6 Schools will be directed to the commercial market to procure a service, likely managed HR and Payroll, which meets their needs.
- 1.7 BCC will support the transition of schools to their new service by working with schools and providers to manage a programme of offboarding.
- 1.8 BCC will review and adjust costs and charges for Schools Financial Services to ensure that it is able to reach a break-even position each year. If schools cannot afford the reviewed fees, BCC will cease to offer Schools Financial Services.
- 1.9 This option presents the best value for money for schools and BCC, while maintaining BCC's ability to meet its statutory requirements, act in accordance with the Improvement and Recovery Plan and meet the required timeline.
- 1.10 The options of BCC hosting an alternative system and BCC identifying and transitioning schools to cloud based systems were discounted as they did not meet the key criteria of value for money for schools and BCC, acting in accordance with the Improvement and Recovery Plan or delivery within the required timeline.
- 1.11 The transition will be managed to ensure all schools are successfully onboarded to their new providers by September 2025, in line with the timeline established by the Oracle reimplementation programme.

## **2 COMMISSIONERS' REVIEW**

- 2.1 Commissioners approved the proposals following recommended amendments.

## **3 RECOMMENDATIONS**

### **That Cabinet**

- 3.1 Approves the proposal that that BCC will cease to offer HR, Payroll and Pensions as a traded service, instead retaining some staff to provide an audit and compliance function in line with its statutory duties.
- 3.2 Approves the proposal that BCC will review and adjust costs and charges for Schools Financial Services to ensure that it is able to reach a break-even position each year. If schools cannot afford the reviewed fees, BCC will cease to offer Schools Financial Services.
- 3.3 Delegates to Strategic Director of Children & Families in consultation with the Cabinet Lead Member for Children, Young People and Families, powers to review the outcome of the Schools Financial Services redesign and revised charges within six months of this decision and take appropriate action to cease the service if it remains financially unviable.
- 3.4 Notes the indicative timeline for implementation of the solution and a summary of the resources required.
- 3.5 Notes the feedback on this report from the Education, Children and Young People Overview and Scrutiny Committee on 11<sup>th</sup> October.

## **4 KEY INFORMATION**

### **Context**

- 4.1 In May 2024, Cabinet took the decision that the Oracle Reimplementation Programme should not include schools. The rationale for this decision can be found in the associated Cabinet Report (see background papers – 10.1).
- 4.2 This decision impacts, to varying degrees, three services BCC provides to schools – Schools HR, Payroll and Pensions and Schools Financial Services which, with CLT and informal cabinet endorsement, have been subject to review.
- 4.3 Cabinet provided Sue Harrison, Strategic Director Children and Families, the delegated authority “to work through options for future solutions with schools with a view to all schools migrating to a new solution in time for the school year commencing September 2025” in consultation with the Cabinet Lead Member for Children, Young People and Families.
- 4.4 It should be noted that while commonly referred to as a ‘traded service’ within the Birmingham City Council the provision of these services to schools are not truly traded services. They are an inhouse delivery option where BCC is choosing to go beyond its statutory duties.
- 4.5 The current arrangement is distinct from a Local Authority Traded Company (LATC) and the services currently sit within the normal council management structures, reporting back to CLT and Cabinet via their Directors and Lead Members. This restricts the activity of the services to only delivering local public sector services in line with DCMS guidance.

4.6 This paper provides a robust business case on which a decision about the appropriate future solution can be taken and outlines the associated staffing implications. This paper also provides a timeline for implementation of the recommended solution. The purpose of this report is to seek endorsement for the proposed new solution and approval to implement in line with the timeline outlined.

Description of current service

4.7 The structure of the current service offer sees Birmingham City Council running three related but independent services, each with their own Service Level Agreements with schools and headed by People Services and Finance respectively. Although the customer base is common across the three services, the services operate independently of each other, with different ways of working, managing the business, reporting, and recording information.

**Table 1: Overview of services under discussion**

	Schools HR	Payroll and Pensions	Schools Financial Services
Director	Katy Fox – Director of People Services	Fiona Greenway - Director of Finance & Section 151 Officer	Fiona Greenway - Director of Finance & Section 151 Officer
Number of Posts	48 staff (44.2 FTE)	37 staff (32.84 FTE)	37 staff (30 FTE)
Description of services offered	<p>HR operational support (New starters, Contractual change, Adoption /paternity leave, Managing absence, etc)</p> <p>Employee relations support (Grievance, Disciplinary, Capability, Restructure etc)</p> <p>Pay as you go services (recruitment, letter writing etc)</p>	<p>Payroll delivery (Pay and expenses)</p> <p>Pensions delivery (Pensions advice - ill health retirements, early retirement, redundancy, etc)</p>	<p>Financial Bursary Service (Production of timely financial management reports,</p> <p>Attendance at Finance Committee Meetings, Governing Body Meeting attendance, as appropriate, etc)</p> <p>Financial Consultancy Service</p>

- 4.8 All three services work on a subscription model, however each service has its own pricing structure and packages available depending on the level of service the schools wish to purchase. Schools HR and Payroll and Pensions base their charges on client size (e.g. number of employed staff); however, the bands are not aligned across the two services.
- 4.9 Payroll and Pensions distinguish between schools and academies in their charging structures, with academies falling outside of the pay bands and being charged a per-payslip cost based on school size. These fees are not standardised across all academies so there is no agreed per payslip cost for academies.
- 4.10 Schools Financial Services charge based on school/academy type (primary, secondary, nursery, special or PRU) and school size. Additional charges are applied where more work is involved for example for External Payment Accounting (EPA) schools or schools requiring invoicing services.
- 4.11 Schools HR and Payroll and Pensions customers subscribe to a 12-month contract for a specific package of services, with more or less comprehensive packages available depending on the needs of the schools. Whereas Schools Financial Services customers subscribe to a 12-month contract which provides a specified number of days per month of dedicated resource.
- 4.12 In addition to the subscription model, Schools HR and Schools Financial Services offer 'pay as you go' services which can be bought ad-hoc as schools require. These include recruitment services, training, production of letters etc. Full details of the services offered can be found in Appendix C.

Packages on offer

**Table 2: Subscription and PAYG services on offer**

	Schools HR	Schools Payroll and Pensions	Schools Financial Services
Gold	Offering operational HR and employee relations support and advice where schools also purchase BCC payroll services.	Comprehensive	Offering Payroll and Pensions services to schools and academies who also purchase a Schools HR package.
Gold Advisor	Offering operational HR and employee	Pensions Only	Charge for covering statutory
			Bursary Weekly
			Bursary Fortnightly
			Offering financial administration functions enabling Head Teachers to fulfil their management responsibilities with support offered weekly.
			Offering financial administration

	relations support and advice where schools do not purchase BCC payroll services.		duties in regard to pensions for maintained schools which do not purchase payroll services		functions enabling Head Teachers to fulfil their management responsibilities with support offered fortnightly.
Silver	Offering operational HR support and advice where schools also purchase BCC payroll services.			Consultancy Premium	Offering an independent view of schools' financial position to support and enhance their own monitoring systems. 1 full day visit per half term.
Silver Advisor	Offering operational HR support and advice where schools do not purchase BCC payroll services.			Consultancy Standard	Offering an independent view of schools' financial position to support and enhance their own monitoring systems. 1 full day visit per term
Pay as you go	Supplementary discretionary services on offer to schools and on the open market not based on an annual			Consultancy Modified	Offering an independent view of schools' financial position to support and enhance their

	subscription model.			own monitoring systems. 1 half day visit per half term.
			Tailored	Offering a bespoke service that will be designed to meet schools' needs
			Pay as you go	Supplementary discretionary services on offer to schools not based on an annual subscription model.

Price bands

**Table 3: Price bands for Schools HR and Payroll & Pensions**

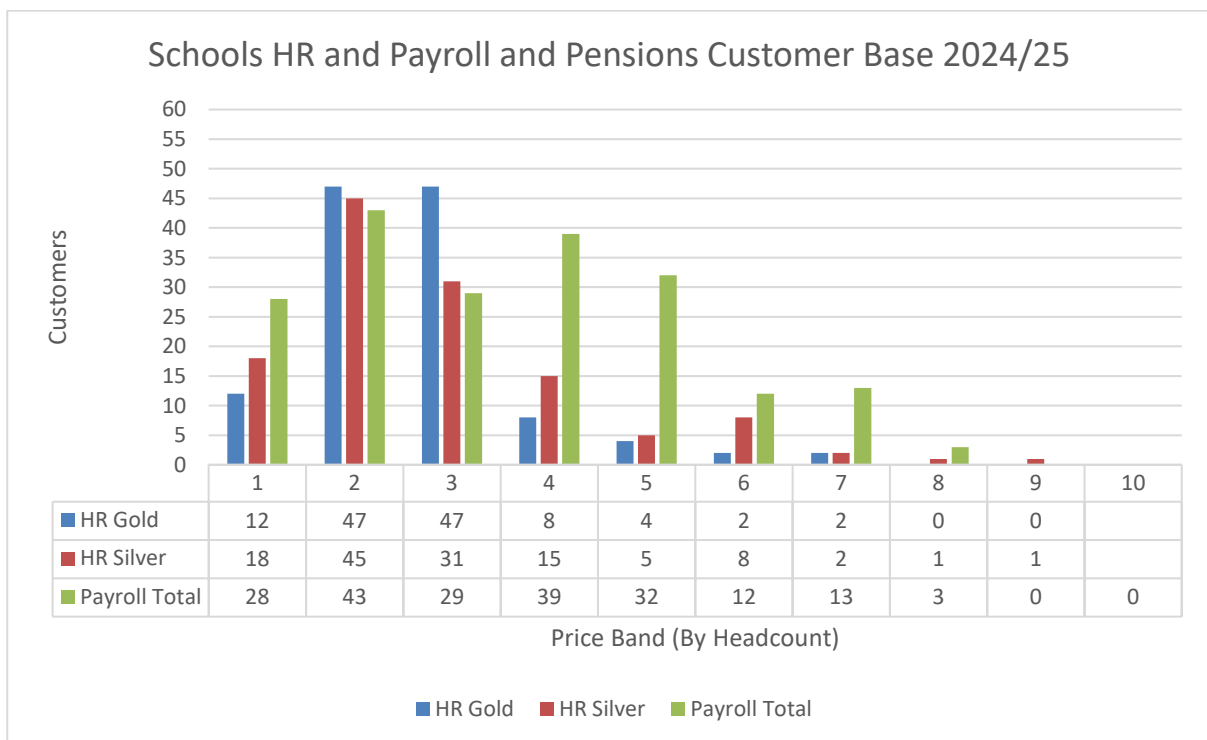
Band	Schools HR Headcount	Schools Payroll and Pensions Headcount
1	0-25	1-25
2	26-50	26-40
3	51-75	41-50
4	76-100	51-60
5	101-125	61-80
6	126-150	81-99
7	151-175	100-150
8	176-200	151-199
9	201-225	200-250
10		251+



Demand and Customer Base

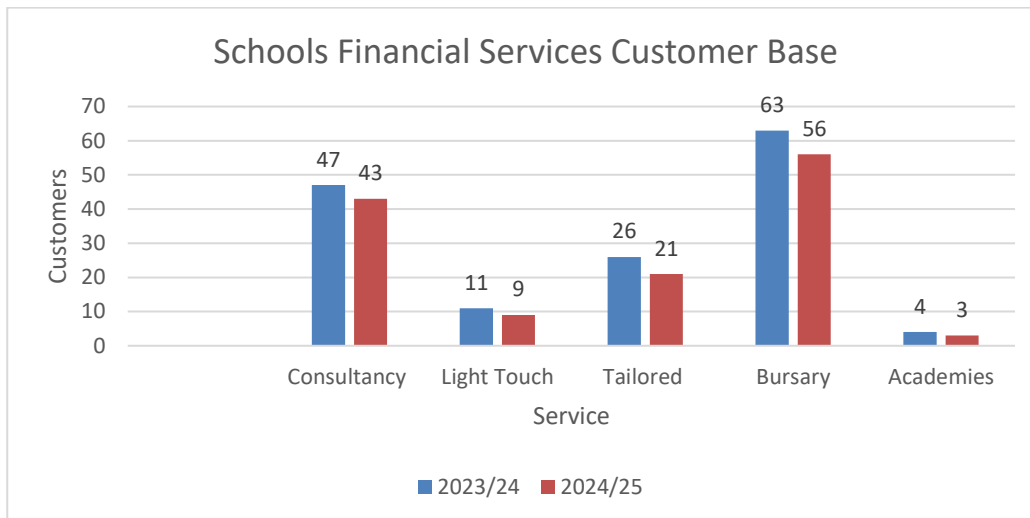
- 4.13 In 2024/25, Schools HR and Payroll and Pensions are trading subscription services with 249 individual schools and academies, with some schools purchasing one or more of the services on offer from BCC. Schools Financial Services have 116 schools customers in the 2024/25 year.
- 4.14 Payroll and Pensions made the strategic decision to only offer their services to customers who also purchase a Schools HR subscription. However, Schools HR offer an ‘advisor’ subscription for customers who purchase their payroll services from elsewhere.
- 4.15 As shown in the below charts, the current customer base for Schools HR and Payroll and Pensions services is heavily weighted towards smaller, maintained schools, with more than half of the schools purchasing the services landing in bands 1-3 (fewer than 75 staff for HR or 50 staff for Pensions and Payroll). The majority of schools purchasing the service are primary schools or nurseries.

**Table 4: 2024/25 Customer Base**



- 4.16 The customer base for Schools Financial Services is similarly weighted towards small schools, with the bulk of business coming from primary and nursery schools. The majority of schools purchase a bursary service which provides them with a set number of days of support (weekly or fortnightly).

**Table 5: 2024/25 Customer base**



4.17 Demand for Schools HR, Payroll and Pensions and Schools Financial Services has been in decline over recent years as Oracle introduced difficulties and the academisation of schools gathered pace. 2024/25 saw the following decline in customer numbers for each service on the previous year:

- Schools HR -8.5%
- Payroll and Pensions -3%
- Schools Financial Services -14.4%

4.18 In a review conducted by Local Partnerships in November 2022, it was noted that “Schools HR stated that they had c. 400 customers in 2012/13” compared to the 248 customers signed up for 2024/25. The same report highlights a trend towards customers purchasing cheaper subscriptions, “many no longer buy the most expensive subscription available (Gold) but have downgraded their services purchase to Silver over time (62% in 2020-21 to 56% in 2021-22)”. 49% of customers purchased Gold in 2023/24.

4.19 Since this time a further level of reduced service has been introduced for Schools HR – Advisor – whereby schools purchase their payroll from elsewhere but continue with HR advice and guidance.

4.20 Schools HR subscription services accounted for circa 64% of revenue in 2023/24 with the remainder being generated by the sale of PAYG services. In the same year, 206 external companies and 162 schools purchased PAYG only services without holding any form of subscription.

4.21 Schools HR and Payroll & Pensions have been unable to support schools transferring to academy status or onboard new academies onto their subscription services due to Oracle limitations. This has limited their ability to pursue new

business and has led to some customers being declined despite interest in the service.

- 4.22 Both Schools HR and Payroll & Pensions have customers who are not schools or academies. For Payroll & Pensions, these are made up by three local authority customers – Legacy 2022, Sutton Coldfield Town Council, Bloomsbury Housing Trust.
- 4.23 Schools HR list 206 non-school customers for their PAYG services generating £39,300 in revenue in 2023-24. These range from healthcare providers to construction firms. Most transactions with non-school customers are the provision of DBS checks.
- 4.24 It is important to recognise that the current governance arrangements for either Schools HR or Payroll and Pensions do not support the trading of services outside of local public sector services. This would require the establishment of a LATC with all the associated governance arrangements and oversight. Furthermore, should a Teckal LATC wish to develop new (non-statutory) service lines, the income from these services is limited to 20% of the LATC's total turnover.
- 4.25 Further to revenue generating activities from schools and non-schools customers, Schools HR generates 'income' from recharging other areas of BCC for the provision of services including website hosting and delivering head teacher inductions.

#### Cost

- 4.26 It is important to recognise the distinction between the cost to schools to purchase the services on offer and the cost to BCC to deliver the services. Thus far, BCC has not implemented full cost recovery of the service. This may be a result of the challenges to establishing clear costs/income streams presented by Oracle or a management decision.
- 4.27 Furthermore, for the last year there has been a discount applied to the fees charged to schools to compensate for the reduced service since Oracle was implemented. This fee discount was ended in 2024 in line with BCC's strategic decision and saw fees for schools rise by 10% plus the removal of a discount of between 5 and 10%. 2025-26 is likely to see another minimum rise of 10% across the board.
- 4.28 Nonetheless, the current services are still subsidised as the full costs of delivery have never been passed onto schools. It would be unsustainable for BCC to continue to subsidise the service in the way it has been given BCC's financial situation. The paragraphs below explore the current full cost of running the services.
- 4.29 Both Schools HR and Finance receive funding from the Dedicated Schools Grant to account for the delivery of their statutory duties. In 2023/24 this amounted to £115,000 for Schools HR and £660,000 for Finance. It should be noted that this

sum covers all statutory duties related to schools finance and not simply the provision of financial advice in school.

- 4.30 This funding is not included in the budget tables below as it does not form part of the traded service offer and cannot be used to subsidise or deliver non-statutory services. Furthermore, this funding should be used to provide services to schools where BCC is the employer regardless of whether they subscribe to a subscription (see 4.50). However, it should be noted that some staffing costs are also attributable to the provision of statutory services, although this cannot be accurately ascribed (see 4.55).
- 4.31 The three services in 2023/24 operated at a combined loss of £295,963.
- 4.32 The cost to schools of purchasing HR, Payroll and Pensions Services from BCC is between £11.33 and £14.28 per member of staff. The cost to schools of purchasing Schools Financial Services support is between £22 and £29 an hour.

#### Schools HR

- 4.33 The cost to schools does not taper depending on school size, so for a school at the top of each headcount band would pay the following per member of staff to subscribe to Schools HR packages in 2024-25.

Gold	Gold Advisor	Silver	Silver Advisor
£8.52	£5.96	£5.96	£4.17

- 4.34 In 2023/24 Schools HR operated at a deficit of £130,171. An outline of the income and expenditure for that year can be found below.

**Table 6: Schools HR 2023/24 Budget**

2023/24 Income		2023/24 Expenditure	
Subscriptions - NonChq book/EPA	670,829	Salary (Basic)	1,436,546
Subscriptions Chq Book	315,252	Overtime	7,193
Subscriptions - Academies	388,001	NI	140,682
<b>Subscription total</b>	<b>1,374,082</b>	Superannuation	365,260
PAYG Arrangement in advance	5,140	Apprenticeship Levy	7,155

PAYG Salary Statements	15,419		Agency Staffing	442,35	
PAYG Form Raiser	696		Staffing costs		2,001,071
PAYG ER Investigations/Training	-2,541		Contribution to BCC IT Services	171,112	
PAYG Recruitment	550,599		Contribution to BCC Admin Services	6,542	
PAYG NQT Pool Management	11,785		Access to work/Iron Mountain/Printing/BAS BM	3,686	
PAYG Senior Appointments Support	10,881		BCC Central Costs		181,340
PAYG DBS Checks	367,115		Website Platform Support	47,068	
PAYG SCR Audit	2,107		Outsourced ER Investigations	15,860	
PAYG Response Handling	7,053		DBS Clearance Processing	265,968	
			RTW expense	1,468	
PAYG Total		968,254	Third Party Supplier Costs		33,0364
HR Conference	10,250		Total Expenditure		2,512,775
Head Teacher Inductions	20,000				
Website Hosting	10,000				
BCC Recharges Total		4,0250			
Total Income		2,382,586			

### Payroll and Pensions

- 4.35 Payroll and Pensions choose to charge less per head for schools with higher headcounts, therefore as the price per head comes down as you move up the pay bands. The cost per member of staff for schools to purchase the Payroll and Pensions Service is as below.

<b>Comprehensive</b>	<b>Pensions Only</b>
Between £5.37-£5.76	Between £0.40-£0.52

4.36 In 2023/24 Pensions and Payroll operated at a surplus of £89,578. An outline of the income and expenditure for that year can be found below.

**Table 7: Payroll and Pensions 2023/24 budget**

2023/24 Income		2023/24 Expenditure			
Trading with schools	801,340	Salaries – Schools Payroll and Pensions	557,724		
		Other indirect employee expenses	617		
		Printing & postage	18,966		
		Supplies & services	2,402		
		Reapportionment ICT contract charges	39,537		
		Contribution to BCC overheads	87,781		
		<b>Cost of service provision to schools</b>			<b>707,027</b>
Trading with academies	492,256	Salaries – Academies and externals with HR	382,244		
		Other indirect employee expenses	658		
		Printing & postage	9,012		
		Supplies & services	2,807		

			Reapportionment ICT contract charges	42,140	
			Contribution to BCC overheads	60,130	
			Cost of service provision to academies		496,991
Total income		1,293,596	Total expenditure		1,204,018

### Schools Financial Services

4.37 Schools Financial Services' pricing structure does not easily equate to a 'per head' pricing for schools. The price to schools is better articulated as a cost per hour for Schools Financial Services support. Schools pay between £22 and £29 per hour.

4.38 In 2023/24 Schools Financial Services operated at a deficit of £255,370. An outline of the income and expenditure for that year can be found below.

**Table 8: SFS 2023/24 Budget**

2023/24 Income		2023/24 Expenditure			
Trading with Schools and academies	1,179,980		Schools Financial Services Staff Salaries	1,149,569	
			Interim Head of Service	61,913	
Total income		1,179,980	Other Indirect Employee Expenses	7,354	
			Staffing costs total		1,218,836
			Car and Other Allowances	2,963	
			Stationery & Printing	54	
			Supplies & Services Misc	851	

	Contribution to BCC Central Costs	212,646	
	BCC Running Costs		216,514
	Total expenditure		1,435,350

Costs not included

- 4.39 While the above costs for each service includes contributions to BCC central costs, it should be noted that this does not constitute the full running costs of the service.
- 4.40 BCC's calculation for contributions to central costs (absorption rate) was completed based on a 2020/21 budget, headcount and resources. The snapshot of costs accounts for the running costs at this time with the services contributing a set amount per employee with workstation and IT equipment.
- 4.41 It does not appear that the three services are contributing to BCC central costs at a consistent rate although the rationale for this cannot be established.
- 4.42 There have been significant changes to the BCC estate, in terms of reduction of building capacity, as well as inflationary pressures which mean the absorption costs cannot be considered a reliable estimate of the costs to BCC to support the services.
- 4.43 Further to the above concern about the reliability of the calculation, the absorption costs cannot be deemed to fully cover the cost of running the service due to costs excluded. Namely, the costs of Oracle are not accounted for in the absorption costs despite it being the primary platform for both Schools HR and Payroll & Pensions.
- 4.44 The below table outlines the running costs of Oracle attributable to its use in schools. The calculations are based on the following assumptions.
- 4.45 Licence fees are made up of two licence types – general HCM & Payroll licences and other Oracle licences. The latter being calculated by the number of schools staff and schools HR staff who have additional access such as 'Form Raiser'.
- 4.46 Employees in maintained schools account for 50% of all BCC employee headcount therefore 50% of general running cost have been attributed to schools.

Table 9: Annual Oracle costs

Cost item	Unit Cost	Number attributable to schools	Total annual cost of item
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	relating to schools		
<b>Schools specific HCM &amp; Payroll licences</b>	£1.09 p.c.m.	30,000	£392,400
<b>Other Oracle licences</b>	£16.87 p.c.m.	10% of 13,000	£263,172
<b>PaaS, IaaS licences ** estimate</b>	£260,000	50% of £260,000	£130,000
<b>Version 1 support costs (excludes service requests, standing charge)</b>	£190 per incident	50% of 1424	£135,280
<b>DTS support costs</b>	£1.5m p.a.	50%	£750,000
<b>TOTAL</b>			<b>£1,670,852</b>

- 4.47 Had the running costs of the Oracle platform been fully recovered from schools, at current SLA subscription levels this would have seen an additional annual charge of £6991.01 per school on top of the SLA subscription cost. However, it may be fairer to apportion the running costs by school size in a similar way to the subscription headcount banding.
- 4.48 Once Oracle costs are accounted for, the three services operated at a loss of £1,966,815. This figure will include costs (staffing and systems) associated with the delivery of statutory as well as traded services.

#### BCC's Statutory Duties

- 4.49 Schools employees (headteachers, senior leadership teams, teachers and support staff) in specific school types are Birmingham City Council employees. Therefore, there are a number of legal powers and duties that relate to the service areas under discussion.
- 4.50 BCC is the employer in Community Schools, Community Special Schools, Maintained Nurseries, Voluntary Controlled and Pupil Referral Units.
- 4.51 There are also several statutory provisions which apply to schools finances which should also be considered while discussing the services delivered by Schools Financial Services. However, it should be noted that the Council's Fair Funding Scheme has not been updated since 2017/18 which is a standing legal risk for BCC which needs to be addressed.
- 4.52 Failure to properly fulfil these duties would leave the council open to a significant risk of legal challenge.

- 4.53 For the most part the statutory regime in this area is not so prescriptive as to require the Council to carry out its functions in a particular way. Instead, there will often be
- a statutory function that the Council has to fulfil
  - a statutory duty that it must comply with;
  - and/or – a statutory power that it can exercise in certain circumstances or at the Council’s discretion
- the Council will then have discretion as to the actions it takes in order to comply. The Council needs to be prepared to explain why it has decided to exercise its functions in a particular way and how it is able to fulfil its duties as a result.
- 4.54 The current SLAs for all three of the services make no distinction between tasks BCC is performing in a statutory capacity (to fulfil a statutory function or duty), tasks we are fulfilling by way of a statutory power and tasks which are above and beyond the statutory requirements.
- 4.55 Therefore, there has been little understanding and clarity within BCC and schools which elements of the current SLAs must be performed, and which are supplementary services on offer to enrich BCC’s provision by allowing the schools to purchase in addition, e.g. because the school is under a statutory duty to do something but instead pays the Council to do it or, as another example, the Council has chosen to exercise a statutory power but only for schools that contribute to the cost.
- 4.56 There is a vast array of statutory instruments which cover local authority duties and BCC does not hold a definitive list of statutory duties outlining its responsibilities in relation to Schools HR, Payroll and Pensions and Finance as any list is subject to change.
- 4.57 Some examples of the statutory duties required of BCC include; as employer, complying with the School Teachers Pay and Conditions document and statutory guidance and receiving an annual financial statement from each governing body, and to provide these to the Secretary of State by the third Friday in the following July. An indicative list of statutory duties as they are currently understood which has been used to inform discussions about the resources required can be found in Appendix B.
- 4.58 Not all BCC maintained schools currently purchase HR, Payroll and Pensions or Schools Financial Services from BCC, but this does not discharge the duties BCC holds.
- 4.59 For Payroll and Pensions there are existing processes in place to ensure compliance with statutory duties where schools do not subscribe to BCC services.

- 4.60 For HR, there is work ongoing to establish procedures for ensuring proper audit and compliance activities are undertaken in relation to statutory duties for schools who do not subscribe to BCC services.
- 4.61 Within the Finance Directorate there exists a team separate to Schools Financial Services which delivers the statutory duties to schools.
- 4.62 Some aspects of these statutory provisions are also be exercised by officers within the Children and Families Directorate. It is therefore essential that Council Management obtain a good understanding as to how these services interact with and support Children and Families to ensure that changing service provision does not have an unintended consequence for Children and Families that should have, or could have, been foreseen.
- 4.63 Regardless of the solution adopted to replace Oracle, the ability for BCC to continue to perform its statutory duties and functions – in terms of access to information, staff to perform requirements and expertise – should be a priority for BCC.

Impact of Oracle reimplementing decision

- 4.64 Oracle is the primary platform for providing HR and Payroll functions to schools. Staff in Community Schools, Community Special Schools, Maintained Nurseries, Voluntary Controlled Schools and Pupil Referral Units are BCC employees and those schools who subscribe to Schools HR, Payroll and Pensions services are able to access Oracle to claim allowances and store or amend personal information in the same way as many other BCC employees can.
- 4.65 Unlike other BCC employees, schools staff are less likely to have administrative access to Oracle, to enable line managers to approve or raise claims, with most of these functions being held within the Schools HR teams on schools’ behalf.
- 4.66 From September 2025, Oracle will no longer support the delivery of these services.
- 4.67 Oracle has not been a reliable vehicle for delivering these services, requiring extensive and time-consuming workarounds.
- 4.68 Not all services provided by Schools HR, Payroll and Pensions and Schools Financial Services rely on the use of Oracle.
- 4.69 The below services are delivered outside of Oracle. With Schools HR operating on council wide contracts for the use of services such as Jadu.

**Table 10: Non Oracle services**

Service	Delivered by	Platform
Delivery of training	Schools HR	In person
Employee Relations Investigations	Schools HR	Delivered by a third party

Management of NQT Pool	Schools HR	Jadu
Senior Appointments Support	Schools HR	In person
Job Advertisements	Schools HR	Jadu
DBS Checks	Schools HR	Delivered by a third party
Website Hosting	Schools HR	Jadu
Pensions services for non-payroll customers	Payroll and Pensions	Delivered by a third party
Schools Financial Services Subscriptions	SFS	Schools' own financial management software

- 4.70 Schools Financial Services do not transact through Oracle to deliver their services at all as they operate a model akin to a finance business partner, attending schools and using their financial management software to generate reports and provide financial advice.
- 4.71 All the Schools HR activities listed are supplementary pay-as-you-go services provided above their subscription services. Whereas the Pensions and SFS Subscriptions are core elements of these services' delivery.
- 4.72 BCC commenced this project to identify the best options for schools to replace council traded services based on Oracle Finance, Payroll and HR and to work with schools to ensure there is a smooth pathway available to a suitable replacement service.
- 4.73 In May 2024, CLT considered an initial options appraisal (Appendix A) which suggested further exploring an end-to-end solution (Option 4) and assessed the identified options against the following criteria
- Provides schools with a workable solution to replace Oracle by September 2025
  - Supports BCC's Improvement and Recovery Plan by contributing to financial sustainability and delivering good services.
  - Provides the best value for money for BCC and schools.
  - Schools have access to appropriate advice and guidance services.
  - Allows BCC and schools to meet their statutory and legal obligations.
- 4.74 Since the delivery of the options appraisal, the project has conducted thorough investigations of Options 2, 3 and 4. Option 1 and 5 (do nothing) and (delivery via

ADV) have both been discounted due to the findings of the options appraisal. See Section 4 and 5 for a full explanation of the options considered.

- 4.75 The remainder of this paper outlines the business case for progressing the recommended option following the detailed planning and assessment required to support the decision-making process. It also assesses the discounted options presenting the rationale for not progressing them.

### **Proposal and Reasons for Recommendations**

- 4.76 The Council's stated position regarding traded services in the Improvement and Recovery Plan is that it will conduct a "detailed review of Council-controlled companies and traded services to identify options to raise funds, reduce costs and minimise financial risk" with an intended outcome of "robust financial management inc. compliance with statutory rules and guidelines".
- 4.77 The decision not to reimplement Oracle for schools has expedited the review of Schools HR, Payroll & Pensions and Schools Financial Services ahead of the council-wide review. Nonetheless, any future solution for Schools HR, Payroll & Pensions and Schools Financial Services must be in line with the strategic position outlined.
- 4.78 Furthermore, the future solution must present the best outcome when assessed against the criteria selected in the options appraisal (see 4.73).
- 4.79 BCC is conducting a full strategic review of all traded services to establish its intent during and post stabilisation, but Schools HR, Payroll & Pensions and Schools Financial Services fall outside the scope of this project due to the accelerated timeline set out by the Oracle reimplementation programme .
- 4.80 When asked, schools provided a clear steer on their priorities for any future solution. In a drop-in session open to all schools, 44 attendees contributed views, with more following up by email. The priorities raised were;
- Ease of use – the solution should have less of an impact on schools' time and be simpler to use, avoiding the workarounds introduced by Oracle.
  - Accuracy – the solution should be trusted to have current and accurate data so that schools understand where they stand at any one time.
  - Strong data protection controls – the solution should be compliant with GDPR and avoid errors in who can view information to protect staff data.
  - Timely – the solution should provide quick responses to schools' queries and information at the right point.
  - No impact on staff in schools – the solution (or more accurately the transition to a new solution) should not cause concern or distress to

school staff or distract them from their primary role of supporting children.

#### Description of the Solution

- 4.81 On detailed examination, it remains the case that the recommended solution is Option 4 - BCC identifies and transition to an end-to-end solution.
- 4.82 The outcome of this solution would see BCC ceasing to trade HR and Payroll & Pensions services to schools, with schools being directed to the commercial market to secure the services appropriate for their requirements.
- 4.83 Although Schools Financial Services are not directly impacted by the withdrawal of Oracle in schools, the review of the services demonstrates that Schools Financial Services is delivering non-statutory services without covering the cost of provision.
- 4.84 Without a strong competitive market to deliver an alternative end-to-end solution for Schools Financial Services and noting the positive feedback from schools on the service, BCC would conduct a fee review process to account for the full costs associated with delivering Schools Financial Services and adjust charges accordingly. Furthermore, BCC would define the minimum number of schools subscribing required to support ongoing delivery of the service.
- 4.85 Should the fee review process result in the cost of provision being too high for schools to bear or insufficient numbers of schools indicating that they would continue to subscribe, then the service would have to cease. The Strategic Director of Children & Families in consultation with the Cabinet Lead Member for Children, Young People and Families, will review the outcome of the Schools Financial Services redesign and revised charges within six months of this decision and take appropriate action to cease the service if it remains financially unviable.
- 4.86 Schools will be required to open their own bank accounts - known as becoming a chequebook school (see 4.123).
- 4.87 It should be noted that very few chequebook schools (13 out of 60) currently subscribe to Schools Financial Services and this conversion may further reduce the ongoing demand for the service.
- 4.88 BCC would retain a contingent of specialist staff to ensure compliance with statutory duties for HR, Payroll and Pensions, moving from a transactional approach to a compliance and audit approach (see 4.140).
- 4.89 Rather than maintaining a ringfenced service, the roles would be moved to sit within the appropriate directorates delivering the equivalent functions for non-schools BCC staff. This is most likely to be across existing teams within People Services.

- 4.90 To facilitate smooth transition from BCC provision to an alternative supplier, BCC works collaboratively with schools and the Department for Education (DfE) Buying for Schools Team to ensure schools have access to free, impartial procurement support where they need it.
- 4.91 With the assistance of the Buying for Schools Team there may be opportunities for schools to aggregate and leverage greater purchasing power. This will also ensure support for smaller schools without the resources to act alone.
- 4.92 BCC will coordinate with schools and suppliers to facilitate a timely and accurate transition to the schools' chosen suppliers with more flexible SLAs produced for HR and Payroll & Pensions across the 2025/26 April to September period to allow schools to transition to their new supplier as they are identified.
- 4.93 In summary, this option best meets the criteria set out and it is recommended that BCC progresses the implementation of this solution in line with the timeline set out in Appendix F.

**Table 11: Assessment of Option 4 against criteria**

Option / Criteria	Provides schools with a workable solution to replace Oracle by September 2025	Supports BCC's Improvement and Recovery Plan	Provides the best value for money for BCC and schools.**	Schools have access to services of advice and guidance.	Allows BCC and schools to meet their statutory and legal obligations
Option 4 - BCC identifies and supports the transition of schools onto an end-to-end solution	Working with schools and providers, BCC would be able to transition schools to new solutions by Sept 2025	In line with the stated aims of the BCC IRP.	Best value for money for schools represented. No ongoing financial impact for BCC.	Depending on the schools' chosen provider schools will have access to advice and guidance. BCC will remain the final backstop for statutory advice and guidance.	BCC maintains a function to meet statutory obligations, moving from a transactional function to an assurance and compliance approach.

\*\*See Appendix D for an exemplar cost comparison of the options for a representative school with 100 employees.

### Cost

- 4.94 This option has the potential to present the least costly solution for schools depending on the supplier they select and the services they choose to procure.
- 4.95 The range of charges quoted in our market test event for HR and Payroll & Pensions services per payslip per month are below. See Appendix D for an exemplar cost comparison of the options for a representative school with 100 employees.

HR	Payroll & Pensions
Between £2.75-£7.08	Between £3.75-£4.95

- 4.96 Indicative costings from end-to-end suppliers suggest that ongoing subscription costs for HR, Payroll and Pensions services compare favourably with BCC's subscription charges.
- 4.97 Any additional fees and charges associated with the provision of HR and Payroll & Pensions provision would be agreed with the end-to-end supplier. For example, suppliers may choose to charge for express BACS payments or HR advice above a specified limit included in the contract. Schools should examine bids carefully to understand what services are included in their subscriptions.
- 4.98 Schools would also be responsible for the costs of procurement. This would include the time dedicated by schools' staff to assess bids, evaluate suppliers and negotiate pricing.
- 4.99 These costs and effort may be reduced by working with the Buying for Schools team who can support with procurement process, have existing framework agreements in place for Schools HR and Payroll services and are available to help schools leverage greater purchasing power by aggregating where it suits schools.
- 4.100 Due to this existing provision BCC will not produce a preferred list of providers as initially suggested, instead allowing schools to use existing procurement frameworks compiled by the DfE.
- 4.101 Implementation costs may apply for the onboarding of schools onto a new provider. These cover the supplier assessing the schools' needs and importing the schools' data.
- 4.102 BCC would cease to bear the cost for the provision of a system, along with the associated maintenance, running and security costs that come with any system.
- 4.103 Review and recalculation of Schools Financial Services fees would end the financial risk to BCC in relation to ongoing budgetary overspend by this service.
- 4.104 It is anticipated that there will be ongoing funding from the Dedicated Schools Grant to account for the provision of statutory duties and BCC should aim to operate within this funding as far as possible.
- 4.105 BCC would be responsible for the cost of any redundancy and/or pension strain associated with a reduction of posts where staff could not be redeployed. The approach to colleagues is set out in Section 4.140.

#### Providers and Market Testing

- 4.106 There is a mature market for the provision of HR and Payroll services in the education sector, as evidenced by the number of schools and academies in the Birmingham area who already choose to purchase services from providers other than the Council.
- 4.107 The project has conducted a soft market testing exercise to assess the viability of Birmingham schools being supported by the commercial market.



- 4.108 This included a desk-based research process in which we explored potential suppliers on the Crown Commercial Services Framework for procurement, providers who schools have recently chosen to move to when they have ceased subscribing to BCC services and local and national market leaders.
- 4.109 An early market engagement event was conducted with a range of suppliers. BCC set out its high-level requirements for Option 3 (BCC identifies a system-based solution to replace Oracle and support the transition of schools onto the new system(s)) and Option 4 (BCC identifies and transition to an end-to-end solution).
- 4.110 The early market engagement event saw representatives from BCC – HR, Payroll & Pensions, Schools Financial Services, Finance, Digital Services – and Business Managers from schools exploring and scrutinising the services on the commercial market.
- 4.111 Early market engagement demonstrated that either Option 3 or 4 is viable and there are providers on the market who would support our decision. A summary of the findings of the market engagement event can be found in Appendix E.
- 4.112 The event also highlighted the cost disparity between Option 3 and Option 4, with Option 4 being the most cost effective for schools. See Appendix D for an exemplar cost comparison of the options for a representative school with 100 employees.
- 4.113 The project has also spoken to several other local authorities who are BCC's statistical and geographical neighbours. Of the 15 local authorities identified, 10 are continuing to provide HR and Payroll Services to schools and academies via traded services.
- 4.114 The services are delivered on a combination of hosted and cloud platforms with the main theme being the need for customisation of platforms to meet the needs of schools. Some local authorities reflected that customisation has been costly and will make it difficult to retender.
- 4.115 Since the May 2024 Cabinet decision that Oracle will not be reimplemented for schools, HR and Payroll providers have taken the initiative and begun approaching schools in the Birmingham area directly. There has been an appetite from providers to take on BCC schools.

#### Impact on Schools

- 4.116 None of the available options present a solution by which an impact on schools can be avoided. The recommended solution is likely to impact schools in terms of budget, time and expertise.
- 4.117 This will represent a large-scale change for schools who would become responsible for the procurement and management of their chosen supplier alongside assuming the responsibilities associated with becoming a chequebook school (see 4.123).

- 4.118 Schools would remain supported by BCC via all usual schools activity run by Children and Families, but Schools HR, Payroll and Schools Financial Services have been a key link, building a strong relationship, between schools and the council. Nevertheless, the detrimental impact of the Oracle system on schools' trust and confidence in BCC should not be underestimated.
- 4.119 This solution could be viewed as a distancing between the Local Authority and schools and there may be a reduced ability for BCC to react rapidly to intervene and prevent the escalation of issues in schools.
- 4.120 While not an aim of this project, there has been feedback from schools that the cessation of the services could be a driver, perceived or real, to academisation.
- 4.121 On speaking to schools who have recently left BCC subscriptions to move to providers on the commercial market, schools have fed back a positive experience with commercial providers including financial savings and improved service.
- 4.122 Feedback on the offboarding process, moving schools to the new providers, was less positive, noting a lack of communication across BCC departments, unstandardised processes and access to information limited by Oracle functionality. Lessons learned from this feedback have been incorporated into the timeline for implementation (see Appendix F).

Transition of all schools to chequebook

- 4.123 Schools in the BCC area operate one of three accounting processes, each with their own level of financial expertise and processes. A definition of the accounting types can be found in the table below.

**Table 12: School accounting types**

School Type/ Accounting Process	Definition	Support need	Number
<b>Chequebook</b>	Has own bank account already.	Likely to need the least support from BCC during transition to a new provider.	60
<b>Non-Chequebook</b>	Has petty cash account but uses BCC bank account for all other funds. Runs own accounting software, raises invoices which reach BCC via the simplified loader and are subsequently paid by BCC. Schools then reconcile payments.	Most support required. Currently reliant on BCC processes for most financial activity.	92

<b>EPA (external payment accounting)</b>	Blended approach. Has all 'non-chequebook functionality'. Also have access to a BCC account which is 'preloaded' with an agreed sum akin to petty cash. Schools have a spending limit but can use the EPA account to pay for small or one-off bills with the benefit of suppliers being paid quickly.	Mid level of support required depending on whether they already use SFS. Will be versed in payments/reconciliation but likely to be unsure of mandatory reporting etc	56
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- 4.124 To facilitate the new solution, there is a requirement for all schools to become chequebook schools and to assume full responsibility for their own finances.
- 4.125 Discussions with schools about the potential need to become chequebook began in June of 2024 and a workstream within the project has been initiated to convert the schools who chose to request a change to chequebook status.
- 4.126 The first round of 24 schools converting to chequebook status will be November 2024, with all other schools offered the opportunity to convert on a quarterly basis, with all schools converted to chequebook status by 1st April 2025.
- 4.127 BCC currently uses Barclays for the provision of school bank accounts where they are not full chequebook schools.
- 4.128 Meetings with banks have been positive, with Barclays able to convert the existing accounts of EPA and non-chequebook (petty cash accounts) to full chequebook accounts. BCC will retain an umbrella account with Barclays.
- 4.129 Conversion in this manner reduces the administrative and process burden on schools. As accounts will be converted rather than opened there will be no dual running of accounts or need to close down multiple accounts at the end of the financial year.
- 4.130 Barclays will provide schools with training to use their new online accounts and are producing an aide memoire for schools to help them understand the process. Schools will be supported by BCC's Schools Finance team.
- 4.131 Schools retain the option to choose another banking provider if they wish, however this is likely to be a longer process, with sourcing a bank anecdotally taking up to three months.
- 4.132 It is proposed that there will remain a local authority signatory on all accounts to mitigate the risk of changing personnel in schools preventing financial activity from being conducted.

Schools in deficit or financial concern

- 4.133 BCC's current guidance in the Schools Financial Procedures Manual states that "The Local Authority may delay an individual school's admission to the Scheme

where the school is experiencing considerable difficulty in maintaining expenditure within its formula budget share or where significant deficit balances are brought forward from previous years. This will only apply following discussions with the Head Teacher of the school” and “The Local Authority will suspend cheque book arrangements where, in the opinion of Internal Audit and/or the Children and Families Directorate, there is evidence of financial mismanagement or non-compliance with the rules of the cheque book scheme”.

- 4.134 This has led to the common perception that a school cannot be or become a full chequebook school when in a deficit position.
- 4.135 There are currently 37 maintained schools in a deficit position, with the number predicted to rise in the future financial years.
- 4.136 Without Oracle, or a replacement system, there is no opportunity for schools to continue as non-chequebook or EPA schools.
- 4.137 The risk posed by schools in deficit, namely that banks will not accept schools holding an account in deficit, will be mitigated by BCC holding an umbrella account with Barclays which allows for deficits to be offset against the wider schools’ budgets.
- 4.138 Schools who choose to bank with another provider may be subject to that banks’ processes and procedures should they find themselves in a deficit position. Banks may not have the appetite to allow schools to have an account in deficit.
- 4.139 Schools in deficit or financial concern will still be subject to all the existing policies with the Management of Surplus and Deficit Balances chapter of the Schools Financial Procedures Manual and receive support from BCC as normal.

#### Impact on Colleagues

- 4.140 This option presents the highest impact on BCC colleagues within the services, especially Schools HR and Payroll & Pensions. Schools Financial Services are impacted to a lesser extent.
- 4.141 As part of the fee review process within Schools Financial Services, the organisation structure would be reviewed to ensure that the service is delivering efficiently and inform the costs passed on to schools. This exercise should also be completed annually as the number of schools subscribing to the service is confirmed so that staffing does not outstretch demand or vice versa.
- 4.142 This may place Schools Financial Services colleagues at risk of redundancy or redeployment within the council. This risk will greatly increase if it becomes clear that the cost of providing the service is unpalatable to schools and they are unwilling or unable to continue subscribing to Schools Financial Services.
- 4.143 With the BCC ceasing to trade HR, Payroll and Pensions services, staff in these services would either be retained to continue the provision of statutory duties, be absorbed into vacancies across the council or be included in a redundancy process.

- 4.144 It has been assessed that this solution may be subject to TUPE however there is a realistic chance that the fragmentation of the service may reduce the likelihood of this occurring.
- 4.145 The possibility of TUPE would be increased should there be a large number of schools choose to move to the same supplier. In this instance, BCC will work with colleagues, unions and providers to assess the TUPE implications and, where appropriate, facilitate a smooth transition.

Approach to Colleagues

- 4.146 The cessation of services cannot happen without an impact on colleagues in BCC, however BCC will need to retain employees to meet their ongoing statutory duties in relation to HR, Payroll and Pensions.
- 4.147 The approach will be to retain and redeploy staff in the first instance, keeping the expertise within BCC.
- 4.148 We will begin consultation with union representatives and colleagues to discuss the best way to ensure that those who want to remain working for BCC have the opportunity to do so and those who would prefer to leave have options available to them. It would only be after those consultations had been concluded that we would have a picture of any redundancy on offer.
- 4.149 It is anticipated that the project will be able to work collaboratively with ongoing council-wide activity to establish new organisational structures to identify opportunities for redeployment.
- 4.150 A standalone Schools HR function would be disbanded, with the colleagues retained to deliver statutory services moved to teams where the equivalent activity happens for other BCC employees.
- 4.151 The ongoing provision will change from a transactional function to a compliance and audit based function focused on assuring that BCC's statutory duties are being met.
- 4.152 It is expected that the below would be the minimum number of staffing required to fulfil the ongoing statutory functions, however this would be subject to consultation and would likely depend on the number of providers chosen by schools and the subsequent business change required:

HR	5 FTE
Payroll	0.5 FTE
Pensions	4 FTE
Schools Financial Services	Non-statutory. Staffing levels be adjusted following fee review process.

Implementation plan

Timeline

4.153 An indicative timeline for delivery of the recommended option can be found in Appendix F.

Resources and Governance

4.154 The following resources are required to ensure the project will be adequately resourced, consisting of a blend of professional expertise across BCC.

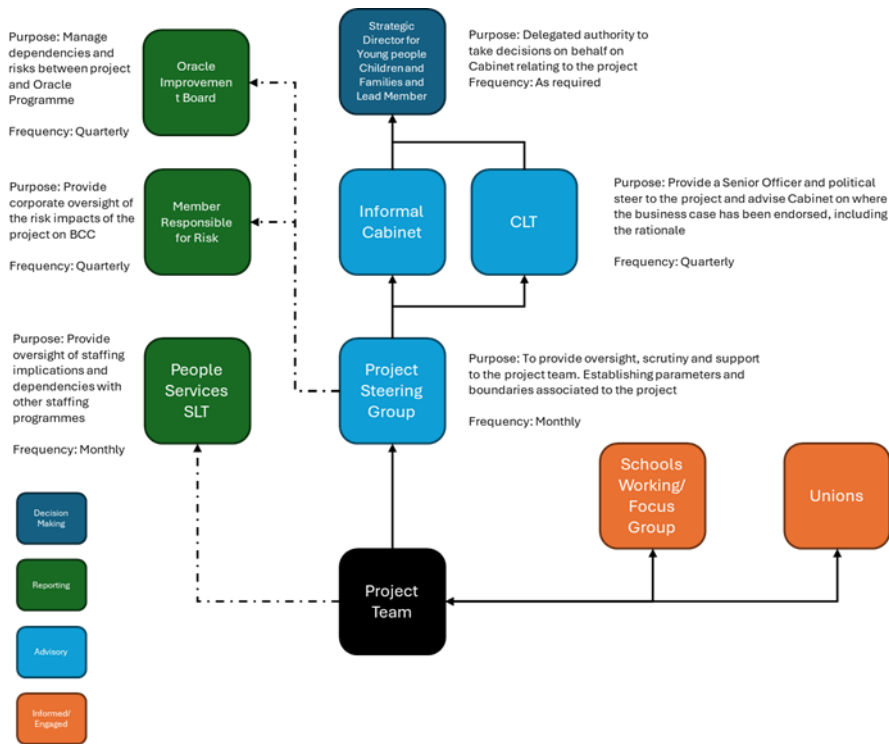
**Table 13: Project resource requirements**

<b>Project Team</b>		<b>Monthly time commitment (FTE)</b>
Project Lead	Schools HR and Payroll Programme Lead	1
HR	People Partner	0.2
Schools Relationships	Schools Relationship Manager	0.6
Procurement	Senior IT Category Manager	0.4
Offboarding/Data	TBC	0.4
Schools HR	HR Services Manager	0.4
SFS	Finance Business Partner Schools	0.4
Payroll & Pensions	Payroll Manager	0.4
Comms	TBC	0.1
Finance	Senior Business Analyst	0.1
<b>SME Support</b>		<b>Monthly time commitment (FTE)</b>
PMO	Business Analyst	0.2
HR support	TBC	0.6
Comms support	TBC	0.2
Procurement support	Department for Education Schools Buying Team	N/A
Offboarding/Data	TBC	1
Conversion to chequebook	Schools Finance	TBC

4.155 There may be a requirement to backfill roles where significant time is being dedicated to the delivery of the project. Alternatively, some roles may be suitable for short term cover in the form of agency posts to seek specific skills for the duration of the project, for example offboarding and data support.

4.156 Robust governance is vital to the overall success of this project, and it is proposed that there will be a continuation of the governance structures established in the initiation phase of this project. This will provide consistent and coherent oversight of the project as it moves forward into implementation.

4.157 The details of these governance arrangements can be found in the chart below:



### Other Options Considered

- 4.158 Since the delivery of the options appraisal, the project has conducted thorough investigations of Options 2 - BCC hosting an alternative system to Oracle, 3 - BCC identifies a system-based solution to replace Oracle and support the transition of schools onto the new system(s) and 4 - BCC identifies and transition to an end-to-end solution.
- 4.159 A high-level demonstration of how each option meets the stated criteria for assessment can be found below with the detail expanded on it the following sections.

**Table 14: Assessment of options against the criteria**

Option / Criteria	Provides schools with a workable solution to replace Oracle by September 2025	Supports BCC's Improvement and Recovery Plan	Provides the best value for money for BCC and schools.**	Schools have access to services of advice and guidance.	Allows BCC and schools to meet their statutory and legal obligations
Option 2 - BCC hosting an alternative system to Oracle	Red	Red	Red	Yellow	Yellow
Option 3 - BCC identifies a system-based solution to replace Oracle and support the transition of schools onto the new system(s)	Red	Red	Red	Green	Green
Option 4 - BCC identifies and supports the	Green	Green	Green	Yellow	Green

transition of schools onto an end-to-end solution					
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\*\*See Appendix D for an exemplar cost comparison of the options for a representative school with 100 employees.

Option 2 – BCC hosting an alternative system to Oracle

Description of the Solution

- 4.160 BCC would effectively replicate the current provision to schools, albeit with an alternative system supplier to Oracle.
- 4.161 Learning from the experience of the previous Oracle implementation, it is likely that a Commercially Off-The Shelf (COTS) software solution would not be flexible enough to accommodate the wide-ranging set of requirements across school types.
- 4.162 BCC would continue to deliver HR, Payroll and Pensions services alongside support and guidance via one platform to schools who purchase the service.
- 4.163 BCC would continue to deliver financial support and guidance via the current Schools Financial Services model.
- 4.164 Noting BCC’s financial position and the stated aims of the Improvement and Recovery Plan, the implementation and running costs of the system and service would need to be fully recovered from schools to “reduce costs and minimise financial risk”.
- 4.165 To provide BCC and Schools with greater clarity around the services they are purchasing, SLAs for all three services should be re-written to separate statutory duties from powers BCC is choosing to charge for.
- 4.166 It would be important for BCC to develop appropriate processes to ensure that statutory provision was being met for schools that do not purchase an annual subscription.
- 4.167 If BCC decided to continue to trade services above and beyond its powers and duties, the appropriate governance structure should be put in place to accommodate this, and BCC should explore the establishment of a LATC which encompasses one or more of Schools HR, Payroll and Pensions or Schools Financial Services.
- 4.168 In summary, this option does not meet any of the criteria set out and is not suitable for BCC or schools.

**Table 15: Assessment of Option 2 against the criteria**

Option / Criteria	Provides schools with a workable solution to replace Oracle by September 2025	Supports BCC’s Improvement and Recovery Plan	Provides the best value for money for BCC and schools.**	Schools have access to services of advice and guidance.	Allows BCC and schools to meet their statutory and legal obligations
Option 2 - BCC hosting an					



alternative system to Oracle	Earliest delivery timeline October 2026	Increases short term costs and financial risk to BCC	Increases costs to BCC and schools	Likely gap in service of 13+ months	Likely gap in service of 13+ months
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\*\*See Appendix D for an exemplar cost comparison of the options for a representative school with 100 employees

### Timeline

4.169 Below are two estimated timelines for delivery of (1) a suitable COTS product that delivers core requirements and then run a project to work with all the schools to help them adapt their ways of working to use that solution and (2) a bespoke solution.

**Table 16: Timeline for implementation of a hosted solution**

Identify suitable COTS product		Develop bespoke solution	
Months	Task	Months	Task
3	Start-up including high level business case/ scoping/ resourcing	3	Start-up including high level business case/ scoping/ resourcing
3	Discovery/design	6	Discovery/design
9	Procurement of the COTS product (including various governance/approvals)	3	Procurement of a supplier to develop the solution
6	Configuration/testing	18	Design/build/test
	Parallel activity to help schools through their business change activities	6	Parallel activity to help schools through their business change activities
2	Rollout including data migration, training etc	2	Rollout including data migration, training etc)
Total time: 23 months		Total time: 32 months	
Project timeline: November 2024 – October 2026		Project timeline: November 2024 – July 2027	

4.170 Neither timeline would allow for successful delivery of the project ahead of the September 2025 deadline.

4.171 The requirements gathered from BCC’s implementation of Oracle could be used as a starting point for system development, but schools should also be engaged to provide a more robust set of system and user requirements and a better understanding of current business processes in schools.

4.172 Pursuing for this option would see BCC having to make a choice between

- Delay the Oracle Reimplementation Programme,
- Have a gap in provision of HR and Payroll services in schools between September 2025 and October 2026/July 2027.

#### Cost

- 4.173 This option presents a high-cost solution to both BCC and schools.
- 4.174 Estimated costs to deliver a suitable COTS product are between £3 and £5million. The equivalent costs for a bespoke solution are estimated to be between £5 and £10 million.
- 4.175 The upfront implementation cost would be defrayed across schools purchasing the services from BCC over an agreed period. For example, a £5 million system implementation shared across 250 schools over the next 10 years would see an implementation charge of circa £2000 per school per year on top of running costs.
- 4.176 This would pose a risk to BCC in that current customer levels would need to be maintained in the long term to fully recoup the cost of the system implementation, reducing strategic agility and the Council's ability to adapt to changing landscapes.
- 4.177 Depending on the system implemented and the services BCC chose to continue to provide, running costs (including staffing and annual system maintenance costs) may be comparable with current levels.
- 4.178 Although some efficiencies may be realised by removing the timely workarounds introduced by Oracle, a new system would require the recruiting of additional DTS staff (and training) to support what would be a new large application on the estate. With the breadth of services being provisioned this team would need to consist of people able to support HR, Payroll and Security in addition to retaining the existing 'Schools Service'.
- 4.179 To allow BCC to fully cover its costs in delivering the service, for anything beyond a statutory duty there would be a requirement to charge schools the following – subscription fee, system running fee and system implementation charge.
- 4.180 The appropriate apportionment of the system running fee and system implementation charge would need to be a strategic decision by the Heads of Service to allow for fair treatment across schools.

#### Impact on Schools

- 4.181 The primary impact on schools would likely be the financial strain of the increased costs to subscribe to BCC services, however this is the only option which would not require schools to convert to chequebook status.
- 4.182 Throughout the course of the project there would be intense resource requirements to support design, implementation, testing and business change in schools to ensure a successful deployment.

- 4.183 Many of the schools who subscribe to BCC services are small schools with limited capacity to absorb additional responsibilities associated with implementation. This is especially true when viewed alongside the volume of concurrent change and improvement activity which schools are already supporting.
- 4.184 Further to the resource requirements to develop and implement a system, there would be a need for schools staff to participate in sufficient training to confidently and competently operate the new system.
- 4.185 Based on the timeline set out above, it would be unviable for schools to have a gap in provision of HR and Payroll services of between 12 and 21 months while a system was being designed and implemented. Schools may have to procure an alternative solution to bridge the gap, with no guarantee that they would then choose to return to BCC services once a system was in place.

#### Impact on Colleagues

- 4.186 Throughout the course of the project there would be intense resource requirements to support design, implementation, testing and business change from colleagues in Schools HR and Payroll & Pensions to ensure a successful deployment. This requirement would not apply to Schools Financial Services as they would not be operating on the system to deliver their functions.
- 4.187 Further to the resource requirements to develop and implement a system, there would be a need for Schools HR and Payroll & Pensions staff to participate in sufficient training to confidently and competently operate the new system. This requirement would not apply to Schools Financial Services as they would not be operating on the system to deliver their functions.
- 4.188 Colleagues would be completing the project alongside a background of significant concurrent change within BCC. The reimplementation of Oracle would see subject matter experts supporting the parallel implementation of two systems for Payroll and to a lesser extent HR.
- 4.189 Having separate systems for schools and non-schools staff would limit the agility of teams, especially in Payroll, to flex resources across the staff types should there be a peak in demand or workload.
- 4.190 It is likely that an organisational restructure would be required within all three of the services. A number of drivers would necessitate a review the organisational structure delivering the three services, including;
- the clearer definition of which services are statutory and which additional charged or traded services
  - potential establishment of a LATC
  - new business processes resulting from the implementation of a new system

#### Option 3 – BCC identifies a system-based solution to replace Oracle and support the transition of schools onto the new system(s)

### Description of the Solution

- 4.191 Schools would purchase a cloud-based system directly from a commercial provider, with BCC providing HR, Payroll & Pensions services on the schools' chosen systems at full cost.
- 4.192 Learning from the experience of the previous Oracle implementation and speaking to other local authorities, it is likely that a Commercially Off-The Shelf (COTS) software solution would not be flexible enough to accommodate the wide-ranging set of requirements across school types without significant customisation.
- 4.193 Therefore, it would be unviable for BCC to procure a single system on behalf of the schools without also accepting the responsibility and cost of significant customisation.
- 4.194 Furthermore, BCC does not have the capacity to run an additional parallel system implementation alongside the complex Oracle reimplementation. The same corporate resources and expertise would be required for both projects.
- 4.195 Instead, BCC would identify a limited number of suppliers who are capable of delivering a system appropriate for schools, with schools selecting and procuring the system that best meets their needs. However, schools remain free to procure a solution outside of this list if they choose.
- 4.196 There would be a requirement for BCC staff in HR and Payroll & Pensions to be provided with licences for schools' chosen system to enable them to access, administer and advice on schools' staff information.
- 4.197 BCC would continue to deliver a subscription for HR and Payroll & Pensions services which the schools could choose to purchase.
- 4.198 BCC would continue to deliver financial support and guidance via the current Schools Financial Services model.
- 4.199 Noting BCC's financial position and the stated aims of the Improvement and Recovery Plan, costs of the services would need to be fully recovered from schools to "reduce costs and minimise financial risk".
- 4.200 To provide BCC and Schools with greater clarity around the services they are purchasing, SLAs for all three services should be re-written to separate statutory duties from powers BCC is choosing to charge for.
- 4.201 It would be important for BCC to develop appropriate processes to ensure that statutory provision was being met for schools that do not purchase an annual subscription.
- 4.202 If BCC decided to continue to trade services exceeding those stipulated to be its statutory powers and duties, the appropriate governance structure should be put in place to accommodate this, and BCC should explore the establishment of a LATC which encompasses one or more of Schools HR, Payroll and Pensions or Schools Financial Services.

4.203 In summary, this solution would add complexity to the process, essentially placing BCC as the middleman between schools and a third-party supplier and introducing a new layer of charges for schools. Furthermore, staff would be operating on multiple systems depending on the school they are interacting with. Therefore, it is unsuitable for BCC or schools.

**Table 17: Assessment of Option 3 against the criteria**

Option / Criteria	Provides schools with a workable solution to replace Oracle by September 2025	Supports BCC's Improvement and Recovery Plan	Provides the best value for money for BCC and schools.**	Schools have access to services of advice and guidance.	Allows BCC and schools to meet their statutory and legal obligations
Option 3 - BCC identifies a system-based solution to replace Oracle and support the transition of schools onto the new system(s)	Although a system could be implemented in time to allow for continued delivery of service. The appropriate governance arrangements would likely not be in place in time for September 2025.	Adds complexity and does not meet the stated aim of "identify opportunities for further consolidation of duplicated activities and to realise digital efficiencies, to deliver services in a more consistent, efficient and cost-effective way."	Increased costs to schools. Inefficient solution with individual schools subject to high implementation fees and covering the cost of BCC licences to their chosen system.	No change in access to BCC advice and guidance for schools subscribing to BCC services	No change for schools subscribing to BCC services. Improved processes required for schools who do not subscribe.

\*\*See Appendix D for an exemplar cost comparison of the options for a representative school with 100 employees

### Timeline

4.204 Below is an indicative timeline for the implementation of a solution based on schools chosen cloud-hosted system.

**Table 18: Timeline for implementation of a cloud hosted solution**

Identify a suitable cloud-hosted solution	
Months	Task
3	School procurement of system including governor approvals and contract award
1	Discovery and scoping of system
2	Design and build
2	Data upload and UAT
2	Parallel pay runs, testing and rollout
	Go live
Total time: 10 months	
Project timeline: November 2024 – September 2025	

- 4.205 The timeframe to deliver a system would be tight, but achievable if there were no issues with school procurement, data transfer or testing. There would be little to no contingency or slippage time.
- 4.206 It should be noted that the volume of schools procuring a solution in parallel would likely add pressure throughout the timeline and should be considered a risk to delivery.
- 4.207 Successful delivery of this option would require close working between schools, BCC and chosen providers to communicate contract awards and swiftly transfer data.
- 4.208 Beyond the implementation of a system, BCC would likely have to establish proper governance arrangements for ongoing trading of services would not be achieved by September 2025, with estimates of 18 to 24 months to be a more appropriate timeframe.

#### Cost

- 4.209 This option presents a less costly option for BCC, but most costly option for schools.
- 4.210 BCC would cease to bear the cost for the provision of a system, along with the associated maintenance, running and security costs that come with any system. However, there would be costs associated with the maintenance of interfaces into the potentially large number of systems depending on how many providers the schools select. Additional infrastructure and strategic agreements may be required to establish and securely run the new systems.
- 4.211 Schools would be responsible for the procurement costs associated with sourcing a new system along with the licencing costs for their own staff. There would also need to be a mechanism for licence costs for BCC staff to be shared across schools for each of the systems schools choose.
- 4.212 Indicative costs for subscription/licensing fees for a system range between £4800 and £14260. Implementation costs estimated to be between £1400 and £12500 depending on the chosen system. These fees would be payable by the school to the chosen supplier.
- 4.213 Schools would continue to pay a subscription fee to BCC to provide their subscription services on top of the costs they are expending on a system. BCC would review its subscription fees to ensure they fully cover the costs in delivering the service for anything beyond a statutory duty. Given that the services are currently loss making, there should be an expectation that the subscription fees may increase from their current levels.
- 4.214 Although there may be some efficiencies realised by the removal of workarounds associated with Oracle, these may be undone by the added complexity of BCC staff working on multiple systems in parallel.

4.215 The costs of the establishment of a LATC for continued trading would be significant. This cost would be borne by BCC.

#### Impact on Schools

4.216 Schools would retain the autonomy to select a system solution that best meets their needs and functionality. Schools would also have the familiarity of BCC service provision continuing.

4.217 This option would require schools to convert to chequebook status, along with the associated requirements for financial expertise and oversight in schools.

4.218 Further to the resource requirements to procure a system, there would be a need for schools staff to participate in sufficient training to confidently and competently operate the new system.

4.219 Schools would become responsible for managing any issues with their system provider, resolving IT problems directly with their chosen supplier.

4.220 The services BCC could offer schools would depend on the functionality available within the system the school had selected. This may result in schools receiving different levels of service from BCC depending on their chosen systems.

#### Impact on Colleagues

4.221 This option presents the most complex option to operationalise for BCC colleagues, adding inherent complication for BCC in terms of staff operating on multiple systems depending on the school they are interacting with.

4.222 There would be a need for Schools HR and Payroll & Pensions staff to participate in sufficient training to confidently and competently operate any new systems. This requirement would not apply to Schools Financial Services as they would not be operating on the systems to deliver their functions.

4.223 SLAs would need to be rewritten to account for the fact that the services on offer to schools would be limited by the functionality present within the system they choose to procure. There is the risk that schools purchasing a subscription from BCC would not all receive an equal level of service.

4.224 There would be an additional burden on the DTS and Oracle teams to provide interfaces with a potentially large number of other systems depending on how many providers the schools select.

4.225 It is likely that an organisational restructure would be required within all three of the services. A number of drivers would necessitate a review the organisational structure delivering the three services, including;

- the clearer definition of which services are statutory and which additional charged or traded services
- potential establishment of a LATC
- new business processes resulting from the implementation of various new systems

## 5 RISK MANAGEMENT

5.1 The following risks have been identified together with an assessment of their severity and actions that can be taken to mitigate/reduce the risk.

5.2 Details of all project risks will be recorded as and when they are identified. Risks will be assessed and managed in line with BCC practice.

**Table 19: Project risks**

Risk Record ID	Risk Title	Risk Description and Impact	Risk Response Description	Current Risk Priority
PS/02.05.01.R006	Move to cheque book status for schools	The project will require schools to move to cheque book status. This may have cost, resource, and expertise impact on schools. This could lead to delays in the implementation of the proposed solution when known.	<ul style="list-style-type: none"> <li>- Develop a clear timetable for transition to chequebook alongside schools financial services colleagues. (Complete)</li> <li>- Ensure support to schools is targeted by greatest need. (Ongoing)</li> <li>- Ensure effective communication and requirements gathering prior to any change.</li> </ul>	Low
PS/02.05.01.R008	Press coverage of project	There is a risk that uncontrolled messaging to press could lead to rumour and conjecture. This could result in unwanted outcomes detrimental to the delivery of the project.	<ul style="list-style-type: none"> <li>- Comms Team to work with press to release a statement</li> <li>- Ongoing messaging to be considered during the project lifecycle</li> </ul>	Low
PS/02.05.01.R010	Insufficient staffing levels in schools to support change in working practice; additional financial pressure on already strained school budgets	<p>School resource will be required to enable the transition of schools to chequebook status and there may be an enduring requirement for additional resource from schools in the form of staffing or budget to deliver the selected solution. The availability of this resource is not confirmed. This may mean that:</p> <p>Transition of some schools to chequebook status is</p>	<ul style="list-style-type: none"> <li>- Early confirmation of the timeline and resource requirements to transfer schools to chequebook</li> <li>- Identification of schools who may require additional support and target BCC resources towards these schools. (Ongoing)</li> <li>- Early confirmation of the cost to BCC and schools of the alternative solution.</li> </ul>	Low



		<p>delayed, impacting project timelines.</p> <p>Some schools may have to divert resources from teaching to admin.</p>	<ul style="list-style-type: none"> <li>- Work with DfE Buying for Schools team to support and reduce load on schools.</li> </ul>	
PS/02.05.01.R011	Unable to maintain current services to schools for remaining duration, due to staff exiting	Staff of the schools traded services may choose to find alternative posts within or outside of BCC due to the uncertainty surrounding the service. This may result in understaffing for provision of the current service to schools.	<ul style="list-style-type: none"> <li>- Resignations and vacant posts to be managed as BAU until a decision is made about alternative solution.</li> <li>- As part of business case development, staffing implications of alternative solution to be mapped and profiled.</li> <li>- Early engagement with unions</li> <li>- Clear communications with colleagues about decision making and 'at risk' status.</li> </ul>	Low
PS/02.05.01.R024	Trade union challenge/ dispute	All outcomes of the project will result in some change of working practice and some outcomes may result in changes to roles/responsibilities and/or posts required. There is a risk that trade unions challenge methodology or outcomes which could impact timescales for project delivery.	<ul style="list-style-type: none"> <li>- Early engagement with unions about the project including outcomes and methodology</li> <li>- Full and thorough consultation with unions and staff throughout the project.</li> </ul>	Low
	Loss of control of HR advice to schools where BCC is the employer	By instructing schools to buy external HR advice from a third-party supplier, BCC loses control of the direction and tone of that advice which may not fit in with Council priorities. This risk currently exists, with schools able to opt out of BCC HR service however the scale of the risk increases significantly with the proposed recommendation. Implications could be	<ul style="list-style-type: none"> <li>- Early engagement with suppliers about BCC policies and practice.</li> <li>- Design of robust business practices for audit/compliance checks and ongoing relationship management with suppliers</li> <li>- Retention of core staffing to deliver on statutory duties.</li> </ul>	Medium

		legal or financial for BCC.		
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## 6 CONSULTATION

- 6.1 The Council has met with and communicated regularly with schools throughout the options appraisal and business case development phase of the project. This will continue as the project progresses into implementation.
- 6.2 Officers from Finance, People Services, Corporate Procurement and Legal Services have been consulted on the content of this report.
- 6.3 Commissioners have been appraised of the development of the business case and briefed on the final contents.
- 6.4 Informal consultation has taken place with the supply market in helping to inform the financial analysis and routes to market, included in this report. This consultation was conducted by a blend of Council Officers and schools staff.
- 6.5 Colleagues in the impacted services have been informed of progress throughout the options appraisal and business case development phase of the project. This will continue as the project progresses into implementation.
- 6.6 In line with here will be a period of formal consultation with unions and colleagues to discuss the best way to ensure that those who want to remain working for BCC have the opportunity to do so and those who would prefer to leave have options available to them.

## 7 MEMBER ENGAGEMENT

### Overview and Scrutiny

- 7.1 Education, Children and Young People Overview and Scrutiny Committee will consider this paper on 11<sup>th</sup> October.
- 7.2 Feedback from the Education, Children and Young People OSC meeting on 11th October will be set out via an addendum to this report, be considered and a formal response provided in writing after the meeting.

### Other

- 7.3 Informal briefings have taken place with Cabinet members in preparing this report.

## 8 IMPACT AND IMPLICATIONS

### Finance

- 8.1 The recommended approach has been assessed to be the best value for money for both schools and the Council.

- 8.2 While the costs to schools will depend on the outcome of their own procurement exercise, a table depicting the predicted costs of each option explored for an exemplar school of 100 employees can be found in Appendix D.
- 8.3 The cost to the Council of delivering the traded services in 2023/24 is summarised below.

**Table 20: Net Cost of Traded Services**

	Income	Cost	Net Totals
Schools HR	2,382,586	2,512,757	-130,171
Payroll & Pensions	1,293,596	1,204,018	89,578
Schools Financial Services	1,179,980	1,435,350	-255,370
Total	4,856,162	5,152,125	-295,963

- 8.4 By ceasing to trade HR and Payroll and adjusting the fees for the trading of Schools Financial Services, the Council will no longer be subsidising the delivery of these services to schools, therefore delivering a net saving to the Council.
- 8.5 The recommended approach avoids a large capital outlay, and ongoing maintenance costs associated with the implementation of a new system. The costs in Table 20 do not include the cost of running Oracle for Schools which amount to £1,670,852 per annum.
- 8.6 It is anticipated that the Council will continue to receive funding from the Dedicated Schools Grant to account for the delivery of their statutory duties. In 2023/24 this amounted to £115,000 for Schools HR and £660,000 for Finance. The full cost of staffing to deliver the ongoing statutory duties has not been finalised.
- 8.7 The resource costs associated with the delivery of the project are estimated to be £135,498.33 per quarter when considering salaries including 30% on costs for the staffing set out in Table 13. Where possible the project will draw on subject matter expertise from existing BCC teams. There may be a requirement to backfill roles where significant time is being dedicated to the delivery of the project. Alternatively, some roles may be suitable for short term cover in the form of agency posts to seek specific skills for the duration of the project, for example offboarding and data support, however this would likely incur additional cost.
- 8.8 There is a potential for the cost of redundancy payments and the associated pension strain. Any redundancy offer would be developed in conjunction with unions and BCC will strive to ensure that minimal risk of any redundancies to staff. Attempts will be made to provide substantive alternative appointment within the council for staff wishing to remain.

### **Legal**

- 8.9 As addressed in the report, BCC retains statutory duties as the employer of staff in certain school types. It is essential that processes are developed to ensure that the Council has appropriate oversight and governance of school's decision

making concerning its employees and will need to advise accordingly. As per the current fair funding agreement, the Council indemnify against any losses suffered by a school unless they have gone against Council advise or been grossly negligent. As per the recommended approach therefore, some compliance and audit function should remain to guide schools where appropriate, maintain a relationship with any third-party providers and enforce the provision contained in the agreement so that BCC only indemnifies when is necessary. A list of indicative statutory duties can be found in Appendix B.

### **Equalities**

- 8.10 There are no equalities implications arising from the recommendations in this report.

### **Procurement**

- 8.11 While there are no direct procurement implications for BCC, the Council will work with schools to facilitate smooth transition from BCC provision to an alternative supplier. BCC will work collaboratively with schools and the Department for Education (DfE) Buying for Schools Team to ensure schools have access to free, impartial procurement support where they need it.
- 8.12 With the assistance of the Buying for Schools Team there may be opportunities for schools to aggregate and leverage greater purchasing power. This will also ensure support for smaller schools without the resources to act alone.

### **People Services**

- 8.13 The impact of the recommended and discounted options on colleagues are contained within the report. BCC will strive to ensure that minimal risk of any redundancies to staff. Attempts will be made to provide substantive alternative appointment and potentially offer the option of voluntary redundancy. This will require consultation with Trade Unions.

### **Climate Change, Nature and Net Zero**

- 8.14 There are no climate change, nature or net zero implications arising from the recommendations in this report. The Environmental Sustainability Assessment can be found in Appendix G.

### **Corporate Parenting**

- 8.15 There are no implications or opportunities in relation to the Corporate Parenting responsibility arising from the recommendations in this report.

### **Other**

- 8.16 There are no other implications arising from the recommendations in this report.

## **9 APPENDICES**

- 9.1 Appendix A – Outline Options Appraisal
- 9.2 Appendix B – Indicative List of Statutory Duties
- 9.3 Appendix C – Service Level Agreements
- 9.4 Appendix D – Exemplar Cost Comparison (Representative School of 100 Employees)
- 9.5 Appendix E – Early Market Engagement Event Findings
- 9.6 Appendix F – High Level Implementation Plan
- 9.7 Appendix G – Environmental Sustainability Assessment

## **10 BACKGROUND PAPERS**

- 10.1 ORACLE REIMPLEMENTATION (approved by Cabinet May 2024) - [link](#)