



Audit & Governance Committee  
5 December 2016

**Babcock 4S Limited – Annual Report and Financial  
Statements for the Year Ended 31 March 2016**

**Purpose of the report:**

The Annual Report and Financial Statements of Babcock 4S for the year ended 31 March 2016 are formally presented to the Audit & Governance Committee.

**Recommendations:**

It is recommended that:

- i. The committee note the attached Annual Report and Statements;
- ii. The committee note the findings at the informal meeting of the Audit & Governance Committee; and,
- iii. The committee consider if it has any further questions.

**Background:**

1. Audit & Governance Committee has annually reviewed the Annual Report and financial statements of Babcock 4S since 2012. The documents were this year circulated privately to the committee on 12 October 2016 and are attached as Annex 1 to this report.
2. The Chairman (Stuart Selleck), Vice-Chairman (Denis Fuller), Saj Hussain and Tim Hall, of the committee met with representatives of Babcock 4S at their Head Office on 19 October 2016. The Chairman of Education and Skills Board (Mark Brett-Warburton) and Angela Guest (Regulatory Committee Manager) were also in attendance from Surrey County Council. The following attended from Babcock 4S:

- JJ Bowley, Director, Education Services
- Michelle de Beer, Head of Finance
- Murray Scott, Corporate Services Director

<b>Summary of discussion:</b>
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3. The discussion of the meeting on 19 October 2016 is summarised below:
- a) Members expressed a concern regarding a 20% fall in revenue and 30% fall in profit compared to last year. Assurances were given last year that plans were in place in order to improve the situation. The Director for Education explained that there had been many changes over the last year both politically and in the role of school improvement. A Government report was expected at the end of 2016 led by Alan Wood. In general there was a reduction in local authority commitment to school improvement.
  - b) Babcock 4S contract was dependent on core funding from local authorities and there had been a £2.2 million reduction in funding from SCC in FY16 which had meant that Babcock 4S had to adapt to the reduced core funding. They had reorganised to respond to changing scope and to remain efficient and effective. It was reported that broader learning services were more sustained and school improvement services had been impacted the most. The trend was towards schools being more self-sufficient and less reliant on local authorities. Academies would potentially not survive alone and may need to look at forming multi academy trusts to provide all support services. It was explained that competitors had been reduced at local authority level but increased at school level as they became more self-sufficient. Individual schools were tending to go with a wide range of different suppliers. There was also increased competition from multi academy trusts.
  - c) In response to a query about whether Babcock 4S should focus on non-Local Authority income because of ongoing austerity, Babcock officers stressed the company's expertise in school support services.
  - d) The Education Services Director explained that the nature of work being requested was changing, with more emphasis on the services that might previously have been provided by the Local Authority.
  - e) The Education Services Director discussed how Babcock 4S was engaging with its competition in the area of school support services.
  - f) In response to a query regarding change of strategy, marketing and engagement the Director of Education Services reported that a survey was in progress, they had a partnership board on which head teachers sat, networked at schools forums and had an advisory board. Babcock 4S also had a contract with regional school commissioners to provide advice and guidance.

- g) Their 'better Governor' product had seen a large number of registrations and was a way to engage with school governors. It was reported that Babcock's governor support team were of a high calibre and had been chosen to develop governor training nationally.
- h) Private discussions were had around Babcock 4s work in future sustainability regarding the services it provides and the potential risks in the future.
- i) The Head of Finance reported that any changes for the pension fund would be known by the end of November 2016. She would check what method of valuation was being used. The Chairman informed Babcock 4s that SCC had recently agreed to change to CPL valuation methodology.
- j) The Director of Education described the good working relationships that Babcock 4S had with SCC, governors and multi academy trusts. They are constantly reviewing the company to remain flexible for the future.

#### **Conclusions:**

4. The Annual Report and Financial Statements of Babcock 4S have been discussed in detail with representatives from Babcock. The original documents and notes of the meeting between members of Audit & Governance Committee and representatives of Babcock 4S are presented here for the information of the committee and for transparency.
5. The following actions were agreed (with subsequent responses from Babcock 4S):
- Babcock officers to report back on the valuation methodology used for the Pension Fund.
  - The Director of Education to email a copy of the school governors sales pack to the Committee Manager.

#### **Financial and value for money implications**

6. There are no direct financial and value for money implications of this report.

#### **Equalities and Diversity Implications**

7. There are no direct equality and diversity implications of this report.

## Risk Management Implications

8. There are no direct risk management implications of this report.

<b>Next steps:</b>
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Review the Annual Report and financial statements of Babcock 4S for the year ended 31 March 2017 when timely.

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**Report contact:** Angela Guest, Regulatory Committee Manager

**Contact details:** 020 8541 9075  
[angela.guest@surreycc.gov.uk](mailto:angela.guest@surreycc.gov.uk)

**Sources/background papers:**

- None