



Leicester
City Council

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All

FORWARD TIMETABLE OF CONSULTATION AND MEETINGS:
Children and Young People's Scrutiny Committee
Cabinet

28th February 2011
7th March 2011

Developing the Traded Services Offer to Schools

Report of the Strategic Director, Children

1. Purpose of Report

- 1.1. This paper seeks to set out a way forward for developing services traded with schools, in the light of the recent Government White Paper "The Importance of Teaching" and the Local Government finance settlement.
- 1.2. The White Paper proposals, in line with the Government's wider commitment to localism, seek to replace the authority's traditional role as "service provider" with that of "strategic commissioner" and to promote greater autonomy for schools.
- 1.3. This approach, linked to the severe pressures upon the Council's budgets and the likelihood of further changes to the arrangements for funding the Council and schools in the years ahead, necessitates significant development of the traded services offer to schools. The preferred approach is set out in this report.

2. Recommendations

- 2.1. **It is recommended that the Schools Forum and the Scrutiny Committee consider the report and make any comments for the consideration of the Strategic Director and the Cabinet.**
- 2.2. **It is recommended that the Cabinet considers any such comments and endorses the approach set out within this report.**

3. Summary

- 3.1. This report summarises the issues facing the council in trading with schools, suggests initial actions and sets out a longer term strategy for aligning the provision and payment for services with the respective roles and budgets of the Council and schools. It was reviewed by School Forum on the 27th January; the need for the measures outlined were understood

in the current financial climate but Forum expressed concerns about further pressures on school budgets.

4. Report

New Environment and “Shape” of Service Provision Required

- 4.1. Two key factors are now driving the need for significant development of a revised trading offer between the Council and schools.
- 4.2. Firstly, the White Paper, the “Importance of Teaching”, raises issues in a number of areas specific to trading, including:
 - a general move towards greater autonomy for schools, including an assumption that schools should determine which services to buy and from whom;
 - implications from the arrangements for commissioning and funding alternative provision for pupils, which will impact on the role and funding of Pupil Referral Units and special needs and behaviour support services;
 - School Improvement Services, where the statutory requirements upon the Council will be reduced and where schools will become responsible for commissioning such services from the Council or other providers and meeting the costs; and
 - the potential for schools to become academies and free schools, receiving funding for certain responsibilities that for maintained schools remain with the Council, and thus the need for any such services offered by the Council to be charged for.
- 4.3 The 2011/12 Local Government finance settlement represents a significant real terms funding cut for the Council and will be followed by further cuts in future years. There is also a historic shortfall in the charges for some existing traded services to be addressed, as previously reported (notably Human Resources). However it is also recognised that schools will be in a more challenging financial position, both in terms of their funding (which is likely to reduce in real terms and possibly cash terms) and increases in the costs they are expected to meet.
- 4.4 These combined factors will rapidly lead to an environment where trading will need to be fully responsive to the market, in particular it should be:
 - a balance of provision between that which the Council can provide in an efficient and high quality manner and out-sourced or commissioned provision where other providers can offer a more cost effective or better service (or where the Council does not wish to provide a service);
 - offered to all schools in the City (and potentially elsewhere); that is, Community Maintained, Voluntary Aided, Trusts and Academies (including any free schools), recognising that charging structures will need to reflect variations in funding arrangements; and
 - flexible to market demand – expanding and contracting service availability and provision as required by schools.

Initial Steps to be undertaken for 2011/12

4.5. As a response to the emerging new environment, all services with potential to trade have been rigorously reviewed over recent months and the following two key steps are proposed for 2011/12:

1. Introduce new services to the traded services portfolio which are currently provided free to schools, including:
 - Educational Psychology, specifically a training package and therapeutic intervention package, it is anticipated that this would cost in the region of £100k;
 - Property Services relating to best use of capital budgets, procurement of specialists, buildings projects advice and future planning;
 - a range of revised and new Health and Safety services which are likely to cost in the of an additional £60-£80k;
 - a small price increase relating to the SIMs system (old EDISS) for the Workforce Census costing £5k;
 - charges for the Human Resources service are likely to rise in order to raise an additional circa. £100k in order to more fully reflect the actual cost of delivering the service;
 - Behaviour Support and Pupil Referral Unit options (exact structure under discussion);
 - large parts of Learning Services to become traded including most non-statutory activities such as training and development, consultancy for example, Headship appointments (non-Special measures schools);
 - data collection and checking service specific to Datanet, Casper and the Fisher Family Trust databases including a service to provide more detailed and bespoke services to schools;
 - non-statutory elements of safeguarding training and advice delivered to schools; circa £20-£40k.

Many of the areas currently delivering services are reviewing how services are delivered and it is intended to identify more transparently what services are statutory, what additional services will still be provided free of charge and what will now be charged for.

The new services and the significant increase in prices will need to be market tested with schools to gauge the initial reaction; this will allow any potential adverse reactions to be potentially moderated. It should be stated at this juncture that overall increases are indicative at this stage.

2. Review charges for all current traded services that are not covering their costs, e.g. the Human Resources service
- 4.6. These measures will have a significant impact upon the current structure and overall quantity and value of services traded with schools. They will need to be discussed with the Schools Forum and an implementation timetable set; key dates are expected to be the start of the financial year (April) or the new academic year (September). A detailed portfolio of new services is currently being prepared.
- 4.7. It should be noted that schools have received additional funding in their delegated budgets over recent years to meet the additional costs as the traded services offer has developed. The total additional funding amounting to some £825k and has been released from 2008/09 onwards with the final tranche in 2010/11. This latter tranche was in anticipation of further charges being introduced in 2010/11, although in the event this has not yet taken place to any significant extent.
- 4.8. The new and reviewed charges could be valued at very provisional £500k to £750k, the amount of income generation will be dependant upon school take up and the quality of the services offered. It is recognised that this is in excess of the 2010/11 additional delegation and will be an additional cost pressure on schools at an already difficult time. However, for the reasons set out earlier in the report, it is inevitable that schools will need to meet additional charges if they are to continue to be able to receive the benefit of the services. This report and the growing charges to schools should also be viewed within a regional context where many neighbouring councils already charge for many services that are currently free here.
- 4.9. It should be noted that an additional range of services to schools are funded by “top-slicing” the Schools Budget / Dedicated Schools Grant, in particular Special Needs Teaching Services. This approach has received the support of the Schools Forum and helps to ensure that school staff are appropriately trained to support pupils with special needs without schools having to meet the costs from their budgets (and thereby also supports inclusion and helps to minimise the costs of alternative placements). However, it may be that into the future as national arrangements for funding schools change, and indeed as schools funding comes under greater pressure, that the funding should cease to be top-sliced and the services should move onto a traded footing. This will be progressed during 2011/12.

The Medium to Longer Term

- 4.10. Once the new services have been launched and the take up by schools assessed it will be necessary to consider the longer term viability of services on an on-going basis. Schools are of course under no obligation to purchase services from the Council.
- 4.11. If take up is high and the service delivers what customers want at an income level that covers the full cost of the service delivery, then the service may be considered as stable and consideration given to enhancement or expansion or both. Extending the service to support schools from other areas could also be considered.
- 4.12. If a particular service fails to achieve cost recovery within a year it will be necessary to consider the future of that particular service with the following actions considered:

- are the reasons for failing to achieve cost recovery identified and can these be addressed such that the service can become viable;
- can the service be provided more cost effectively and efficiently by outsourcing to an independent provider or another council?
- does the market exist for this service at all? Should it be left to the market to fill the particular need for those schools that do wish to buy the service?
- does the Council feel that this particular service is so vital to schools that it is willing to subsidise it?

4.13 The in-escapable conclusion from a service that is failing to trade effectively is that costs (including staffing) will need to be decreased, and the service may need to be terminated or transferred to another provider. In addition, a trading failure may impact upon the wider finances of the Council, specifically the allocation of un-changed overhead costs to a smaller base.

4.14 It will be necessary to consider further developments in the traded services offer, including those services currently funded by top-slicing the overall Schools Budget as described above.

4.15 The arrangements for managing and developing the traded services portfolio will require consideration, to ensure that the portfolio meets schools' on-going requirements and is financially viable.

5. FINANCIAL, LEGAL AND OTHER IMPLICATIONS

5.1. Financial Implications

This report deals entirely with financial implications; it is essential that the Council is clear as to the services it wishes to fund, those it wishes to provide on a traded basis and those which should be outsourced or left to the market. Traded services will need to operate on a full recovery basis, as any deficit would fall to the Council to meet from its General Fund. It is recognised there will be a financial impact on schools and this may lead to schools having to make difficult choices about which services to purchase and from where. – Colin Sharpe, Head of Finance, Investing in our Children, ext. 29 7750.

5.2. Legal Implications

This report has been shared with Legal Services, but until more detailed individual trading proposals are completed implications cannot be clearly defined. As individual trading options are completed they will be submitted to Legal Services to ensure that they are consistent with Council policy.

5.3. Climate Change Implications

There are no climate change implications to this report.

6. Other Implications

OTHER IMPLICATIONS	YES/ NO	Paragraph/References Within the Report
Equal Opportunities	No	
Policy	Yes	Throughout
Sustainable and Environmental	No	
Crime and Disorder	No	
Human Rights Act	No	
Elderly/People on Low Income	No	
Corporate Parenting	No	
Health Inequalities Impact	No	

7. Background Papers – Local Government Act 1972

- 7.1. Traded Services – Strategic Options Re-appraisal discussed at Investing in Our Children Leadership Team meeting in December 2010.

8. Consultations

- 8.1. Ongoing discussion and consultation with service providers within Investing in Our Children and Schools Forum.

9. Report Author

- 9.1. Colin Sharpe – Head of Finance, Investing in Our Children

Key Decision	No
Reason	N/A
Appeared in Forward Plan	N/A
Executive or Council Decision	Executive (Cabinet)