

Children and Young People Select Committee		
Report Title	Schools Traded Services (Service Level Agreements)	
Key Decision	Yes	Item No. 6
Ward	All	
Contributors	Executive Director for Children and Young People	
Class	Part 1	Date: 20 October 2015

1. Purpose of the Report

A report was received by the Children and Young People Select Committee on 19 March 2014. This report updates members on the current position on traded services with schools and on proposals for the development of Schools Traded schools

2. Recommendation

The Select Committee is asked to note the report. And note that a fundamental review of schools traded services is being undertaken under the auspices of the Futures Board.

3. Policy Context

- 3.1 “Shaping our future” 2008- 2020 is a summary of Lewisham’s Sustainable Community Strategy. There are six priority outcomes which say what our communities should look and feel like in the future. One is “ambitious and achieving” where people are inspired and supported to fulfil their potential by removing the barriers to learning and to encourage and facilitate access to education, training and employment opportunities for all our citizens.
- 3.2 One of the Council’s corporate priorities is for young people’s achievement and involvement; raising educational attainment and improving facilities for young people through partnership working.

4. Support Services with schools

Since the delegation of budgets to schools in the 1990s, school support services have developed considerably and trading with schools has been part of the school funding and management landscape. After over 20 years of delegation school support activities can be categorised into three areas:

- a Regulatory or imposed support services;

- b. Support services with some regulatory aspects but which can be purchased from third parties but often provided by LAs;
- c. Support services that are traded at economic cost that the LA does not have to provide

5 Regulatory or imposed support services

There is a range of activities that LAs are required to do some of which are regulatory or impositions on schools which you could not reasonably expect a school to pay for. The following are examples

- Attendance and Welfare prosecutions;
- School budget and quarterly monitoring returns;
- Strategic leadership of the LA;
- Co-ordination of school and staff census returns;
- Schools Asset Management Planning;

Local Authorities receive Education Services Grant of £15 per pupil in respect of academy pupils for which the Local Authority retains a statutory duty: for example education welfare prosecutions.

The funding available for the Education Services Grant has been top-sliced nationally to provide funding for these services to Academies. Academies receive the same level of funding as Local Authorities. In the past this was not the case and Academies received a higher level of funding. Most academies are receiving some financial protection and their funding is being reduced gradually to the £87 per pupil immediately

6 Support services with some regulatory aspects but which can be purchased, in whole or in part, from third parties but often provided by LAs as an SLA.

The following are examples .

- Schools VAT returns;
- Audit of schools performance of statutory maintenance responsibilities;
- Asbestos management and removal;
- Education Psychology advice to schools;
- Appropriate Body for Newly Qualified Teachers (NB the charge cannot exceed the costs of provision as defined by DFE.)

7 Support services that are traded at economic cost or market rates

These are activities that are traded by the LA with schools on the basis of a service level agreement but which can be purchased in the market from third party providers. There are services that are traded other than through SLAs and these are set out in 9.1 below.

The LA has regularly reviewed the costs of those services set out in the SLA booklet to ensure that all direct costs are recovered with a 15% oncost to reflect Council overheads. The LA does not include a rate of return in these costs nor

does it recognise the risk associated with delivering these services such as redundancy.

In this category of traded activity there are some services that we provide and trade in Lewisham because they provide the opportunity, through the trading interaction, to gain intelligence about schools and to ensure their quality, which in turn contributes to the school improvement work the Council does to ensure schools are performing well. The key services in this sub category are: Schools HR and Governors Services clerking service. These two service represent a significant portion of traded revenue raising £1,108k per annum. There could be an argument to include some level of subsidy to reflect this intelligence benefit: the absence of a rate of return for example.

TABLE 1(fore brief details of each service see 8.1.)	2013/14 Income Received	2013/14 Schools Purchasing some service	2014/15 Income Received	2014/15 Schools Purchasing some service	Comment
	£		£		
School Support Service					
Performance – Data Returns	58,386	85	87,932	74	
Governor Services – training and clerking	335,238	68	317,612	73	
Educational Psychology and Specific Learning Difficulties	291,457	75	429,210	80	
Premises type service					
Insurance & Risk	1,014,442	85	1,184,256	84	
Fire Assessments	47,425	57	46,778	60	
Asbestos Assessments	10,153	6	8,900	7	
Energy Management	2,000	5			
School Business Support Services					
Internal Audit	30,000	85	41,910	85	
Catering Client Service	130,000	69	146,798	62	
Schools HR /Personnel	677,091	85	790,075	83	
Customer Services (Mail Collection)	57,800	79	59,379	84	
Legal	29,500	68	33,000	69	
Finance	24,674	19	29,652	20	
Payroll	293,000	79	342,285	77	
Total	3,001,166		3,517,787		

New services in 2014/15				
Attendance and Welfare	These services were introduced as part of the Council's budget reductions to meet reduced national funding.	169,518	56	Service commenced in Sept
Corporate information – data governance		18,435	35	

9. Other Services Bought by Schools from the Council – outside of SLA arrangements

9.1 The Service Level Agreement Booklet for schools covers those services that are generally on an annual subscription basis. There are a number of services that sit outside this where schools pay on an as and when basis or are recharged . The main ones include

- Music Service – charges - £479k
- Door 2 Door – transport for school activities such as swimming – charges - £161k
- Wearside – support to schools for mini bus maintenance £8k
- Work Experience - £81k
- DBS checks for schools – recharged actual cost £129k
- Trade Waste collection – charges £140k
- School Improvement – CPD, support for newly qualified teachers and early years training. The school improvement service provide services to schools both in Lewisham and outside of the borough. The total income is expected to be £247k

Services not Traded but Managed Centrally

9.2 Within the delegated budget of each school there is funding for a number of items that the Schools Forum have agreed should be managed by the Forum on schools' behalf. The services are known as de-delegated. These services and charges are as follows

- Non sickness Supply, Maternity Fund
- Contingency
- Free school Meals Eligibility
- Closing the gap funding

Pooled Traded Services

9.3 The school meals contract is a specific contract negotiated on behalf of all participating schools for which they are charged on the basis of meals provided/ pupils participating.

Services Traded in other LAs

9.4 In other authorities they have services that for a variety of reasons are not traded in Lewisham: e.g.

- Performance Data analysis;
- ICT Desktop Hardware and software support

10 Council savings 2016 - 18

The Council is currently considering the 2015 to 2018 budget. Within the Children and Young People's Directorate total savings of £2.2m are being considered, savings of £1.3m were agreed last year for 2016/17 making total savings for next year of £3.5m. The net budget of the CYP directorate is £51.1m, the savings proposals represents 7% of the budget. If one relates the non social care savings to the relevant share of the budget then the reduction is 15.7% in 2016/17 and a further 2.1% in 2017/18.

The savings that relate to schools trading activities are shown below

10.1 School Related Services (Total Saving £660k)

The services and activities within this strand provide support to schools in delivery of their responsibilities.

The Local Authority already charges for services provided to schools with an annual income estimated at £3.3m (2015/16). Actual income in 2014/15 was higher than this at £3.5m. The proposals below would increase the level of traded services in this strand by £0.4m representing 0.2% of the totality of schools' delegated budgets.

10.2 **To increase the charges to schools** for all existing Service Level Agreements by 2.5% above rate of inflation or 5% above current rates to raise £100k in 2016/17. This would better reflect the actual cost of delivering the services.

10.3 **Attendance and Welfare (AWS).** It is proposed to increase the proportion of activity traded with schools and reduce the cost of the core service. The increased income is estimated at £150k. While the attendance of vulnerable pupils would continue to be the subject of attendance casework centrally, schools would be charged for routine casework currently undertaken as part of the core service. Under this proposal, the AWS would better reflect the statutory duties of the LA and there would be greater clarity about the responsibilities of schools either to undertake the casework themselves or to pay for the LA to undertake it.

The current council funded budget of £498k represents a cost of £19 per pupil which benchmarks against average English spending of £12 per pupil. The budget has in last two years been reduced to move towards national and local comparators and this further saving would achieve the English average benchmark.

10.4 It is proposed that the **Schools Strategic IT** post will be wholly covered by charges to those schools that purchase the service.

10.5 Corporate HR

The proposal in this strand is to realign the HR charges to the schools for recruitment, occupational health, policy advice, HR systems, DBS clearance, trade union secondments and employee relations.

10.6 This proposal is to adjust the insurance recharge model to introduce a 'premium for risk'. The premium for risk will better reflect the costs for particular risks from activities and assets insured by the Council. For example; the excess for school buildings is higher than that for other Council assets. The premium for risk will also fund the Council for taking on that element of unlimited risk on behalf of schools for events not covered by insurance policies nor able to be met from the Council's insurance reserves set aside for self-insured and uninsurable losses.

11 Impact of Proposals on Schools

11.1 The total purchase of services by schools is currently £4.9m and this represents 3% of the budgets delegated to schools.

11.2 The table below shows the average purchase of SLAs by schools for 2014/15 and projected for 2016/17. This indicates that the impact of savings proposals is to increase the average primary purchase by £8,989 and the secondary purchase by £11,911. This calculation assumes that the average level of buy back of services by schools is 74%. It does not assume that all schools buy back all services.

Narrative	Primary		Secondary	
	£s	% of delegated budget	£s	% of delegated budget
Average Spend Before Proposals	63,788	4%	96,432	2%
Average Spend After Proposals	72,778	4%	108,342	2%
Increase	8,989		11,911	

12 Alternative Delivery Models

Lewisham currently delivers these services by employing staff directly where other Local Authorities have set up arms-length companies to deliver the services or have engaged in shared arrangements. These arrangements allow Local Authorities to expand services more easily but it does mean that its best staff may not be focused on their own schools. Generally, schools will only commit to buying services on an annual basis which presents the risk of annual variations in buy-back. The council in employing the staff takes the risk of any downsizing if schools no longer buy back into the services i.e. has to meet the costs of redundancy.

13 Role of Schools Forum

Each year, prior to setting the budget, the Forum considers both price rises in current services and any new services that are offered. The Forum is presented with the typical impact on both Primary and Secondary schools of different sizes. At present the Schools Forum does not undertake an annual review of the performance of SLAs nor has it insisted on an overall quality assurance framework for the offer of services. Instead it has relied on individual providers to address quality issues in service delivery.

Issues

There is a continuing expectation that schools will be operating in more federative arrangements as this helps the sharing of school leadership and improvement expertise. As many SLAs are subscription based and charged per institution then future income may fall as there are fewer formal institutions buying services.

The current SLA offer to schools and the purchasing arrangements do not utilise technology significantly and so the overheads of trading for the LA may be higher than necessary. The development of an appropriate portal is well underway to help address this but that may implications as to how the SLA offer is dealt with.

The current SLA offer is not the only mechanism by which schools are asked to pay for services which can lead to some confusion on their part and a lack of clarity as to the overall extent of traded services offered by the LA.

The Council is increasingly looking toward SLA income from schools to help meet the financial pressures of reducing government funding. Increased income proposals have been a feature of savings proposals over the last few years on the basis of recovering full costs or charging for activities the Council previously provided at no explicit charge. This expectation is against a background of the LA looking to become more commercial in its revenue raising activities.

The Government is pushing the move toward the conversion of schools to academy status. When schools become academies the tendency is that they then buy few LA services they bought as a Community or VA school. Often they will appoint staff to undertake the responsibilities previously provided through an SLA or the legal requirements change so that LA services are not appropriate to the delivery of the service. E.g. the accounting and audit framework is very different and more expensive to deliver.

A further consequence of any move to academy status is that the education services grant share reduces making less funding available to LA services.

Proposal

The Council is considering how best to inject a more commercial expertise into its income earning activities.. It would therefore seem appropriate that officers undertake a fundamental review of the arrangements for charges for services to

schools as part of that work being directed under the auspices of the Lewisham Futures Board.

14. Financial Implications

14.1 There are no financial implications arising out of this report.

15. Legal Implications

15.1 There are no Legal implications arising out of this report.

16. Equalities Implications

16.1 There are no Equalities implications arising out of this report.

17. Environmental Implications

17.1 There are no direct environmental implications arising out of this report.

18. Crime and disorder implications

18.1 There are no direct crime and disorder implications arising from this report.

BACKGROUND PAPERS

Service level agreement booklet 2015/16

Summary of services provide to schools through SLA Annex 1

A brief summary of each of the above services can be found below

Asbestos Assessment – Provision of surveys, advice and an asbestos management plan.

Attendance & Welfare – Attendance and Welfare Officer time to work with school to address attendance and punctuality.

Audit – Internal audit of school accounts, financial procedures and school governance on a three year rolling cycle.

Catering Client Service – Management of catering client and monitoring of provision by contractor.

Customer Services – Delivery service between schools and council services and between schools.

Corporate Information - Data Protection advice, training and materials. Management of data protection breaches.

Educational Psychology & Specific Learning Difficulties – On-site visits from team members.

Energy Management – Investigations to identify and eliminate energy waste.

Finance – Finance consultancy service.

Fire Assessments – Provision of a statutory fire risk assessment.

Governor Services – Clerking of governing body meetings and training for governors.

HR/Personnel – HR advisory services, salary assessments, job evaluations, recruitment & HR administration.

Insurance & Risk – Insurance contract covering buildings, liability, contents and school visits.

Legal – Legal services helpline.

Payroll – Calculation and payment of staff salaries, payments to HMRC and pensions bodies and provision of necessary data to same.

Performance – Support for data preparation, provision of Fischer Family Trust data and subscription to performance and copyright licences.