

REPORT TO CABINET

Subject:	Executive Summary: <i>Future of Local Authority Support and Sold Services to Schools</i>
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SUMMARY

This paper provides a briefing for Cabinet on the outcomes from the officer workstream undertaken during autumn 2011 to assess the future direction of support and sold services to schools.

RECOMMENDATIONS

It is recommended that Cabinet :

- note the overview of the viability for sold services and its outcomes detailed in the report;
- note the suggested criteria, outlined in paragraph 5.1, as part of the evaluation of sold services to determine whether the sold services should cease or continue;
- consider which sold services should continue, reduce or cease (See **Appendix 1**);
- subject to the outcome of above, officers to report back on the transitional costs, including redundancy costs, of reducing or ceasing various services;
- that officers report back on the future viability of continuing to use the EDC site.

1. Historic Position

- 1.1 The Council's Executive considered reports at their meetings on 29 September 2010 and 6 April 2011 which focused on a 'One Council' approach to Sold Services to Schools within the context of the Government's Reform Agenda for education, the Academy Act and related local programme of academy conversions, the Council's statutory duties for local authority maintained schools, together with the Education Bill which redefined the future roles and responsibilities of schools and local authorities.
- 1.2 The reports set out potential options for the Council in relation to its future role with schools which were summarised as follows:

Option A

Maintain the role as a direct **provider** of support and intervention services to Local Authority maintained primary and special schools only, and fulfil the Council's statutory duties through service provision from within CYP, Schools' Finance, Human Resources, Legal and Property. Retain the capacity to fulfil the residual statutory duties for all children (LA maintained schools and academies) in relation to sufficiency duties (place planning, Admissions) and Fair Access for vulnerable children (SEN, Behaviour, Education Welfare, Safeguarding and Child Protection) and intervention with underperforming/failing schools).

Option B

Position the Council as a **commissioner** of services from external providers to undertake the Council's statutory duties in relation to LA maintained schools, thereby withdrawing entirely from the direct delivery of support services to schools (ie CYP and other Council support services).

Option C

Develop the LA role as a commissioner of services through retaining support and intervention services and sold services delivery through a phased arms-length delivery model:

- (a) Transition Year 2011/2012 – developing the sold services offer and structure.
- (b) Arms-length 'Trading Account' basis – provider to maintained schools and sold services to academies. (2012/13)
- (c) Commissioner – in-house delivery transitioning to a social enterprise model, or other models, with the Council commissioning services to deliver statutory functions and in-demand services to LA maintained schools and academies market. (2013/14).

- 1.3 Executive resolved that the current position within Bromley regarding the rate of schools converting to academy status, progress in the development of a One Council sold service strategy, the emerging picture of demand and the developing strategic options be noted, and the Executive be kept updated on the situation. Subsequently, updates have been provided to Cabinet regarding the changing landscape of education and schools within the Borough, informed by changes to national policy, Royal Assent given to the Schools' Act (December 2011).

2. Changing Context: LA Statutory Responsibilities

- 2.1 Since those initial reports and briefing papers, Government policy in relation to LAs and the future relationship and responsibility for schools, is becoming clearer. The current statutory responsibilities of the LA under the Academy Act (2010) and Schools' Act 2011 include but are not confined to the following:

- Secure sufficient school places for Bromley resident children who require a place;
- Provision of a co-ordinated admissions service;
- School improvement - support for school self-evaluation including monitoring of performance and provide challenge and support in inverse proportion to success;
- Intervention in schools causing concern;
- Appointment of LA Governors;
- Ensure excluded pupils have access to full-time education
- Facilitates managed transfers between schools
- Take action on attendance, through panels, penalty notices, prosecutions and referrals to other agencies;
- Provide home-to-school transport for all eligible Bromley pupils;
- Process Free School Meals applications for all eligible Bromley pupils;
- Early years commissioning of places and outcomes;
- Ensure access to affordable, flexible childcare, sufficiency assessment in terms of capacity to meet need, Family Information Service.

- 2.2 To use the duty of School Improvement as an example; whilst the LA continues to have a duty for challenge, support and intervention with a particular focus on Key Stage and whole school performance, the task of school improvement will increasingly be shared with a range of agencies including DfE accredited Teaching Schools for which Bromley currently has two teaching schools (Kemnal and Ravens Wood) and one associate (Valley Primary) with two more applications in the pipeline (Darrick Wood Infant and Warren Road primary).
- 2.3 Further work will need to be undertaken to determine the future resource levels and associated costs to deliver the Council's statutory functions as detailed in 2.1 above. This will be informed by the DfE ministerial working groups currently considering future guidance on this framework of statutory obligations, particularly in the context of the changing local landscape of schools – local authority, individual academies and academy clusters.

3. Sold Services 2011/2012

- 3.1 The current One Council approach involves a limited amount of central operational co-ordination of the sold services offer. This relates to the production of a Sold Services Brochure, providing a central contact point for school queries and orders, co-ordination and updating of the Sold Services Agreements with schools, internal and external communication and regular meetings of an Officer Group to discuss common issues. The central co-ordination of sold services is currently resourced in 2011/12 through an interim Project Officer post within the CYP Department (in place since October 2011), held by a graduate from the corporate management trainee programme, at a cost of £30K per annum. To date, the Bromley Sold Service offer has been targeted at the local market only (i.e. Bromley schools) – there has been no infrastructure or resource in place to support the development of the market outside Bromley.
- 3.2 The Sold Service strategy has taken account of the academy conversion programme within Bromley, given the differential pricing policy for services that has been introduced through a phased approach. As at December 2011, of the 95 schools in Bromley, **26 schools have converted to academy status** (15 secondary and 11 primary), with a further five schools actively pursuing conversion. The majority of schools (65%) continue to be maintained, and continue to receive a range of support services from CYP, HR, Legal, Finance, Property as part of the Council's statutory duties. Bromley has the highest number of academy conversions in the London region and is in the top ten nationally; it is one of only 4 LAs where 80% or more of secondary schools are academies. The future academy conversion rate in Bromley will be influenced by a range of national and local variables including: future funding levels, Bromley's future policy regarding the support framework and relationships with schools and the impending changes to Ofsted inspection criteria in which schools deemed 'Satisfactory' will be given one year to improve performance and if they do not achieve this they will be at risk of Secretary of State determined academy conversion. Members should note that there will be significant changes impacting on local government, as reported in the 2012/13 Council Tax report. There is still uncertainty on the pace of conversion of schools to academy status and whether the Government will further accelerate the transfer of schools in the future reducing central LA resources available to Councils.
- 3.3 Any discussion on the future strategy for Sold Services to Schools needs to be considered within the context of the Council's financial strategy 2012/13 to 2014/15 and the significant variables associated with the Academies Act 2010 and the Schools Act 2011. Cabinet will also be aware of the significant implications flowing from the DfE consultation and proposals for the Local Authority Central Spend Equivalent Grant (LACSEG) which will impact both on the Council's capacity for delivery of support and sold services together with schools' purchasing capacity. The proposed future funding arrangements will affect the recoupment of Dedicated Schools Grant (DSG) and Revenue Support Grant (RSG) funding from the Local Authority so that it can be passed on directly to academies. The Government plan to remove the funding for LACSEG services from local authorities by administering the grant, and funding LAs and academies in proportion to the number of

pupils for which they are responsible based on a national rate – there will be consultation on these proposals in the spring 2012. The financial forecast assumes a further loss of funding of £3m per annum from 2013/14 in addition to the loss of funding of £1.4m per annum to date. This will result in further risks to the ongoing viability of sold services and the resources available to retain key functions of an LA authority.

4. **Full Cost Recovery Outcomes**

4.1 A summary of the Full Cost Recovery outcomes are shown **Appendix 1**. All data is subject to a number of key variables, which include:

- Academy conversions, which will lead to in-year adjustments to both funding and the apportionment of time spent on statutory/LA interest/discretionary duties;
- clarification of the statutory responsibilities of Local Authorities in relation to the Schools Act December 2011;
- confirmation in December 2011 of RSG and DSG funding levels for 2012/2013;
- the Council's financial strategy 2012/2013 and the implementation of potential budget options;
- the level of buy back of sold services by schools and academies in-year for 2011/2012 together with likely buy back levels for 2012/2013 (which will be coloured by DSG funding levels to schools).

4.2 For each service, the full cost of the service has been apportioned to the categories of statutory duties, activities in the LA's interest and discretionary activities.

4.3 A summary of the overall costs of the services detailed in Appendix 1 is provided below:

General Fund	£'000
Statutory	1,869
LA Interest	752
Discretionary / chargeable	1,886
<i>Sub total full cost of service</i>	<i>4,506</i>
Net Cost	-1,807
Above(-) /below full cost recovery (+)	79
DSG	£'000
Statutory	82
LA Interest	896
Discretionary / chargeable	1972
<i>Sub total full cost of service</i>	<i>2,950</i>
Net Cost	-724
Above (-) /below full cost recovery (+)	1,248

5. Future Direction of Sold Services

- 5.1 In considering whether sold services should continue, it is proposed that the following criteria could be applied:
- (a) individual robust business case (reflecting the true cost) has been produced and approved with no residual cost to the Council;
 - (b) the Council achieves the best return for its investment e.g. use of properties;
 - (c) it takes into account the impact of further reductions in LACSEG funding which reflect reductions in duties for local authorities;
 - (d) the income is expected to be generated for at least 2 years with guarantees required beyond a one year period;
 - (e) savings are realisable (proportionately) if there is a reduction in schools purchasing the services;
 - (f) there are no opportunities for shared services which would mitigate, in part, the risk;
 - (g) the service is able to adapt (flexibility) to reflect the changing shape and size of the LA as the Government agenda continues (impact of more academies, review of capital funding etc.);
 - (h) the proposal is consistent with the Council's Corporate Operating Principles which includes the ongoing direction of a commissioning organisation/ operate corporately/best use of assets/member led/delivering VFM/efficient and non bureaucratic;
 - (i) the statutory and LA duties identified have been subjected to robust challenge to ensure investment in resources remains at an appropriate level;
 - (j) the council maximises income through charging for the services;
 - (k) that continuing sold services can be successfully moved to a 'trading account' basis.
- 5.2 As part of (i) above it is recommended that the review of statutory and "LA interest" functions continue to be reviewed, taking into account future LACSEG funding reductions.
- 5.3 The estimated capital value of the Education Development Centre (EDC) is estimated at £4.8m. The EDC is primarily used to accommodate the services delivered to schools and early year providers; it is highly valued as a corporate venue for LA/school and partnership meetings and events and represents a focal point underpinning the unity of the Bromley family of schools. Any assessment of services will not only need to consider the opportunity cost for this site but also its intrinsic value as part of the framework of support for Education in the borough. It is recommended that officers report back on the future viability of continuing to use the EDC site.
- 5.4 An overview of each service follows which takes into account the summary of costs and whether the service meets the criteria identified in 5.1.
- 5.4.1 **Behaviour Support Primary (DSG)**: This reflects the mainly non-statutory provision of out-reach and early intervention work funded through DSG. It does not include statutory provision for exclusions provided through the PRU. Expenditure is intended to prevent and reduce the need for high cost statutory provision for exclusions. The apportionment of time for discretionary activity reflects the schools that have converted to academy status.

This service is below Full Cost Recovery (FCR) by £76k. The service only commenced on a sold service basis from September and so has not had a full year trading. At current take up, prices and costs, this service is not viable. Cessation of this service will lead to an estimated annual saving of £69k (not including severance costs).

- 5.4.2 **Behaviour Support Secondary (DSG)**: This reflects the non-statutory provision of outreach and early intervention work funded through the DSG. It does not include statutory provision for exclusions provided through the PRU. The majority of this service will be discretionary in 2012/2013, reflecting the number of secondary schools that have now converted to academy status.

This service is below FCR by £57k despite a high take up from the local market. Cessation of this service would lead to an estimated annual saving of £7k (not including severance costs). At current take up, the service is not viable within the local market although full cost recovery can be achieved with take up from out of borough schools. A price increase to meet full cost recovery (without cost reduction and/or increased take up) is not viable.

- 5.4.3 **Education Development Centre (DSG funded)**: The EDC delivers a range of services to schools, which share common facilities and support costs. These are funded through a combination of DSG and RSG funding. Services funded through DSG are principally aspects of the School Improvement services and Pupil Support services.

This service is currently substantially below FCR by £1.1m despite a high take up from the local market. At current take up, price and costs, this service is not viable.

The Director CYP and Interim Assistant Director (Education) are in the process of reviewing the DSG funded services which are demonstrating poor levels of buy back from schools as the basis for reducing or ceasing these services, given their un-sustainability. Given the nature and high percentage of staff contracts on teachers' terms and conditions, the lead in time for restructuring and related severance arrangements, together with the need to sustain services to schools for the remaining months of the 2011/12 school year - final implementation of these cost reduction proposals will be achieved by end August 2012, delivering part-year savings.

Cessation of the sold service at its current cost would lead to an estimated annual saving of £973k (not including severance costs).

- 5.4.4 **Free School Meals Eligibility (DSG)**: This service is provided to all schools on a statutory basis with the exception of academies where it is available as a sold service.

It is currently cost neutral. The sold service is delivered at no additional cost to the statutory service provided.

- 5.4.5 **Educational Development Centre (RSG funded)**: The EDC delivers a range of services to schools, which share common facilities and support costs. These services are funded through a combination of DSG and RSG funding. The RSG funded elements (principally Commissioning & Business Services, the Education Business Partnership and aspects of School Improvement) demonstrate full cost recovery, and have high take-up from both maintained schools and academies.

The service is currently above FCR with a surplus of £17k – however, a small reduction in take up will affect this margin. Cessation of this service will incur the loss of £105k (not including severance costs).

It is proposed that the EDC is retained for the year 2012/13 as a minimum and its future should be reviewed prior to decisions for the 2013/14 budget. This approach will enable decisions to be made in full knowledge of the operation and financial stability of services following the cost reductions planned for 2012/2013.

- 5.4.6 **Education Welfare Service (RSG):** This service provides a range of intervention and support primarily to maintained schools to improve attendance and reduce absences and exclusions.

The service is currently below FCR by £15k. An increase in price to meet full cost recovery is not viable (assuming no other action taken to reduce costs and/or increase take up). Action has already been taken to address the high cost of activities that are either statutory or in the interests of the LA, together with a downsizing of the EWO service to reflect academy conversions which will reduce costs by £170k.

Cessation of the sold service would lead to an estimated annual saving of £4k (not including severance costs).

- 5.4.7 **Education Psychology (RSG):** Bromley was successful in its joint bid with Bexley to secure DfE Pathfinder status to pilot the proposals in the Government's Special Educational Needs (SEN) & Disabilities Green Paper. This has secured new funding of £75k in 2011/12 and £150k for 2012/13 to trial and inform local implementation of the major statutory changes to policy and provision for children with SEN and disabilities in advance of national implementation by 2013. This pilot will enable Bromley to review SEN services including Educational Psychology, to get clarification of the new statutory requirements and to ensure an efficient and appropriate framework to comply with this national agenda. Cost reductions will also be considered given the low level of buy back for discretionary services provided by this team.

This service is currently below FCR by £88k. There is no evidence of additional demand from schools to receive more than is provided on a statutory basis and therefore it is not considered a viable sold service. Cessation of the sold service will lead to an estimated annual saving of £78k (not including severance costs).

- 5.4.8 **Performance, Research, Systems (RSG):** This service provides a range of performance monitoring and management information resources to maintained schools and academies.

This service is currently above FCR with a surplus of £11k. The service is at low risk in terms of reduced take up. Cessation of the sold service will incur an estimated annual loss to the Council of £19k, not including severance costs.

Some support is provided at no cost to maintained schools only, but these activities ensure that both the schools and LA are able to meet their statutory duties and to maintain the reputation of the LA. The majority of activities in the category of LA interest are internal support services. In the context of the central commissioning unit of the new department (which requires client data, market intelligence gathering, benchmarking, demand forecasts, research and analysis) and the potential strategy of the LA acting as a commissioning body, it is not expected that internal demand for this support will decrease.

- 5.4.9 **Audit Services (RSG)**: This is a statutory service which also provides sold services to academies on a pay as you go basis. The majority of non-statutory activity is linked to an agreement with Greenwich LA to provide audit services. Schools purchase audit services on an ad hoc basis, provided by the team within existing resources (i.e. there is no resource dedicated to sold services).

The service is currently above FCR with a loss of £11k. Cessation of the sold service will incur an estimated annual saving to the Council of £7k, not including severance costs. The service is vulnerable to any reduction in take up as this will lead to a loss of a full cost recovery position. A number of schools will be taking this service from April 2012 which is expected to lead to full cost recovery.

- 5.4.10 **Financial Services (RSG)**: This reflects the delivery of a range of statutory and sold services to schools delivered by the discrete Schools Finance Team. Take up from schools and academies is consistently high.

This service is currently above FCR with a surplus of £14k. The service is at risk of reduced take up – a loss of eight or more schools will lead to loss of full cost recovery position. Cessation of the sold service will incur an estimated annual loss to the Council of £61k, not including severance costs.

- 5.4.11 **Human Resources (RSG)**: This reflects the delivery of a range of statutory and sold services to schools delivered by the discrete Schools Human Resources Team. Take up from schools and academies is consistently high.

This service is currently below FCR with a deficit of £44k. To meet full cost recovery from increased take up will require service delivery to out of borough schools (the service already delivers to one out of borough school). The potential to increase prices is also a risk. Cessation of the sold service will incur an estimated annual loss to the Council of £21k, not including severance costs.

- 5.4.12 **NQT Assessment (RSG)**: This service provides NQT assessment on a statutory basis to maintained schools and on a sold service basis to academies.

This service is currently above FCR with a surplus of £2k. A reduction in take up of 9 or more schools will lead to loss of the full cost recovery position. Cessation of the sold service will incur an estimated annual loss to the Council of £3k, not including severance costs.

- 5.4.13 **Occupational Health / Health and Safety (RSG)**: This service is offered to non-community schools on a sold service basis as part of the Human Resources sold service packages. It is provided on a statutory basis to community schools.

This service is currently below FCR with a deficit of £20k. Similar to the Human Resources service, the service will need to deliver to out of borough schools to meet Full Cost Recovery through increased take up. A price increase is also a risk to the service due to the percentage increase required (assuming no other action taken to reduce costs and/or increase take up). Cessation of the sold service will lead to an estimated annual saving to the Council of £6k, not including severance costs.

- 5.4.14 **Property - Facilities (RSG)**: This service offers a range of cleaning, catering and general facilities management services to all schools, as well as delivering similar support to services across the LA.

This service is currently above FCR with a surplus of £93k, and is cushioned from minor reduction in take up. Cessation of the sold service will incur an estimated annual loss to the Council of £149k, not including severance costs.

5.4.15 **Property – Reactive Services (RSG):** This service offers a range of reactive services in maintenance, capital and energy services to all schools.

This service is currently below FCR with a deficit of £38k. Although increased take up is possible within the local market, a price increase to meet full cost recovery is a risk. Cessation of the sold service will lead to an estimated annual saving to the Council of £2k, not including severance costs.

6. **Conclusions**

- 6.1 Local Authorities will continue to undertake a significant role in relation to the strategic education agenda and relationship with schools. Bromley will therefore retain a range of statutory functions together with support functions which are in the LA's interest in order to support schools in the local community and to secure the best interests for children. This has to be considered against an uncertain future landscape associated with the rate of local academy conversions and the inevitable further reductions in government funding in relation to RSG and DSG.
- 6.2 This report provides information on financial and service implications related to the framework of services that Bromley Council sustains for primary, secondary and special schools. There will be a presentation by senior officers on the more detailed implications when this report is considered at the next scheduled meeting of Cabinet.
- 6.3 Members will need to form a view on two key aspects:
- **Sold Services.** Given the analysis of Bromley's current sold service offer to schools (LA maintained and academies), the levels of take-up during 2011/12 and related income, a short term/immediate action needs to be taken to reduce or cease specific areas of sold service in advance of the new 2012/13 financial year. The medium term decision will be whether to completely pull out of sold services to schools, either by timing this to coincide this with the end of the current 2011/12 academic year (end of July 2012), or, by deferring this action to coincide with the end of the 2012/13 financial year.
 - **Statutory services and support services which are in the Council's interest.** Members will continue to have a statutory duty in relation to the functions outlined in 1.5 of the report – those functions will apply for all children 0-19 irrespective of the status of individual schools. In addition, the LA will continue to have a range of support functions associated with local authority maintained schools. Therefore, the Council will need to retain sufficient financial resource, both in relation to RSG and DSG funding streams to fulfil these duties. However, the Council has the option of using this funding to sustain central support services **or** to discharge its statutory duties by commissioning an appropriate external provider to undertake these functions on the Council's behalf, thereby shedding the staffing resource associated with central services.