



**Agenda Item
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Report Status
For information/note x
For consultation & views
For decision

Report to Haringey Schools Forum – 25/02/2016

Report Title: Traded Services – Trading Update
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Purpose: To advise on latest traded services progress
Recommendations: Interim status report. Note only.

SCHOOLS TRADED SERVICES – INTERIM REPORT 2015/2016

1 Background

1.1 Traded services for schools commenced live trading operations with the schools on 10th April 2015. We are still part-way through the first year of this new online trading initiative. The next stage of development for the council's corporate priority 1 programme is well under way to be ready for next year's 2016/2017 trading offer.

1.2 A steady state management role does not yet exist. This is being progressed with recruitment plans for a new Traded Services Manager and associated commercial and marketing support. Progress with this will be subject to a further update as events progress.

1.3 In the 2014/2015 year the council's traded income stood at just under £1.8 million. A defined plan was adopted for added income of £618.5k to be introduced in 2015/2016 together with the adoption of a new web-based online service. Further growth of traded services is required in the council's plans for 2016/2017 and additional income is planned in 2017/2018, all of which increments year on year. The total growth plan is challenging and the council is planning for schools collectively to move towards doubling their trading activity with the council in a space of three years.

1.4 The traded service currently deals with over 230 schools, of which 87 are in Haringey. Many other schools are based in outlying London boroughs but some are from as diverse areas as Kent, Essex and even in Leicestershire and Herefordshire. A measure of our success has been the willingness of schools to engage with Haringey for the services we offer and the approach we take to mentor and challenge best school performance and improvement for school leaders and with the school governors.

1.5 Haringey host one of the most comprehensive training programmes for schools in North London and our school CPD training programmes are well subscribed and well attended. This continues to be a popular service offer and one which has worked well with non-Haringey schools.

2 Progress stage report

2.1 Initial trading with schools online has been satisfactorily introduced for the year 2015/2016. The new online web booking service has been successfully launched and in general it is functioning properly. Integrated council billing with the schools is operational. There are currently 47 service team offers available online and a number of new services have been identified for adding to the website service from April 2016.

2.2 The schools have been kept in close consultation with our plans for the enhanced scope and revised approach for online trading. The use of one website with a standard menu of the diverse mix of service offers has led to the operation being managed by a small central team operating with a lean and efficient business model. These are key elements of the aspired business model to be delivered in the first 12 months. At the time of its adoption, just 10 key services had been identified in the council's target plans for traded services. 283 sites are now trading customers with the council and current year billed income exceeds **£2.6 million**.

2.2 Our total confirmed and billed income amounts to £2.61 million and another £ 68k is in school shopping baskets pending checkout and billing, which amounts to £2.68 million projected so far. Some further income can be expected in the next 6 weeks to project total income to £2.7 million this year. This will deliver income growth of some **£828k** in this year. This is growth of over 51% in the first year.

2.3 The Cost of Sales effect on the council's budget is more difficult to assess. Because the council income target was based on growth income, it is only the incremental extra cost of service delivery which was taken into account. In practice, it means that for many services income growth has been achieved at no extra cost to the council other than management of the traded services business portfolio. Services such as Education Welfare are now earning over £110k of income this year (plan, £108k) with no additional resources and with no extra staff being engaged from last year. In fact, some budget efficiencies have been achieved with the introduction of trading as a way of planning workloads with school trading requirements.

2.4 Cost of sales have primarily affected:

CPD training – enhanced training has been developed and an agreed £40k additional budget was allocated for additional training courses to deliver into the new Silver and Gold school training packages. CPD was able to do this alongside its move to better packages tailored for schools with different budgets and training requirements.

Governors Clerking – additional work commitments with schools have required the engagement of a number of additional clerks who are engaged with an expanded mix of schools. The extra work has resulted in an increase in clerk costs, matched by increased income from the additional schools now using the service. In addition, the Governors service has invested in a new 'Online Governors' module which integrates with schools trading to allow direct training bookings and additional support for school governors and their governing bodies. This service is proving popular and well subscribed.

Haringey Music Service – the music service has achieved increased revenue of £137k this year and a number of featured improvements to their offer have been well received. In addition, many schools are now subscribing to school choir tuition for the Royal Albert Hall Haringey event in July which is proving to be very popular, with demand for more spaces still pending. Extra tuition has been needed for these school bookings and additional teaching staff have been engaged to cover the expanded workload.

Other than these direct services, other income is generally incremental using existing resources which are already in place within existing council budgets. One particular service which is making full use of their existing budgets is the Swimming service, which is actively looking to start a similar but new Sports programme with schools later this year as another development of their support for schools.

3 Areas under development

3.1 As might be expected, there are one or two services which do not yet deliver the planned 2015/2016 Priority 1 targets.

3.2 The council's Schools Human Resources team, including our schools Payroll and Pensions support, have failed to attract any new customers this year and so far have lost a number of key school accounts (8 schools in total so far). So instead of growth, this service is in decline this year. Whilst this is disappointing to report, it also means that the existing budget income targets are not yet met for this service (which replicates the same position last year). On this basis HR has been excluded from any projections for future contributions for Priority 1 targets. Steps are now being taken to look at the best options for the council to improve its Human Resources support for schools, whilst offering the schools best value with professional service standards. We continue to offer our core HR services in the meantime although we may introduce changes later in the year if circumstances should change.

3.3 Our Education Psychology support service was targeted with £75k of additional income this year but the service has been unable to deliver against high school demand. Regrettably some orders had to be cancelled and the income achieved so far is £55k against the £75k budget. Because of this shortfall, no further contributions towards the Priority 1 target have been factored in to our trading plan in this year.

3.4 Mitigation plans are being developed for these services going forwards, which is important because our future Traded Services are dependent on incremental growth year on year. This aspect of the council's budget plan may require a review in future years to assess how suitable its future trading targets might be for practical purposes.

3.5 A number of new service offers are in place to make up for these shortfalls. Additional income growth has been found and delivered this year by the Schools and Learning teams covering a number of new areas including enhanced NQT mentoring support, new introductions of Early Years training and advisory support packages (for PVI settings and child-minders specifically) and the Schools improvement team has developed additional traded support for school leaders. Between them, not only has extra income been found to make up the gap in the HR and Psychology targets referred to above but have enabled the Schools & Learning service to meet its initial objectives in full with a small surplus in addition.

3.6 A total of £828k additional gross income has been generated this year, despite the operational difficulties with the two key services noted above.

4 Management costs

4.1 After deduction of the cost of sales, net income growth of £700k is now projected this year. Out of this, however, some £70k has to be deducted for the management charges for the service. Although these were not initially included in the council's initial projections, the service has devised a method to top-slice its income to pay for the operation of the service and still deliver net growth above plan for this trading year. Traded services operate for the schools without an operating budget of its own, on a self-funding basis.

5 Trading Highlights

5.1 Income: trading performance

Total Schools Income to date	£2.68 million
Gross income growth	£ 828.4 k
Additional cost of sales	£ 79.0 k
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Net revenue growth	£ 758.0 k

5.2 Pendarren

Pendarren is subject to an out-sourcing procurement planned during 2016/2017. The additional revenues which have been delivered for Pendarren in 2015/2016 amount to £58k, mainly following the introduction of transport charges this year. This extra income is being ring-fenced to pay for the outsourcing procurement exercise.

5.3 Net trading position

Net revenue growth (above)	£ 758 k
Deduct: Pendarren (ring-fenced)	£ (58) k
Projected full year trading growth	£ 700 k
Deduct: Traded Services management costs	£ (70) k
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Net Growth (projected) 2015/2016	£ 630 k

5.4 The council's P1 Traded Income growth Target for 2015/2016 is **£ 618.5 k**.

5.5 Note that this is an interim report only and the financial year is not yet complete. Further bookings from schools continue through this Spring Term. The reported amounts are expected to change as we approach the end of the financial year.