



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

Report to Haringey Schools Forum – 30/06/2016

Report Title: Traded Services – Trading Update
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Purpose: Update on schools traded services: progress and outlook
Recommendations: Note only.

SCHOOLS TRADED SERVICES – INTERIM REPORT 2016/2017 Summer Term

1 Background

Traded Services for schools are now in year 2 of the council's Priority 1 MTFS. Income targets were met for 2015/2016 and further incremental income target increases are in place for the current year. A further series of service offers were introduced at April 2016 to enable additional income to be delivered by service teams to meet the increased income targets now in place. Further emphasis on additional focus and an acceleration of traded service offers will now be needed in light of the recent Government white paper on academisation.

2 Management Costs

2.1 After deduction of the cost of sales, further net income growth of £551k is now projected this year. Out of this, however, some £180k must be deducted for the management charges for the service. Although these were not initially included in the council's initial budget projections, the reality is that traded services have had to devise a method to factor its costs into the trading plan as a top-slice on schools income to pay for the operation of the service. Traded services operate for the schools without an operating budget of its own, on a self-funding basis and the costs of running the service need to be spread against gross income.

3 Trading Highlights

3.1 Income: trading performance

Total Schools Income: 2014/2015 growth	£ 618.5 k
Gross Income growth for 2016/2017 required	£ 591.0 k
Less: Direct cost of sales to be absorbed	£ (180.0)k
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Cumulative revenues planned for 2016/2017	£ 1,029.5 k

3.2 Forecast Income

Currently we are on track to meet the budget commitments for traded income for 2016/2017 overall. Some services are ahead of planned budget targets (Education Welfare, Governors Services and Music Services in Schools and Learning). But some services are not yet meeting their income targets (notably Human Resources and SEND/ Education Psychology) although the council is making mitigating arrangements to offset budget pressures in these areas.

4 Future Trading Risks

Following publication of the Government White Paper, there are certain emerging trading risks which can be expected to impact on the council in future years.

4.1 Risk of declining school budgets

The government's plan to reduce London education funding allocations to re-align against the national funding formula is expected to affect Haringey. There is evidence that schools are already starting to look at how they plan to allocate future budget spending and we need to be ready to realign our services alongside reduced school funding expected in future years. Our services need to look again at the cost of

service provision to make sure the costs we need to recover are competitive and justified for the work and value placed by the schools. Schools will be increasingly less likely to pay high prices for mediocre service or is perceived to be poor value for money. This is expected to be particularly difficult for schools with small annual pupil intakes. Traded Services will need to address the costs of services to keep available funding from the schools in balance with the service levels which we offer.

4.2 The Speed of change and challenge to transform

There is little doubt that the 'direction of travel' announced by this government follows the general move towards academies initiated by the previous government. Traded Services in Haringey face new challenges as the speed of change is accelerating whilst we strive to catch up with increased trading targets and working closely with schools during a period of major changes. This will require a further transformation in how we work and the business challenge to retain commercially viable operations with restricted budgets is something still not fully understood within the council. More work needs to be done to optimise our future trading arrangements with schools.

4.3 The Retention of schools which choose to join MATs

From the schools side, more schools may be expected to convert to academies and further groups of MATs are likely to form over the next year or so.

There may be a trading risk if a number of MATs choose to divest trading to alternative trading providers and/or take some activities in-house (which is what the Harris Group does, for example). This may impact on future trading prospects and the school customer base, to a smaller or larger extent.

4. Note that this is an interim report only. It is still early in the financial year and the new academic year has not yet begun. New bookings from schools continue on a substantive scale and reported income is expected to change as we approach the start of the Autumn Term. Income to date is ahead of plan for 2016/2017 so far.