



Agenda Item

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Report Status

For information/note	<input checked="" type="checkbox"/>
For consultation & views	<input type="checkbox"/>
For decision	<input type="checkbox"/>

Report to Haringey Schools Forum – 23/02/2017

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 – TRADING REPORT Spring 2017

1 Background

1.1 Traded services for schools commenced online trading operations with the schools on 10th April 2015. We are now well into year 2 trading for the council's corporate Priority 1 programme and we are able to report that we are on track to fulfil the financial budget commitments for the 2016/2017 trading year.

1.2 A steady state management plan has been approved, and recruitment has been put in place for a permanent Traded Services manager. Fortuitously, this role will be performed by Michael Welton who is already well known to schools and in department teams of the council. A commencement date of 1st April 2017 has been agreed.

1.3 In 2014/2015 the council's traded income stood at just under £1.8 million. The defined budget commitment required to add additional income of £618.5k in 2015/2016 and further growth of trading income of £766.5k is required in the council's plans for 2016/2017. Further income growth is planned again in 2017/2018. A key part of this approach was that planned income growth will increment year on year in order to grow the amount of income to slightly over £3.5m by 2018/19. The longer-term growth plan has always been seen as challenging and the council has adopted a trading plan which effectively requires schools collectively to move towards doubling their trading activity with the council in a space of three years. This of course would enable a robust and self-sustained trading model to be in place with no council funding support going forwards.

1.4 Since its adoption, government policy announcements for schools serve to add impetus to the quicker implementation of wider reaching trading and schools organisation initiatives. Schools trading currently forms part of a review now under way for the future working school improvement arrangements in Haringey.

1.5 The traded service currently deals with over 330 customers, of which 86 are maintained schools and academies based in Haringey. Many other schools are based in outlying London boroughs and a few further afield in areas including Essex, Leicestershire and Cambridgeshire. One customer is the University of Cumbria, with its Docklands centre in East India Dock.

1.6 A strong measure of our success has been the willingness of schools to engage with Haringey for the combined services we offer and the approach we take to mentor and challenge best school performance and improvement for school leaders, linked with our strong school governors service. Recent new school customers are from areas including Tower Hamlets and Westminster, with notable growth from Enfield schools. As we reported previously, many of the new schools seem to be contacting us following peer school commendations. That is a strong advert for the quality of work we are giving schools in Haringey.

1.7 Haringey hosts a comprehensive CPD training programme which continues to be well subscribed and well attended. This is a popular service offer and one which is working well in less than ideal premises. The PDC venue is a busy place during term time and we have strong interest to develop more localised training in some areas. The future of our CPD premises is still uncertain though and we will need to react quickly if alternative premises might be needed.

2 Progress stage report

2.1 Trading with schools online has continued to develop at satisfactorily levels during the year 2016/2017. The online web booking service was successfully launched and it continues to function reasonably well with built in capacity for growth, being designed for easy expansion with a lean operational central team.

2.2 There are over 50 service team offers available online and a number of new services are due to be introduced from April 2017. We have further package initiatives planned for the start of the Spring Term 2017, and more expansion areas being developed to be ready for the next academic year.

2.3 We have tried to encourage schools to keep in close consultation with our plans for the enhanced scope and revised approach for online trading alongside the revision of school improvement services which are currently under review.

2.4 The use of one website with a standard menu of the diverse mix of service offers has enabled expanded trading being managed by a small central team with an efficient business delivery model. These are key elements of the aspired business to grow in the next 12 months to maximise a sustainable funding model. Last year our billed income exceeded the target of **£2.4 million**. We are on target to grow more new business (beyond £2.7 million this year) which we have managed to do without a general price increase for the Haringey schools during 2016/17.

2.5 Our total confirmed and billed income so far this year exceeds £2.6 million already and another £77.8k pipeline is in school shopping baskets as at the date of writing this report. Schools are now looking at budgets for plans to buy into the next trading year and we expect further growth to flow through the system through to the Summer Term. Trading growth of over 51% was achieved last year and we have a realistic expectation to at least meet the current year budget plan with current trading patterns.

2.6 The Cost of Sales effect on the council's budget has been taken into account. Traded Services operates with a zero net budget, all direct costs are absorbed as a 'top slice' of income deducted before reported net trading income. There is no (net) Traded Services cost to the council and we work without a Cost Centre or council budget. In practice, it means that for many services income growth has been achieved at no extra cost to the council other than managing the traded services business portfolio. Services such as Education Welfare are now on track to earn over £130k of income this year (plan, £108k) without additional resources and with no extra staff being engaged from last year. In fact, some budget efficiencies may be delivered whilst meeting new trading targets as a way of planning changed workloads to fit with emerging school priorities and trading requirements.

3 New Trading Activities under development

3.1 As might be expected, there are one or two services which are not yet meeting existing budget income targets. These continue to be on watch and substantive work is under way to develop services more suitable for schools with less financial pressure on council budgets. Budget pressures with pre-existing income targets tend to be with services beyond the direct remit of Schools and Learning but we will do what we can to re-shape our offer to schools to best fit the business plans of those council departments.

3.2 The council Schools Human Resources team, including our schools Payroll and Pensions support, has again failed to attract new customers this year and the indications are that one or two more key Haringey Schools may be reviewing their commitments again for next year. We have already indicated to schools that the shape of the HR offer may be subject to future change.

3.3 Our Education Psychology support service has struggled to deliver the additional orders it achieved last year (it is a particularly popular service when resources are available) but the service has been unable to deliver against school demand with resource issues. Happily, the signs still exist to show that more new orders from schools can be won with more targeted support, subject to resource and workload planning.

3.4 Mitigation plans may need to be put in place for these services going forwards, but as things stand these areas of the council's income plan need to be kept on watch to assess how relevant future income targets might be for planning 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 team covering a number of new areas notably including the Pupil Premium search service. The introduction of an Early Years Gold training package has also proved popular and additional support packages for PVI settings and child-minders have increased the customer base, albeit at low individual payment levels.

3.6 We are on target to deliver net income growth in full against the budget commitment and we aspire to generate a small element of surplus in addition, after deduction of all direct Cost of Sales. Traded Services should again come at no net cost to the council's budget this year.

4 Management Costs

4.1 After deduction of the cost of sales, net income growth of £462k is now projected this year. Out of this, however, some £195k 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 on a self-funding basis and no additional costs accrue to the council. We thank the schools for their custom and revenue support.

6 Future Trading Risks

Following recent Government policy announcements, there are emerging trading risks which will impact on the council in future years.

6.1 Risk of school budget pressures

Schools are now acutely aware of the impact of funding allocations to re-align against the national funding formula and the withdrawal of the Education Support Grant. 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 income against reduced school budget capacity. Our services need to look again at the cost of service provision to make sure the costs we need to recover remain more competitive and justified for the work and value undertaken with the schools. Schools cannot expect to pay high prices for services which represent poor value for money. Budgets are expected to be particularly difficult for schools with small annual pupil intakes. Traded Services will need to address these budget issues against the scope of services which are traded if we are to remain competitive.

6.2 The Speed of change and challenge to transform

Traded services in Haringey have rallied to the challenge to speed changes needed as we strive to catch up with future trading targets and stay close to our school customers. Our customers face an accelerated timetable for change particularly affecting how schools and school improvement teams are structured and governed nationally. This urgency to change is likely to call on additional transformation

pressures and the business will be challenged to retain commercially viable operations with restricted budgets. More work still needs to be done with the schools for a suitable model going forwards.

6.3 The Retention of schools which become MATs

We expect more schools to convert to academies and further groups of MATs are likely to form over the next year or so. Changes to procurement groups and altered buying patterns can be expected as a direct result.

There is a trading risk if a number of MATs choose to divest trading to alternative trading providers and/or take some activities in-house. This may impact on future trading prospects and the school customer base, to a smaller or larger extent. On the other hand we are taking steps of our own to foster and develop more cross-border trading links and develop early preferred trading partner status with schools who may move into future MATs.