Coventry City Council

Briefing note

To: Scrutiny Co-ordination Committee   **23ʳᵈ January 2013**

Subject: Services to Schools Task and Finish Group Recommendations

1   Purpose of the Note

1.1   To report back on the work carried out by the Services to Schools Task and Finish Group in response to the recommendations made by Scrutiny Board in their report of 29 November 2011.

2   Recommendations

2.1   Note that the recommended actions of the Services to Schools Task and Finish group have been completed as set out in this progress report. This includes:
  - Developing a finance model to determine full cost recovery for services to schools pricing for 2013/14
  - Identifying and understanding the implications of different categories of service which could affect charging structures and risk levels
  - Work on marketing and branding to deliver a co-ordinated, corporate approach to marketing schools services
  - Exploring ways in which the Council can adopt a more commercial and business-like approach in its relationship with schools, including designation of a specific role within existing staff roles and responsibilities.

2.2   To refer to the relevant Cabinet member consideration of future subsidy for the two areas of schools services that do not have a plan in place to achieve full cost recovery (point 5.1.2)

3   Information/Background

3.1   On 29th November 2011 Cabinet accepted the recommendations of the Services to Schools task and finish group of the Council Resources, Communities and Sport Scrutiny Board. The aim of this work has been to put into effect the recommendations made by Scrutiny Board.

3.2   A report was taken to the Business Management Group in August 2012 which recommended that a Project Group should be set up reflecting services across the Council which are in scope of this project. A corporate and finance lead (Carl Pearson, Chief Executives and Barry Hastie, Finance and Legal Services) was appointed to lead the work to ensure that there is consistency in the way that the work is carried out across the Council.

3.3   The full recommendations accepted at Cabinet can be found at Appendix 1.

3.4   The work was split into four categories:

3.4.1 Progress the work on financial modelling for a consistent approach to full-cost recovery which would enable services to market their services to schools before Spring Term 2013.

3.4.2 Identifying and understanding the implications of differing categories of service which could affect charging structures and risk levels:
   a. Services which meet the statutory duties of the Local Authority
   b. Services which meet the statutory duties of maintained schools ie., the Local Authority delivers on behalf of schools
   c. Services which the Cabinet Member and Director recommend are a local or corporate priority.
   d. Services where schools can opt into (non-statutory)

3.4.3 Work with Corporate Communications to manage branding, marketing and dissemination of information to schools in a co-ordinated way to meet their future needs. This would include identifying a co-ordinated and single approach for the marketing and overview of all services to schools.

3.4.4 Explore ways in which the Council can adopt a more commercial and business-like approach in its relationship with schools which would include ensuring taking feedback from schools on their future needs.

4   Approach to How We Did the work

4.1   A Project Board was used to oversee the work of the Task and Finish Group. The Project Board was comprised of the following members:
Carl Pearson, abc Programme Office
Priti Bharadwa, abc Programme Office
Sue Keighron, abc Programme Office
Barry Hastie, Finance and Legal Services
Sue Kinnaird, ICT
Sue Iannantuoni, Human Resources
David Haley, Education and Learning
Pauline Reading, Education and Learning Services
Nigel Clews, Property Asset Management
Fran Collingham, Communications
Craig Hickin, Environmental Services
Teng Zhang, Finance and Legal Services
Steve Horsley, Legal Services
Kate Ireland, Education and Learning Services

4.2   **Benchmarking with other Local Authorities**. This work highlighted the services that other Local Authorities were offering and gave the group an opportunity to discuss how to present a more coherent and unified offer to schools. This work has fed into the draft website and pricing.

4.3   Consultation and presentation of revised SLA proposals with schools across all phases will take place by the end of January 2013.

5   Financial Modelling

5.1   Finance officers have now developed a costing model which allows traded services to very quickly make an assessment of whether services are recovering the full costs involved in delivering the service.

5.2 In this context, full cost has been defined as all direct service costs, an apportionment of central overheads and an appropriate percentage of any relevant directorate overheads, for example, senior management time. A copy of the cost recovery model is included at appendix 2.

5.3 All managers of traded services with schools were asked to complete the costing tool and compare the costs of their service with their projected level of income for the 2013/14 financial year to determine whether or not those services were being provided on a full cost recovery basis.

5.4 In the first instance this has allowed us to identify quite simply:
   • Those services that are achieving full cost recovery; and
   • Those services that are not achieving full cost recovery.

5.5 For services achieving full cost recovery, the emphasis has been on ensuring that price increases for 2013/14 and beyond are sufficient to maintain this position.

5.6 It should be noted that in some cases, the income generated by services is in excess of a full cost recovery level. In those circumstances it is not proposed to reduce income budgets but to continue to maintain prices at the level required to deliver to the service income target even if this is greater than the full cost of those services.

5.7 For services not achieving full cost recovery, service managers were asked to develop strategies to enable them to move towards full cost recovery over the medium term. Strategies to achieve this could include:
   • Increasing prices by more than inflation;
   • Increasing the level of income generated by the service; or
   • Reducing the cost of providing the service.

5.8 Where services are not currently operating at full cost recovery and where service managers have not been able to identify a strategy to achieve this in the medium term, the options for the City Council to consider are either:
   1 ceasing to provide the service to schools; or
   2 continue to provide the service but recognise that the City Council will need to provide a subsidy from its core (ie non-schools) funding.

5.9 A full service by service analysis of this full cost recovery assessment is included at appendix 3 together with a proposed way forward. In summary, the key points to highlight are:
   • Of the 27 services covered in this analysis, 18 are already achieving full cost recovery;
   • Of the other 9 services, 6 will implement financial strategies which should lead to full cost recovery being achieved by the 2014/15 financial year;
   • The remaining 3 services have no plans in place to achieve full cost recovery.

5.10 The 3 services with no plans to achieve full cost recovery are Streetpride, Building Cleaning and the Dol-y-Moch Outdoor Education Centre.

5.11 The subsidy provided for Dol-y-Moch is purely to provide a financial discount to pupils from disadvantaged families in accordance with an existing City Council policy decision. It is proposed that this subsidy is retained and that there is no change to this existing policy.

5.12 The subsidies provided for Streetpride and Building Cleaning are built into existing budgets so there is no additional short term pressure from continuing to provide the subsidy. However, it is recommended that this is reviewed by the relevant Cabinet Member as part of the 2014/15 budget setting process to determine whether these

services should continue to be subsidised from City Council funding. This decision will need to be taken in view of the extent to which these services recover direct costs in full and make a contribution to corporate overheads which may not be saved even were the service not to be provided.

5.13 Subsidies for the services which will move to full cost recovery are also fully budgeted so it is proposed that the subsidy remains in place for a further year. At the point full cost recovery can be achieved, additional income targets will be created which will enable existing budgets to be released to help the City Councils medium term financial position.

5.14 An additional complexity of this piece of work is the extent to which full cost recovery income levels are the same as the levels of existing income targets. In some cases targets are higher than cost levels and in some cases they are lower. It is recommended that finance officers undertake an exercise separately to align these where possible. This will be on the basis that income targets are maximised where possible and that no reduction in income target will be made where the service is currently meeting that target even where it is in excess of the cost of the service.

6 **Categories of Service – Statutory and Non-Statutory obligations Service and Pricing Differentiation**

6.1 An analysis of statutory and non-statutory functions has been completed for Education and Learning Services. This work has resulted in more robust cost tools and analysis for costing trading services. The increase in prices will require sensitive negotiations with Headteachers during the Spring Term. Levels of service buy-back will be reviewed in May 2013 and necessary actions taken. This work has led to clarity about the statutory functions of the Local Authority and the statutory functions of schools. This work is now being taken forward with the FSRs for SEN, Transition and Disability and LA statutory education functions.

6.2 The latest analysis of primary performance table has fed into the offer to schools and ensured we set a baseline of service days with an escalating scale of levels of intervention within a more robust primary school improvement strategy. Monitoring, challenge and intervention is provided as part of the statutory requirement of the Local Authority.

7 **Marketing and Branding**

7.1 The Council has now developed a dedicated set of web pages marketing the services provided to schools. This uses the Council website (www.coventry.gov.uk) as the host for the services to schools section to ensure anyone searching for "services to schools" (or similar phrases) will get the services offered by the Council at the top of, or high in any list returned by search engines like Google (this is because the size and popularity of the website overall ranks it higher with internet search engines than smaller websites).

7.2 The web pages include information about each service and up to date contact details, along with a simple online form that schools can use to make their requests for services. A designed brochure of services to schools has also been produced as a PDF available to download on the dedicated section of the website for schools who prefer to find about services using a more traditional format. This makes progress in responding to the requests made by schools for coherency and transparency of offer, and in the future potential for transparency of pricing (academies and maintained). Appendix 4 shows a draft layout of the website.

8   Councils Relationship with Schools

8.1   There is evidence of some schools, not just academies, beginning to look for alternatives to the Council as a supplier. Most responses confirm that there are alternative suppliers to the Council for an increasing range of services. The cost of services is one factor that schools will take into account, however, there is a need to offer a more consistent and business-like approach. The steps taken as a result of this review are a positive start. There is a need for the Council, and those services that trade with schools to be more pro-active and treat schools as customers that have a genuine choice about where they get their support services from. CLYP are looking at how they can give more priority to develop this approach and it is something that will be discussed with schools through their established consultation channels.

8.2   With the completion of this work, leadership of the delivery of the next phase of activity will come from CLYP with support from Finance

Carl Pearson,
abc Programme Office
Chief Executives Directorate,

11th January 2013

Appendix 1 – Cabinet Recommendations

Cabinet is requested to endorse the following recommendations from the Council Services to Schools Task and Finish Group of Scrutiny Board 1 and agree that they be addressed by the Income Generation Fundamental Service Review:

Recommendations on the policy direction for future relationships between Council services and schools

(1)   That the Council adopts a consistent charging policy for the delivery of services to all schools, the starting point of which should be that services recover the full costs of service delivery. There would need to be consideration of where there may be exceptions to this. For example:
   i.   Whether the delivery of the service is of strategic benefit to the local authority
   ii. Whether the risks to the Council or the school of not buying from the local authority are significant (See Recommendation (2) and (3))
   iii. Whether the school is local authority maintained or not (2) That the Council identifies where there are significant risks to schools (including safeguarding, school under performance, Special

(2)   Educational Needs, health and safety) associated with services which they may source from outside of the local authority and ensures that these risks are clearly communicated to schools to help them in their decision-making.

(3)   That the Council identifies where there are significant risks that remain with the Council (including safeguarding, school under performance, Special Educational Needs, health and safety) whether schools source services from the local authority or externally. These need to be reflected in the development and marketing of services to schools. This would include identifying those areas for which the Council has a statutory duty.

Recommendations on ways that the Council can improve and maintain the business relationship it has with schools so they don't withdraw from services

(4)   That the Council reviews its working arrangements with schools to identify how it can best consult with and work with schools in a more business like model in delivering services which meet their needs into the future.

(5)   That the Council adopts a more commercial approach to marketing services, including planning, co-ordination and consistency, by:
   i.   Taking on board feedback from schools and enabling schools to be involved in the design of services
   ii. Identifying where a co-ordinated and single approach for the marketing and overview of all services to schools could be located iii. Providing schools with information on the range and price of services well in advance of the new financial year
   iii. Drawing on the internal expertise to market services effectively.

(6)   That the Council nurtures its positive relationship with all schools, but particularly Primary schools to pre-empt any moves to external providers of services

Recommendations on ways the Council can mitigate the effects should schools withdraw from services

(7)   That service managers are to identify and manage the risks to their service areas by taking a commercial approach to their relationship with schools, including awareness of the external market

(8)   That the information regarding Service Level Agreements is maintained and updated regularly across the Council to enable services to be in a position to identify areas of risk and enable mitigation against the effects of schools withdrawing from services.

The task and finish group also recommends:

(9)   That officers update on progress on the implementation of these recommendations and report back to Scrutiny Board 1 in six months time

The above recommendations were approved, along with the following additional recommendation:

(10)   That authority be delegated to the appropriate Cabinet Member and Director to agree those areas where full cost recovery for services would be unviable.

Appendix 2

Full Cost Recovery Tool

Do not enter any data on this sheet after 'Step 1' unless you are linking it to a new cost group not currently accounted for.

Step 1: Information about your service area (enter below)

1.1 Directorate	
1.2 Service Area	
1.3 Funding year	**2013-14 Financial Year**

Step 2: Your service's DIRECT costs (see 'Direct Salaries' & 'Direct Costs' tabs)

Cost Descriptions and Amounts	Revenue Costs £
Staff Salaries	-
Staff Related Costs	-
Premises Costs (if not within Operational Property)	-
Supplies & Services	-
Transport	-
Business Development/Support Costs	-
Total DIRECT service costs	**-**

Step 3: Your service's allocation of SUPPORT SERVICE OVERHEADS

Overhead Descriptions & Amounts	Overheads £
Human Resources	-
Workforce Development	-
ICT	-
Internal Post	-
Operational Property	-
Finance	-
Contact Centre	-
Corporate Communications	-
Printing	-
Business Service Centre Hubs (ABSS)	-
Legal Services	-
External Printing	-
Photocopying (MFDs)	-
Stationery	-
Total Support Service OVERHEADS	**-**

Step 4: Your service's allocation of DIVISIONAL OVERHEADS

Cost Descriptions and Amounts	Revenue Costs £
Senior Management	-
Totals	**-**

Step 5: Full costs of your project

These are the full costs of your project		£	£
Running Costs	Staff Salaries	-	
	Other Direct Costs	-	
Total Service Running Costs			**-**
Overheads	Support Services	-	
	Directorate	-	
Total share of the overheads			**-**
Full project costs			**-**

Appendix 3

Services to Schools - Cost Recovery Analysis

Service	Expenditure £	Income £	(Surplus)/ Deficit £	Financial Strategy	Subsidy Required to achieve FCR £	Is Subsidy Budgeted?
1 Services achieving full cost recovery						
Health and Safety	205,683	(235,320)	(29,637)		0	n/a
Employment Services	446,609	(450,844)	(4,235)		0	n/a
Recruitment	158,581	(182,563)	(23,982)	Average price increase of 2.9% for 2013/14. Budgets to be re-aligned to ensure individual HR services achieve full cost recovery.	0	n/a
Occupational Health	139,543	(141,400)	(1,857)		0	n/a
HR Advisory Service	467,003	(454,757)	12,246		0	n/a
Legal Services	13,082	(26,500)	(13,418)	Price increased by 2.9% for 13/14	0	n/a
LABSS Primary	604,473	(604,473)	0	Various price increases for 2013/14.	0	n/a
LABSS Secondary	194,332	(194,332)	0	Various price increases for 2013/14.	0	n/a
Educational Psychologists	422,226	(469,192)	(46,966)	Various price increases for 2013/14.	0	n/a
L&A - Early Years Neighbourhoods	148,920	(148,920)	0	No price increase for 2013/14	0	n/a
L&A - School Improvement Secondary & 14-19 Education & Learning Services	258,137	(258,137)	0	No price increase for 2013/14	0	n/a
L&A - Sch Imp General & Inclusion, SEN & Participation - PSHE & Equality	159,487	(159,487)	0	No price increase for 2013/14	0	n/a
Performing Arts	1,027,410	(1,071,020)	(43,610)	No price increase for 2013/14	0	n/a
SFO Service	348,322	(348,322)	0	Price increased by 2.9% for 13/14	0	n/a
Pest Control	27,463	(29,178)	(1,715)	Price increased by 2.9% for 13/14	0	n/a
Building Services	1,412,555	(1,412,555)	0	Job cost + overhead % applied	0	n/a
CCC	127,264	(127,264)	0	No price increase for 2013/14	0	n/a
Partnership Centres	239,218	(253,500)	(14,282)	No price increase for 2013/14	0	n/a
2 Services that will achieve full cost recovery in the medium term						
ICT	970,972	(910,948)	60,024	Increased by 2.9% for 13/14. Anticipated that further price increases will achieve full cost recovery by 2014/15.	60,024	yes
Governor Support	339,778	(325,495)	14,283	Need further understanding re: additional income opportunity. Says he is unable to increase prices further due to already charging	14,283	yes
Data Team	133,187	(122,875)	10,312	Various prices increases ranging from 5% to 25% assumed for 2013/14. Anticipated that further price increases will achieve full cost	10,312	yes
Work Related Learning	166,843	(162,198)	4,645	Various prices increases assumed for 2013/14. Anticipated that further price increases will achieve full cost recovery by 2014/15.	4,645	yes
L&A - School Improvement Primary	697,054	(603,946)	93,108	Prices have not been increased for 2013/14 as the offer has changed. Price increase strategy/service restructure will be	93,108	yes
Schools Library Service	206,796	(199,720)	7,076	Increased by 2.9% for 13/14. Anticipated that further price increases will achieve full cost recovery by 2014/15.	7,076	yes
3 Services not achieving full cost recovery where a subsidy is required						
Building Cleaning	1,842,461	(1,680,067)	162,394	Job cost + overhead % applied	162,394	yes - resolved in 2013/14 budget setting
Streetpride	250,700	(173,346)	77,354	Job cost + overhead % applied	77,354	yes
Doly Moch	862,168	(796,000)	66,168	1.2% price increase for 2013/14. Subsidy wholly attributable to remissions funding which subsidises costs for disadvantaged pupils	66,168	yes

Appendix 4 – Draft Website Layout

Council branding

Hosted on Council website to boost search ranking

Latest news

General information

Split between services for maintained schools/academies

Advert to download brochure

Search for services by keyword and/or category

Contact details