

Open Report on behalf of Debbie Barnes, Director of Children's Services

Report to:	Councillor Mrs Bradwell, Executive Councillor for Children's Services and Lifelong Learning
Date:	10 April 2012
Subject:	Education Support Services - Recommendation to amend existing CfBT contract
Decision Reference:	01936
Key decision?	Yes

Summary:

This report recommends amending the existing CfBT contract to cover management of most Education Support Services. This recommendation is considered to be the best option for ensuring the continued availability of high quality support for Lincolnshire schools in a national context of increasing numbers of Academy schools able to purchase services in an open market.

Recommendation(s):

To approve the amendment of the existing school support services contract with CfBT in accordance with the commercial principles attached at Appendix A of the report and to delegate to the Executive Director Children's Services authority to determine the final form of the amendment and to approve the entering into of the contract amendment.

Alternatives Considered: Not to enter into the amendment

Reasons for Recommendation: Has the potential to maximise staff employment and protect employment and expertise within Lincolnshire for the benefit of the local economy and schools whilst facilitating improved contract management.

1. Background

Context

More schools are converting to Academies. Two major impacts on the Council are that Academies can secure support services in an open market and also secure

additional funding. That has presented a risk that there will be reduced funding available to secure high quality support for schools choosing not to become Academies.

These have been key drivers for the Council to consider future provision of support services to schools.

Following detailed evaluation it is recommended to amend the current CfBT contract to include management of **the majority** support services. Proposed arrangements are based on CfBT managing Council staff (a development of current arrangements), efficiencies built into the contract, profit share from any services provided to Academies or to schools outside Lincolnshire resourced using Council staff. This presents the opportunity to develop a business offer within Lincolnshire's economy in a growing market and, as a result, retain employment. However, the overriding priority has been to build resilience for high quality support services to our **maintained schools**.

The recommendation will simplify contract management arrangements for the whole CfBT contract until 2017.

Detailed contract amendments will be developed based on the agreed commercial principles which are discussed in the report but which are attached at Appendix A for ease of reference.

Detail

Children's Services, working in partnership with CFBT and Mouchel have traditionally ensured that a comprehensive infrastructure of school support services is available to schools to access if they wish. There is currently a mixed market of provision with some services being provided free of charge to schools and some being available through a buy back model. Where buy back is available, schools are already able to decide which provider they wish to use.

To summarise the position, school support services are delivered through the providers as outlined below:

- **Lincolnshire County Council (LCC) Children's Services** provide the majority of statutory services related to schools:
 - School Administration including the management of admissions and co-ordination of education **out** of school
 - Food in Schools Team
 - School place planning
 - Early years/ child care place planning

As these are the statutory duties of the Council, they are provided free of charge to schools.

LCC also provides careers guidance and as this is currently a statutory duty, this is provided free of charge although this will be subject to change from September 2012.

LCC Children's Services also provide education welfare but as academies are eligible for a percentage of this budget, education welfare has recently transformed into a buy back service for academies with maintained schools able to purchase in addition to their core offer.

- **CfBT** provide school improvement services through a core contract which schools supplement through their Professional Development Agreement. This is purchased directly between the school and CfBT, in addition CfBT manage on behalf of LCC a range of school support services:
 - Additional Needs including Pupil Referral Units
 - Birth to Five Service
 - Music / Arts / Sports
 - 14-19 planning

The majority of these services are provided free of charge to schools with academies offered an opportunity to buy back these services.

- **Mouchel** provide many of the “management / back office” type services (HR / Payroll / capital project management / ICT). These are provided through a buy back arrangement and are out of scope for the purpose of this paper as no change is proposed.

However, the landscape for school support services is changing and there are a range of issues which the Authority needs to consider:

- *Reductions in funding* – As schools convert to academies, the funding for school support services (non statutory services) is directed at Academies. Although the exact detail of the funding reduction is not known at this stage, it is expected that the Local Authority funding for non statutory school support services will reduce
- *Reduced role and influence over schools* – Whilst retaining some statutory duties in relation to ensuring access to educational opportunities for all, ensuring diversity of provision and parental choice, LCC's role and influence in schools is reducing. However the Authority is committed to ensuring that an infrastructure of school support is available for schools and academies to access
- *Ongoing contractual obligations* – managing the impact of the CfBT school improvement contract that is in place until 2017, regardless of any volume variation if academies/free schools choose not to buy the service. LCC remain liable for the full contract costs until 2017

In light of this and the proposed LCC position on academies, it is appropriate to consider LCC's role in the provision of school support services.

Options

Children's Services have undertaken an option appraisal of future models for the delivery of school support services. The following objectives were used to guide the identification of options:

Lincolnshire would seek to transform its school support services into a model which

- Develops resilience within school support services
- Mitigate risk to LCC in relation to the financial gap arising from academy funding changes
- Ensures opportunities for Lincolnshire's economy in a growing market and so maximises employment opportunities
- Reduces LCC redundancy liabilities

The options considered included:

1. Continue with current approach
2. Outsource through competitive tender the delivery of all schools support services, *including statutory services*
3. Commission or retain delivery of statutory services and devolve budgets for non-statutory services to schools
4. Explore renegotiation of the current CfBT contract the delivery of all school support services, including statutory services

Option 2 and option 3 were not selected for detailed analysis. In relation to option 2 it was identified early, on legal advice, that a full competitive procurement process would be required for outsourcing school support services. This was considered not desirable for the following reasons:

- Length of time that full procurement would take and the associated costs and resources required
- LCC is contractually tied to CfBT contract until 2017; a procurement prior to that would open the possibility of 2 separate major school support providers to the Council at the same time increasing the complexity and cost of contract and service management
- Fragmentation of the market due to time taken for procurement
- More disruption for staff after core offer.

Option 3 was not considered desirable for the following reasons:

- Devolved budget to schools could fragment the market and weaken infrastructure for small/rural schools
- LCC is contractually tied to CfBT contract until 2017
- Small schools may not have skill/desire to procure own services
- More disruption for staff after core offer

- Greater financial risk for LCC if schools do not buy back LCC services

Option 1 and Option 4 were selected for further detailed analysis

Risk and Benefits Analysis

The risks and benefits of the options are described against the objectives highlighted above.

Table A – Risks and Benefits Analysis

The following tables set out the risks and benefits of the proposal against each of the project objectives. They are compared against Option 1, Continue As Is, which forms the baseline benchmark position.

Objective 1: Mitigate risk to LCC of financial gap arising from Academies funding		
	Risks	Benefits
Option 1 – Continue As Is (baseline position)	<ul style="list-style-type: none"> • Size of 'gap' unknown for next five years • Current LCC traded offer is seen as expensive by academies 	<ul style="list-style-type: none"> • LCC seen to set priorities to target the fewer resources to schools in most need. • Increased clarity and transparency on LCC spend will provide better data to drive strategy on how to close the financial 'gap'.
Option 4 – Proposed option, transform in partnership with CfBT through re negotiation of existing contract	<ul style="list-style-type: none"> • Size of 'gap' unknown for next five years • Demand for services delivered by CfBT not clear – academies are free to choose services from any suppliers. • Some services currently in the proposed scope are preventative in nature and 'gate keep' against costly provision outside of school support services. Separating school support from wider children's services could, if not carefully managed, lead to increased demand on LCC for vulnerable groups, where LCC retains the high cost service but with reduced influence on prevention. 	<ul style="list-style-type: none"> • CfBT will work in partnership with LCC to mitigate the risks posed by the financial gap arising from academies funding • 5 % Efficiency target built into contract to release savings year on year • The proposed commercial option will not cost LCC any more than the current arrangements, as CfBT will need to find the efficiencies to release their management fee • Profit share agreement proposed for any traded activity undertaken by LCC staff • LCC able to set priorities with a smaller budget and able to target the fewer resources to schools in most need through annual strategy and service plan

		<ul style="list-style-type: none"> • Some potential to spread the financial risk of increased costs of providing statutory services through profit share on traded activity.
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Governance

A benefit to Option 4 is that the existing governance arrangements for the CFBT contract would be strengthened, although this could be implemented for Option 1 as well. It is proposed to adopt the existing School Improvement Service governance whereby the CfBT Director holds an Assistant Director post on the Children’s Services DMT, with the responsibility for the operational delivery of all school improvement and schools support services/functions. However it is also recommended that the contract management function moves from Resources into Children’s Services.

This will ensure greater clarity/transparency of performance and variation under the new agreement and will provide invaluable information and expertise to inform decisions on reprocurement.

To ensure that CfBT are delivering services in accordance with LCC strategy an Annual Service Plan (Schools Improvement and Support Services Plan) will be developed by CfBT and agreed with the Director of CS/CS DMT, prior to being approved and adopted by the Partnership Board. The Partnership Board and its membership will be refreshed. The annual plan will be used as a means of controlling strategic direction and monitoring CfBT performance, and will include new outcome and key performance measures and targets.

There will, of course, be appropriate engagement with the Children’s Services Executive Councillor.

2. Conclusion

Amending the current CfBT contract is the best option to secure continuing high quality support services for Lincolnshire schools.

1. Legal Comments:

The recommendations are lawful and within the remit of the Executive Councillor for Children’s Services and Lifelong Learning.

2. Resource Comments:

The proposed revised contractual arrangements can be delivered within the existing budget provision for the services concerned and offers a year on year efficiency saving of 5% until the end of the contract in five years time.

3. Consultation

a) Has Local Member Been Consulted?

N/a

b) Has Executive Councillor Been Consulted?

The Executive Councillor is the decision maker.

c) Scrutiny Comments

The Children and Young People Scrutiny Committee met on 5 March 2012 and considered a report concerning Education Support Services – Extension to CfBT Contract. The Committee did support the recommendation contained within the report.

In addition, the Committee has made the following comments;

The Committee commented on the timing of the proposals and whether it would be more appropriate to leave for a year once funding was known in 2013. It was noted that the proposal was a proactive approach to develop the service and get something in place in a developing competitive market.

In relation to Option 1, the Committee commented on the risk of staff redundancies and why there would be a loss of jobs if the same level of support was being maintained. It was noted that with the increase in the number of academies, there would be a reduction in workload and so less staff would be required. It was also noted that CfBT would be expected to find 5% efficiencies year on year for the next five years, by only replacing 5% of the annual 10% staff turnover, which would mean that CfBT would be delivering services with less staff.

In relation to Option 4, the Committee commented that this was the only option on the table. It was agreed that CfBT had a proven track record and was doing a good job. The Committee raised concerns about the effect on services received by maintained schools through the reduction in funding and commented that it was important to have something in place to protect and safeguard vulnerable pupils. It was commented that there was a need for a service that was fit for purpose and which maintained some structure for schools and academies in Lincolnshire.

The Committee commented that the Council would still have overall strategic control through the Annual Service Plan, which could be brought back to the Committee. It was noted that this proposal could be turned around in future as staff were remaining as Lincolnshire County Council staff.

d) Policy Proofing Actions Required

There will be no adverse changes to services.

4. Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

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