

**Open Report on behalf of the Executive Director Performance and Governance**

Report to:	<b>Children and Young People Scrutiny Committee</b>
Date:	<b>5 March 2012</b>
Subject:	<b>Education Support Services – Extension to CfBT Contract</b>

**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.

**Actions Required:**

The Children and Young People Scrutiny Committee is asked to comment on the contents of this report.

The Children and Young People Scrutiny Committee is asked to support the recommendation to approve the amendment of the existing school support services contract with CfBT in accordance with the commercial principles described in the report.

**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 most 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 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 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.

<b>Objective 1: Mitigate risk to LCC of financial gap arising from Academies funding</b>		
	<b>Risks</b>	<b>Benefits</b>
<b>Option 1 – Continue As Is (baseline position)</b>	<ul style="list-style-type: none"> <li>• Size of 'gap' unknown for next five years</li> <li>• Current LCC traded offer is seen as expensive by academies</li> </ul>	<ul style="list-style-type: none"> <li>• LCC seen to set priorities to target the fewer resources to schools in most need.</li> <li>• Increased clarity and transparency on LCC spend will provide better data to drive strategy on how to close the financial 'gap'.</li> </ul>
<b>Option 4 – Proposed option, transform in partnership with CfBT through re negotiation of existing contract</b>	<ul style="list-style-type: none"> <li>• Size of 'gap' unknown for next five years</li> <li>• Demand for services delivered by CfBT not clear – academies are free to choose services from any suppliers.</li> <li>• 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.</li> </ul>	<ul style="list-style-type: none"> <li>• CfBT will work in partnership with LCC to mitigate the risks posed by the financial gap arising from academies funding</li> <li>• 5 % Efficiency target built into contract to release savings year on year</li> <li>• 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</li> <li>• Profit share agreement proposed for any traded activity undertaken by LCC staff</li> <li>• 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</li> <li>• Some potential to spread the financial risk of increased costs of providing statutory services through profit share on traded activity.</li> </ul>

**Objective 2:** Ensures opportunities for Lincolnshire's economy in a growing market and so maximises employment opportunities

	Risks	Benefits
<p><b>Option 1 – Continue As Is (baseline position)</b></p>	<ul style="list-style-type: none"> <li>• May lead to further staff redundancies and loss of local jobs</li> <li>• Poor current LCC trading performance to date with a subsidised service, suggesting it could be difficult to sustain on a commercial basis</li> <li>• Wider Lincolnshire market not fully developed/exploited</li> <li>• Market likely to fragment into range of suppliers, including those from outside of Lincolnshire.</li> </ul>	
<p><b>Option 4 – Proposed option, transform in partnership with CfBT through re negotiation of existing contract</b></p>	<ul style="list-style-type: none"> <li>• Market not fully tested.</li> </ul>	<ul style="list-style-type: none"> <li>• Maximises the opportunity to keep staff employed as CfBT are in stronger position in marketplace with better trading prospects</li> <li>• Provides potential to retain staff and their skills/expertise locally, notwithstanding any fall in LCC or central government funding</li> <li>• Able to access CfBT knowledge and reputation to increase trading opportunities in Lincolnshire and out of county</li> <li>• CfBT incentivised to resource the necessary market development</li> <li>• Protects a CfBT base in Lincolnshire and local employment wider than the council</li> <li>• Able to achieve under the current contract, giving shorter timescale for implementation and reducing the risk of market fragmentation.</li> </ul>

<b>Objective 3: Reduce LCC redundancy liability</b>		
	<b>Risks</b>	<b>Benefits</b>
<b>Option 1</b> – Continue As Is (baseline position)	<ul style="list-style-type: none"> <li>• Further staff redundancies would increase LCC liability.</li> </ul>	<ul style="list-style-type: none"> <li>• LCC retain full flexibility over efficiency savings/redundancies.</li> </ul>
<b>Option 4</b> – Proposed option, transform in partnership with CfBT through re negotiation of existing contract		<ul style="list-style-type: none"> <li>• Potential to reduce LCC redundancy liability through vacancy management, where vacant posts are filled with CfBT employees, at DMT discretion</li> <li>• Ability to access CfBT knowledge and reputation to increase trading opportunities provides potential for LCC spare staff capacity to be utilised</li> <li>• Strengthened contract management provides a focus on reducing LCC liability</li> <li>• LCC retains flexibility and control over efficiency savings.</li> </ul>

<b>Objective 4: Develop resilience within the Schools Support Service</b>		
	<b>Risks</b>	<b>Benefits</b>
<b>Option 1</b> – Continue As Is (baseline position)	<ul style="list-style-type: none"> <li>• Redundancies could result in reduced services which could compromise the current service quality and availability</li> <li>• May make it difficult to retain the current infrastructure for small, rural schools who are less likely to take on academy status</li> <li>• Potential loss of skills from service.</li> </ul>	<ul style="list-style-type: none"> <li>• LCC maintain direct day to day management control of the service, which could make it easier to build in resilience and flexibility</li> <li>• Less disruption for staff in the short term</li> <li>• Less disruption for maintained schools in the short term.</li> </ul>
<b>Option 4</b> – Proposed option, transform in partnership with CfBT through re negotiation of existing contract	<ul style="list-style-type: none"> <li>• LCC seen to lose day to day management control, which could pose reputational risk</li> <li>• Seen to separate school support services from wider integration of children's services and social care</li> <li>• Perceived conflict of interest as CfBT are both an Education Provider (under the CfBT Trust) and a provider of school improvement services and school support services on</li> </ul>	<ul style="list-style-type: none"> <li>• Maintains current service quality</li> <li>• Builds in increased flexibility from staff</li> <li>• CfBT has track record within LCC of improving service performance and strong partnership working with the LA</li> <li>• Link to CfBT expertise in supporting the infrastructure (current project to link up small schools into collaborative</li> </ul>

	<p>behalf of LCC. This risk can be mitigated through controls being established (ie contract management and monitoring)</p> <p>- 65% of all School Support Services are currently managed in this way already and feedback is positive</p> <ul style="list-style-type: none"> <li>• Some staff disruption as proposal will mean discussion and could, in the medium term, change job descriptions around travel/T&amp;Cs requiring consultation</li> <li>• Untested if schools will accept CfBT in this new role.</li> </ul>	<p>bodies)</p> <ul style="list-style-type: none"> <li>• Improved contract and performance management</li> <li>• Opportunity to shape a coherent schools support service under a single contract.</li> </ul>
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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 procurement.

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.



### **3. Consultation**

#### **a) Policy proofing Actions required**

There will be no adverse changes to services.

### **4. Appendices**

These are listed below and are attached at the back of the report
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<b>Appendix A</b> – Commercial Principles
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### **5. 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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