



SCRUTINY COMMISSION – 6 NOVEMBER 2013

TRADED SERVICES

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

Introduction

1. The purpose of this report is to provide an update on the performance of Commercial Services within the County Council and to note progress, threats and challenges within an ever changing environment.

Background

2. In 2010, the Coalition Government announced plans to further expand the existing academies programme with the Academies Act 2010, encouraging entrepreneurial behaviour within schools to improve educational attainment. Schools that change to academy status are funded directly from Central Government and become autonomous entities, gaining independence from the control of the local authority. Under the Act, academies are free to choose support service providers and this poses a direct threat to income streams within the County Council.
3. The County Council has traditionally traded some of its services, but the legislation, the impact of increasing public expenditure reductions and changes to grant funding, means that more than ever, the Council needs to provide flexible and cost effective service offerings that will deliver annual efficiencies and increased income.
4. As the public sector landscape continues to transform and the area of education in particular sees some of the most significant changes, the marketplace around providing services to schools and academies continues to evolve. Consequently, a wide variety of approaches have been adopted by public sector organisations in deciding how they provide services to schools and academies, some of these solutions have been more radical than others.
5. Some organisations such as Kent County Council, Norfolk County Council and York City Council have used the Local Government (Best Value Authorities) Power to Trade Order 2009, to form traded companies. Adopting a different approach, Staffordshire County Council has formed a Joint Venture with Capita to deliver its support services.
6. The County Council has been mindful of a volatile and changing marketplace and thus has been proactive but measured in its approach. A Commercial Services Strategy has been developed (appended) based on achieving a positive return from the powers vested in the County Council by the Local Authorities (Goods and Services) Act 1970.

7. The Strategy also adheres to the Cabinet's review on 20 December 2011 of an interim report on the risks of the Medium Term Financial Strategy arising from the conversion of schools to academies, where the Cabinet agreed the report and specifically noted the points in section 28 which were:

"In respect of traded services the County Council will need to take steps to address the position. This will include:

- *Reviewing those services that are currently provided at no additional charge to schools as these will either need to reduce or be traded.*
- *Reviewing those services that currently trade with schools to ensure that continued trading is appropriate, services are priced appropriately and to include opportunities including trading outside of Leicestershire.*
- *Determining the most appropriate internal structures in which these services should operate so as to ensure the schools have streamlined access to high quality services."*

The County Council's Approach

8. In line with the Strategy, the overall aim for all traded services is that they should make a positive contribution to the overheads of the County Council in order that other costs can be reduced. The strategic approach to delivering services in a holistic way has built upon existing strengths. As an organisation the County Council has a sound track record of delivering these services to schools over a number of years and has strong professional relationships between Council staff and schools staff across Leicestershire. Moreover, the Council's commitment to achieving positive outcomes in education within Leicestershire is well known and acknowledged. It is felt that if individual parts of the whole are removed this could adversely affect the effectiveness of the Council's overall offering.
9. Currently, the only constant in the marketplace is change. Although the Council retains an open mind to the future shape of its service delivery model, it is important to ensure that it is fit for purpose to meet future challenges. The Council needs to develop a streamlined and flexible model that can adapt to a change in strategic direction, should this be necessitated by external pressures or changes in the economic environment. The existing approach has been to consolidate all commercial services under an Assistant Director within Corporate Resources either under a direct or dotted line. Under this approach we aspire to deliver best practice and benchmarking and explore synergies whilst also ensuring engagement with schools and academies in a unified way.
10. The Council is mindful of the fact that the marketplace is ever changing and will continually need to flexibly respond to changes and emerging challenges. Academies, in their own efforts to become commercial are ever more demanding, sometimes expecting services for less than it costs to provide them. They also continue to evolve and some are moving towards working in clusters which could ultimately mean that they look at alternative providers. The marketplace is itself evolving and is forever open to the possibility of new entrants both large and small.

Progress

11. The progress across services within the County Council remains positive overall albeit the marketplace remains volatile and over 80% of business transacted with schools has been maintained. There have been some service areas where academies have been lost, however in some instances to have retained the service under the demands that were being imposed could have been detrimental and at a cost to the County Council. Health and Safety and Facilities Management are proving to be growth areas and LEAMIS (Leicestershire Management Information Service) have secured the services of 26 Stoke on Trent schools.

Trading position

12. The figures contained within the table below are the amounts received in the Corporate Resources Department in the 2012-13 financial year and provide an up to date picture of our trading position. Where the customers are stated as School these will be a mix of Local Authority Schools and Academies. Other departments also receive income from schools and other organisations within the public sector.

| Service | Income | Description | Clients/Customers |
|--|------------|--|--|
| | £ | | |
| Food and catering Services | 10,260,000 | Income from catering services provided to Schools and in the staff restaurant and canteen | Schools & LCC staff |
| Property Services | 1,660,000 | Income derived from managing Property Construction projects and FM contracts | Schools & Other Public sector bodies |
| Professional and Administration | 5,500,000 | HR & Health and safety advice. Payroll and Financial services provided by the East Midlands Shared Service. Insurance contributions, Bursar services | Schools and other Local authorities |
| Rental income | 3,560,000 | Rental Income from Industrial Properties, County Farms and Office Accommodation | Private Sector business, General public and other public sector such as Health Protection agency & University Hospital Leicester |

| Service | Income | Description | Clients/Customers |
|----------------------|-------------------|---|---|
| | £ | | |
| ICT services | 2,240,000 | Reprographic and Other ICT Services including the LEAMIS service | Schools, District councils and other public bodies such as the Fire and Police Services |
| Leisure & recreation | 2,670,000 | Income from chargeable activities at Beaumanor, Quorn & Aberglasyn centre and car parking income from Country parks | General public, Schools and other public and private bodies |
| Total | 25,890,000 | | |

Conclusion

13. There is an inevitability that the continued evolution and development of academies will lead to some business being lost to the County Council but this also creates opportunities. It is expected that income levels will remain relatively stable within 2013-14 although new business will continue to be actively pursued. The conversion of some Leicestershire Schools to academies has resulted in some significant challenges to the way services (e.g. the Bursar service) are provided, but these are being managed to try and maintain income at existing levels.
14. The key driver for the traded services will be to operate on a more commercially viable basis, providing Leicestershire County Council with a significant contribution to overheads in terms of operating revenue. In order to achieve this, the commercial services of Leicestershire County Council will continue to streamline, be more efficient and provide a measureable service which is continually improved through customer engagement and developing new business
15. Flexibility will remain a core competence and the whole service will need to expand and contract as required in an increasingly competitive and volatile market.

Background Papers

Medium Term Financial Strategy Update – Cabinet 20th December 2011.

Circulation under the Local Issues Alert Procedure

None.

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Appendices

Appendix - Commercial Services Strategy

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