



## PEOPLE OVERVIEW AND SCRUTINY COMMITTEE

**Subject Heading:**

Havering Education Services - Traded Services for Schools and Early Years Settings

**SLT Lead:**

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**Policy context:**

Development of Commercial and Traded Services

### SUMMARY

The development of a high-quality Education Traded Services for schools and early years settings has been and continues to be a growing area for many councils, and Havering are one of a small number of local authorities who continue to lead the field.

Havering Education Services (HES) is the London Borough of Havering's suite of traded support services to education establishments, and has been in existence for over 12 years.

HES' range of support services offer expert advice and development for many aspects of educational support, including:

- Leadership and governance
- School improvement and curriculum
- HR, finance, and data management
- Pupil and staff wellbeing
- Compliance, including H&S, facilities, and asset management
- Brokerage of additional services not available from in-house teams

The relationship between HES and its customers continues to change, as Academisation and changes to schools funding are having an impact nationally and locally, and the changing needs of customers and increasing competition are all contributing to an increasing competitive landscape.

As part of the London Borough of Havering, HES' customers value that HES are a non-profit organisation and provide education services within the borough and

beyond. HES are proud to be highly-regarded by their customers, and its goal is to continue to provide positive outcomes for children and young people.

Despite the growth in academies and multi-academy trusts in Havering, HES have retained the vast majority of our income stream from this market segment. Overall satisfaction ratings has remained consistently above 85% good or better year on year, and HES have emerged strongly from the worst impacts of the pandemic and continue to maintain a viable and sustainable suite of services to Havering schools and childcare settings.

## RECOMMENDATIONS

Members are asked to note the content of this report.

## REPORT DETAIL

### 1. **Background**

- 1.1 The development of a high-quality Education Traded Services for schools and early years settings has been and continues to be a growing area for many councils, and Havering are one of a small number of local authorities who continue to lead the field.
- 1.2 Havering Education Services (HES) is the London Borough of Havering's suite of traded support services to education establishments, and has been in existence for over 12 years.
- 1.3 The local authority will need to continue to identify significant efficiencies and savings, and as a consequence of the cessation of Education Services Grant (ESG), the funding available for core statutory services to schools and early years providers has continued to reduce significantly.
- 1.4 This places significant strain on the funding available to cover central services, and in recent years Education Services has reduced its operational costs by £600k whilst prioritising delivery of providing statutory education services for all schools. However, this has also required maintained schools to annually de-delegate c£330k to meet the cost of providing central services relating only to that sector.
- 1.5 The financial pressures, coupled with an increasingly diversified and competitive education marketplace, pushes schools and early years settings to prioritise cost-efficiency in their spending for supply services. They have

become more price sensitive and place greater emphasis on getting best value for money whenever they purchase goods and services. Where local authority traded services fail to meet these criteria, in the worst cases, schools are taking their business elsewhere.

- 1.6 Multi-academy trusts (MATs) have become an integral feature of the English educational landscape, and as larger buyers of services, MATs often demand a different model of purchasing with schools services suppliers. They increasingly operate as single buying entities and capitalise on their aggregated financial strength and operational flexibilities to achieve cost savings and value for money. It has become the norm for the multi-academy trusts comprising an optimum number of constituent schools to in-source services such as IT, Finance, Payroll, Human Resources and to share school improvement expertise which would have previously been purchased from external suppliers. In the most commercialised large MATs, it has become increasingly common to sell their in-house resources and expertise to other schools in a traded model.
- 1.7 The pressures on school budgets, combined with the changing configurations of schools towards multi academy groupings are having a significant impact on the type, scope and scale of day-to-day support and services they choose to purchase from education services suppliers, including HES.
- 1.8 These developments in the education landscape pose challenges and risks to HES' revenue streams whilst equally presenting potential opportunities for diversifying HES' commercial offering, nurturing and developing new revenue pipelines and optimising resources to ensure services are delivered in the most efficient and value driven manner with emphasis on quality and value for money.

## **2. Commercial Vision & Priorities**

- 2.1 HES has an ambition is to be the service provider of choice for schools and early years settings in the London and Essex region and a major provider of services in the south east of England. HES has recently refreshed it's Commercial Strategy, which focuses its approach based on the five key pillars below;
  - Enhancing current trading activities - Developing existing high performing & high demand services to grow & improve their trading positions by deepening & broadening their customer base
  - Safeguarding & future-proofing our financial situation - Safeguarding existing revenue streams & customer relationships.
  - Expanding the current brokerage & partnerships model - Building on existing portfolio of income generating partnerships by developing & growing new partnership models across services.

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- Enhancing current traded CPD offering & expanding audience & customer base - Building a national digital offer and engaging audiences further afield through the use of virtual technologies.
  - Strengthening our commercial culture & capabilities - Empowering our workforce to innovate & seize new market opportunities.
- 2.2 The Commercial Strategy is supported by Service Unit specific *Strategic Delivery Plans* tailored to each traded service, detailing the specific work programmes, projects and activities that will help each area contribute to the achievement of our ambitions.
- 2.3 The refreshed Commercial Strategy provides a common framework to underpin HES' activities and aspirations, ensuring a consistent approach to consolidate revenue streams and grow the business, whilst retaining the clear focus on the customers HES serve.
- 2.4 HES' success will strengthen the Councils ability and capacity to continue supporting the community of schools and early years settings in Havering, thereby ensuring that they continue to thrive and achieve for the benefit of all children and young people in the borough.
- 2.5 There is a well-established ambition to trade across services, and HES has developed a holistic view of its customers, what services they buy from HES and their perception of the quality and value they ascribe to HES' services.
- 2.6 There is a well-established commercial framework, including guiding principles that support the initiation and delivery of activities/projects including, for example, standardised terms and conditions, pricing policy etc. There is a well-established Commercial Development Team which works alongside Service Units to facilitate the delivery of commercial activities and works.
- 2.7 HES brokerage and partnerships model is well established and has enabled HES to gain recognition within the education sector for its track record in developing partnerships with private and public sector organisations nationwide. This brokerage and partnerships model has enabled HES to continue delivering added value to schools and early years settings whilst creating additional revenue streams.

### **3. Overview of services;**

- 3.1 At HES, we believe we have a contribution to make in improving outcomes for children and young people by supporting education providers to be as effective and efficient as they can be in their day to day work. HES prides itself in delivering high quality, outcome focused support, consultancy and training.
- 3.2 HES team of experienced education professionals are able to offer school and early years settings tailored support, guidance and services where required. HES' packages have been carefully designed with schools and

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early years settings in mind, whilst recognising the continuing pressures on budgets and the impact this has on purchasing decisions. That is why HES ensures value for money services that respond to needs and help to deliver outcomes.

3.3 HES offers a significant range of services, including;

Alternative Provision Service (APS)	Assurance Services - Internal Audit	Brokerage Service
Building Alarm Monitoring	Catering Services	Communications
Education Computer Centre – Computing Support	English as an Additional Language (EAL)	Finance Support Service
Finance Support Service – Pooled Funding Opportunity	Free School Meals Eligibility Checking Service	Governor Services
Grounds Maintenance	Havering Music School	Health and Safety Advisory Service
Human Resources	MIS and Data Management	Passenger Travel Services
Payroll Service	Printing Services	Schools Attendance Support Service
School Improvement Services	Technical Services	Youth, Participation and Influence Service (YPIS)

3.4 Further details regarding the range of services can be found in the latest HES online brochure, which can be accessed here;  
<https://online.flippingbook.com/view/305026/>

3.5 In addition to the wide range of professional services HES offers, the teams deliver training and events that reflect the sector's current needs and goals, whether it is developing skills, furthering knowledge or providing the opportunity for colleagues to network and share ideas.

3.6 Further details of the range of training and events can be found in the latest HES Half Termly CPD Training & Events Bulletin, which can be accessed here;

<https://3x8ih.r.bh.d.sendibt3.com/mk/mr/sh/1t6AVsg9Ynm8rU1rQk8H2VVDrDqDmE/r4aewFJozxWV>

- 3.7 Each year, HES offers hundreds of trainings, including EAL (English as an Additional Language), Governor Services, Health & Safety Advisory Service, Local Management Information Services, School Improvement Services, Special Education Needs. HES also offers a range of networking events including EAL Leaders network, School Buyers Network, as well as Curriculum and Assessment Leads.
- 3.8 In total, 114 schools (Maintained or Academy) and early years settings in Havering purchase a service from HES. In addition, a further 107 out-of-borough schools also purchase a service from HES.

#### **4. Financial Performance**

- 4.1 HES brings into the council c£12.5 million of revenue annually (including c£9m from Catering), and trades externally with all Havering schools and early years settings, as well as other local authorities across London and the South East (200+ schools). HES provides services to 100% of Havering schools and an additional 100+ schools and settings in the London and Essex region, with substantial presence in north east London and an increasing penetration in Essex.
- 4.2 Prior to the pandemic, the majority of Traded Services enjoyed positive trading conditions, with many reporting a 'surplus' at year-end. These aggregated 'surpluses' offset the costs associated with the services provided, including the Central Commercial team and the purchasing system. The exception to this is Catering and Havering Music School, whose surpluses or losses are ring-fenced to the respective service areas.
- 4.3 The 'surpluses' (except Catering and Havering Music School) also contribute to the overall financial challenges in the wider Education Services, which is necessary due to the removal of the Education Services Grant, which resulted in a £1.2m shortfall in budgets. Despite a contribution from maintained schools, and corporate finance, additional income targets continue to be set across all Traded Services to meet this shortfall in funding.
- 4.4 The pandemic had an obvious significant impact across all Traded Services, with many experiencing short-term high levels of lost income through cancelled courses and/or consultancy. However, since 2022/23 HES has returned to achieving a 'surplus' overall.
- 4.5 Some services are forecasting further growth in 2024/24 due to increased demand for services linked to service failures in neighbouring local authorities. However, this could be mitigated against the increasing costs associated with delivering services, including increased staffing costs and supply chain costs.

**5. Awards and Customer Satisfaction**

5.1 In addition to the financial contributions HES provide, they also contribute to raising the profile of the local authority.

5.2 For the fifth year running, HES has been nominated for the Education Resources Awards in the 'Supplier of the Year – Not for Profit' category. This nomination reflects HES' continued commitment to providing exceptional resources and customer service to schools in and around Havering. HES won the award in both 2020 and 2023. In 2023, judges commented:

“The judges were particularly impressed with the customer testimonials for HES and the 100% school retention rate. Their work through the COVID crisis and their commitment to sustainability makes them worthy winners of this category, among stiff competition.”

5.3 A HES Catering chef from Broadford Primary School was recognised as one of the top school cooks in London and made it to the regional finals of the prestigious LACA School Cook of the Year (SCOTY) in 2021, being awarded second place.

5.4 HES was shortlisted in the category "Primary Content" as the BETT awards in 2021 for our joint work with Rising Stars on Switched on Computing.

5.5 HES was nominated for the 2020 EducationInvestor Global UK Awards in the 'School improvement provider' category. This was the second year running that the HES School Improvement Team's work has been recognised at the awards, having progressed to the finals in 2019.

5.6 Through carefully planned and monitored digital channels, HES has cultivated an online presence which continues to grow. Spanning across Twitter, Instagram and LinkedIn, HES has seen a steady increase in reach and mentions fostering relationships with our partners, peers and customers alike. Current followers are a combined total of 312 and growing but impressions far exceeds this number into the thousands each month meaning that thousands are seeing HES content.

5.7 An education e-newsletter is distributed to 3,380 recipients every week during term time encompassing the latest statutory updates, HES offers and links to pertinent national news articles. The newsletter captures the current pulse in the world of education helping to grow HES' visibility and relatability.

5.8 Central to HES' digital portfolio is the HES portal. Purposefully built by developers for local authority traded services, this portal is the main hub for connecting with HES' audiences bringing in on average over 7,600 users over the school year.

5.9 These channels have been instrumental in facilitating two-way conversations with existing and potential customers and enhancing HES' public profile.

5.10 HES also conducts an annual customer satisfaction survey, and consistently receives high scores. The most recent survey (2023/24) saw 90% of our customers rating HES Customer Service as good or better, and 88% of our customers rated the quality of our services as good or better.

## **6. Performance monitoring;**

6.1 The success of delivering the HES Commercial Strategy will be measured through monitoring and tracking of the key deliverables, targets and outcomes set out under the five key pillars. The performance parameters set out will be measured in a number of ways, for example:

- Increase in activity demonstrated by the numbers of new contracts, ad-hoc services and training courses purchased.
- Additional income will be measured and monitored in terms of increases in revenues based on income targets set for teams that are trading.
- Number of partnerships with private and public sector bodies where this derives the greatest commercial and financial benefit.
- % increase in indirect income (rebates and royalties) generated through brokerage and partnerships.

6.2 The underlying critical measure of success is the net effect of commercialisation to the Council demonstrated through the generation of additional revenue, surplus and achieving greater cost efficiencies. As a summary, the following aspirational targets have been proposed and will be further refined at the mid-point review during 2024.

- To generate a minimum of £300k per annum of additional surplus.
- To increase income generated from out of borough schools market by 50% year on year.
- To increase income generated from brokerage and partnerships by 30% year on year.
- 25% of training and events are delivered in wholly digital or hybrid models by the end of financial year 2025-26.
- To achieve a minimum 87% 'good or better' satisfaction rating from customer year on year with no service provisions being rated below 80% good or better.
- To increase overall revenues by circa 8% (excluding inflation adjusted pay awards) by the end of financial year 2025-26.



## **IMPLICATIONS AND RISKS**

### **Financial implications**

The services provided to schools as Traded Services are mostly those that we are not statutorily required to provide. As such there should be a general expectation that Traded Services will cover all their full costs and may in addition make a small contribution to the Council's budget. Where a service does not cover its full costs then effectively the Council is subsidising that service and this should only be done as the result of a conscious policy choice.

Where services make surpluses or losses in one particular financial year then they are usually permitted to carry the surplus forward or draw down on previous surpluses. This enables planning over a longer term horizon. In 2023-24 across all traded services before transfers to and from reserves there was a small deficit compared to the budget.

Traded services costs – especially labour costs, energy and supplies have risen sharply with inflation in previous years. However for some services this has not been matched by increases in charges because of market constraints and the financial challenges being faced by schools. This will mean that costs will need to be managed very tightly in order to meet the budget targets. If this is not policy then it may be necessary to review whether the service should continue to be provided.

### **Legal implications and risks:**

There are several legislative provisions which may apply to the trading undertaken by HES.

The Authority is empowered to charge for;

- (a) the supply by the authority to the body of any goods or materials;
- (b) the provision by the authority for the body of any administrative, professional or technical services under the Local Authorities (Goods and Services) Act 1970

Under Section 95 of the Local Government Act 2003 the Authority can charge for services it is not under a duty to provide.

A Local Authority is empowered to undertake activities and functions that any person can do pursuant to s 1 Local Government Act 2011 and under section 3 to charge for services, however, the general power to charge is subject to a duty to secure that, taking one financial year with another, the income from charges allowed does not exceed the costs of provision.

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However, where a Local Authority does provide services under s 1 Localism Act 2011 and charges for those, if it does these for a commercial purpose it must do them through a company. (s 4 Local Government Act 2011).

The commercial aspect of trading has been considered by the Courts in various case decisions. Essentially if the primary purpose is to make money then this would be considered commercial but if it is just to offset costs including corporate costs or to provide some social or environmental benefit then it will not be considered “commercial”.

As this Report is for noting only there are no legal risks in approving the Recommendation.

**Human Resources implications and risks:**

The recommendations made in this report do not give rise to any identifiable HR risks or implications that would affect either the Council or its workforce.

**Equalities implications and risks:**

None arising from this report.

**ENVIRONMENTAL AND CLIMATE CHANGE IMPLICATIONS AND RISKS**

None arising from this report.

**BACKGROUND PAPERS**

None.