

MEETING:	SCHOOLS FORUM
DATE:	1 OCTOBER 2010
TITLE OF REPORT:	EFFICIENCY SAVINGS IN SCHOOLS
OFFICER:	SCHOOLS FINANCE MANAGER

CLASSIFICATION: Open

Wards Affected

County-wide – All Schools

Purpose

To consider further work to develop options to help Herefordshire schools make efficiency savings according the DfE advice set out in “Investing for the future, protecting the front line”.

Recommendation

THAT School Forum:

- a. establish a task and finish group, the Procurement sub-group, to investigate the potential to achieve procurement savings in schools and make recommendations to Schools Forum in mid-2011;**
- b. request progress reports from the Wigmore and Bromyard cluster on the impact of the National Schools Leadership College pilots on school business management;**
- c. endorse the re-launch of the invest to save scheme with a particular focus on energy savings.**

Key Points Summary

- In the next few years most schools will need to need to make efficiency savings in order to balance the budget due to predicted reductions in funding.
- Savings have been suggested by government in the following four areas;
 - procurement
 - back office costs
 - energy
 - collaboration and federation

Further information on the subject of this report is available from
Malcolm Green, Schools Finance Manager on (01432) 260818

- This report outlines the potential for savings and suggests further work to explore how these could be achieved in practice

Alternative Options

- 1 There are no alternative options for consideration.

Reasons for Recommendations

- 2 In the next few years most schools will need to need to make efficiency savings in order to balance the budget due to reductions in funding arising from falling rolls and a less generous DSG settlement from government. Schools Forum in July asked for a report to put forward making suggestions on how to achieve 0.9 per cent budget efficiency savings. This report outlines the potential for savings and suggests further work to explore how these could be achieved in practice.

Introduction and Background

- 3 The previous government set out their funding plans for schools in the document “Investing for the future, protecting the front line: school funding 2010-13”. In addition to a savings target of £500m from central government departmental expenditure for education, the document also set out the requirement to make efficiency savings of 0.9 of one percent in schools on average over the period 2011-12 and 2012-13.
- 4 The document suggested that all schools should consider
 - improving the way they procure good and services;
 - looking at whether they can share back office functions with other schools;
 - exploring federation and other partnership options with other schools in order to deliver a broader range of provision more efficiently and make savings on leadership costs
 - and using benchmarking to evaluate their overall use of resources.
- 5 With a planning horizon from 2010-11 to 2012-13, schools will be able to look across all three financial years to help them make savings and planned changes to their use of resources to secure better value for money, including using moderate school balances to smooth their funding to meet cost pressures.
- 6 It is clear that the new coalition government is seeking greater financial savings sooner to achieve an earlier recovery the national deficit. On this basis it seems highly likely that schools will be expected to achieve the same or greater efficiency savings than originally proposed.
- 7 Chapter 4 from Investing for the future sets out how schools can make efficiencies in the four broad areas of procurement, back office, energy and collaboration/federation and is attached as an appendix.
- 8 Some ideas for development have been gathered to stimulate further discussion by Schools Forum in taking these suggestions forward

Procurement

- 9 Schools spend £6.5bn on goods and services – it should be possible to save 10% - and DFE has a procurement programme to help. DFE benchmarking indicates that if all schools spent at the performance of just the 75th percentile this would save £700m. Herefordshire normally has a 0.3 of 1% share of national budgets and on this basis efficiency savings up to £2.1m might be possible locally. In 2009/10 Herefordshire schools spent £12.4m on supplies and services, a 10% saving would be £1.2m which is equivalent to £53 per pupil – a useful sum to schools.
- 10 If the DfE assessment is true the savings of between £1m and £2m might be achievable in Herefordshire.
- 11 To minimise procurement costs it is advisable to use a professional buying consortium such as West Mercia Supplies. Further savings will be possible if schools purchase unbranded items. Best practice advice has been sought from Mr Mike Phillips, Managing Director of West Mercia Supplies (WMS) and he is willing to attend a future meeting of Schools Forum to explore further how WMS might assist schools in better procurement. Schools have been able to take part in the OPEN procurement programme, started under the then DCSF. Some schools within Herefordshire are taking part, particularly if they have the SIMS education management system. The on line procurement system is designed to enable schools to achieve savings through procurement.
- 12 Excluding academies, schools in Herefordshire spent £12.4m on supplies and services and £5.6m on premises in 2009/10. It is estimated that £1.3m was spent with WMS.
- 13 There is evidence that schools could secure greater savings from catering, cleaning and grounds maintenance contracts by tendering on a cluster basis. Some Herefordshire schools are already reporting useful savings from limited cluster tendering. Further savings from reduced duplication of tender activity would potentially also achieve better use of scarce professional resources and allow property services more time to provide robust contract management. Property Services are well placed to support schools in cluster tendering. Initially, until contract end dates are harmonised, different starting dates for new contracts will be necessary and governing bodies will need to opt into new tender arrangements.
- 14 Similar cluster purchasing can also be applied to stationary, PAT testing, training which can be easily organised through greater school collaboration to generate useful savings. To achieve such savings schools need to actively co-operate in clusters.
- 15 Given the potentially significant savings that might be available it is proposed that Schools Forum sets up a Procurement and efficiencies sub-group as a task and finish group to investigate further and report back to Schools Forum in mid-2011.

Back –office costs

- 16 A 10% saving could be £250m nationally by working together e.g. one school procuring goods and services on behalf of a cluster.
- 17 The current business management projects underway within the Bromyard and Wigmore clusters could provide further insight into potential models and savings within this area. A request for a summary of impact and learning should be submitted for feedback to Schools Forum.

Energy

- 18 Schools spend £500m on energy each year. DFE suggest that savings of between 5% and 15% are achievable through changing behaviours of school occupants. DFE have begun a co-ordinated national energy reduction programme involving key partners such as DECC, Carbon Trust, Salix and also offering a free energy display meter to schools via British Gas.
- 19 The Property Services Manager feels there are certain things we can do to improve the energy performance of our Schools.
- Firstly, as to the energy costs, we do find that West Mercia Supplies are very competitive in the medium to long term. There are a lot of cheap energy deals around but they are short-lasting and often tie properties into a 3 or 5 year contract where costs rise considerably in the 3 to 5 year period. Halo, our Leisure Service provider, found this when they left West Mercia. They are now trying to get out of the existing supply contract.
 - Secondly, we are heavily involved in the Carbon Reduction Commitment of the Council. Property Services are able to offer Schools energy audits if they require it and will prepare a paper on this matter. As to Salix, we no longer participate in this scheme as the type of work we are doing does not meet their criteria. (We have already done their type of work). In respect of energy meters in the reception area, this is only normally viable in new Schools because of the location of the incoming mains.
 - Finally, the Council does have an Invest to Save programme which has been offered to Schools in the past – this can be re-launched if Schools Forum are agreeable.

Collaboration and federation

- 20 The previous government highlighted potential savings through collaboration or federation, but at a national level the amounts reported varied considerably. Some schools in Herefordshire are making the most of their resources by collaborating in clusters or groups of schools to share procurement, contracts, and skills and expertise of staff. Federation has taken place in Herefordshire and there has been some evidence presented that these have produced some savings, or at least used the money available differently or more effectively. However, clear robust evidence is not readily available at a national or local level and the economic climate is much different to when federation or collaboration initiatives were proposed. Schools will need to be much clearer on the financial benefits of any developments within the national context of tighter settlements, and the local context of fewer pupils overall.

Key Considerations

- 21 None identified.

Community Impact

- 22 None.

Financial Implications

- 23 None specifically identified.

Legal Implications

24 It is confirmed that these proposals are consistent with the Council's legal duties.

Risk Management

25 Without achieving economies in supplies and services and premises expenditure, reductions in staffing will be necessary to ensure balanced school budgets.

Appendices

26 Appendix 1 – Investing for the future protecting the front line: school funding 2010/13.

Background Papers

27 None.