

# Report

Report to:	<b>Executive Committee</b>
Date of Meeting:	<b>19 December 2018</b>
Report by:	<b>Executive Director (Finance and Corporate Resources) Executive Director (Education Resources)</b>

Subject:	<b>Funding for SEEMiS LLP Early Learning and Childcare and Next Generation Management Information Systems</b>
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## 1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ provide information on the development of a new Management Information System (MIS) to support Early Learning and Childcare (ELC) expansion and the funding implications for SEEMiS Group LLP (SEEMiS) and South Lanarkshire Council
- ◆ provide information on the proposals for capital borrowing by SLC on behalf of SEEMiS, following Government approval, for Next Generation Seemis development

## 2. Recommendation(s)

2.1. The Committee is asked to approve the following recommendation(s):-

- (1) that the Government funding for the SEEMiS ELC system which will be passed through the Council be noted,
- (2) that the proposal to borrow £2.5m to on-lend to SEEMiS to deliver their Next Generation MIS (as per the Scottish Ministers Consent) be approved subject to acceptance of the proposal by all Local Authorities.

## 3. Background

- 3.1. SEEMiS provides an Education MIS used by all 32 Local Authorities in Scotland supporting 2,500 schools, 2,000 nurseries, 51,000 teachers, 684,000 pupils and 120,000 nursery children. The MIS provides critical administration services vital to the daily operation of all Local Government schools in Scotland.
- 3.2. The existing system has grown organically over a 17 year period. It was built pre internet and cannot support the enormous potential offered by digital services. More urgently, the ageing technologies upon which it is based are becoming increasingly obsolescent, raising the very real prospect of unpredictable service breakdown.
- 3.3. The Executive Director of Education sits on the Board of SEEMiS, and the current SEEMiS Chair is a SLC member.
- 3.4. SEEMiS has been in discussion with all local authorities to consider the development of two new systems; a new MIS to support 1140 hours ELC expansion in advance of August 2020 and a new Next Generation SEEMiS system replacing the existing

platforms all local authorities use. The need for development arises from the mission critical nature of the system, the ageing technology, the requirement for digital transformation and the risk of system failure being catastrophic to schools.

#### **4. Early Learning and Childcare**

- 4.1. SEEMiS was asked by local authorities and the Scottish Government to consider the effort and costs to deliver a single MIS solution to support the expansion of ELC specifically relating to the introduction of 1140 hours.
- 4.2. A short term working group was established to consider business requirements and the outcomes of the group informed the development of a new MIS with functionality that will support application management; communication; enrolment; transition management within a local authority and cross boundary; occupancy management, invoicing and finances; access and control and reporting requirements in ELC as part of the development.
- 4.3. The new ELC MIS system is estimated to cost £1.5m for development with around £0.150m for annual recurring operating support and maintenance costs.
- 4.4. SEEMiS continue to be in active discussion with the Scottish Government about the funding to support the proposals for the development of a single MIS to support the ELC expansion to 1140 hours.
- 4.5. Scottish Government has advised the development cost will be met from the ELC expansion funding; however they cannot provide this funding directly to SEEMiS and were exploring an approach which enables them to provide the funding via local government and that they were seeking Ministerial approval to proceed.
- 4.6. Confirmation has now been received that Ministers have agreed funding for the project via SLC on behalf of the 32 local authorities to SEEMiS. A grant letter is awaited from the Government. This funding will be allocated to SEEMiS by SLC.
- 4.7. The Council will be responsible for the funding their share of the ongoing revenue cost for support and maintenance via their own ELC expansion funding.

#### **5. Next Generation SEEMiS**

- 5.1. In March 2016 SEEMiS Board of Management, and subsequently the Annual General Meeting approved the Outline Business Case for the Next Generation of the SEEMiS product set and the associated Product Portfolio Review.
- 5.2. SEEMiS is currently working on delivery of Phase One of the project funded by SEEMiS reserves at a cost of £1.5m. The estimated costs of Phase 2 is £2.5m
- 5.3. Phase One will deliver core infrastructure, data storage, a range of service applications and staff training. Phase One will deliver 26 of 68 functions with the remainder of the 42 functions being delivered in Phase Two. Phase One has commenced and will run for approximately two years and Phase Two is planned to commence at the start of 2019/20 for two years.
- 5.4. A revised business case confirmed the need for £2.5m investment to complete the Next Generation project and options for funding were explored. The recommended option is that Public Works Loans Board borrowing is taken and it is proposed that SLC, as lead authority, borrow the £2.5m and provide a loan for the full value to SEEMiS. SEEMiS will repay SLC annually based on interest rates over a 10 year period, and will recover via increased subscriptions to Members using the same

proportional means of allocation as existing revenue based subscriptions. This equates to an average payback per year of £9k (1/32<sup>nd</sup>) for each authority.

- 5.5. A legal agreement will be put in place between the Council and SEEMiS to recover the funds. SEEMiS will update their Members Agreement to include the liability to repay their share of the funds to SEEMiS.
- 5.6. SEEMiS has consulted with ADES (the representative group for council Education Directorate) and the Directors of Finance Group on this development and funding requirements, and all local authorities are involved in the groups.

## **6. SLC Financial Considerations**

- 6.1. As Lead Authority for SEEMiS, the Council has been assisting SEEMiS in its efforts to explore options to fund the development. The option which has been proposed is for South Lanarkshire to borrow, and on-lend this to SEEMiS. The costs of this debt will be wholly met by SEEMiS who will recover these costs through their members.
- 6.2. The Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016 set out specific purposes for which local authorities may borrow money for. Providing a loan to SEEMiS to fund the next generation of their product set is not covered and SLC require the permission of Scottish Ministers to borrow for this. SLC sought permission from the Scottish Ministers in September 2018, subject to Council committee approval, and this was granted on 28 November.
- 6.3. The Council's Annual Investment Strategy includes loans to third parties in permitted investments. Any new types of loans to third parties should be approved by Members through the appropriate Committee with full consideration of the service rationale behind the loan and the likelihood of partial or full default and the impact that this will have on service budgets. This paper meets this requirement if lending to SEEMiS is approved.

## **7. Employee Implications**

- 7.1. There are no employee implications associated with this report.

## **8. Financial Implications**

- 8.1. Confirmation has been given from the Scottish Government regarding £1.5m national funding towards the development of the SEEMiS MIS system to support 1140 hours ELC expansion. A grant letter is awaited, and when received the funding will be passed to SEEMiS following receipt by SLC.
- 8.2. Annual revenue budget of approximately £0.009m will be required to fund ongoing support and maintenance costs and this will required to be met from the ELC expansion budget within Education Resources.
- 8.3. If approved by this Committee, the Council acting as lead authority for SEEMiS, will borrow £2. 5m on behalf SEEMiS to support the capital investment of the Next Generation project. All costs associated with the repayment of the debt will be funded by SEEMiS recovered from their member authorities over a ten year loan repayment term. There will be no additional costs to SLC for undertaking the role of facilitating the financing of the Next Generation system.
- 8.4. The Council's own annual cost associated with the Next Generation development is anticipated to be in the region of £0.025m per annum for a period of 10 years. This will be required to be met from existing Council budgets.

## **9. Other Implications**

- 9.1. The Council's Annual Investment Strategy recognises that any investment activity will carry an element of risk. It is important that risk is identified and controls put in place to limit and manage those risks.
- 9.2. The Council's Annual Investment Strategy includes loans to third parties in permitted investments. Any new types of loans to third parties should be approved by Members through the appropriate Committee with full consideration of the service rationale behind the loan and the likelihood of partial or full default and the impact that this will have on service budgets.
- 9.3. In this case there is a risk that SEEMiS fail to repay, either partly, or in full, the loan provided by SLC, however this is mitigated by the fact that SEEMiS is a limited liability partnership whose members are the 32 local authorities in Scotland. A legal agreement will be put in place with SEEMiS to cover the loan.
- 9.4. In the event of a winding up, all assets and liabilities of SEEMiS will be split proportionately based on the individual members' interest share. The legal agreement with SEEMiS will ensure that any remaining loan outstanding is recoverable through this process.
- 9.5. There is a risk that members leave SEEMiS, and do not pay their contribution of the repayment of the loan. This will be mitigated by ensuring that legal arrangements are in place that require member councils to agree to repay back all their share in the event that they leave SEEMiS.
- 9.6. Legal advisors from all parties have been involved in the consideration of the issues contained within the report.
- 9.7. There are no implications for sustainability in terms of the information contained in this report.

## **10. Equality Impact Assessment and Consultation Arrangements**

- 10.1. This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy and therefore no impact assessment is required
- 10.2. There is no requirement to undertake consultation in terms of the content of this report.

**Paul Manning**

**Executive Director (Finance and Corporate Resources)**

**Tony McDaid**

**Executive Director (Education Resources)**

29 November 2018

## **Link(s) to Council Values/Objectives**

- ◆ Accountable, Effective and Efficient

## **Previous References**

- ◆ None

**List of Background Papers**

- ◆ SEEMiS Management Information System to Support Early Learning and Childcare (ELC) Expansion Proposal to the Scottish Government
- ◆ SEEMiS Next Generation Updated Outline Business Case 3028 – Executive Summary
- ◆ Board of Management SEEMiS Group LLP Papers 20 September 2018 – Capital Investment in Next Generation SEEMiS – Update September 2018

**Contact for Further Information**

If you would like to inspect the background papers or want further information, please contact:-

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