

	<p><b>Children, Education, Libraries and Safeguarding Committee</b></p> <p><b>15<sup>th</sup> September 2014</b></p>
<p style="text-align: center;"><b>Title</b></p>	<p><b>Education and Skills – Future Delivery of Services</b></p>
<p style="text-align: center;"><b>Report of</b></p>	<p>Schools, Skills and Learning Lead Commissioner</p>
<p style="text-align: center;"><b>Wards</b></p>	<p>All</p>
<p style="text-align: center;"><b>Status</b></p>	<p>Public</p>
<p style="text-align: center;"><b>Enclosures</b></p>	<p>Appendix One: Draft Outline Business Case                  Appendix A: School Survey Results                  Appendix B: Evaluation Criteria                  Appendix C: Scoring Outcomes                  Appendix Two: Initial Equalities Impact Assessment</p>
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<p><b>Summary</b></p>	
<p>The Children, Education, Libraries and Safeguarding Committee has agreed to develop a five year Commissioning Plan and savings proposals by December 2014. At its meeting on the 29<sup>th</sup> July 2014, the Committee considered a range of national and local challenges facing services for children and young people, including the need to retain focus on maintaining and improving educational standards in the Borough. The Children, Education, Libraries and Safeguarding Committee is now requested to consider a draft outline business case, attached as Appendix One, which sets out proposals for developing a new way of delivering the Council’s Education and Skills service in partnership with schools in the Borough.</p> <p>The draft outline business case sets out how the changing educational landscape creates strategic, financial and performance drivers that combine to make a compelling case for change in order to:</p> <ul style="list-style-type: none"> <li>• Maintain Barnet’s excellent education offer</li> <li>• Maintain an excellent relationship between the Council and schools</li> <li>• Achieve the budget savings target for the service up to 2020</li> </ul>	

The draft outline business case incorporates a detailed options appraisal of six possible future models for the delivery of these services. In particular, it examines ways in which schools can take control or ownership of part or all of the system and also considers any benefits of working with a third party provider.

The business case concludes that three of the six models are better placed than the others to meet the objectives of the service, but that further work is required to confirm the commercial and financial viability of these options. There has been initial engagement and consultation with schools during the process in developing the options and the proposals reflect the outcome of the engagement and consultation to date. Approval to proceed to consultation on the three options is being sought from the Committee at this stage to ensure that the selection of a preferred option can be properly informed by the outcome of that consultation. This will include formal consultation with the market, which is essential to ensure that the financial assessment of each of the options is sufficiently complete and robust to enable a decision to be made on the preferred option, when a final outline business case is put before members of the Children, Education, Libraries and Safeguarding Committee in January 2015.

## **Recommendations**

- 1. That the Children, Education, Libraries and Safeguarding Committee note the content of the report and the draft outline business case.**
- 2. That the Children, Education, Libraries and Safeguarding Committee agree to further consultation and engagement on the three preferred options, as set out in paragraph 2.2.**
- 3. That the Children, Education, Libraries and Safeguarding Committee note that the draft outline business case will be referred to the Policy and Resources Committee for approval of the consideration to set up a separate legal entity to deliver education and skills services.**
- 4. That the Children, Education, Libraries and Safeguarding Committee note that a final outline business case setting out recommendations on the preferred option will be produced and further note that this will be reported to the Children, Education, Libraries and Safeguarding Committee on 12<sup>th</sup> January 2015.**

### **1. WHY THIS REPORT IS NEEDED**

#### **Strategic Context and the Case for Change**

- 1.1 On the 23<sup>rd</sup> June 2014, the Children, Education, Libraries and Safeguarding Committee noted the savings target allocated by the Policy and Resources Committee and agreed to complete a Commissioning Plan and savings proposals by December 2014. In setting savings targets up to 2020, the Policy and Resources Committee took account of findings from consultation with residents and other parties in which the quality of education in Barnet

was consistently raised as a key attraction in making Barnet such a popular place to live and raise a family.

1.2 In preparation for developing its Commissioning Plan, the Children, Education, Libraries and Safeguarding Committee considered a number of national and local policy challenges at its meeting on the 29<sup>th</sup> July 2014, including those relating to the changing educational landscape within which Barnet schools and the Council are working. The Committee considered the ambition for educational outcomes that has been developed in consultation with Barnet schools, which is for Barnet to be *'the most successful place for high quality education where excellent school standards result in all children achieving their best, being safe and happy and able to progress to become successful adults.'* This ambition is supported by three key aims that articulate how the partnership effort to deliver this ambition can be assessed:

- Every child attends a good or outstanding school, as judged by Ofsted
- The attainment and progress of children in Barnet schools is within the top 10% nationally
- The progress of the most disadvantaged and vulnerable pupils is accelerated in order to close the gap between them and their peers

1.3 Barnet's Education Strategy (approved by Cabinet in June 2013) sets out the key factors leading to the changing educational landscape and the factors that are influencing the respective roles of the Council and the schools, including:

- The increasing autonomy of schools – nationally, over 50% of secondary schools and 9% of primaries are now academies. In Barnet, 75% of secondary schools are now academies. Primary academy conversion in Barnet is less prevalent, but is anticipated to increase.
- The increasing diversity of educational providers entering the educational arena, including academy trusts/sponsors and free school proposers. In Barnet, there are three primary free schools and two secondary free schools with more likely to open in the next two to three years.
- Increasing delegation of school funding through the move towards a national funding formula. The vast majority of school improvement resources now sit with schools, with schools being best placed to lead a more autonomous and self-improving school system.
- The emergence of Teaching Schools and National and Local Leaders of Education is creating significant capacity to lead and deliver school-to-school support, while schools themselves are becoming increasingly confident in commissioning the support they need and in offering support to others.

1.4 This evolving educational landscape together with the financial constraints facing local authority services, creates three compelling key drivers for reviewing the way education services are delivered:

- i. A **performance** driver to maintain Barnet's excellent education offer, contributing to the quality of life in the Borough. This driver recognises that, in recent years, Barnet schools have been among the best in the country. However, maintaining this performance is challenging and some recent Ofsted inspections have been disappointing – a potential early warning sign that we need to review and evolve to adapt our systems and services to better reflect the new educational environment in which our partnership with schools is operating. It also recognises that the vast majority of school improvement resource and expertise is now controlled and managed by schools themselves and that the effective involvement of schools is essential to delivering better educational outcomes for Barnet as a whole.
  - ii. A **strategic direction** driver to maintain Barnet's excellent relationship with schools. This driver recognises the increasingly diverse range of school governance arrangements that are emerging, including academies and free schools, and the need to ensure that future service provision is of a high standard and that services are responsive to the needs of all schools. It also recognises that these changes in school leadership place schools in a strong position to play a much more central role in shaping and driving future service provision.
  - iii. A **financial driver** to meet the Council's savings target, whilst maximising the opportunity to provide sustainable services into the future. This driver recognises that funding going to schools has been well protected, despite recent reforms. However, the ability of the local authority to fund services to meet its remaining statutory duties is less secure, being impacted by both the reduction in local government funding overall, and by a reduction in government grant as individual schools convert to academy status.
- 1.5 The commissioning approach to service delivery requires a consideration of the best method or model for delivering services to meet commissioning priorities and outcomes. This report and the attached draft outline business case set out the results of work that has been carried out to assess the best way of delivering Education and Skills services given the three key drivers above.
- 1.6 Alongside a review of services, initial consultation and engagement with schools has been undertaken to seek early views of headteachers and governors about opportunities for working in closer partnership to deliver services for schools.
- 1.7 As a result of the review, this report proposes the development of an alternative model for delivering education services in the future that will maintain Barnet's excellent education offer and maintain an excellent relationship between the Council and schools, whilst also achieving the budget savings target set by the Council.

## **Developing Future Delivery Options**

- 1.8 The shift in responsibility and financial resources for managing and leading school improvement to schools is resulting in schools becoming drivers and designers of the services they need to support them. Developing a model of delivery based on the partnership with schools provides an opportunity to provide services that are responsive to the needs of schools and that are sustainable over time by allowing schools to commission and potentially co-deliver the services they need.
- 1.9 The business case considers a number of options for the alternative delivery of the full range of services currently provided by the Council's Education and Skills Delivery Unit. The decision to include the full range of services in the options appraisal was reached after considering:
- i. The strategic context within which the local authority and schools are working to improve educational outcomes
  - ii. The need to provide a unified, integrated approach to service delivery for schools and others
  - iii. The ability to define a single brand for education services, with clear points of contact for schools and parents
  - iv. The start-up and/or procurement costs, as well as ongoing client-side management costs of moving to a new delivery model.
- 1.10 The following services are in scope:
- School improvement
  - Special educational needs (SEN)
  - Admissions and sufficiency of school places
  - Vulnerable pupils – Education Welfare
  - Post 16 learning
  - Traded services within Education and Skills:
    - Catering service
    - Governor clerking service
    - School improvement traded service (Barnet Partnership for School Improvement)
    - Newly Qualified Teachers
    - Educational psychology (part)
- 1.11 Any new model would deliver both delegable statutory services for the Council as well as trading services to schools and educational establishments. Where the options involve the creation of a separate entity, for the Council's statutory functions to be contracted out to that separate entity, the statutory duties or powers in question need to be either:
- i. included in the regulations made under the Deregulation and Contracting Out Act 1994; or
  - ii. otherwise eligible to be contracted out as a matter of statutory interpretation of the legislation giving rise to the statutory function.

- 1.12 Some of the duties and powers cannot be contracted out, for example the duty around place planning and the power to prosecute for non-school attendance. However, this does not prevent the Council from contracting out delivery of services associated with these duties and powers, but the ultimate accountability and decision making would remain with the Council.
- 1.13 Within all of the options under consideration, the statutory post of Director of Children's Services will remain with the Council. The Director of Children's Services has professional responsibility for the leadership, strategy and effectiveness of local authority children's services. The Director of Children's Services is responsible for the performance of local authority functions relating to education and social care of children and young people. The Director of Children's Services is responsible for ensuring that effective systems are in place for discharging local authority functions, including where a local authority has commissioned any services from another provider rather than delivering them itself.

### **Options Appraisal**

- 1.14 A number of options have been considered and evaluated. The draft outline business case sets out full details of each of these options, including the potential benefits and risks associated with them. The options are summarised below.

Model A: In house

Model B: Outsource

Model C: Local authority trading company (LATC)

Model D: Schools-led social enterprise

Model E: Joint venture with schools having a commissioning role

Model F: Joint venture with schools having an ownership role

#### **In house**

- 1.15 The in house option is the representation of the service continuing to operate broadly as now, but on the basis that budgets are to be reduced significantly. This option would require significant changes in organisational capacity and skill-sets to deliver a more commercial approach. The impact of budget reductions on capacity would restrict the ability to achieve this. The in house model cannot therefore meet all the objectives for this service, as the level of service cannot be preserved and it would not actively involve schools in the development process.

#### **Outsource**

- 1.16 In this option, a commercial provider would be procured to run the service and service levels would be contractually assured. The local authority and schools would take no role in the ownership of the model, and would therefore be less likely to share in the risk or reward associated with delivery and growth. The local authority and school role in this model would be in specifying service levels and strategic commissioning and steering. Financial benefits would be achieved by drawing upon commercial expertise and capacity to deliver more efficient processes and

to grow services quickly. However, this model may struggle to build upon the relationship with schools, due to its more commercial focus.

#### **Local authority trading company**

- 1.17 The local authority trading company (LATC) would be a new organisation wholly owned by the local authority. This option would require a decision by the Council to invest in establishing an organisation able to trade and grow services. A LATC would primarily aim to meet the objectives through Barnet based growth, but this opportunity could be constrained by the lack of availability of commercial expertise. However the LATC is able to trade commercially and therefore may be better able to preserve service levels than the in house model.

#### **Schools-led company/social enterprise**

- 1.18 This model would require the establishment of a legal entity that is jointly-owned by schools and the Council, with both parties investing funds to establish the new organisation and grow services. This model builds on the existing good relationships with schools. Service levels would need to be maintained through investment from schools and the Council to build the capacity and commercial expertise that is needed to grow services quickly.

#### **Joint venture – LBB and third party provider**

- 1.19 For a joint venture the local authority would procure a third party provider to co-create a new organisation. Schools will have a role in service level commissioning and strategic commissioning, but would not take an ownership role. A joint venture enables an injection of funding and commercial expertise from a third party provider to build capacity and grow services, in exchange for a return on that investment. The Council would be a part owner in the organisation, benefiting from a return on any growth and the ability to influence strategic direction. The relationship with schools would be built through the commissioning role at both strategic and service level, with a degree of visibility and transparency not associated with the outsource model.

#### **Joint venture – LBB, schools and third party provider**

- 1.20 In this option, schools would form a new legal entity, which in turn would enter into a joint venture with the Council and a third party provider. Schools would take on some of the risk and delivery responsibility inherent in the ownership role. School ownership builds significantly on the current relationship with schools, creating a strongly unified education service across the Borough. A joint venture enables an injection of funding and commercial expertise from a third party provider to build capacity and grow services, in exchange for a return on that investment. Both the Council and the school company would be part owners in the organisation, benefiting from a return on any growth and the ability to influence strategic direction.

#### **Evaluation Approach**

- 1.21 The initial evaluation of options has been carried out in two stages. The first stage was an objective scoring exercise conducted by the Project Board.

This stage identified a series of assumptions to be tested in early engagement with schools and third party providers. In addition, external support was commissioned to provide an in-depth independent assessment of the financial modelling, along with a broader assessment of the commercial potential of an alternative delivery model.

- 1.22 The second stage of the initial options appraisal was conducted by the Project Board via a series of workshops. This included refining the models and assessment criteria used, based on initial feedback from schools and the market, scoring the models and recording the assumptions used to inform the scoring.

### **Initial Engagement with Schools**

- 1.23 In order to get an initial indication of the appetite of schools for a different delivery model, it was decided that a reference group of headteachers should be convened. In the first two meetings the objectives were:
- To explain why there is a need to consider alternative delivery models
  - To understand the appetite for involvement in shaping services in the future
  - To gauge responses to a possible third party provider
  - To gauge the appetite for possible ownership of a potential new company
- 1.24 This was followed by a series of briefing meetings, to which all headteachers and chairs of governors were invited. Chairs of governors were also given the option of extending the invitation to parent governors.
- 1.25 A consultation survey was then issued to all headteachers and chairs of governors, to seek initial views on:
- The aims, objectives and drivers
  - The potential benefits and risks of each model
  - The evaluation criteria
  - The potential role of schools in a new model
  - The level of support for each of the models under consideration
- 1.26 The survey was initially conducted between 1<sup>st</sup> July 2014 and 15<sup>th</sup> July 2014, at which point interim results were evaluated and reported back to the Headteacher Reference Group. The survey then remained open until 18<sup>th</sup> August 2014 and the interim report was updated to reflect the additional responses received.
- 1.27 The full findings from the meetings and the survey are set out in the draft outline business case. The key points are:



- There was very strong support for the vision and aims that have been set out for education services, alongside clear agreement with the key drivers for change.
- There was a good level of interest in engaging with the Council to shape the future direction of the service and there was a particular interest in how schools could work more closely together to secure high standards. There was less certainty that all schools could be successfully engaged.
- The Reference Group was clear that schools are willing to purchase what they need as long as it is good quality and delivers, regardless of provider. The Group was less certain of the benefit that a third party provider could bring but were willing to consider all options at this stage.
- There was no particular consensus over the level of commitment to ownership; however there was universal interest and a desire to understand more about potential models.

1.28 In respect of the six models under consideration, initial views from the survey were:

Some support for the in house model, with 25% of respondents positive and a further 26% willing to consider it, a total of 51%. 25% tended not to support this model and 7% strongly opposed it (32% against).

Little support for the outsourcing model, with 7% positive and a further 16% willing to consider it, a total of 23%. 24% tended not to support this model and 36% strongly opposed it (60% against).

Moderate support for a local authority trading company, with 11% positive and 41% willing to consider, a total of 52%. 23% tended not to support this model and 7% strongly opposed it (30% against).

Strong support for a social enterprise model, with 35% positive and 37% willing to consider it, a total of 72%. 10% tended not to support this model and 5% strongly opposed it (15% against).

Good support for the joint venture (LBB and third party provider) model, with 30% positive and a further 41% willing to consider it, a total of 71%. 14% tended not to support this model and 5% strongly opposed it (19% against).

Good support for the joint venture (LBB, schools and third party provider) model, with 29% positive and a further 31% willing to consider it, a total of 60%. 20% tended not to support this model and 8% strongly opposed it (28% against).

1.29 The number of responses received over a relatively short time period, along with the high level of attendance at briefing meetings, suggests a good level of engagement by schools in this process. However, the proportion of respondents that chose not to express views on the options, along with the

number of respondents that selected the “don’t know/not sure” response, reinforces the messages from meetings and from individual schools that schools require more time and more information on which to base any decisions they would need to make.

### **Initial Market Research**

- 1.30 Based on the initial assessment of the options, some assumptions required testing with the market. This research was carried out by inviting four industry representative companies to complete a questionnaire and attend a short interview. Three of the invited companies participated in the exercise.
- 1.31 The key findings from the research were:
- All respondents agreed that there was a market for this package of services, although some respondents suggested that some services may be subcontracted or delivered in partnership with co-bidders.
  - It was universally accepted that the role of schools as owners would be feasible. However, the details of this structure would need to be worked out through the procurement process.
  - All respondents identified that ownership carries risk. If schools take an ownership role they inherently take on some of the responsibility for delivery of these services and some of the risks of failure.
  - The proportion of ownership was identified as a key factor, as a controlling stake for schools would be unattractive to some respondents. For those that identified a controlling stake would be acceptable it was made clear that the respondents would not guarantee results from a company in which they did not have a majority stake.
  - It was suggested that any procurement should be heavily weighted on quality over cost.
- 1.32 In recognition of the restricted scope of this initial research, external support has subsequently been commissioned through a competitive tendering exercise, to provide an independent assessment of the broader market, including the not-for-profit sector, and the commercial opportunities that may exist for these services. In order to secure effective market engagement, thereby ensuring that this work provides the most accurate possible information, it is proposed that it is undertaken as part of the next stage of consultation, following Members’ consideration of this draft outline business case.

### **Potential Financial Benefits of the Options**

- 1.33 For any model there are several basic cost saving or income generating methods that may be applicable. These methods are described in full in the draft outline business case.

### **Efficiency savings**

- 1.34 Efficiency savings are created through transforming processes, eliminating waste in the system to create operational capacity. In the scoring of these models, it has been assumed that a third party provider would be better able to realise efficiency savings, through potential economies of scales and more commercial experience. The additional capacity created through efficiency savings need not lead to reduced staff numbers. As the objectives of the new delivery model include both growth and development of new services, it is likely that some or all of the additional capacity created through efficiency methods can be retained for these purposes.

### **Income generation (growth)**

- 1.35 There are three types of income generation accessible to different degrees by different models:

- Increased trade to current school customers
- Increased trade to schools within Barnet that are not yet customers
- Trading to schools in other boroughs or local authority areas and to academy chains

- 1.36 The in house model would have less capacity for growing traded services, as the budget would be significantly reduced and it is expected that potential service reductions, limited commercial capacity and a short timeframe would make it extremely challenging to develop services. A third party provider would bring commercial expertise that enables realisation of greater growth outside of the Borough, and faster growth in all categories.

### **Additional services**

- 1.37 In addition to building income through delivering higher volumes of existing services, the development of new services and bringing them to market is a further mechanism for growing revenue. It is assumed that through the application of commercial acumen and quicker availability of funding, a third party provider would be more likely to be able to develop services quickly in response to emerging needs. It is also assumed that partnership models involving schools are more able to quickly identify the emerging needs.

### **Service reductions**







- 1.38 This mechanism does not support the overall objectives of the project. However, the in house model would be more likely to draw upon this mechanism to deliver the required savings, as the capacity to build income and additional services is limited. Other models are less likely to draw upon this mechanism, due to their ability to achieve budget targets through growth. However, both the LATC and the schools-led company models would require up-front investment from the Council and/or schools in order to avoid service reductions.

### **Application**

- 1.39 As described in the preceding sections, each model has access to these savings mechanisms to a different extent. The table below provides an

initial indication of the degree to which each model would have access to these levers. Detailed financial modelling is under way to provide a comprehensive analysis of the likely impact of each lever on individual service areas.

1.40 The key financial objective for any future delivery model is that it is able to achieve the budget savings target set by the Council. Beyond the achievement of that minimum standard, the imperatives relate to service level and quality. At this stage, the financial viability of each model has therefore been assessed in those terms, taking into account the levers available to that model.

Lever	Applied to	In House	Outsource	LATC	Schools Led Company (social enterprise)	Joint Venture	Joint Venture with Schools
Efficiency savings	Gross Exp	✓✓	✓✓✓	✓✓	✓✓	✓✓✓	✓✓✓
Increased income through growth	Income	✓	✓✓	✓✓	✓✓	✓✓✓	✓✓✓
Additional services	Net Budget	✓	✓✓✓	✓✓	✓✓✓	✓✓✓	✓✓✓
Service Reductions	Net Budget	✓✓✓	✓	✓	✓	✓	✓
<b>KEY to the level of savings likely to come from each lever:</b> ✓✓✓ - high ✓✓ - medium ✓ - low							
ABILITY TO ACHIEVE MTFs TARGETS WITHOUT A NEGATIVE IMPACT ON SERVICE LEVELS/QUALITY		LOW 	MED 	MED 	MED 	HIGH 	HIGH 

1.41 Independent external support has been commissioned to provide further, in-depth analysis of the potential financial benefits, including the likely financial benefits from each model over and above delivery of the budget savings target. The outcomes of this work will be incorporated in the final outline business case.

### **Scored Assessment**

1.42 Four key categories of criteria have been identified, each of which were weighted in terms of their overall importance to the selection of a model.

This was informed by the strategic context as described above. The four categories of assessment criteria were:

**Strategic Direction (weighted 30%)** - Focuses on Barnet's relationship with schools, commissioning model, sector-led improvement and flexibility.

**Cost Saving (weighted 40%)** - Focuses on the ability of the model to achieve budget reduction targets over time, maximising the funding in Barnet's education system and sustainability of the service.

**Initiation/Design (weighted 10%)** - Focuses on retention of expertise, flexibility, complexity of governance, and the required time and cost of implementation.

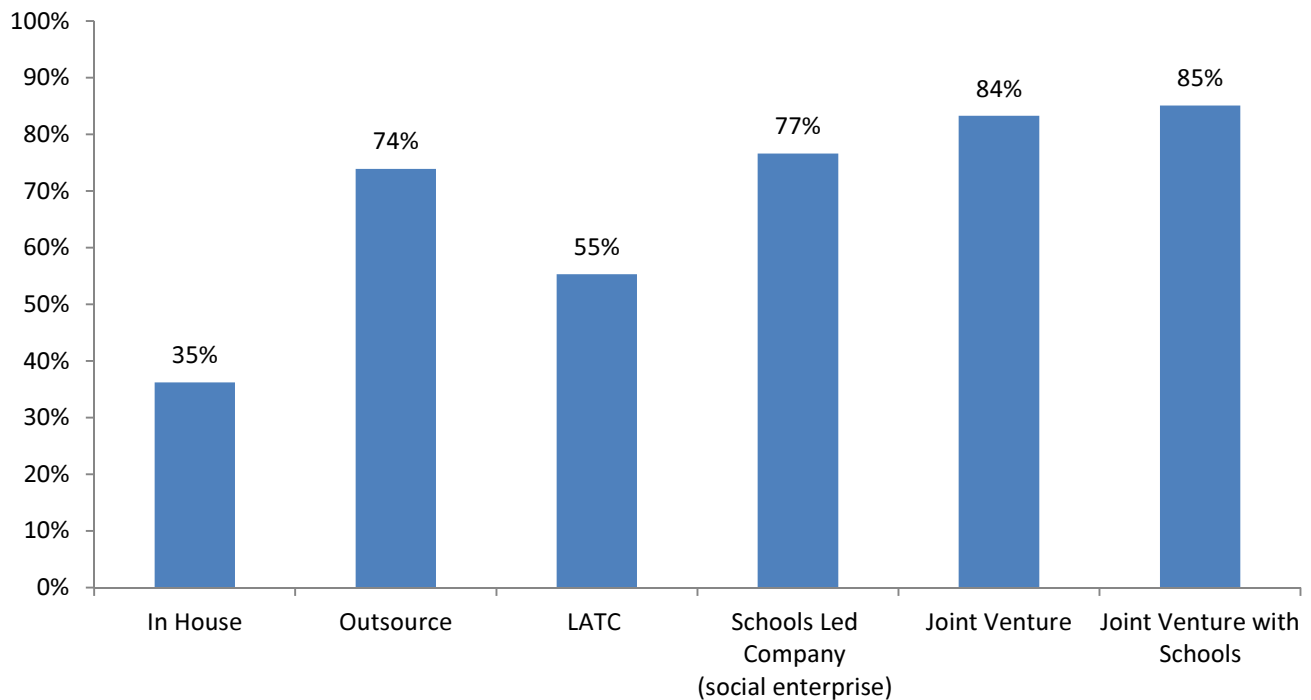
**Performance (weighted 20%)** - Focuses on performance, freedom to innovate, ability to meet demand and the focus on Barnet.

1.43 Within each category there are a number of criteria which have been further weighted in terms of their importance within the category. A full list and descriptions of the criteria are set out in the draft outline business case.

1.44 Each of the models has been scored based on the descriptions set out in sections 1.15 to 1.20 above. The key assumptions that underpin this assessment are:

- Models that include schools in ownership or commissioning roles are a better strategic fit
- Models that include a third party provider attain greater commercial expertise from the outset and are better able to grow services more quickly
- Models that include a third party provider deliver a greater opportunity for investment from outside the current system

1.45 The figure below shows the total weighted score for each model. Full details of the scoring are set out in the draft outline business case.



1.46 In summary, the two joint venture models score highest overall, with both scoring over 80% in total. They also score over 70% within each of the four categories.

1.47 The school-led social enterprise model and the outsource model both score over 70% and appear close based on total score. However, the social enterprise model scores over 50% within each of the categories and scores very well on strategic direction, whereas the outsource model scores less than 50% in the initiation/design category and scores relatively poorly in the strategic direction category.

1.48 The remaining two models score less well.

## 2. REASONS FOR RECOMMENDATIONS

2.1 Based on the detailed evaluation of the six possible models and taking into account the views of schools, along with the initial market and financial assessment, it is concluded that:

- i. The in-house, local authority trading company and outsource options are unlikely to meet the project objectives and have attracted less support from schools.
- ii. The three partnership options (social enterprise, joint venture with schools taking an ownership role and joint venture with schools taking a commissioning role) could potentially meet the project objectives and have attracted a reasonable degree of support from schools.

- iii. Further work is required to confirm the commercial and financial viability of these three options and to ensure that schools have sufficient information on which to base their decisions regarding the degree of involvement they would wish to have in the ownership of the future delivery vehicle and the level of investment they would be willing to make in both the establishment and the ongoing operation of that vehicle.
- 2.2 It is therefore recommended that the Council should proceed with setting up an alternative delivery model for Education and Skills services, centred on a partnership option. At this stage, it is proposed that the three main options around the nature of such a partnership should remain open for further consideration and that a final outline business case confirming the preferred option be put before Members in January 2015.

### **3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED**

- 3.1 In addition to the six options that were evaluated in detail, one further option, a shared service, was identified, but not taken forward for further consideration. The Council has a track record of using services shared with other organisations, where appropriate, but in this case informal discussions with neighbouring councils indicated that there was little appetite to participate in the development of a shared service at the current time. None of the six models under consideration preclude the possibility of future joint working with other councils.

### **4. POST DECISION IMPLEMENTATION**

- 4.1 In order to finalise the outline business case, work will continue on a number of fronts during the autumn term in order to:
- Carry out detailed testing of the commercial and financial viability of the remaining options, commencing with the publication of a Prior Information Notice (PIN) that will enable formal consultation to take place with the market through a soft market testing exercise.
  - Enable schools to make informed decisions about their level of involvement in the future model.
  - Develop detailed implementation plans and budgets to inform the decision-making process.
  - Develop a summary of efficiency, improvement and income opportunities for different in-scope services.
  - Give detailed consideration to the human resource implications of each remaining option, including potential TUPE transfers, and development of the Equality Impact Assessment. An initial Equality Impact Assessment is attached as Appendix Two.
  - Identify the statutory responsibilities that will remain with the Council and how the interface between the Council and the new delivery model will be managed.

- Work up detailed requirements for specialist legal, commercial and HR support for the implementation process and commence procurement to ensure that the necessary support is in place ready for the delivery of whichever option Members select for implementation.
  - Ensure that there is appropriate engagement and consultation prior to a decision being made.
- 4.2 Customer and Support Group involvement ceased in the concept phase of the project cycle and the development of options, assessment of financial benefit and engagement with schools has been managed directly by the Council and independent suppliers. The project will continue to be managed directly by the Council from this point forward, with all technical advice and input that relates to the development of the business case, commercial position and all procurement activities operating outside of any input from the Customer and Support Group and the wider Capita organisation. This ring-fence will remain throughout the duration of the project. As with any commercially sensitive project, the management of information is of paramount importance, with restricted access in place.
- 4.3 To date, independent external support has been commissioned to:
- Carry out the detailed financial assessment
  - Advise on the commercial aspects of the project
  - Provide “critical friend” input to the outline business case and development of detailed plans
- 4.4 It is proposed that a core team of 1 FTE project lead and 1.5 FTE workstream leads be deployed for the completion of the final outline business case and that they be supplemented by the use of targeted specialist support, as required.

## 5. **IMPLICATIONS OF DECISION**

### **Corporate Priorities and Performance**

- 5.1 Barnet is a place of growth. The quality of the education offer is at the heart of Barnet’s continuing success as a place where people want to live, work and study. It plays a crucial part in making Barnet a popular and desirable place with many families attracted to the area by the good reputation of Barnet’s schools. Excellent educational outcomes and ensuring children and young people are equipped to meet the needs of employers are key to deliver the Council’s strategic objectives set out in its Corporate Plan 2013-16 to:
- Promote responsible growth, development and success across the Borough
  - Support families and individuals that need it – promoting independence, learning and well-being



- Improve the satisfaction of residents and businesses with the London Borough of Barnet as a place
- 5.2 Developing a new approach to delivering education and skills services in partnership with schools, will enable the Council and schools to continue to support these priorities through jointly harnessing efforts and resources at a time of financial constraint and when the educational landscape is leading to a more diverse range of providers. Developing a delivery model that enables the services to be responsive to the needs of this increasingly diverse range of providers offers the opportunity to maintain and improve support services to schools so that Barnet's excellent educational offer can be maintained and improved.

**Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)**

- 5.3 These services are currently provided at a total annual gross cost of £18.7m. This is funded by £2.8m from the Dedicated Schools Grant, which is ring-fenced, and generation of income of £9.1m. This leaves a net budget of £6.8m.
- 5.4 Within the savings target set by the Policy and Resources Committee, the Education and Skills service is required to deliver savings of £850k between 2016/17 and 2019/20, in addition to savings of £700k that were agreed as part of the Medium Term Financial Strategy for 2015/16 in February 2014.
- 5.5 In respect of the development of proposals and the work required to complete the final outline business case, the project budget was initially set at £100k. An initial £32k was spent on baselining work, with the cost of the team that managed the project to the end of the Concept Phase being £51k.
- 5.6 As a result of the decision to recruit additional resources to deliver the assessment phase, further draw down of £150k was approved by Policy and Resources Committee on 10<sup>th</sup> June 2014. An estimate of expenditure required to complete the final outline business case, including external specialist support, indicates a further requirement of £50k, for which permission will be sought for additional draw down from the Policy and Resources Committee.
- 5.7 The development of the final outline business case will include a detailed assessment of the potential financial benefits of each of the options under consideration, based on the application of the levers identified in paragraph 1.34 to 1.38 above. Members are asked to note that there are also additional one-off costs associated with the implementation of any new delivery model. In this case, initial estimates are that these are likely to be in the order of £500k. These costs, along with their funding, will need to be

considered as part of the overall cost/benefit analysis that forms part of the final outline business case.

### **Legal and Constitutional References**

- 5.8 The Responsibility for Functions section of the Council’s Constitution sets out how decisions of the Council can be made. If this proposal proceeds, there are a number of significant decisions to be made, which sit across Council committees and full Council.
- 5.9 Paragraph 1.6 of the Responsibility for Functions section confirms that decisions on policy matters and new proposals relating to significant partnerships with external agencies and local authority companies are reserved to the full Council.
- 5.10 Annex A to the Responsibility for Functions section confirms the terms of reference for Council committees. Policy and Resources Committee has responsibility to determine the overall strategic direction of the Council, specifically in relation to internal transformation programmes, strategic partnerships and corporate procurement. The Children, Education, Libraries and Safeguarding Committee has responsibility for education functions, including discussion of transformation schemes within the Council’s policy framework.
- 5.11 To ensure that this project is considered by the correct decision making bodies, the following reports will be presented:

September 2014	CELS	Consideration and agreement of draft outline business case and agreement to consultation on preferred options
December 2014	P&R	Consideration of draft OBC and agreement to continued consideration of alternative delivery model for education services Agreement of budget for project implementation
January 2015	CELS	Consideration of consultation responses and decision on preferred option and commencement of procurement, as required
July 2015	CELS	Decision on selection of bidder, as required
July 2015	P&R	Consideration of alternative delivery model and recommendation to full Council on contracting out of functions and setting up alternative delivery model, as required
July 2015	Full Council	Decision on whether to set up alternative delivery model and contracting out of functions

- 5.12 The Education and Skills service provides a combination of statutory and discretionary services, some of which are traded to schools. Many of the statutory services can be contracted out by virtue of regulations made under the Deregulation and Contracting Out Act 1994, although there are some exceptions and the Council will have to consider the most appropriate way for relevant services to be delivered as part of the overall business case.

- 5.13 When making decisions around service delivery, the Council must consider its public law duties. This includes its public sector equality duties and consultation requirements as well as specific duties in relation to education services and services to children and families.
- 5.14 Due to the potential change to the provision of education services, detailed consultation will be carried out with schools, service users and the general public, as well as current employees. Results from this consultation must be considered when deciding on the most appropriate way forward.
- 5.15 The Council must comply with the Public Contract Regulations 2006 when proposing to enter into contractual arrangements for certain services. Detailed legal support is being provided to ensure that the Council meets its public procurement obligations.

### **Risk Management**

- 5.16 Project risks have been identified in the draft outline business case, along with mitigation measures. These will be managed through the project governance arrangements, in accordance with the Council's project management standards. The key risks to this project relate to:
  - i. Ensuring an effective level of engagement of schools that secures support for the chosen model and willingness to buy-back the services it provides. This will be managed by ensuring the ongoing involvement of schools in the formulation of the most appropriate and viable model.
  - ii. The ability to meet the timescale for achieving budget savings, given the level of change required. This will require ongoing monitoring.
  - iii. The ability to implement a new delivery model within the required operational timescales. Significant effort is being put into early, detailed planning of the commissioning process and ensuring that the necessary resources are in place to support this.
  - iv. The potential impact of changes in legislation relating to Special Educational Needs. Additional subject matter expertise is being sought to support the process of defining service requirements.
  - v. The ability of any alternative delivery model to achieve the required financial benefits based on the range of services that are in scope. The detailed financial modelling and early engagement with the market will ensure that a final decision can be based on a robust assessment of the potential financial benefits of each model.
  - vi. The potential impact on competition of the market's perception of the Council's existing partnership arrangements. Measures have been put in place to minimise the involvement of personnel that are employed through existing partnership arrangements and to ensure that any involvement is restricted to data provision and technical support only.
- 5.17 An initial assessment of Health and Safety Risks associated with the proposals has been carried out. This has identified that there are no

additional Health and Safety risks beyond those normally associated with the delivery of these services and which are managed through the established Health and Safety policies and procedures. In the event of a third party or separate organisation being established, there will need to be due consideration of Health and Safety matters in the commissioning process.

### **Equalities and Diversity**

- 5.18 The 2010 Equality Act outlines the provisions of the Public Sector Equalities Duty which requires Public Bodies **to have due regard** to the need to:
- eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010
  - advance equality of opportunity between people from different groups
  - foster good relations between people from different groups
- 5.19 The broad purpose of this duty is to integrate considerations of equality into day to day business and to keep them under review in decision making, the design of policies and the delivery of services.
- 5.20 An initial Equality Impact Assessment has been carried out and is attached as Appendix Two. This covers potential impacts on residents and service users and on employees. It will be developed in more detail, as work on the three options progresses. The initial impact assessment for residents and service users identifies a minimal positive impact overall. The initial impact assessment for employees identifies a bigger impact on women than men. This is due to the fact that women make up 93% of the affected workforce.
- 5.21 It is recognised that the establishment of an alternative delivery model constitutes a significant change that will have an impact on employees and, in accordance with the Council's Managing Organisational Change Policy, it is essential that this change is managed in a way that reduces the disruptive effects of change. This will include ensuring that:
- the employees concerned will be treated in a fair and equitable way
  - advance notice of the impending change is given to the employees concerned as soon as possible
  - change will be brought about following consultation
  - the need for compulsory redundancy will be minimised but balanced against the Authority's need to retain employees with the skills and experience necessary to best meet future service requirements
  - redeployment opportunities will be maximised
- 5.22 As identified in the body of the report, consultation will take place with the recognised trade unions and affected employees, as the proposals are developed further.

5.23 The Equality Impact Assessment will be kept under review and consultation responses will be incorporated into it to identify any potential adverse impacts and mitigating measures.

### **Consultation and Engagement**

5.24 The Council has carried out a series of consultations into the future shape of services.

5.25 In October to December 2013, the Council ran area-based workshops and focus groups with service users and residents with protected characteristics to establish their priorities for the future of the Council. The results of this consultation are published on [www.engage.barnet.gov](http://www.engage.barnet.gov) and informed the development of the priorities and spending review.

5.26 From March to June 2014 (with a break for the pre-election period), the Council ran a Call for Evidence for local organisations and residents, specifically exploring the roles of external organisations in supporting the Council in the delivery of services to Barnet residents. The results for this are also published on [www.engage.barnet.gov](http://www.engage.barnet.gov).

5.27 Through May to July 2014, the Council consulted with headteachers and governors, the direct recipients of Education and Skills services, to gather their views on potential future delivery models for the service. The results of that consultation are published as Appendix A to the draft outline business case.

5.28 Overall, the following key stakeholders have been engaged with to date:

- i. Engagement with schools to share the challenges and issues and to understand the opportunities and appetite for different levels of involvement from schools in a new model. This has been undertaken through briefings, workshops and an online survey of headteachers and chairs of governors.
- ii. Consultation with other key stakeholder groups, for example the Children's Trust Board, Barnet and Southgate College, to share the challenges and issues and explore opportunities.
- iii. Initial engagement with three private sector providers to explore potential opportunities and assess market appetite.
- iv. Engagement with employees and trades unions through briefings to share the challenges and issues and to inform them of the potential options and project approach.

5.29 In addition, desk research and insight gathering has taken place to assess the potential of alternative models and to learn from other local authorities.

5.30 The outcomes of the consultation and engagement activity that has been undertaken to date are set out in the body of the report.

- 5.31 A detailed consultation and engagement plan has been produced for the next stage of the project. The four key target groups for consultation and engagement are: schools; the market; employees and trades unions; and residents and service users. All findings will be taken into consideration and will inform the development of the final outline business case.

### **Schools**

- 5.32 There will be further extensive consultation with schools on the nature of the future delivery model, including whether or not schools should be involved in the ownership of the model and whether or not a third party provider should be sought. This consultation will also explore the level of investment that schools are willing to make in the new delivery vehicle, either in setting up the vehicle or in maintaining it through their purchasing power. This will take place primarily through briefings, presentations and school/governor circulars. Work will continue with the Headteacher Reference Group to develop the models and provide a key link to all schools. This will include involving school representatives in the evaluation process to inform the development of the final outline business case.

### **The market**

- 5.33 There will be formal consultation with the market through a soft market testing exercise consisting of questionnaires and interviews, which will establish the true level of viable market interest in entering into a joint venture with the Council or with the Council and schools. This will include assessing the level of interest from other local authorities in participating in the potential joint venture.

### **Employees and trades unions**

- 5.34 Initial briefings have been carried out with employees and trades union representatives in the services under consideration. There will be ongoing consultation and engagement through staff briefings and workshops, management team meetings and JNCC meetings, as the proposals are developed further.

### **The public and service users**

- 5.35 There will be broad engagement activity to inform the general public and parents on the proposals and their potential impact. There will be targeted consultation, through focus groups, with parent governors and special needs groups to identify their priorities in terms of evaluating potential partners and any concerns about the proposals, for which safeguards need to be built into any partnership agreement.

## **6. BACKGROUND PAPERS**

- 6.1 Policy and Resources Committee, 10<sup>th</sup> June 2014 (Decision Item 6) – noted the updated Medium Term Financial Strategy up to 2020 and the Priorities and Spending Review report. The Committee agreed the Education and Skills project approach to consultation.

6.2 Cabinet, 25<sup>th</sup> February 2014 (Decision Item 7) – approved the Medium Term Financial Strategy.

<http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=120&MId=7518&Ver=4>