

Draft Outline Business Case

Education and Skills Alternative Delivery Model

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1.1 Document Control

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1.3 Distribution List

Name	Role	Date
Val White Project Board Members	Project Board	31 st July 2014

1.4 Approvals

This document requires the following approval(s):

	Name	Role	Date
Project Board			27 th August 2014
Finance	Ruth Hodson	Head of Finance	29 th August 2014
HR	Mark Grimley	Head of HR	29 th August 2014
Legal	Sarah Wilson		29 th August 2014
Governance	Paul Frost		2 nd September 2014
Commercial Team	Claire Symonds	Commercial and Customer Services Director	4 th September 2014
Equalities	Lesley Holland		4 th September 2014

2 Introduction

2.1 Aims and Objectives

On the 23rd 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.

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 29th 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

This draft outline business case sets out the results of work that has been carried out to assess the best way of delivering Education and Skills services so that they can support the achievement of this ambition. It proposes the development of an alternative model for delivering these services in the future that will realise the objectives of:

- Achieving the budget savings target set by the Council
- Maintaining Barnet's excellent education offer
- Maintaining an excellent relationship between the Council and schools

In order to fully explore available options the project has examined ways in which schools can take control or ownership of part or all of the system and has also considered any benefits of working with a third party provider.

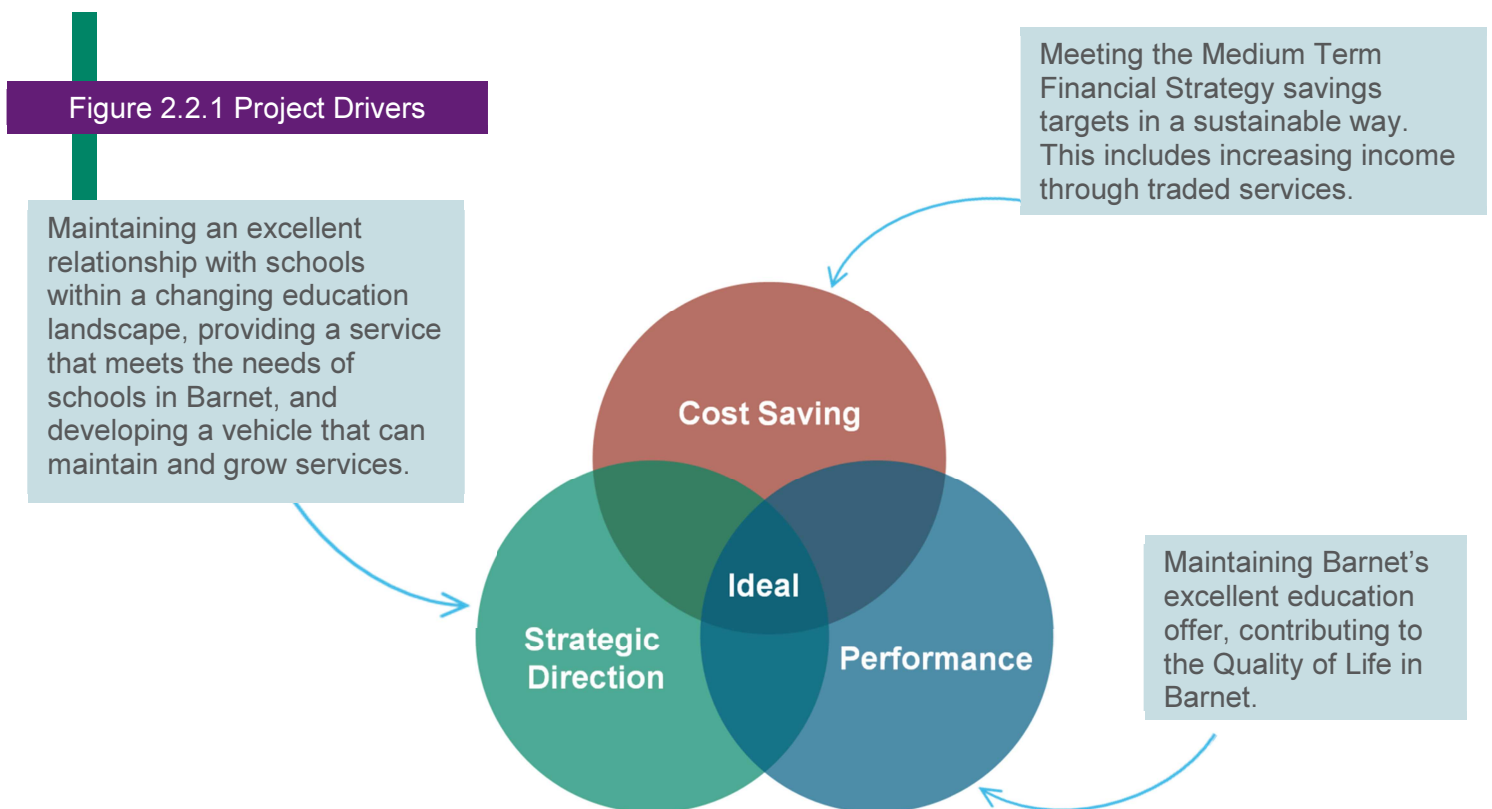
There has been initial engagement and consultation with schools during the process to date and the proposals reflect the outcome of that engagement and consultation. Further consultation is proposed prior to a final decision being made on the preferred option, when a final outline business case is put before members in January 2015.

2.2 Strategic Context

Barnet’s Education Strategy (approved by Cabinet in June 2013) sets out the changing educational landscape within which local authorities and schools are now operating, including:

- The increasing autonomy of schools – nationally, over 50% of secondary schools and 9% of primaries are now academies
- The increasing diversity of educational providers entering the educational arena, including academy trusts/sponsors and free school proposers
- Increasing delegation of school funding through the move towards a national funding formula

This changing landscape creates three key drivers for change in the service, which are summarised in figure 2.2.1 and described in full in the following paragraphs. These drivers combine to make a compelling case for change, the achievement of which requires consideration of an alternative model for the delivery of services in the future.



2.2.1 Performance Driver

In recent years, Barnet schools have been among the best in the country. 90% of Barnet pupils are at schools which were graded good or better at their last Ofsted inspection – ranking Barnet 12th in the country. With 90% of Barnet schools graded good or better, the local authority is ranked 13th nationally on this measure. Our

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aspiration is to be in the top 10% of authorities in the country and so far, we are succeeding.

However, maintaining this performance is challenging and some more 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. The following are areas of concern, which require a strategic response by the local authority and schools:

- Good and outstanding schools under the new OfSTED framework - whilst Barnet remains in the top 10 percent of local authorities for schools that have been judged by OfSTED as good or outstanding, Barnet ranks much lower (close to the national average) in relation to inspections carried out under the new inspection framework introduced in 2012.
- Primary writing - In relation to pupil achievement and progression, there are significant concerns with Primary school results, particularly in relation to writing, though the provisional 2014 results indicate an improvement on 2013.
- The FSM gap - At both Primary and Secondary level, the gap in attainment between pupils eligible for Free Schools Meals and their peers last year was well outside the top 10% of local authorities in England and well above the average gap for London. There has been an improvement in the Key Stage 2 figure in 2014 but it is not yet known whether this is also the case for Key Stage 4.
- Looked after children - In 2013 just 14% of looked after children in the Year 11 cohort achieved 5 A*-C GCSEs including English and Maths and the percentage making the expected level of progress in English and Maths between Key Stages 2 and 4 was just 12%.
- Primary attendance - Pupil attendance at primary schools in 2012/13 (the last available figures for a full school year) was below the national average and well below the London average.

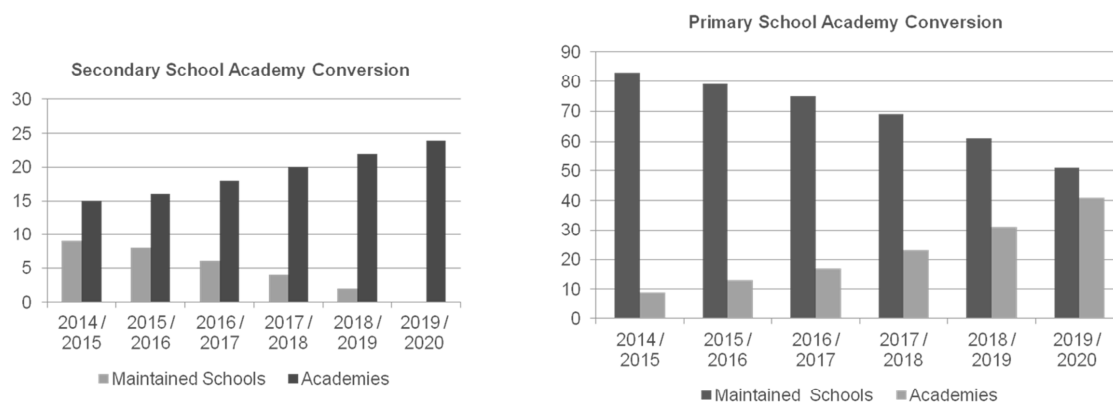
These areas of concern raise a broader issue of whether the arrangements for school improvement in Barnet are appropriate to the challenges we face. Because of this concern, officers and headteachers have been reviewing our school improvement arrangements. The same organisational issues also apply to other services and are a key factor in considering alternative delivery models.

Educational excellence is key to Barnet's ambition as a Borough to grow successfully and, in a series of consultations that have been conducted with Barnet residents, the quality of the education offer in Barnet has been identified as a priority issue, fundamental to maintaining quality of life in the Borough.

With the diversification of funding, structures and providers, maintaining this excellence going forward is going to require the Council and schools to consider how best to harness the resources within the system overall in order to sustain high standards in all our schools and to ensure that all children receive the very best standard of education in the Borough.

2.2.2 Strategic Direction Driver

As in most local authority areas, we are witnessing an increasingly diverse range of school governance arrangements emerging. 17 out of 24 of our secondary schools are academies and there are six primary academies. Of these, two are secondary free schools and three are primary free schools with more set to open. Based on current trends the rate of conversion to academies and free schools is predicted to increase over the coming years. Figure 2.2.3 shows an indicative predicted rate of conversion for both primary and secondary schools.



This means a conversion of 100% of currently maintained secondary schools and conversion of 39% of currently maintained primary schools.

This change will mean a reduction in demand for statutory functions and an increase in demand for traded services. This provides an opportunity for growth, but also the risk of competition for services.

Figure 2.2.3 Academy conversion

The vast majority of school improvement resources and school improvement expertise is now controlled and managed by schools themselves. 95 percent of the Schools Budget (the Dedicated Schools Grant) is devolved to schools. With all these resources at their disposal and the expertise it pays for and given the new education landscape of increasing school autonomy, the authority believes the time is ripe for schools to take greater ownership of education services, policies and strategies. The consideration of new delivery models is a response to that.

In addition, the authority intends to consult schools on a more flexible approach to how the school improvement system in Barnet should operate. There are significant potential benefits to be gained by establishing a more strategic longer-term approach to school improvement, based on systematic school-to-school support and drawing on the system leadership capability of many of the best headteachers and schools, including academies.

Barnet schools and the Education and Skills service are in a strong position to make a successful, timely transition to school-led improvement, building on the existing strengths of schools and central services and drawing on the experience and expertise of good and outstanding Barnet headteachers.

The new approach under consideration involves the development of a series of school improvement partnerships by April 2015 so that every school in Barnet is able

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to benefit from or contribute to system leadership and a self-improving school system.

This principles underpinning this approach to school ownership of school improvement also apply to other services to schools and children, young people and their families. The authority feels that schools should play a much more central role in the oversight of these services, including statutory services that are the responsibility of the local authority.

These other services which operate within increasingly tight financial constraints, as central budgets are reduced each year, include:

- making and reviewing special educational needs statements and determining placements
- securing sufficient education in the area
- provision of home-to-school transport for eligible children
- co-ordinating school admissions
- statutory enforcement in relation to school attendance
- co-ordination of arrangements to track young people and ensure participation beyond 16

A further range of services to schools is provided on a traded basis, either through the Council's Education and Skills service or through the Council's Customer and Support Group (CSG) partnership with Capita.

The strategic driver behind the proposed move to a new delivery model reflects the Council's desire to maintain its strong relationship with schools. To achieve this, it is necessary to ensure that future service provision is shaped and driven by schools, that it is of a high standard, and that services are able to cope with increased demand. The proposed selection criteria for the new model include criteria based on these strategic factors,

2.2.3 Financial Driver

Funding going to schools has been well protected despite recent reforms and looks set to continue this way. 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.

The Council has faced and continues to face significant budget pressures. It is expected that there will have been a 50% reduction in central government grant between 2010 and 2020 (63% adjusted for inflation). The Council expects to have made savings of £72 million between 2010 and 2015 and to have to make further savings of £70 million between 2016 and 2020. By 2020 the Council will have lost 44% of its spending power.

The budgets for schools and for some central education services are funded from the ring-fenced Dedicated Schools Grant (DSG). Any under-spending of DSG (the Schools Budget) has to be re-allocated within the Schools Budget, so cannot contribute to the Council's budget savings. The remaining, non-DSG funded, central

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education budget, which currently stands at £6.8m is set to reduce by over £1.5m between now and 2019/20. It should be noted that approximately half of this budget relates to the provision of transport for children with Special Educational Needs.

Savings on this scale will have a significant impact on the Council's ability to provide a strategic and distinct Education and Skills service and will mean the non-DSG-funded services would be reduced to a statutory minimum with the risk that even key statutory functions would not be carried out adequately.

2.3 Scope

2.3.1 Services in Scope

In determining the most appropriate scope for any alternative delivery model, the Project Board has taken into account the following factors:

- The aforementioned strategic context
- The need to provide a unified, integrated approach to service delivery
- The ability to define a single brand for education services, with clear points of contact for schools and parents
- Start-up and/or procurement costs, as well as ongoing client-side management costs

This has resulted in the Project Board taking the view that all remaining "local education authority" services, as currently provided by the Education and Skills Delivery Unit, should be included in the scope with the exception of provision of transport for children with Special Educational Needs. The reason for this exclusion is to ensure an appropriate degree of separation between the commissioning of transport services and the provision of the services. This means that the services that in scope are:

School improvement

- Statutory LA duties to monitor, support and challenge schools
- Narrow the gap service (DSG funded)

Special educational needs (subject to changes being implemented by the Children and Families Act 2014 from 1st September 2014)

- SEN placements & performance team
- SEN Early Support Programme
- Speech & Language therapy
- SEN Transport – commissioning and assessment
- Educational psychology team (part traded)
- SEN placements (DSG funded)
- SEN specialist support service

Admissions and sufficiency of school places

- Pupil place planning
- Admissions Service (DSG funded)

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Vulnerable pupils

- Education welfare service

Post 16 learning

- 14 - 19 service to ensure sufficiency and breadth of supply
- Monitoring, tracking and supporting participation

Traded services within Education and Skills

- Catering service
- Governor clerking service
- School improvement traded service
- Newly Qualified Teachers
- Educational psychology (part)
- Education Welfare Service (part)

These services are currently provided by 336 employees and any change in the delivery model will clearly have significant HR implications, which will require detailed consideration as this work progresses.

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 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

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.

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.

Services that are provided to schools from elsewhere within the organisation, notably through the Customer and Support Group, are not included in scope.

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2.3.2 Current Financial Position

As part of the Priority and Spending Review process it was identified that the Council has a savings target of £72m to achieve a balanced budget between 2016 and 2020. This is explained in more detail in the Finance and Business Planning – Corporate Plan and Medium Term Financial Strategy 2015/16 to 2019/20 paper presented to Policy and Resources Committee on 10th June 2014. Within this paper a savings requirement of £8.0m was allocated to Children, Education, Libraries and Safeguarding Committee.

The £700,000 budget reduction for Education and Skills services for 2015/16 was approved by Cabinet in February 2014.

Through working with the services it was estimated that redesigning the services would be able to achieve the following budget reductions:

2015/16	700,000
2016/17	85,000
2017/18	160,000
2018/19	255,000
2019/20	350,000
Total budget reduction	1,550,000

The current gross budgets for the services included in this business case are £18.7m. This is funded by £2.8m from the Dedicated School Grant, which is ring fenced. Income generation accounts for £9.1m of the remainder. This leaves a net budget of £6.8m. Further detail is provided in the table below.

	Gross Expenditure	Funded by:		Net Council Funding
		Income	DSG Funding	
14 - 19 Team	694,414	45,000	0	649,414
Barnet Partnership for School Improvement (BPSI)	774,850	808,190		(33,340)
Catering	6,943,500	7,133,970		(190,470)
Copyright Licencing	65,500	70,000		(4,500)
Ed Psych Team	1,005,230	286,780	265,870	452,580
Edu Partnership & Commercial Mgt	86,930	82,630		4,300
Complaints & Communication	176,082	0	176,082	0
Education Welfare Service	283,350	58,600		224,750
Foreign Language Assistants	151,640	165,020		(13,380)
Governors' Clerking & Support	305,870	281,350		24,520
High Needs Support Management team	65,290	0		65,290
Learning Network Inspectors NDSG	399,825	0		399,825
Management Team	195,250	0		195,250
Newly Qualified Teachers	149,210	134,860		14,350
North London Schools International Network (NLSIN)	48,440	55,960		(7,520)
SEN Early Support Programme	30,698	0		30,698

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SEN placements & performance team	1,898,040	0	1,366,060	531,980
Speech & Language therapy	48,654	0		48,654
Placement & Transport	4,060,391	0	39,737	4,020,654
School Monitoring Management	119,466	0	119,466	0
School Admission	361,200	0	361,200	0
SLA for Oakleigh for Early Years	449,040	0	449,040	0
Shared Service with Family Service	383,937	0		383,937
GRAND TOTAL	18,696,807	9,122,360	2,777,455	6,796,992

3 Options Appraisal

The following options have been considered and evaluated by the Project Board:

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

The selection of these models was based on sector-wide best practice knowledge.

“Do nothing” was not considered to be an appropriate option to evaluate, as the budget situation means that the service cannot continue in its current form. One further model, a shared service, was initially considered by the Project Board, but rejected for detailed 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.

3.1 Description of Models under Consideration

The following descriptions are based on an initial assessment carried out by the Project Board, which was subsequently updated to take into account feedback from schools.

3.1.1 In House

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 therefore require significant service reductions to meet budget targets.

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Ownership	<ul style="list-style-type: none"> Retained by the local authority
Governance	<ul style="list-style-type: none"> Multi level officer structure including various boards Political structure, committee system for decision making
Legal Form	<ul style="list-style-type: none"> No new registered legal form
Financial Arrangements	<ul style="list-style-type: none"> As now, with mix of DSG and non-DSG funding, with some traded income
Asset / Tax Arrangements	<ul style="list-style-type: none"> Assets are retained and tax regulations are unchanged
Ethos	<ul style="list-style-type: none"> No profit making motive Value to residents is the primary focus

How it meets the objectives

Significant service cuts would partially enable the in house delivery unit to meet the savings objective. However, growth of traded services would be required to fully realise the required budget reduction. The impact of budget reductions on capacity would restrict the ability to achieve this. Local Government legislation permits councils to set up agreements to provide goods and services to other public bodies, including schools. However, providing discretionary services outside this legislation is generally limited to cost recovery, unless a separate company is set up to permit the council to trade services. This may limit the ability of the in house model to innovate and develop new traded offerings. The in house model cannot 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. The reduced service level required to meet budget targets would undermine the ability of the Education and Skills delivery unit to support better educational outcomes for Barnet.

Potential benefits	Potential risks
<ul style="list-style-type: none"> 100% of Income remains in house Limited change – therefore limited impact of change Opportunity for closer integration with children’s and adults’ social care and public health, especially in light of changes in the Children and Families Act 2014 Potential to develop new models for individual services, such as catering 	<ul style="list-style-type: none"> Limited experience in trading outside the Borough Limited ability to generate new income Over time, non-DSG services will be reduced to a statutory minimum, with potential impact on services to schools and on children and young people Less ability and freedom to innovate Delivering savings will limit the capacity to generate income. Potential gradual reduction in strategic influence * Redundancies will be required, the cost of which are retained in house Cannot secure additional private funding No sharing of risk with schools or third party

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* As schools convert to academies they demand different services, and the uptake of traditional local authority School Improvement services fall. Alternative models such as the JV or social enterprise offer the local authority the ability to influence strategic direction of services through services traded by the new enterprise, and through a close involvement of schools and academies. This issue applies to a number of the models below.

3.1.2 Outsource

A commercial provider would be procured to run the service. The local authority and schools take no role in the ownership of the model, and would therefore be less likely to share in the risk or reward of delivery and growth. The local authority and school role in this model is in specifying service levels and strategic commissioning and steering.

Ownership	<ul style="list-style-type: none"> Entirely owned by commercial provider
Governance	<ul style="list-style-type: none"> Company Board of Directors (simple composition) Local authority and schools in customer role
Legal Form	<ul style="list-style-type: none"> Likely to be an existing limited company
Financial Arrangements	<ul style="list-style-type: none"> DSG funds outcomes Can raise finance through the sale of shares and access to commercial lending
Asset / Tax Arrangements	<ul style="list-style-type: none"> Assets are transferred Company is bound by corporation tax and companies house regulations
Ethos	<ul style="list-style-type: none"> Profit making motive drives growth Value to authority is the primary focus

How it meets the objectives

Transformation would be achieved by drawing upon commercial expertise to deliver more efficient processes and increased income. Service levels are contractually assured and, through growth in services and targeting services to meet customer needs, the organisation is able to support improved educational outcomes. However, this model may struggle to build upon the relationship with schools, due to its more commercial focus.

Potential benefits	Potential risks
<ul style="list-style-type: none"> Decreased financial risk New capability and added capacity Potential for rapid innovation and benefits realisation Potential to reduce costs as income is increased Potential to leverage private investment Freedom to trade outside the Borough 	<ul style="list-style-type: none"> Ability to secure schools' loyalty to the resulting contract Less potential for schools or local authority to steer strategic direction or development of services Potential for less focus on needs in Barnet Unlikely to be able to secure grant funding Any surplus/profit is retained by the provider, subject to negotiation

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Potential benefits	Potential risks
	<ul style="list-style-type: none"> • Immature market for complete outsource may lead to the need for multiple contracts • Requires a procurement process to meet EU procurement rules

3.1.3 Local Authority Trading Company

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 funds from reserves in establishing an organisation able to trade and grow services. Assets would be transferred into the new organisation and held in trust, ie the organisation could not sell assets to generate capital.

Ownership	<ul style="list-style-type: none"> • Retained by the local authority
Governance	<ul style="list-style-type: none"> • Simplified organisational structure • LBB and schools as commissioners
Legal Form	<ul style="list-style-type: none"> • Company limited by guarantee
Financial Arrangements	<ul style="list-style-type: none"> • Up-front investment from the Council • Funds cannot be raised through sale of shares
Asset / Tax Arrangements	<ul style="list-style-type: none"> • Assets are non transferable and tax regulations are unchanged • Regulations and account preparations are as with limited companies
Ethos	<ul style="list-style-type: none"> • Can trade for profit which is returned to the local authority • Value to service users is the primary focus

How it meets the objectives

A LATC would primarily aim to meet the objectives through Barnet based growth. The opportunity is 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.

Engaging schools in a commissioning role would help to build the relationship and tailor the service to customer needs.

Through maintaining service levels and engaging schools in a commissioning capacity, the LATC would target school improvement opportunities to help enable better education outcomes in Barnet.

The ability of the LATC to trade outside the Borough is limited by the potential lack of commercial expertise. Also, there is some complex case law, known as the Teckal exemption, regarding the ability of councils to let contracts directly to a LATC without

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open competition. Making use of this exemption would further limit the LATC's ability to trade outside the Borough.

Potential benefits	Potential risks
<ul style="list-style-type: none"> Freedom to trade, with limits if the intention is to use the LATC under Teckal exemption Some freedom to innovate Easier to engage staff Surplus/profit is retained to improve services 	<ul style="list-style-type: none"> Cannot secure additional external funding Risk of lack of entrepreneurial expertise and associated ability to develop new products and markets Use of the Teckal exemption would limit the ability to trade outside the Borough Without additional investment from the Council and/or increased income, non-DSG funded services would be reduced to a statutory minimum Redundancies may still be required

3.1.4 Schools-led Company/Social Enterprise

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. There could be clear social objectives to develop education services in Barnet. Assets would be transferred into the new organisation and held in trust, ie the organisation could not sell assets to generate capital.

Ownership	<ul style="list-style-type: none"> Jointly owned by schools and the Council
Governance	<ul style="list-style-type: none"> Board of directors Complex arrangements for engaging all schools
Legal Form	<ul style="list-style-type: none"> Main options would be company limited by guarantee or by share, with a social enterprise ethos
Financial Arrangements	<ul style="list-style-type: none"> Up-front investment from schools and the Council DSG funds outcomes Funds cannot be raised through the wider sale of shares
Asset / Tax Arrangements	<ul style="list-style-type: none"> Assets are non-transferable Corporation tax regulations and account preparation are as with limited companies
Ethos	<ul style="list-style-type: none"> No profit making motive Value to residents is the primary focus

How it meets the objectives

This model significantly builds on the existing good relationships with schools and provides further unification of the education system in Barnet.

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Service levels would need to be maintained through investment from schools and the Council, growth of services and the addition of new services, with savings being delivered to the Council through contractual arrangements.

Better educational outcomes for Barnet could be achieved through sector-led improvement.

Potential benefits	Potential risks
<ul style="list-style-type: none"> ▪ Schools' loyalty to buy-back services secured through ownership ▪ More freedom to trade and generate income, but Teckal restrictions would still apply ▪ Allows for greater opportunity to innovate ▪ Surplus is retained to improve services ▪ Deals with threat of competitive pressures ▪ Builds strong strategic influence ▪ Can secure additional grant funding 	<ul style="list-style-type: none"> ▪ Risk of lack of entrepreneurial expertise and associated ability to develop new products and markets ▪ Inclusive governance may dilute strategic leadership and the ability to act decisively ▪ Unlikely to meet short term saving targets without significant service reductions or increased income from schools ▪ Without additional investment from the Council and/or increased income, non-DSG funded services would be reduced to a statutory minimum ▪ Harder to leverage external investment ▪ Capacity within schools to participate effectively

3.1.5 Joint Venture – LBB and Third Party Provider

For a joint venture the local authority would procure a third party provider to co-create a new organisation. This organisation would have a profit making motive, but would also have clear social objectives, managed through the commissioning relationship. Schools will have a role in service level commissioning and strategic commissioning, but would not take an ownership role.

Ownership	<ul style="list-style-type: none"> • Jointly owned between third party provider and the local authority
Governance	<ul style="list-style-type: none"> • Company Board of Directors • Local authority and schools in service and strategic level commissioning roles
Legal Form	<ul style="list-style-type: none"> • Likely to be a company limited by share or guarantee
Financial Arrangements	<ul style="list-style-type: none"> • DSG funds outcomes • Can raise finance through the sale of shares (if shareholder model is adopted) and access to commercial lending
Asset / Tax Arrangements	<ul style="list-style-type: none"> • Assets are transferred • Company is bound by corporation tax and companies house regulations
Ethos	<ul style="list-style-type: none"> • Profit making motive drives growth • Value to service users is the primary focus

How it meets the objectives

A joint venture enables an injection of funding and commercial expertise from a third party provider to build capacity and grow services. Transformation drawing upon commercial expertise may also deliver more efficient processes.

The Council remains a part owner in the organisation, benefiting from a return on any growth and the ability to influence strategic direction.

The relationship with schools is built through the commissioning role at both strategic and service level, with a degree of visibility and transparency not associated with the outsource model.

Service levels are contractually assured and, through growth in services and targeting services to customer needs, the organisation is able to support improved educational outcomes in Barnet.

Potential benefits	Potential risks
<ul style="list-style-type: none"> ▪ Brings in entrepreneurial expertise and the ability to develop new products and markets ▪ Schools have formal influencing role over services, through commissioning process ▪ Builds on existing relationship with schools ▪ Freedom to trade and secure additional investment ▪ Risks and rewards shared between the Council and provider 	<ul style="list-style-type: none"> ▪ Schools' lack of formal stake reduces strategic influence ▪ Ability to secure schools' loyalty to resulting contract ▪ Impact of public perception of "profit motive" on schools' purchasing decisions ▪ Requires a procurement process to meet EU procurement rules

3.1.6 Joint Venture – LBB, Schools and Third Party Provider

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. As in 3.1.5 above, the joint venture would take the form of a company limited by share or guarantee and the organisation would have a profit making motive but also clear social objectives, managed through the commissioning relationship. Schools would take on some of the risk and delivery responsibility inherent in the ownership role.

Ownership	<ul style="list-style-type: none"> • Jointly owned between schools, a third party provider and the local authority
Governance	<ul style="list-style-type: none"> • Company Board of Directors - more complex governance • Local authority and schools in service and strategic level commissioning roles
Legal Form	<ul style="list-style-type: none"> • Likely to be a company limited by share or guarantee
Financial Arrangements	<ul style="list-style-type: none"> • DSG funds outcomes • Can raise finance through the sale of shares (if shareholder model is adopted) and access to commercial lending

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Asset / Tax Arrangements	<ul style="list-style-type: none"> • Assets are transferred • Company is bound by corporation tax and companies house regulations
Ethos	<ul style="list-style-type: none"> • Profit making motive drives growth • Value to service users is the primary focus

How it meets the objectives

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. Transformation drawing upon commercial expertise may also deliver more efficient processes.

As part owners of the organisation, the Council and schools benefit from a return on any growth and the ability to influence strategic direction.

Service levels are contractually assured and, through growth in services and targeting services to customer needs, the organisation is able to support improved educational outcomes in Barnet.

Potential benefits	Potential risks
<ul style="list-style-type: none"> ▪ Brings in entrepreneurial expertise and the ability to develop new products and markets ▪ Schools able to influence service development and strategic direction ▪ Schools' loyalty to buy back services secured through ownership ▪ Builds significantly on LBB's existing relationship with schools ▪ Can grow income, some of which will pass through to LBB and to schools ▪ Freedom to trade and secure additional investment ▪ Risks and rewards shared between the Council, schools and provider 	<ul style="list-style-type: none"> ▪ Overly-complex governance may weaken strategic leadership and the ability to act decisively ▪ Impact of public perception of "profit motive" on schools' willingness to participate ▪ Ability to secure a third party provider willing to provide an appropriate level of investment, given the involvement of two further parties ▪ Requires a procurement process to meet EU procurement rules ▪ Capacity within schools to participate effectively

3.2 Evaluation Approach

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 engagements with schools and third party providers, through a focus group of schools' representatives and a market research exercise. In addition, external support was commissioned to provide an in-depth independent assessment of the financial model, along with a broader assessment of the commercial potential of an alternative delivery model.

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.

3.3 Initial Consultation and Engagement

Initial consultation and engagement took place from November 2013 to August 2014 in order to gather views about the potential for an alternative delivery model for the Council's Education and Skills services and to inform the initial options appraisal process.

The following key stakeholders have been consulted and engaged to date:

- 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.
- 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.
- Initial engagement with three private sector providers to explore potential opportunities and assess market appetite.
- 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.

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

3.3.1 Initial Consultation and Engagement with Schools

In order to get an initial indication of the appetite of schools for a different delivery model, it was decided that a focus 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

The key findings from these meetings with the Reference Group were:

- The key drivers put forward for considering a new way of delivering services were appreciated and acknowledged by the Reference Group.
- 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 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.

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- 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

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.

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

The survey was initially conducted between 1st July 2014 and 15th July 2014, at which point interim results were evaluated and reported back to the Headteacher Reference Group. The survey then remained open until 18th August 2014 and the interim report was updated to reflect the additional responses received.

The survey results reinforced and built on the findings from the initial consultation meetings. A more detailed summary of the survey results is attached as **Appendix A**.

Overall, 136 responses were received during the survey period. These were mainly from primary schools, which is to be expected given the number of primary schools in the overall school estate. There was a good mix of responses from headteachers and governors, with over 60% of responses coming from chairs, vice-chairs or parent governors.

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.

Whilst there was a broad range of views on the relative importance of the criteria for deciding on the best model for the future, well over 50% of respondents ranked **“Supports delivery of better education outcomes across Barnet”** and **“Preserves or improves service delivery performance in key services (SEN, Admissions, Education Psychology etc)”** in their three most important criteria.

Over a third of respondents were very keen or quite keen for schools to be involved in the ownership of a new organisation, with a further third willing to consider it. Support was stronger from headteachers than it was from governors. It was also stronger amongst primary rather than secondary schools.

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

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Some support for the **in house** model:

- All respondents: 25% positive and a further 26% willing to consider it, a total of 51%, with 25% tending not to support and 7% strongly opposed (32% against)
- Primary headteachers: 31% positive and 35% willing to consider, a total of 66%, with 17% tending not to support and 4% strongly opposed

Little support for the **outsourcing** model:

- All respondents: 7% positive and a further 16% willing to consider it, a total of 23%, with 24% tending not to support and 36% strongly opposed (60% against)
- Primary headteachers: 9% positive and 13% willing to consider, a total of 22%, with 30% tending not to support and 35% strongly opposed

Moderate support for a **local authority trading company**:

- All respondents: 11% positive and a further 41% willing to consider it, a total of 52%, with 23% tending not to support and 5% strongly opposed (30% against)
- Primary headteachers: 21% positive and 35% willing to consider, a total of 56%, with 17% tending not to support and 9% strongly opposed

Strong support for a **social enterprise** model:

- All respondents: 35% positive and a further 37% willing to consider it, a total of 72%, with 10% tending not to support and 5% strongly opposed (15% against)
- Primary headteachers: 43% positive and 35% willing to consider, a total of 78%, with 4% tending not to support and 4% strongly opposed

Good support for the **joint venture (LBB and third party provider)** model:

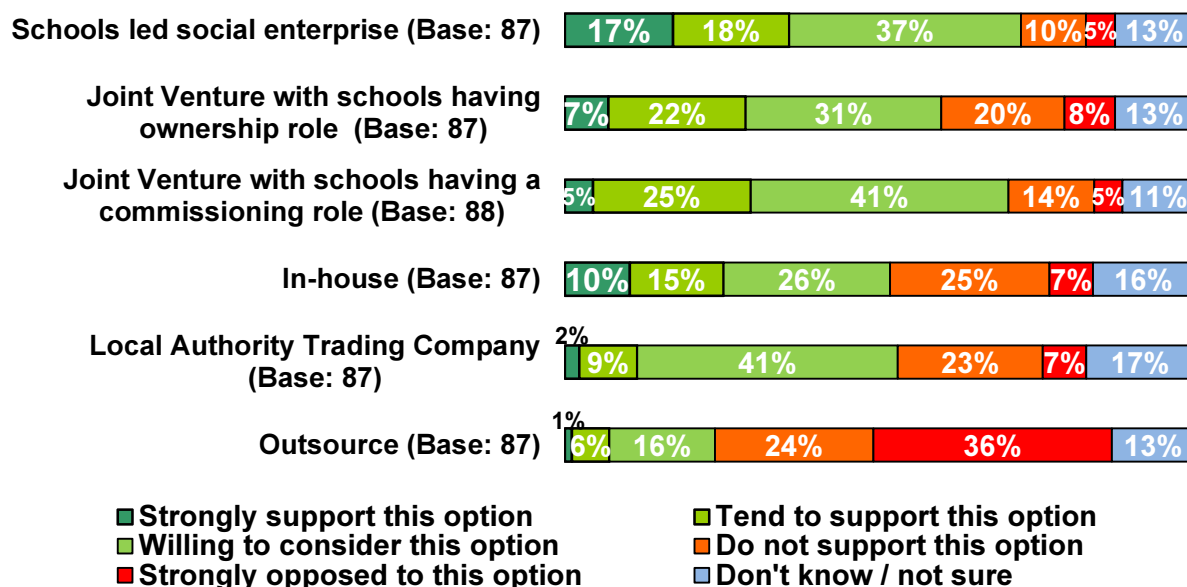
- All respondents: 30% positive and a further 41% willing to consider it, a total of 71%, with 14% tending not to support and 5% strongly opposed (19% against)
- Primary headteachers: 33% positive and 46% willing to consider, a total of 79%, with 8% tending not to support and 4% strongly opposed

Good support for the **joint venture (LBB, schools and third party provider)** model:

- All respondents: 29% positive and a further 31% willing to consider it, a total of 60%, with 20% tending not to support and 8% strongly opposed (28% against)
- Primary headteachers: 48% positive and 22% willing to consider, a total of 70%, with 13% tending not to support and 9% strongly opposed

Figure 3.3.1 summarises these responses.

Figure 3.3.1 Schools' initial views on each model



The number of survey responses received, 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.

3.3.2 Initial Market Research

Based on the initial assessment of the options, some assumptions required testing with the market. Due to the sensitive nature of the project it was decided that the most appropriate method of carrying out this research was to invite four industry representative companies to complete a questionnaire and attend a short interview with the aim of answering the following questions:

- Is there a market appetite for this type of contract?
- Is the scope appropriate? If not what could be added or removed?
- Would the role of schools as owners in the model be an issue?
- What level of growth is possible for the services in scope?
- What would be required to ensure a fair procurement process is recognised as such?

Three of the invited companies participated in the exercise. The key findings from the market research were:

- All respondents agreed that there was a market for this package of services
- All respondents identified the value in providing a single brand for educational services

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- Some respondents speculated that some services may be subcontracted or delivered in partnership with co-bidders
- Some respondents identified additional services that could be added into scope including early years and libraries
- 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
- All respondents expressed a preference for competitive dialogue procurement process, as it allows constructive and iterative development of the solution, keeping the process fair and transparent
- It was identified that scoring should be clear and transparent to ensure no bias to a particular bidder

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.

3.4 Potential Financial Benefits

For any model there are several basic cost saving or income generating methods that may be applicable. A short description of these methods is given below, along with key assumptions of how these apply to the models under assessment.

3.4.1 Efficiency Savings

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 partner would be better able to realise efficiency savings, through experience and expertise. Whilst one market research respondent identified the expectation that a 7% efficiency saving could be realised in Catering and 20% from the remaining services in an outsource or joint venture model, this assertion would need to be tested further.

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The additional capacity created through efficiency savings need not lead to reduced staff numbers. As the objectives of this organisation 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.

3.4.2 Income Generation (Growth)

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

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. Whilst there is some potential to grow traded services at the margins, the reductions in statutory services would mean it would be highly unlikely that trading could be extended into these areas.

A third party provider would bring commercial expertise that enables realisation of greater growth outside of the Borough, and faster growth in all categories. It is assumed that the outsource model restricts the expertise and input of schools, and therefore is less likely to be successful in increasing income either from existing school customers or other schools within the Borough.

3.4.3 Additional Services

In addition to building income through delivering higher volumes of existing services, the development of new services and bring them to market is a further mechanism for growing revenue. It is assumed that through the application of commercial acumen and access to commercial funding, a third party provider would be more likely to be able to develop services quickly in response to emerging needs.

Models that include schools in a commissioning or ownership role are assumed to be more able to develop services that are appealing and appropriate for the market.

3.4.4 Service Reductions

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 more limited. It is less likely that other models would need to draw upon this mechanism, due to their ability to achieve budget targets by generating 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.







3.4.5 Application

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

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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.

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. The Project Board has therefore assessed the financial viability of each model 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	✓✓✓	✓	✓	✓	✓	✓
KEY to the level of savings likely to come from each lever: ✓✓✓ - high ✓✓ - medium ✓ - low							
ABILITY TO ACHIEVE MTFS TARGETS <u>WITHOUT</u> A NEGATIVE IMPACT ON SERVICE LEVELS/ QUALITY		LOW 	MED 	MED 	MED 	HIGH 	HIGH 

Taking into account start up timescales, it is unlikely that any of the potential models would achieve the savings target for year one. However, for partnership models it is likely that the third party partner would be willing to “front load” the benefits to meet these targets.

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.

3.5 Scored Assessment

3.5.1 Method

The Project Board identified four key categories of criteria, 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 in section 2.2.

Within each category there are a number of criteria which have been further weighted in terms of their importance within the category. Therefore if a criterion is weighted heavily it will have a greater influence over the score for that category. Importantly, a heavily weighted criterion in one category is not necessarily more important than a lower weighted criterion in another category. The weighting of individual criteria was modified during the second stage of evaluation to take into account the views of schools, for example by increasing the weighting of the “preserves or improves service delivery” criterion to reflect the number of respondents that ranked it as one of their top three criteria.

As the number and weighting of criteria in each category differs, the category score will be expressed as a percentage of the potential total, rather than an absolute score. This will correct for any disparity in category sizes.

$$\text{Total Score} = \text{Sum of (Category Score x Category weighting)}$$

$$\text{Category Score} = \frac{\text{Sum of (Criteria Score x Criteria Weighting)}}{\text{Sum of (Max Poss. Criteria Score x Criteria Weighting)}}$$

3.5.2 Categories

The four categories of assessment criteria identified by the Project Board 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 make 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.

A full list and descriptions of the criteria are attached as **Appendix B**.

3.5.3 Scores

Each of the models has been scored based on the detailed descriptions set out in section 3.1 above. The key assumptions that underpin this overall assessment are:

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

Figure 3.5.3.1 overleaf shows the total weighted score for each model, whilst figure 3.5.3.2 overleaf shows the category totals for each model. The full table of scoring criteria, their weighting and the associated scores are set out in **Appendix C**. This includes a summary of the key factors and assumptions taken into account by the Project Board in agreeing their scores.

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

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.

The remaining two models score less well overall.

Figure 3.5.3.1 Weighted totals

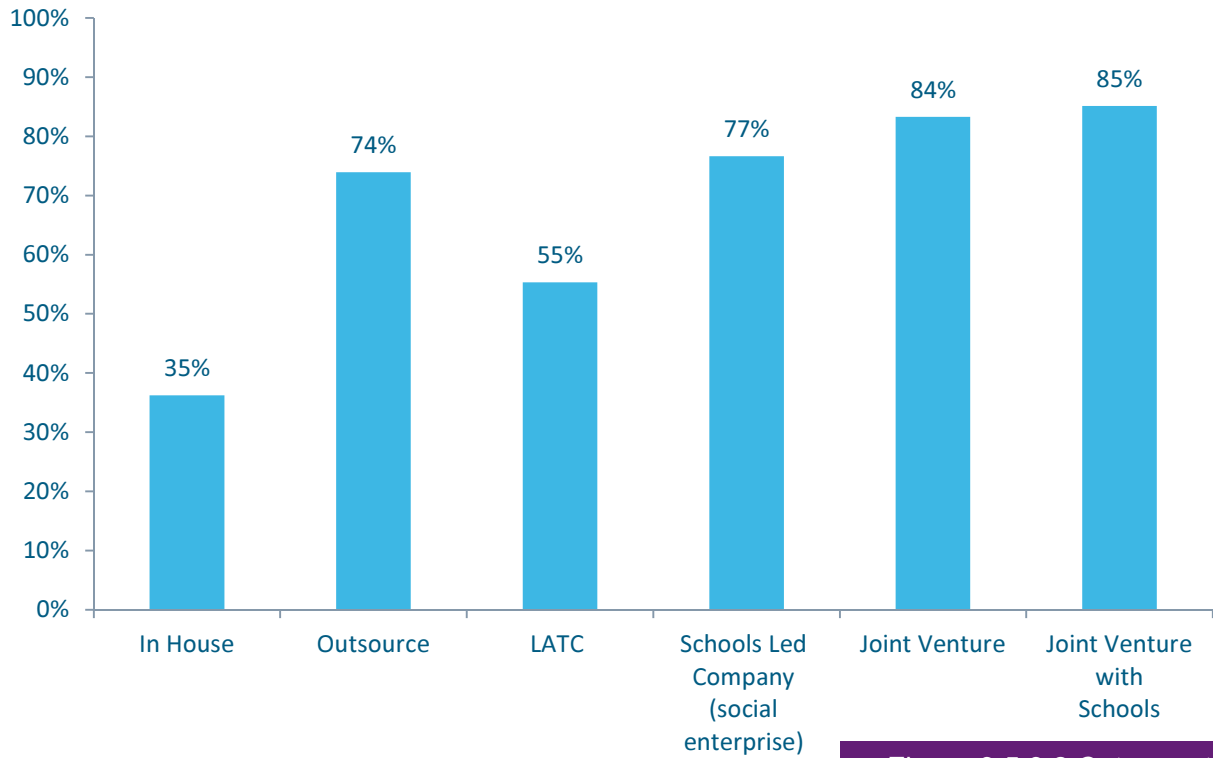
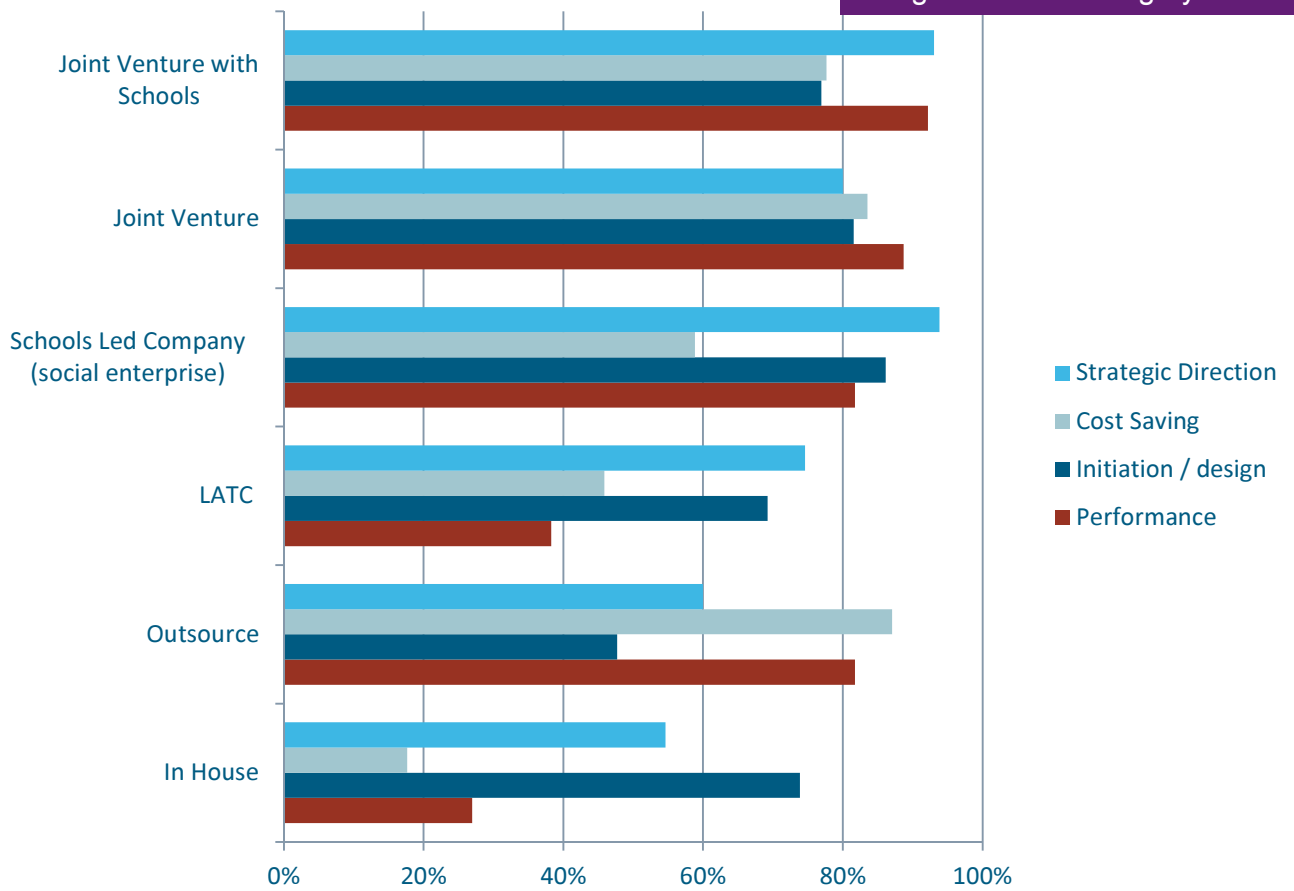


Figure 3.5.3.2 Category totals



4 Conclusions and Recommendation

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, the Project Board has concluded that:

- The in house, local authority trading company and outsource options are unlikely to meet the project objectives and have attracted less support from schools
- 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
- 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 on-going operation of that vehicle

It is therefore the Project Board's recommendation 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.

5 Next steps

In order to finalise the outline business case, work will continue on a number of fronts during the autumn term in order to:

- Provide members with a more detailed evidence base on which to make their final decision on the model to be implemented
- Ensure that there is appropriate engagement and consultation prior to a decision being made
- Enable schools to make informed decisions about their level of involvement in the future model
- Carry out detailed testing of the commercial and financial viability of the remaining options
- Develop detailed plans and budgets for the implementation of each of the models that remain under consideration

5.1 Further Assessment and Evaluation

There will be further assessment and evaluation of the three models that remain under consideration, including:

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- Development of a detailed financial business case for each model, including an appraisal of the investment requirement and potential returns. This will include completing an assessment of income, improvement and growth opportunities on a service by service basis.
- Further consideration of the commercial aspects of the future delivery vehicle, through the development of an outline business plan for each of the options. This will commence 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. This will cover both the private sector and the not-for-profit sector. There will also be engagement with other local authorities to inform the assessment of potential growth opportunities beyond Barnet's boundaries.
- Detailed consideration of the implications for residents and services users and for employees, including the implications of potential TUPE transfers. An initial Equality Impact Assessment has been undertaken and will be developed in more detail, as work progresses.
- Development of detailed service specifications to inform the establishment of the new delivery model, including identification of potential priority areas for improvement.
- Detailed consideration of the statutory responsibilities that will remain with the Council, management of the interface between the Council and the new delivery model and what that means in terms of a retained function. Detailed legal advice will be sought on statutory responsibilities and on the options under consideration.

The options evaluation process will take into account the outcomes of the work identified above, together with the outcomes of further consultation and engagement (see below), in order to identify a single preferred option for consideration by Members in January 2015.

5.2 Further Consultation and Engagement

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.

5.2.1 Schools

There will be further extensive consultation with schools (headteachers and governors) 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

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representatives in the evaluation process to inform the development of the final outline business case.

5.2.2 The Market

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.

5.2.3 Employees and Trades Unions

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

5.2.4 The Public and Service Users

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 the partnership agreement.

5.3 Implementation/procurement planning

The final outline business case will include a comprehensive implementation plan, including details of the proposed procurement route, if relevant. An initial assessment of the three options that remain under consideration has identified the following key activities that would need to be taken into account in planning for their implementation:

- Overall ownership and governance arrangements
- Establishment of a schools company
- Procurement of a third party provider, including establishment of evaluation criteria
- Arrangements for the Council's involvement in a partnership

5.4 Establishment of Resource Requirements

5.4.1 Project Team

Customer and Support Group (CSG) 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 CSG and the wider Capita organisation.

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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.

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

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.

5.4.2 Support for implementation

The cost of change is an important factor to take into account in the final selection of the preferred option. All options would require a core project team of four to five people to be in place for approximately a year, together with on-going finance and HR support.

With the exception of the in house model, specialist legal and commercial support would also be required to establish the delivery vehicle, manage any procurement required and provide input to the development of detailed business plans. An initial estimate of the cost of such support is that this would be in the order of £500k. Further work is now required to firm up the detailed requirements, as they relate to each model that remains under consideration, and commence procurement of the necessary support to ensure that it is in place ready to support the delivery of whichever option that members select for implementation.

5.4.3 Project budget

The project budget was initially set at £100k to deliver the OBC. An initial £32,000 was spent on baselining work, with the cost of the team that managed the project to the end of the Concept Phase being £51,046.

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 10th June 2014.

The current budget position is:

Authorised funding (from Children's Transformation Reserve)		
Approved [date required]	100,000	
Approved draw down P&R 10th June 2014	150,000	
Total approved funding		250,000

Projected expenditure to 30th September 2014		
Pre-transformation expenditure	32,000	

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Concept phase project team	51,046	
OBC development team	51,550	
External specialist support	33,000	
Expenditure to date		167,596

Balance remaining	82,404
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Proposed budget to 31st December 2014		
Project team	75,400	
External support	50,000	
Total requirement		125,400

ADDITIONAL FUNDING REQUIRED	-42,996
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Permission will be sought from the Policy and Resources Committee for additional draw down to fund the completion of the final outline business case.

6 Timescales

The key milestones associated with this project are set out below. These are supported by more detailed project plans, which will be developed further to inform the final outline business case.

Key milestones	Planned date
Approval of draft outline business case (CELS committee)	15 th Sep 2014
Commence second stage consultation with schools	16 th Sep 2014
Commence public consultation	22 nd Sep 2014
Commence soft market testing	22 nd Sep 2014
Commence engagement and consultation with TUs	22 nd Sep 2014
Complete financial assessment	Sep to Nov 2014
Develop outline business plan for each model	Sep to Dec 2014
Develop detailed implementation and resource plans	Sep to Dec 2014
Agreement to implement a revised delivery model (P&R committee)	2 nd Dec 2014
Approval of final outline business case (CELS committee)	12 th Jan 2015
Commence process to establish new model	19 th Jan 2015
Approval of Final Business Case	31 st Jul 2015
Commence formal TUPE consultation	31 st Jul 2015
Implementation	26 th Oct 2015

7 Dependencies

There are a number of other transformation projects currently in their formative stages, which may impact upon the development of an alternative delivery model for these services. These include:

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- Early Years
- 0-25 Disability Services
- Passenger Transport (service delivery)

These dependencies have been identified and arrangements have been put in place to ensure that they are managed effectively. This includes ensuring appropriate representation on the Project Board.

8 Risks

The potential risks associated with each model are set out above. The table below shows the main project risks that have been identified in respect of this work.

Risk Ref.	Risk and Impact	Mitigation	Probability	Impact
1	There is a risk that the schools do not engage sufficiently in the detailed option appraisal process, as a result of which they do not commit the necessary resources to secure its success. If schools do not buy in to the chosen model to the point of objection, it is possible that they could choose to take their business elsewhere for traded services, impacting the ability of the chosen model to remain viable.	There has been a good level of engagement activity with schools thus far. This will continue during the autumn term to enable schools to contribute effectively to the formulation of the most appropriate and viable model. If a procurement exercise is required, potential bidders will be required to demonstrate added value to schools, and schools representatives will form part of the assessment panel.	Low	High
2	If procurement is required, the timescales for achieving the savings attributed to this project will extend beyond the 2015/16 MTFS target date.	The impact of this risk can be reduced if savings can be transferred into the PSR period.	High	Medium
3	There is a risk that any delays in the decision-making process will impact on the ability to implement the final model in accordance with the desired timescales, with consequent delays in the delivery of savings	Significant effort is being put into early, detailed planning of the commissioning process. If procurement is required, the process will be clearly defined, with very clear objectives for each stage, clear and publicised scoring criteria, and robust and clear data prepared in advance.	Medium	High
4	There is a risk that changes in SEN legislation, along with existing capacity issues in the service, will impact on the ability to provide clear and timely service specifications to inform the commissioning process	Guidance and templates for the preparation of specifications has been distributed at an early stage to maximise the time available for preparation. Additional subject matter expertise is being sought to support this process.	Medium	High
5	There is a risk that none of the models will deliver the required financial benefits, due to the range of services within scope (and those that are not in scope) and/or the ability to grow services due to the current high level of buy-back for those services	Detailed financial modelling and formal engagement with the market will enable a more robust assessment to be made of the commercial and financial opportunities, prior to a final decision being made	Medium	High
6	Despite sufficient conflict of interest protocols, there is a risk that Capita is perceived to be unfairly advantaged in any potential procurement, thereby reducing the level of participation from the market in the process	The contractually agreed Ethical Wall and Conflict of Interest protocols have been enacted for this project. Measures have been put in place to ensure that the involvement of CSG/Capita personnel is minimised and that it is restricted to data provision/technical support only. Any procurement process would be designed to ensure that no advantage is gained from existing partnership relationships.	Medium	High

9 Appendices

9.1 Appendix A – School Survey Results (Presentation)

9.2 Appendix B – Evaluation Criteria

9.3 Appendix C – Scoring Outcomes