

Outline Business Case (OBC): Education and Skills Alternative Delivery Model

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1. Introduction and Strategic Context

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.

The Children, Education, Libraries and Safeguarding Committee's proposed Commissioning Plan sets out the key priorities for children and young people over the next five years, alongside the projected budget profile for services within its portfolio. Budget targets have been allocated to each service area through to 2019/20, including for Education and Skills.

In preparing 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

At its meeting on 15th September 2014, the Children, Education, Libraries and Safeguarding Committee considered a draft outline business case that set out the results of work that had been undertaken to assess the best way of delivering Education and Skills services in the future, so that they can support the achievement of this ambition. The draft outline business case set out details of six options for the future delivery of services for consideration by the Committee.

The Committee decided to proceed to consultation on four of those options. This final outline business case sets out the results of that consultation, along with the outcomes of further work that has been undertaken to assess the commercial and financial viability of each of the options and recommends a preferred model for the future delivery of the Education and Skills service.

2. Rationale

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 described in full in the following paragraphs. These drivers combine to make a compelling case for change, which requires consideration of an alternative model for the delivery of services in the future.

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 and 90% of Barnet schools are graded good or better. Our 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:

- Inspection of 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. However, the provisional 2014 results do indicate an improvement on 2013.
- The Free School Meals 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 at Key Stage 4 there is a larger attainment gap than nationally for pupils achieving 5 A*-C grades including Maths and English.

- 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 and both officers and headteachers have been reviewing our school improvement arrangements. A new Schools Standard Partnership Board has been established, chaired by the Director of Children's Services to bring focus and challenge to our arrangements.

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.

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 secondary and three primary schools were opened as new academies (free schools). Based on current trends, the number of academies within the Borough is predicted to increase over the coming years.

The vast majority of school improvement resources and school improvement expertise is now controlled and managed by schools themselves. 95% of the Schools Budget (the Dedicated Schools Grant) is devolved to schools. Given the level of resources and expertise now within schools, together with the increasingly autonomous nature of school governance, greater ownership of education services, policies and strategies by schools is becoming an increasingly common feature of local education partnerships. The consideration of new delivery models is a response to that.

During the last year, the authority has also been consulting 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, with a greater focus on school-to-school support and drawing on the system leadership capability of many of the best headteachers and schools, including Barnet academies. Barnet schools and the

Education and Skills service are in a strong position to make a successful, timely transition to a new model of school improvement, through the development of school improvement partnerships, so that every school in Barnet is able to benefit from and contribute to system leadership and a self-improving school system.

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.

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), including a reduction in the Education Services Grant paid to local authorities for the provision of central education services. The Council expects to have made savings of £73.5 million between 2010 and 2015 and to have to make further savings of £73 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 education budget, which currently stands at £6.8m is set to reduce by over £2m between now and 2019/20, including savings of £0.5m in SEN Transport. It should be noted that more than 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, if the service is not delivered in a fundamentally different way, even key statutory functions may not be carried out adequately.

3. Project Definition

The aim of the project is to implement a future delivery model for Education and Skills services that will realise the objectives of:

- Maintaining Barnet's excellent education offer;
- Maintaining an excellent relationship between the Council and schools; and
- Achieving the budget savings target for the service up to 2020.

Scope

In determining the most appropriate scope for the future delivery model, the following factors have been taken into account:

- The 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

It is proposed that all remaining local education authority services, as currently provided by the Council's Education and Skills Delivery Unit, should be included in the scope for consideration of a new delivery model. This does not currently include the brokerage or provision of transport for children with Special Educational Needs, but these may be included subject to the outcome of a separate Council project that is reviewing the Passenger Transport Service.

The services in scope are:

Strategic and financial management of the service

- Strategic oversight of the Education and Skills service
- Strategic support and advice to the Schools Forum
- Management of the Dedicated Schools Budget and the distribution of funding to schools (including SEN place-funding and top-up funding)

School improvement

- Statutory local authority services, such as monitoring, supporting and challenging schools, and intervening in maintained schools where necessary
- Narrowing the gap service (DSG funded)

Special educational needs (including changes implemented from 1st September 2014)

- SEN placements & performance team
- SEN Early Support Programme
- SEN Transport – commissioning and assessment

- Educational psychology team (part traded)
- SEN placements (DSG funded)
- SEN specialist support service (DSG funded)

Admissions and sufficiency of school places

- Pupil place planning
- Admissions Service (DSG funded)

Vulnerable pupils

- Education welfare service (part traded)

Post 16 learning

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

Traded services

- Catering service
- Governor clerking service
- Barnet Partnership for School Improvement (BPSI)
- Newly Qualified Teachers support
- Educational psychology (part)
- Education Welfare Service (part)
- North London Schools International Network (NLSIN)

Any new model would deliver statutory services for the Council, as well as providing traded services to schools. For the Council's statutory functions to be contracted out to a 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.

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. 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 the local authority children's services;
- is responsible for the performance of local authority functions relating to education and social care of children and young people; and

- 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.

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 *Business Planning Report – Medium Term Financial Strategy 2015/16 to 2019/20* paper presented to Policy and Resources Committee on 2nd December 2014, which revised the gap to £73.5m. Within this paper a savings requirement of £9.875m was allocated to Children, Education, Libraries and Safeguarding Committee.

In response, the Children, Education, Libraries and Safeguarding Committee has developed a five year commissioning plan. This plan sets out the key priorities for children and young people over the next five years, alongside the projected budget profile for services within its portfolio to meet the Council's Medium Term Financial Strategy. For the Education and Skills service, the proposed commissioning plan requires the following budget reductions through to 2019/20:

2015/16	695,000
2016/17	85,000
2017/18	160,000
2018/19	255,000
2019/20	350,000
Total budget reduction	1,545,000

The current gross budgets for the services included in this business case are £18.8m. This is funded by £2.9m from the Dedicated School Grant, which is ring fenced. Income generation accounts for £9.2m of the remainder. This leaves a net non-DSG revenue budget of £6.8m. Further detail is provided in the table below.

	Gross Expenditure	Funded by:		Net Council Funding
		Income	DSG Funding	
Non-DSG services excluding SEN Transport				
14 - 19 Team	695,190	-85,450		609,740
Barnet Partnership for School Improvement (BPSI)	727,730	-761,070		-33,340
Catering	6,943,500	-7,133,970		-190,470
Ed Psych Team	860,130	-286,780	-120,770	452,580

Education Welfare Service	343,335	-118,580		224,755
Foreign Language Assistants	151,640	-165,020		-13,380
Governors' Clerking & Support	319,950	-295,430		24,520
Learning Network Inspectors NDSG	439,520	0		439,520
Management Team	345,650	-22,630		323,020
Newly Qualified Teachers	235,801	-135,260	-86,191	14,350
North London Schools International Network (NLSIN)	48,480	-56,000		-7,520
SEN Early Support Programme	30,700	0		30,700
SEN placements & performance team	592,284	0		592,284
Shared Services (admin, data etc.)	383,937	0	-70,887	313,050
Sub-total	12,117,847	-9,060,190	-277,848	2,779,809
DSG-funded services				
SEN Specialist Teams	1,467,056		-1,467,056	0
School Admissions	361,200	0	-361,200	0
SLA for SEN Early Years services	449,040	0	-449,040	0
Sub-total	2,277,296	0	-2,277,296	0
SEN Transport				
SEN Transport	4,387,984	0	-400,000	3,987,984
Sub-total	4,387,984	0	-400,000	3,987,984
GRAND TOTAL	18,783,127	-9,060,190	-2,955,144	6,767,793

4. Options

The draft outline business case that was presented to the Children, Education, Libraries and Safeguarding Committee on 15th September 2014 outlined six options for the future delivery of Education and Skills services. Based on an initial evaluation of those options, the Committee agreed to proceed to consultation on four of the options. A detailed description of the remaining options is set out below.

Option 1: in-house

Description

This model would involve the Council continuing to manage the education support services provided by the Education and Skills Delivery Unit directly. The Council would continue to be responsible for appointing and managing staff. The Council would have strategic oversight of services and would continue to consult with schools on service provision and strategic direction.

With this model, the Council would not incur procurement costs. If the Council decided to invest an equivalent sum in the in-house service, it could be used to employ a small commercial/marketing team to develop and market traded services. Over time, this investment could lead to growth in traded services that would generate a surplus that could be used to reduce the impact of the Council's budget reductions in the longer term. In the short term, the service would have to make substantial savings, which would require service reductions. This would be likely to hamper the ability of this model to grow.

The Council would need to carry out a comprehensive programme of process review and improvement to maximise efficiency and give careful consideration to those elements of the service that it would continue to fund and those that would need to be moved to traded status.

The scale of the budget reductions over the next five years might mean that a separate Education and Skills Delivery Unit would not be viable.

This model would enable consideration of different delivery models for the larger individual traded services, such as catering and BPSI, which could potentially operate as viable businesses in their own right, either independently or in partnership with others.

How it meets the objectives

Initial budget savings would be achieved through service reductions, but it may be possible to offset job losses and service reductions in the longer term by increasing traded income for existing services, primarily by promoting and selling more services to Barnet schools.

The reduced service level that would be required to meet budget targets and the loss of a distinctive focus on education by merging the service with another delivery unit

could undermine the ability of the Education and Skills service to support better educational outcomes for Barnet.

Schools would continue to be strategic partners, but would not have direct ownership or an enhanced commissioning role under this model. This may limit their ability to influence service direction or have an enhanced role in quality and performance management.

Advantages and disadvantages

The main advantage of this model is that there is limited change from current arrangements and, therefore, limited disruption associated with that change.

A key disadvantage of this model is that it does not bring any external investment to support the growth of the business. Nor does it provide access to an established commercial and marketing structure that would support the development of new products and markets. This may hamper the ability of the business to grow its income sufficiently or quickly enough to offset any of the savings required by the Council.

The potential advantages and disadvantages of this model are summarised below.

Potential advantages	Potential disadvantages
<ul style="list-style-type: none"> • All additional income would be retained by the Council • Limited change, therefore limited impact of change • Opportunity for the service to work more closely with other Council services, such as children’s and adults’ social care and public health • Focus remains on Barnet and Barnet schools 	<ul style="list-style-type: none"> ▪ Does not have ready access to an established commercial and marketing structure to develop new products and markets quickly ▪ Without considerable new income, services would be reduced over time, with a potential detriment to schools and to children and young people ▪ Lack of ownership by schools could reduce the effectiveness of the partnership between the Council and schools over time

Option 2: schools-led social enterprise

Description

This model would involve the schools and the Council jointly owning a company that would deliver the services (the delivery company). The investment required to establish the new entity and develop the services would come from the schools and the Council. For the Council, there would be savings on the procurement costs associated with other options.

As an alternative to the schools directly owning the delivery company, it would be possible for the schools to first form a school company entirely owned by the schools. This would, in effect, act as a governance vehicle bringing schools together in one body (the governance company) that would then join with the Council to establish the separate company that delivers the services.

The delivery company's constitutional documents (principally articles of association and a shareholders' agreement) would also set out clear social objectives (hence the term "social enterprise"). The schools and the Council would need to agree on how any surplus/profit would be used – either for reinvestment in services, to reduce future charges or to be distributed by dividends (the latter would be unlikely, at least in the short to medium term).

All Barnet schools would have the opportunity to participate in the ownership of the delivery company, either via a governance company or by becoming a shareholder directly. Shareholders would appoint a board of directors to oversee the running of the delivery company on their behalf. The board of directors would appoint a chief executive and management team (primarily through TUPE transfer of existing staff) to manage the day to day operation of the business.

There would need to be additional arrangements put in place to actively engage all schools in the development of services and oversight of performance, probably through a customer forum or steering group (like the current BPSI model) that would meet termly. The Council would commit to commissioning the services it requires from the company, at a cost that reflects the Council's budget. As well as seeking efficiencies, the company would need to grow the business to fill the gap between the current budget for services and the price that the Council pays. This could be achieved by:

- Selling more services to existing school customers
- Selling services to new school customers, either within the borough or elsewhere
- Selling services to other councils
- Developing new services to sell to schools and councils

Procurement case law (known as the Teckal exemption) means that, provided the delivery company was structured in the appropriate way, the participating schools and the Council could contract with the delivery company without going through a competitive procurement exercise. A key requirement for meeting the Teckal test is that the owners (i.e. the Council and the participating schools) exercise decisive influence over strategic and significant decisions and that trade with customers other than the participating schools and the Council must be limited to less than 20% of the delivery company's total turnover.

This model assumes there will be a commitment to service development by schools and thus that schools will be willing to invest in the company. It is also assumed the Council will offer some matching investment, funded by savings on procurement costs.

This could mean, for example, that schools invest £750,000, with the Council investing a sum equivalent to the cost of procuring a third party partner. This would be used in part to develop and market the services offered on a trading basis by paying for a commercial/marketing team, plus advertising and event costs, as well as some secondments (which may be part-time) of school staff to promote services in

and beyond Barnet. In this example, schools' investment would represent, say, 100 schools paying £7,500 each. Alternatively, there may be differential amounts (e.g. £5k primary and £10k secondary) according to school phase or pro-rata to pupil numbers.

As well as funding the commercial/marketing team and activities, it is assumed that the balance of this investment would be used to enable service levels to be protected for a year or two while the new commercial team develops and markets the services. However, there would still need to be some service reductions, with more to follow if there is insufficient growth in traded income. There would also need to be a comprehensive programme of process review and improvement to maximise efficiency and the Council would need to give careful consideration to those elements of the service that it would continue to fund and those that would need to be moved to traded status.

How it meets the objectives

This model builds significantly on the existing good relationships with schools and provides enhanced ownership of the education system by schools.

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

Better educational outcomes for Barnet and an adaptation to the new education landscape could be achieved through greater schools' ownership of services and strategies.

Advantages and disadvantages

The main advantage of this model is that schools and the local authority jointly own the vehicle that delivers the services. This should result in:

- More active involvement of schools in identifying and responding to emerging service needs
- Schools acting as advocates for the service, to other schools in the borough and elsewhere

Another major advantage of this model is that creating a body that is separate from the Council will allow it to have more freedom to trade and more freedom over its internal operations and decision-making processes, subject to the oversight of the board of directors. This would give greater flexibility to respond to emerging opportunities and actively pursue other markets. However, the ability to grow the business beyond the Council and the schools that participate in ownership would be limited to about 20% of total turnover, unless new customers become joint owners of the company, or a competitive process is run to contract with the social enterprise in the future.

A disadvantage of this model is that it does not bring any external investment to support the growth of the business. Any investment would need to come instead from the shareholders, i.e. the Council and schools. Nor does it provide access to

an established commercial and marketing structure that is more likely to have capacity to vigorously pursue new products and markets. This may hamper the ability of the business to grow its income sufficiently or quickly enough to offset any of the savings required by the Council. There is also the possibility that schools might face conflicts of interest if they own a share of the social enterprise at the same time as being customers of traded services and, potentially, on the receiving end of statutory processes delivered via the company.

The potential advantages and disadvantages of this model are summarised below.

Potential advantages	Potential disadvantages
<ul style="list-style-type: none"> ▪ More freedom to sell services and generate new income and potential to bid for grant funding opportunities ▪ Allows for greater opportunity to be innovative and for schools to be directly involved in the development and strategic direction of the social enterprise ▪ Any surplus income would be retained by the Council and schools ▪ Schools' loyalty to buy services is enhanced as they have ownership in the company ▪ Builds on the existing partnership between the Council and schools ▪ Focus remains on Barnet and Barnet schools ▪ With new income, services could be developed over time, with benefits experienced by schools and by children and young people 	<ul style="list-style-type: none"> ▪ Does not have ready access to an established commercial and marketing structure to develop new products and markets quickly ▪ Requires investment from schools and the Council to maintain service levels ▪ As part-owners, schools would share in the company's risks, albeit limited to the value of their shares. However, directors have specific legal duties, laid down by Company Law, and can be held liable if they fail to uphold these ▪ Reliance on Teckal exemption would limit overall ability to grow the business ▪ If there is a complex decision making system, this might weaken the ability of the enterprise to act decisively and respond quickly to new opportunities ▪ There may not be the capacity within schools to participate effectively in the development and direction of the enterprise ▪ There are potential conflicts of interest from being both an owner and a customer ▪ Potential cost and impact of change

Option 3: joint venture, with schools in ownership role (3-way joint venture)

Description

This model is a joint venture between schools, the Council and a third party provider.

This would involve establishing a schools-owned company, probably limited by guarantee, which would operate as a governance company, bringing the schools together in one vehicle, which would then enter into a joint venture with the Council and a third party provider.

The third party provider would be selected through a procurement process. The joint venture would probably take the form of a company limited by shares, with the schools' company being one of the three shareholders. The level of shareholding

that the schools had would need to be proportionate to the value they were contributing to the joint venture, when compared to the third party provider and the Council. This would be an important point to be negotiated as part of the procurement process.

The joint venture company (the delivery company) would have a profit making motive, but its constitutional documents (principally articles of association and a shareholders' agreement) would also set out clear social objectives and details of how profits would be shared between the three owners of the company.

All schools would have the opportunity to participate in the ownership of the governance company, by becoming a member. It would be for the participating schools to determine the governance arrangements for the governance company, such as percentage of shares held by different schools, who appoints the directors, what discretion the governance company board has to exercise rights in respect of the delivery company etc.

There would need to be additional arrangements put in place to actively engage all schools in the development of services and oversight of performance, probably through a customer forum that would meet termly. As part of the procurement process to appoint the third party provider the Council would commit to commissioning the services it requires from the delivery company, at a cost that reflects the Council's budget. As well as seeking efficiencies, the company would need to grow the business to fill the gap between the current budget for services and the price that the Council pays. This could be achieved by:

- Selling more services to existing school customers
- Selling services to new school customers, either within the borough or elsewhere
- Selling services to other councils
- Developing new services to sell to schools and councils

As the delivery company would be set up as a trading company with a view to expanding its customer base and the third party provider would be selected through a procurement process, there would be no legal limitation on the company's ability to grow its business with non-owners.

The funding that would be needed to get the business up and running and to grow it would come primarily from the third party provider. A key issue for any third party provider would be the level of investment they would be willing to make against the level of control they would have over the company.

It is believed that this would be a new approach to delivering this range of services, as no other such partnership, involving both schools and a third party provider working in this way with a council to deliver both traded and statutory services, has been identified.

How it meets the objectives

School ownership builds significantly on the current relationship between the Council and schools, potentially creating a stronger education partnership between schools and the local authority.

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 have the potential to 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.

Advantages and disadvantages

The main advantages of this model are that:

1. Participating schools are part owners, along with the Council and a third party provider, of the vehicle that delivers the services;
2. It would bring external investment and access to an established commercial and marketing structure, that would improve the ability of the business to grow its income sufficiently and quickly enough to fill the gap caused by the reduction in income from the Council; and
3. The risk of any investment is transferred to a third party, as delivery of the savings would be guaranteed within the contract.

Another major advantage of this model is that creating a body that is separate from the Council will allow it to have more freedom to trade and more freedom over its internal operations and decision-making processes, subject to the oversight of the board of directors. This would give greater flexibility to respond to emerging opportunities and actively pursue other markets.

A major disadvantage of this model is the complexity that comes from having the schools, the Council and a third party provider involved in the ownership of the delivery vehicle. This could affect the willingness of potential providers to bid, slow down strategic decision-making in the delivery company and/or reduce the level of influence that individual schools would have on that decision-making. There is also the possibility that schools might face conflicts of interest if they own a share of the joint venture at the same time as being customers of traded services and, potentially, on the receiving end of statutory processes delivered via the company.

The potential advantages and disadvantages of this model are summarised below.

Potential advantages	Potential disadvantages
<ul style="list-style-type: none"> ▪ Freedom to trade and generate income and secure additional investment ▪ Schools have a formal stake in the joint 	<ul style="list-style-type: none"> ▪ There is a risk that the Council is unable to attract a third party organisation that is willing to provide an appropriate level of

Potential advantages	Potential disadvantages
<p>venture, increasing the opportunity for them to shape services that are designed to meet their needs and have a stronger influence in the development and strategic direction of the joint venture</p> <ul style="list-style-type: none"> ▪ Builds on the existing partnership between the Council and schools ▪ A third party organisation is likely to provide upfront investment and have an established commercial and marketing structure, so new products and markets can be developed quickly ▪ With new income, services could be developed over time, with benefits experienced by schools and by children and young people ▪ Risk of delivering savings is transferred to third party ▪ Schools' loyalty to buy services is enhanced as they have ownership in the company 	<p>investment</p> <ul style="list-style-type: none"> ▪ A third party organisation is less likely to take on full responsibility for outcomes if they do not have a controlling stake ▪ As part-owners, schools would share in the company's risks, albeit limited to the value of their shares. However, directors have specific legal duties, laid down by Company Law, and can be held liable if they fail to uphold these ▪ If there is a complex decision making system, this might weaken the ability of the joint venture to act decisively and respond quickly to new opportunities ▪ There may not be the capacity within schools to participate effectively in the development and direction of the joint venture ▪ There are potential conflicts of interest from being both an owner and a customer ▪ Loss of focus on Barnet, if the aim is to increase the number of customers ▪ A portion of any surplus income would be retained by the third party organisation ▪ Potential cost and impact of change

Option 4: joint venture, with schools in commissioning role (2-way joint venture)

Description

This model would not require the establishment of a company involving schools. Instead, the Council would procure a third party provider, with whom it would create a joint venture company, probably limited by shares, to deliver the services. The joint venture company would have a profit making motive, but its constitutional documents (principally articles of association and a shareholders' agreement) would also set out clear social objectives and details of how profits would be shared between the Council and the third party provider.

Schools would not be involved in the ownership of the company or the appointment of directors. However, the contract would set out arrangements for engaging schools fully in the process of commissioning services. Schools will have a role, along with the Council, in both service level commissioning and strategic commissioning, but would not take an ownership role. It is anticipated that schools would be represented at different levels, so they are able to play a key role in service direction and in performance monitoring of services to schools. For example, that might include a strategic stakeholder board, as well as a customer forum or steering group.

The Council would commit to commissioning the services it requires from the joint venture company, at a cost that reflects the Council's budget. As well as seeking efficiencies, the company would need to grow the business to fill the gap between the current budget for services and the price that the Council pays. This could be achieved by:

- Selling more services to existing school customers
- Selling services to new school customers, either within the borough or elsewhere
- Selling services to other councils
- Developing new services to sell to schools and councils

As the delivery company would be set up as a trading company with a view to expanding its customer base and the third party provider would be selected through a procurement process, there would be no legal limitation on the company's ability to grow its business with non-owners.

The funding that would be needed to get the business up and running and to grow it would come primarily from the third party provider.

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.

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.

Advantages and disadvantages

The main advantage of this model is that it would bring external investment and access to an established commercial and marketing structure, which would improve the ability of the business to grow its income sufficiently and quickly enough to fill the gap caused by the reduction in income from the Council. The greater simplicity of the model (compared to the joint venture involving potentially 100 schools) is likely to make it more attractive to third party providers, enabling a better deal to be reached and making it more manageable to operate.

Another major advantage of this model is that creating a body that is separate from the Council will allow it to have more freedom to trade and more freedom over its internal operations and decision-making processes, subject to the oversight of the board of directors. This would give greater flexibility to respond to emerging opportunities and actively pursue other markets. In addition, this model would avoid

some of the potential conflicts of interest that schools might face if they own a share of the joint venture at the same time as being customers of traded services and, potentially, on the receiving end of statutory processes delivered via the company.

A potential disadvantage of this model is that not involving schools in ownership could reduce the effectiveness of the partnership between the Council and schools over time. This may also reduce the loyalty that schools feel towards buying services from the joint venture company. On the other hand, a contract that incorporates a key role for schools in both service level commissioning and strategic commissioning, as well as performance monitoring, could build on the existing strong partnership between schools and the Council.

The potential advantages and disadvantages of this model are summarised below.

Potential advantages	Potential disadvantages
<ul style="list-style-type: none"> ▪ Freedom to trade and generate income and secure additional investment ▪ Builds on the existing partnership between schools and the Council, by ensuring schools have a key role in both service level commissioning and strategic commissioning ▪ Schools can avoid the potential conflicts of interest that may arise from having formal ownership ▪ A third party organisation is likely to provide upfront investment and have an established commercial and marketing structure, so new products and markets can be developed quickly ▪ With new income, services could be developed over time, with benefits experienced by schools and by children and young people ▪ Likely to be more attractive to third party providers than more complicated joint venture options ▪ Risk of delivering savings is transferred to third party 	<ul style="list-style-type: none"> ▪ There is a risk that the Council is unable to attract a third party organisation that is willing to provide an appropriate level of investment ▪ Lack of ownership by schools could reduce the effectiveness of the partnership between the Council and schools over time ▪ If schools do not 'own' the organisation, they may be less likely to be loyal customers for traded services ▪ Loss of focus on Barnet, if the aim is to increase the number of customers ▪ A portion of any surplus income would be retained by the third party organisation ▪ Potential cost and impact of change

Consultation and engagement

The report to the Children, Education, Libraries and Safeguarding Committee in September 2014 set out details of the consultation and engagement activity that had informed the development of the draft outline business case. The report also outlined the proposed consultation and engagement approach in respect of four key stakeholder groups: schools; the market; employees and trades unions; and residents and service users. Details of that approach and the key outcomes from consultation and engagement are set out below.

Schools

As the main customer of the services under consideration, the views of schools are critical to the successful implementation of the selected model. Following on from the initial round of consultation and engagement, there has been a further programme of briefing and information provision throughout the autumn term of 2014, to enable headteachers and chairs of governors to reach an informed view on each of the options under consideration. This included two presentations from social enterprises that involve schools in their ownership. The approach has been steered through a representative Headteacher Reference Group.

A detailed information pack, setting out a description of each of the models and outlining the implications for individual schools, was published in October 2014. This was followed by a series of briefing sessions, to which all headteachers and chairs of governors were invited. The sessions were well attended and there was a high level of engagement in the key issues. Based on the specific issues raised at the briefing sessions, a further document setting out “frequently asked questions” was distributed to all schools.

The survey of schools was initially open from 10th November 2014 to 30th November 2014. In order to maximise the number of responses, the closing date was subsequently extended to 2nd December 2014. Headteachers and chairs of governors were asked to submit a joint response wherever possible, but the option of providing separate responses was also provided. Telephone and e-mail support to answer any further questions from schools was offered during the survey period, but there was limited take-up of this facility.

The survey sought feedback on:

- The services to be included in the delivery model
- The evaluation criteria
- The level of support for each of the models under consideration
- The level of willingness to play an active role
- The order of preference for the four models

The Council commissioned OPM, an independent market research organisation, to carry out the detailed analysis of responses. Their summary report, setting out the findings from the survey, is appended to the Committee report.

In total, 98 responses were received, representing between 71 and 84 schools (14 respondents did not identify their school). 53 of the responses were identified as being a joint response from the head teacher and chair of governors. Respondents were not required to answer every question and for each question, typically between 25 and 30 respondents chose not to answer it. In analysing the results, all percentages are of the total number of respondents that chose to answer that question.

Overall, 25% of respondents strongly agreed and 53% tended to agree with the education support services that have been selected to be included in the delivery model.

Despite the high level of agreement, there were a number of comments about the services chosen to be put into any new operating model, with 10 respondents making comments about the appropriateness of SEN services being dealt with outside of the local authority, since these are core services requiring knowledge and accountability. A further nine comments were made about the appropriateness of school admissions being passed to a delivery model which might have third party involvement or put admissions outside the control of the school.

Respondents were asked their views on the criteria for determining the most appropriate delivery model. All of the criteria were ranked as “very important” or “important” by over 50% of respondents.

The following criteria were ranked as “very important” or “important” by more than 90% of respondents:

- Helps to maintain a strong partnership between the Council and Barnet schools
- Is able to engage and build trust with all key stakeholders, including parents and the public
- Preserves or improves service delivery in key service areas
- Is able to customise services to meet the needs of different types of school

The ability to attract new investment/funding and access commercial expertise to preserve and grow services was ranked as “very important” or “important” by 57% of respondents. The ability to achieve budget savings without reducing current service levels was ranked as “very important” or “important” by 78% of respondents.

In respect of the four models under consideration, the views of those that responded to these questions were:

	Strongly support	Tend to support	Willing to consider	Do not support	Strongly opposed	Don't know/not sure
In-house	11.1% (8)	19.4% (14)	33.3% (24)	27.8% (20)	4.2% (3)	4.2% (3)
Social enterprise	12.7% (9)	18.3% (13)	33.8% (24)	29.6% (21)	4.2% (3)	1.4% (1)
3-way joint venture	5.7% (4)	12.9% (9)	41.4% (29)	31.4% (22)	4.3% (3)	4.3% (3)
2-way joint venture	14.5% (10)	17.4% (12)	31.9% (22)	26.1% (18)	1.5% (1)	8.7% (6)

NB Figures in brackets are the number of responses

In respect of the social enterprise model, respondents were asked what the likelihood would be that they would recommend to their governing body that their

school should invest between £5,000 and £10,000. 71 respondents answered this question and their responses were as follows:

Very likely	8.5% (6)
Quite likely	36.6% (26)
Not very likely	21.1% (15)
Not at all likely	21.1% (15)
Don't know/not sure	12.7% (9)

Respondents were also asked to rank the options in order of preference:

	1	2	3	4	Average ranking
In-house	25.8% (17)	25.8% (17)	12.1% (8)	36.4% (24)	2.41
Social enterprise	28.8% (19)	28.8% (19)	24.2% (16)	18.2% (12)	2.68
3-way joint venture	13.6% (9)	33.3% (22)	37.9% (25)	15.2% (10)	2.45
2-way joint venture	31.8% (21)	12.1% (8)	25.8% (17)	30.3% (20)	2.45

The average ranking is derived by allocating four points for first preference, three points for second preference, two points for third preference and one point for fourth preference.

It should be noted from these responses that 42% of respondents have ranked one of the two school ownership options as their first preference, which suggests that a significant number of schools do want to be involved in the new model. However, it should also be noted that there was very little support for, or willingness to be involved in, ownership models from secondary schools. 45% of respondents have ranked one of the two joint venture options as their first preference, which suggests that there is an appetite for involving a third party.

Respondents were asked to indicate their likely willingness to play an active role in the various models, either as a director or on a strategic commissioning group. For all of the models, there were sufficient headteachers and chairs of governors that indicated they would be willing to play an active role to suggest the model would be viable from a governance point of view. Overall, more respondents indicated a willingness to participate as a member of a strategic commissioning group (15 respondents) than as a director (10-12 respondents, depending on model).

Overall, the majority of respondents are willing to consider or support all of the options. However, no one option receives a majority in terms of active support. Support for the in-house, social enterprise and two-way joint venture models was very similar at 30%, 31% and 31% respectively. The two-way joint venture model had the lowest level of opposition, with 28% of respondents not supporting or strongly opposed to it. When asked to state a preference, the two-way joint venture (32%) is the first preference of slightly more respondents than the other models.

In summary, the schools survey does not provide a clear finding about the favoured model.

Engagement with the market

In developing the draft outline business case, initial market research was carried out involving three industry representative companies. Whilst this initial research provided useful information for the draft outline business case, the report to Children, Education, Libraries and Safeguarding in September 2014 recognised the restricted scope of the initial research and identified that external support had been commissioned through a competitive tendering exercise to provide an independent assessment of the broader market, including the not for profit sector, as well as the commercial opportunities that may exist for these services. As part of this work, iMPOWER conducted a soft market testing on behalf of the Council.

A range of providers from different sections of the market were engaged with as part of this exercise. As per Cabinet Office guidelines, the purpose of this activity was to engage with the market, pre-procurement, to establish the feasibility, capability, maturity and capacity of the market as a whole.

Participants were invited to submit written responses to a questionnaire, which covered areas such as relevant experience, capacity, possible challenges and model preferences. The answers were then followed-up in more detail with respondents as part of face-to-face discussions. In total, five organisations participated, with one further organisation submitting a written response to the questionnaire. The aim was to strike a healthy balance in terms of scale, expertise, experience and commerciality.

Whilst the exercise was mentioned in the recently issued Prior Information Notice (PIN), it does not constitute any commitment by the Council to undertake any procurement exercise in the future. The exercise included no element of supplier selection or evaluation, and no parties were prejudiced by any response or failure to respond to the invitation. The exercise did not constitute a call for competition to procure anything, and the Council is not bound by any proposals or solutions offered as a result.

As alluded to above, six organisations submitted written responses. These were:

- Cambridge Education – Mott MacDonald
- Capita
- Carillion
- CfBT
- EES (Essex County Council)
- Prospects

The response from EES (Essex County Council) was submitted too late for them to take part in the soft market testing day itself. However, their response has been considered in this assessment of the market.

Assessment of market appetite & capability

Four of the participants were positive about the opportunity to take on the whole of the proposed cluster of services, whilst the other two were keener to work in a partnership where they would only take on some of the services. It was clear from both the written responses and discussions that there are a number of different options available to the Council, especially in relation to the two Joint Venture models.

Alongside the traditional approach of a single partner to take on all the services, participants put forward a number of suggested options including a primary contractor-subcontractor arrangement, collaboration between providers with one provider taking the role of specialist partner, and separate tenders for different sub-clusters. Whilst not all of the proposed options will be suitable for the Council, it does demonstrate clear interest from the market and flexibility to enable the success of the chosen model.

With this in mind, it is iMPower's assessment that there is sufficient interest and capability within the market to deliver the service cluster, should the Council choose to pursue this route.

Informal exploration that iMPower have undertaken with neighbouring authorities, and pan-London, indicate that a purchasing market also exists. The scale of the efficiency requirements facing the sector is forcing councils to think about new ways of delivering services. The range of services under consideration appears to be of interest, including non-traded statutory services.

Key commercial opportunities

There was a general consensus amongst participants that efficiencies and growth potential of 20-30% was reasonable. In some cases, this estimate was based on experience. Other participants commented on the strategies they would employ in order to generate savings. All participants stressed the importance of balancing growth with quality and ensuring a reputation based on high quality provision as a key part of attracting schools to purchase services from the new vehicle.

Taking a conservative estimate, at current relevant gross non-DSG expenditure (around £12m per year, excluding SEN transport), a 20% saving would equate to approximately £2.4m, which exceeds the MTFs requirement of £1.55m, and would suggest that the financial case for either Joint Venture option would meet the Council's requirements. A 30% saving would equate to approximately £3.6m.

Understandably, there was some reticence in relation to the size, type and terms of any up-front investment required. Providers were confident about investing additional time and expertise in the initial stages of a new venture, but were more hesitant about the potential of an initial financial investment, beyond the funding required to manage cash flow over the period of the contract, at least without a clear business case for return on investment. This was especially true for the non-private sector participants. Addressing this will need to form a key part of the procurement strategy underpinning any competitive dialogue process.

Preferred model for delivery vehicle

Participants generally appeared to be more positive about the traditional Joint Venture option than the Joint Venture with Schools or Social Enterprise options. Whilst the importance was acknowledged of getting schools' buy-in for the new vehicle, participants saw a number of significant challenges in relation to governance, investment and capability associated with a school-ownership model.

Alternative models of school involvement were suggested, with examples from elsewhere, whereby schools could be involved in governance but not ownership.

Attractiveness of opportunity to the market

In order to identify means through which the Council could secure the best possible outcome, ways in which the opportunity could be made as attractive as possible to the market were explored with participants.

As to be expected, a point of interest for participants was the scope to expand the service cluster to include services that are currently not in scope. They were keen to explore whether this could be done either through inclusion of these services during the initial tender, or through additional services being incorporated at a later date. Particular interest was expressed in relation to Early Years and Children's Centres. The point was also made that including some back-office services would facilitate the achievement of further economies of scale, although it was made clear that this is an unlikely scenario given the Council's current strategic partnership arrangements.

In terms of procurement processes, participants were clearly in favour of competitive dialogue as the preferred route, and expressed the need for assurance that the Council's existing partnership arrangements would not compromise their chances of a successful submission.

Contract length was also discussed, and there was agreement amongst participants that a minimum contract term of 5 or 7 years was necessary to enable the levels of investment that are likely to be required. Extension options after 5 years would also make the offer more attractive to potential bidders.

Pensions' liability was raised by all participants, with a clear expectation that this would need to be explored through dialogue.

Summary of findings from soft market testing

There is sufficiently strong market interest to generate a healthy and competitive procurement. The market is generally positive about the opportunity and appears to offer more than one option in relation to the final structure of the new venture. The clear preference from providers for is for a swift and transparent procurement, structured around competitive dialogue. This suggests a willingness to invest time and effort to examine the potential options and arrive at the best solution for all parties.

Market commentary was not consistent or conclusive in relation to upfront investment, and the procurement strategy would need to be designed to ensure that

the Council's interests are optimised, and that a healthy competitive tension remains throughout.

The estimated savings of 20-30% is in keeping with previous expectations and, as it is in part based on evidence, adds robustness to the financial case. Overall, there does appear to be an acceptable level of interest from the market in this opportunity and potential providers have at least some experience in delivering these kinds of services.

Employees and trades unions

It is recognised that all four of the options under consideration constitute a significant change that will have an impact on employees. There have been a number of briefing meetings with employees as the outline business case has developed. During November 2014, a further series of meetings was held to allow employees to explore the implications of the four remaining options and also to suggest potential opportunities for improvement.

The meetings were reasonably well attended by office-based staff, with fewer attendees from school-based staff within the catering service. Those that did attend engaged positively in discussion about the four options and also made some constructive suggestions for growing services and reducing costs. These suggestions have been taken into account in the financial modelling of options, as outlined elsewhere in this final outline business case. There was a general recognition of the importance of the views of schools from attendees.

The main areas of concern that were raised by employees were:

- The potential impact on terms and conditions of service, notably pay and pensions
- The potential impact of changes to the TUPE regulations on the above
- The ability to maintain buy-back levels from schools
- Potential conflicts of interest or priorities of different partners
- The lack of flexibility and innovation in current arrangements

Additional meetings have also taken place with the recognised trades union representatives. Whilst representatives have been keen to support the retention of services in-house, they have also engaged positively in discussions about other models to ensure that issues that may affect their members' interests have been given proper consideration.

Members of the management team of the Education and Skills service have been engaged throughout the consultation and engagement phase and have contributed to the financial modelling of the in-house option and the options appraisal of all options.

The public and service users

A public survey was available on www.engage.barnet.gov for an eight week period from 7th October 2014 to 1st December 2014. The survey was publicised widely through press releases, the Council website and information sent to schools. Overall, 123 responses were received by the closing date, which is consistent with response rates on similar consultations.

In addition to the survey, three focus groups were conducted with: parents of children with Special Educational Needs; parent governors; and parents generally. In addition to analysing the results of the school survey, OPM were also commissioned to both conduct the focus groups and analyse the public survey returns. Their summary report is appended to the Committee report.

Respondents to the public survey showed a high level of support for the overall vision and aims for education in Barnet, with 92% “strongly agreeing” or “tending to agree” with the vision and 86% “strongly agreeing or “tending to agree” that overall the stated aims should be the main ones.

Overall, 43% of respondents strongly agreed and 40% tended to agree with the education support services that have been selected to be included in the delivery model, with the highest level of support to SEN services and school improvement services being included. Up to three respondents commented on the rationale for particular services being included, raising concerns about the risk of cut-backs in certain services, particularly those for vulnerable pupils, and the need to maintain quality. Across all three focus groups, there was an element of concern about the SEN and education welfare services being in the new delivery model. These concerns centred around how quality of service delivery could be maintained if a “business” person provided the service and about who would monitor the quality.

Results in respect of the evaluation criteria were broadly similar to the schools survey, with:

- The same four criteria being rated as “very important” or “important” by most respondents;
- All criteria being rated as important by the majority of respondents; and
- The same two criteria being rated as “very important” or “important” by fewer respondents.

In respect of the four models under consideration, the views of the respondents to the public survey were:

	Strongly support	Tend to support	Willing to consider	Do not support	Strongly opposed	Don't know/not sure
In-house	50.0% (42)	25.0% (21)	14.3% (12)	4.8% (4)	2.4% (2)	3.6% (3)
Social enterprise	26.2% (22)	22.6% (19)	14.3% (12)	13.1% (11)	16.7% (14)	7.1% (6)

	Strongly support	Tend to support	Willing to consider	Do not support	Strongly opposed	Don't know/not sure
3-way joint venture	14.3% (12)	19.1% (16)	22.6% (19)	15.5% (13)	22.6% (19)	6.0% (5)
2-way joint venture	8.3% (7)	14.3% (12)	19.1% (16)	25.0% (21)	25.0% (21)	8.3% (7)

This shows a clear preference amongst respondents for the in-house model, with the two-way joint venture being the least favoured option, albeit with 42% of respondents willing to consider it.

Amongst the focus groups, there was a split in preferences. The Governors group preferred the in-house model, a small majority of the Parents' group preferred the two-way joint venture model and the SEN group was divided between those who thought the in-house model was best and those who thought it was a model which already had problems.

The public survey sought views on how important it is that schools are involved in the running of these services. Of those that responded, 58% thought it was very important and 22% thought that it was important.

Views were also sought on whether there would be any concerns if a third party organisation is involved in the delivery of these services. 23% of those that responded expressed slight concern, with 57% being very concerned. 26 respondents provided open answers about the reasons for their concern, highlighting issues around business models being used in education, the potential quality of the services, and a lack of trust, accountability or responsibility.

Additional engagement activity

In addition to the detailed engagement and consultation activity that has been carried out with the four key target stakeholder groups, meetings have also been held with the Voluntary Sector Forum and the Youth Board, primarily to ensure that they are informed about the proposals, but also to alert them to the public survey as a means of submitting their views.

Members of the Youth Board acknowledged that there are budget constraints and that educational support services need to change. However the feeling that schools are pillars of the local community was strong and that any outside organisations delivering vital services must have a grasp of the local issues and that these must be evidenced during the procurement process.

Response to consultation comments

Responses to the key themes from consultation activity are set out in the Committee report.

Financial and commercial assessment

The report to Children, Education, Libraries and Safeguarding Committee in September 2014 identified the basic cost saving and income generating methods that are available to each model and provided a high level assessment of each model's ability to achieve the budget savings target set by the Council. The report also identified that independent external support had been commissioned to provide further analysis of the potential financial benefits from each model.

Financial modelling has been carried out by iMPower on the basis that the preference is to achieve budget targets through efficiency and income growth, with service reductions providing the balancing figure to make up any shortfall.

It should be recognised that, at this stage in the evaluation process, the financial and commercial assessment can only be an educated estimate, based on a series of assumptions about the services and the market. Modelling has been carried out at a level that is appropriate to enable a comparison of the different models' ability, relative to each other, to generate efficiency savings and additional income and to confirm their ability to meet the MTFs savings targets.

It is not intended that the modelling should provide the greater level of certainty that one would expect with a detailed business plan. Certainty under any of the models will only come through the implementation process.

For the two joint venture models, the level of confidence in the potential financial benefits would increase through the procurement process, with complete certainty over the delivery of savings coming at the point when a contract is signed and the delivery risk is, in effect, passed to the third party partner.

For the in-house and social enterprise models, the delivery risk would remain with the Council and, potentially, schools. Whilst confidence in the potential financial benefits would increase through the process of developing a detailed business plan, the subsequent delivery of those benefits cannot be guaranteed.

Approach

In broad terms, there are four methods of achieving budget savings targets:

- Improving efficiency, ie. delivering the same outputs at lower cost
- Increasing income by selling services to more customers, either within the Borough or beyond the Borough
- Increasing income by selling new services
- Reducing service levels

Initial modelling was undertaken by applying the levers set out above to the group of services in their totality. Recognising that different market conditions may apply to different services, services were subsequently clustered as follows:

- Catering (fully traded)

- School Improvement traded (BPSI and NQT service – both fully traded)
- Other traded services (some part-traded, thus includes an element of non-traded activity)
- Non-traded services

The following assumptions apply in respect of these service clusters:

- Service reductions would not apply to traded activity, as the resulting loss of income would bring no financial benefit in meeting budget targets
- The market for traded services is predominantly schools, although the catering service has a broader potential customer base
- The market for non-traded services is predominantly other local authorities

In addition, there are some budgets that could not be traded and are not, therefore, included in the growth modelling. An assessment has, however, been made of the efficiencies that could be delivered on these budgets.

Initial modelling was based on the assumption of there being no investment available to support the development of the in-house model. This assumption has been revised to provide for an initial investment from the Council equivalent to the cost of implementing a joint venture option, i.e. £1.3m.

There was no particular assumption made in initial modelling regarding investment in the social enterprise model. This has been revised to provide for an initial investment from schools of approximately £750k, which it is anticipated would be matched by Council, giving a total investment of £1.5m.

Initial modelling was also based on ambitious expectations regarding the growth that could be achieved by the market, particularly in trade outside the Borough. This would have the effect of doubling the size of the business over a five-year period. It is the advice of iMPOWER that this is an achievable expectation and a valid means of modelling that is widely used in the commercial sector. This would need to be tested through the procurement process, so the view has been taken that, for the purposes of comparison, a more prudent approach should be applied to modelling potential trade outside the Borough. This approach recognises that the potential for growth within the Borough is limited by the finite number of schools and the existing high level of market penetration by these services. However, growth beyond the Borough's boundaries does not have these limitations. By way of example, there are five other boroughs that border Barnet, with a total of 256 primary schools based within them. Securing 5% of those schools would, in broad terms, represent a 10% increase on current levels of trade.

In terms of efficiency savings, similar mechanisms are available to all models and would include:

- Improved processes, achieved through a structured approach to business process reengineering

- Procurement savings, achieved through improvements in specification, contract control and competition
- Better use of technology

A copy of the detailed tables that were used in the financial modelling is appended to this final outline business case, along with a more detailed commentary on the assumptions behind the modelling.

In-house model

Since the draft outline business case was considered by Committee in September 2014, an enhanced in-house model has been developed, assuming an investment from the Council equivalent to the cost of implementing a joint venture option, i.e. approximately £1.3m.

The introduction of commercial and marketing expertise would enable some growth and provide a more commercial impetus and rigour to the process of achieving efficiency savings. Some of this investment could also be used to protect existing staffing and service levels to some extent whilst growth takes place.

The introduction of commercial and marketing expertise would enable some growth, as well as providing a more commercial impetus and rigour to the process of achieving efficiency savings. However, the absence of a broader commercial structure and established presence in other local authority areas would mean that growth would be slower and less extensive than under the joint venture models.

It would be reasonable to expect that the in-house model could grow some income by increasing its customer base of schools and developing new services. However, experience suggests that academies and secondary schools in particular are less likely to buy services from the local education authority, for example, Barnet Partnership for School Improvement is predominantly purchased by primary schools. The scale of growth is likely, therefore, to be less than under models that would establish an entity that is perceived to be more independent of the local education authority. For the purposes of modelling, it has been assumed that growth of between 2% and 8% is feasible for traded services, depending on the cluster of services. These percentages have been explored with service managers and they have indicated that these are the levels that they believe are achievable.

It is less likely that the in-house model would grow income significantly by selling statutory/non-traded services to other local education authorities, as there is little evidence generally of councils buying services from other councils, other than under shared services arrangements or, in some instances, districts buying back-office services from counties. For the purposes of modelling, 5% growth has been assumed, based on the ability to sell particular, specialised services (for example advice and training on drafting of Education, Health and Care Plans) to other councils.

Service managers have indicated that they would expect to be able to make efficiency savings of approximately 3%, primarily through streamlining processes.

Based on the modelling of income and efficiencies, it is anticipated that this model will have to rely to a greater degree on service reductions to meet the target. However, it is expected that the initial investment would enable the management of cash flow over a period of five years, so that only the overall shortfall over that period would need to be met from service reductions. On this basis, modelling suggests that approximately £700k of the overall total would need to come from service reductions.

Under this model, all surplus income from growth would come back to the Council.

Summary of modelling for in-house model		
	£000	% of total
Efficiencies	473	31%
Income growth	385	25%
Service reductions	691	44%
Total	1,549	

Social enterprise model

This model would require investment from the Council and from schools to bring in commercial and marketing expertise. Some of this investment could also be used to protect existing staffing and service levels to some extent whilst growth takes place.

The introduction of commercial and marketing expertise would enable some growth as well as providing a more commercial impetus and rigour to the process of achieving efficiency savings. However, the absence of a broader commercial structure and established presence in other local authority areas would mean that growth would be slower and less extensive than under the joint venture models.

It would be reasonable to expect that the social enterprise could grow income by increasing its customer base of schools both within Barnet and beyond Barnet's boundaries, as well as by developing new services. It is anticipated that a social enterprise would benefit from being perceived as more independent from the local education authority, as well as from having schools directly involved in the development of services. For this reason, modelling has assumed a higher percentage growth from trading to more schools than the in-house model.

It is possible that a social enterprise could grow some income by selling statutory/non-traded services to other local education authorities, as it would be perceived as being separate from Barnet Council. For this reason, modelling has assumed a higher percentage growth from trading to other local authorities than the in-house model. However, its ability to do this may be hampered by its lack of track record in providing these services to other bodies.

It is anticipated that the flexibility that comes from being an independent body would enable efficiency savings of around 4% across all services.

Based on the modelling of income and efficiencies, it is anticipated that this model will have to rely to some degree on service reductions to meet the target. It is expected that the initial investment would enable the management of cash flow over a period of five years, so that only the overall shortfall over that period would need to be met from service reductions. On this basis, modelling suggests that approximately £300k of the overall total would need to come from service reductions.

The treatment of surplus income arising from growth would need to be agreed between the Council and schools.

Summary of modelling for social enterprise model		
	£000	% of total
Efficiencies	621	40%
Income growth	638	41%
Service reductions	306	19%
Total	1,565	

Joint venture models

These models would bring investment from a third party, as well as access to an existing commercial and marketing structure. It is likely that investment would protect existing service levels in the short to medium term, whilst the business grows. Access to a broader commercial structure would enable faster growth than with the in-house and social enterprise models. It is also assumed that a commercial impetus would add rigour to the process of achieving efficiency savings. If the third party has an established presence in other local authority areas, that would also contribute to growth being achieved more quickly than under the other models. For this reason, modelling has assumed a higher percentage growth, particularly from increased trade beyond the Borough, than for the in-house or social enterprise models.

It would be reasonable to expect that either of the joint venture models could grow income by increasing their customer base of schools both within Barnet and beyond Barnet's boundaries, as well as by developing new services. It is anticipated that a joint venture would benefit from being perceived as more independent from the local education authority, as well as from having schools directly involved in the development of services, either as commissioners or owners.

It is more likely that a joint venture would have the resources and commercial expertise to invest in statutory/non-traded services and sell them to other local education authorities. A joint venture may be more attractive, as it would be perceived as being separate from Barnet Council and a third party provider is more likely to have a track record in providing a range of services to other local authorities. This is a further reason for trade outside the Borough being modelled at a higher rate for this model.

The one difference between the two joint venture models is the assumption that income from outside the borough would be greater for the two-way model on the grounds that:

- The market has expressed a preference for this model, so is more likely to invest more in rapid growth
- The decision-making will be simpler with the two-way model and faster decisions are likely to mean faster growth

On this basis, it is anticipated that the two-way joint venture is likely to generate more income per annum than the three-way joint venture.

It is anticipated that the flexibility that comes from being an independent body, together with the commercial rigour that would come from a third party partner, would enable efficiency savings of around 5% across all services. This is also likely to include some economies of scale on management and administration costs.

Based on the modelling of income and efficiencies, it is considered less likely that there would be a need for service reductions under these models.





Any surplus income arising from growth would be shared between the parties to the joint venture. The details of how that share would operate would be the subject of discussions during a Competitive Dialogue process.

Summary of modelling for joint venture models		
	£000	% of total
Efficiencies	769	29%
Income growth	1,847	71%
Service reductions	-	-
Total	2,616	

* approximately £100k less in 3-way JV model

This is consistent with the more cautious estimates provided by potential providers during the soft market testing exercise.

The following table provides a high level summary of the outcomes of the financial and commercial assessment work.

Lever	Applied to	In-House	Social enterprise	Three-way joint venture	Two-way joint venture
Efficiency savings	Gross Exp	✓✓	✓✓	✓✓✓	✓✓✓
Increased income through growth (in Borough)	Income	✓✓	✓✓	✓✓✓	✓✓✓
Increased income through growth (out of Borough)	Income	✓	✓✓	✓✓✓	✓✓✓
Additional services	Net Budget	✓✓	✓✓✓	✓✓✓	✓✓✓
Service Reductions	Net Budget	✓✓✓	✓✓	✓	✓
Overall assessment		✓✓	✓✓	✓✓✓	✓✓✓
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 	HIGH 	HIGH 
ESTIMATE OF ANNUAL FINANCIAL BENEFIT AFTER 5 YEARS		£1.5m	£1.6m*	£2.5m*	£2.6m*

* Any surplus income, once MTFS targets have been delivered, would be the subject of a gain-share agreement between the parties to the venture

In broad terms, it can be concluded that all four models are capable of achieving the MTFS savings target set by the Council. However, the in-house and social enterprise models are significantly more likely to have to rely to some extent on service reductions to achieve this, as they would not be in a position to grow the business as quickly as a joint venture, or to provide sufficient investment to protect existing service levels in the short to medium term. The loss of capacity arising from these reductions is also likely to hamper the ability to develop services and grow the business. The in-house and social enterprise models also carry a higher degree of delivery risk, as savings cannot be guaranteed through contractual arrangements, as is the case with the joint venture models.

Evaluation of the options

The report to the Children, Education, Libraries and Safeguarding Committee in September 2014 outlined the scored assessment process that had been applied to evaluate the six models that were considered in the draft outline business case. That process involved consideration of 20 individual criteria, within four weighted categories. Based on the outcomes of initial consultation, the evaluation criteria have subsequently been rationalised and the assessment process simplified to recognise that the assessment process is a collective professional view based on experience and a balance of probabilities.

As identified above, the high level objectives of the delivery model are to:

- i. Maintain Barnet's excellent education offer;
- ii. Maintain an excellent relationship between the Council and schools; and
- iii. Achieve the budget savings target for the service up to 2020.

The models under consideration have been evaluated against a common set of criteria, based on these high level objectives. These criteria were developed in consultation with the Headteacher Steering Group that has been meeting throughout the options assessment phase and were subsequently tested as part of the wider consultation with schools and with residents. The following table provides a rating for each option's overall likelihood of meeting each of the criteria. Those criteria that were rated as most important in the schools and public surveys are identified in bold.

	In-house	Social Enterprise	2-way JV	3-way JV
Helps to maintain a strong partnership between the Council and Barnet schools	✓✓	✓✓✓	✓✓	✓✓✓
Enables schools to take a stronger leadership role in the education system	✓✓	✓✓✓	✓✓	✓✓✓
Is able to attract new investment/funding and access commercial expertise to preserve and grow services	✓✓	✓✓	✓✓✓	✓✓✓
Has the freedom to be creative and the flexibility to develop new services quickly during times of change	✓	✓✓	✓✓✓	✓✓✓
Is able to engage with and build trust with all key stakeholders, including parents and the public	✓✓✓	✓✓✓	✓✓	✓✓
Preserves or improves service delivery in key service areas	✓	✓✓	✓✓✓	✓✓✓
Is able to customise services to meet the needs of different types of school	✓✓	✓✓✓	✓✓✓	✓✓✓
Is able to achieve budget savings without reducing current service levels	✓	✓✓	✓✓✓	✓✓✓

Key:

✓	Low
✓✓	Medium
✓✓✓	High

The key assumptions that underpin this assessment are:

	Key assumptions	Evidence to support the assumptions or counter-evidence
Helps to maintain a strong partnership between the Council and Barnet schools	Models that include schools in an ownership role are better placed to strengthen existing partnership through more active joint working.	Evidence from successful models in other local authorities, mainly where school traded services have transferred to a schools-led organisation. The model assumes a commitment of money (for the social enterprise) and time (social enterprise and 3-way JV). On the other hand the survey results indicate reticence among a large proportion of school respondents and virtually all secondary school respondents to become actively engaged through investment or by serving on the Board of the new organisation.
Enables schools to take a stronger leadership role in the education system	Models that include schools in an ownership role are better placed to enable stronger leadership from schools through greater direct involvement in the shaping of services.	
Is able to attract new investment/funding and access commercial expertise to preserve and grow services	Models that include a third party provider deliver a greater opportunity for investment and expertise from outside the current system.	Soft market testing has indicated a willingness by prospective third party organisations to invest to grow the services. Only a minority of schools have indicated they would be willing to invest in the Social Enterprise mode.
Is able to engage with and build trust with all key stakeholders, including parents and the public	Models that are fully owned by the public sector are more likely to engender trust from parents and the public, as they are less likely to have different strategic drivers from the Council, for example the need to make a return on investment for shareholders.	Evidence from survey of residents.
Has the freedom to be creative and the flexibility to develop new services quickly during times of change	Models that have a degree of independence from the Council are more likely to have internal management arrangements that support flexibility in the deployment of resources and are therefore better placed to respond quickly to emerging needs. Models that have access to a broader commercial network would also enable speedier identification of needs	Soft market testing indicates a clear expectation by third parties that they can achieve faster growth and greater efficiency than an in-house service due to having greater freedom to develop flexibly and grow. Feedback from staff and in particular senior managers in the Education and Skills service indicates a widespread belief that council decision-making structures, procurement rules etc. reduce the capacity to secure growth and efficiencies.

<p>Preserves or improves service delivery in key service areas</p>	<p>Models that attain greater commercial expertise from the outset are better able to grow services more quickly, thereby avoiding service reductions and consequent impact on service delivery.</p>	
<p>Is able to customise services to meet the needs of different types of school</p>	<p>Models that have a degree of independence from the Council are more likely to have internal management arrangements that support flexibility in the deployment of resources and are therefore better to customise services. Independence is also likely to improve the ability to attract a broader base of school customers.</p>	
<p>Is able to achieve budget savings without reducing current service levels</p>	<p>Models that are able to achieve growth more quickly are better placed to protect existing service levels.</p>	<p>Financial modelling supports this.</p>

Based on this assessment, it is concluded that:

- The in-house option is less likely to meet the objectives set out above, as the need to make service reductions in order to meet budget targets is likely to hamper its capacity to meet the objective of maintaining Barnet’s excellent education offer.
- The social enterprise option may meet the objectives. However, there is not sufficient interest amongst schools to rely on schools to invest their funds, alongside the Council, in establishing the required commercial and marketing expertise. There is more financial risk involved than the joint venture models and that risk would be retained by the Council and schools.
- The two-way joint venture option is likely to meet the objectives set out above by providing the investment and expertise that is necessary to maintain and grow high quality support services to schools, whilst delivering the requirements of the Council’s Medium Term Financial Strategy.
- The three-way joint venture option is most likely to meet the objectives set out above by providing the investment and expertise that is necessary to maintain and grow high quality support services to schools, whilst delivering the requirements of the Council’s Medium Term Financial Strategy. Whilst the involvement of schools as owners would be expected to strengthen relationships with schools, the outcome of the school survey suggests that schools tend not to see this as necessary.

At this stage, there is no clear indication from schools that there is a strong appetite to enter into an ownership model, although there is an indication that schools would be willing to consider such a model. Therefore, the recommendation is to proceed with developing a full business case to establish a joint venture with a third party and, during this process, to establish the most appropriate way that schools can be

actively involved in commissioning and shaping services, either in an ownership or in a commissioning capacity.

Preferred option

The Council's commissioning approach requires consideration of the best model for delivering services to meet its priorities and outcomes. It is recommended that the Council should proceed with developing a final business case to establish a joint venture model for the future delivery of Education and Skills services. The most appropriate engagement of schools in the joint venture will be developed during the competitive dialogue process. The specific concerns regarding the involvement of a third party, for example in relation to accountability and service quality, will be addressed as far as possible through the procurement process and by involving headteachers in that process.

This conclusion is based on the detailed evaluation of the four possible models set out above and taking into account the outcomes of consultation, including:

- The school survey shows no clear preference for any of the models, although there is a marginal preference for the two-way joint venture
- Amongst those that responded to the public survey, there is a clear preference for the in-house option and a high level of concern about the potential involvement of a third party in the delivery of these services
- The preference of focus groups of parents was split between the in-house option and the two-way joint venture
- The in-house option, whilst carrying a degree of public support, is considered to be more unlikely to meet the overall objectives
- The social enterprise option also carries a degree of risk in meeting the objectives and it did not receive the very high level of support from schools that would be required to mitigate that risk
- The three-way joint venture provides the best overall fit in terms of meeting the objectives, but attracted less support from schools than the other models
- The two-way joint venture provides a good overall fit in terms of meeting the objectives and attracted a reasonable level of support from schools

5. Expected Benefits

Benefit Type	Description of the benefit	Who will benefit	Expected benefit value	Financial year that the benefit will be realised	Benefit Owner	How will the benefit be measured	Baseline value (£, % etc) and date
Financial benefit – cashable	Delivery of MTFS savings through cashflow management	Schools, Service users, Residents, Staff	£2.4m	From 2015/16	Commissioning Director Children and Young People	As set out in contract	2014/15 budget
Financial benefit – non-cashable	Contribution of marketing and commercial expertise to grow business	Schools, Service users, Residents, Staff	£0.5-£1m	From 2015/16	Commissioning Director Children and Young People Val White	As set out in contract	2014/15 budget
Non-financial benefit	Maintenance of current service levels	Schools, Service users, Residents, Staff	N/A	From 2015/16	Commissioning Director Children and Young People	As set out in contract	N/A
Non-financial benefit	Ability to respond quickly to emerging customer needs	Schools, Service users, Residents, Staff	N/A	From 2015/16	Commissioning Director Children and Young People	As set out in contract	N/A

6. Key Risks

Risk	Impact	Likelihood	Mitigating actions
Ability to implement the new delivery model within the required operational timescales to deliver savings required for 2015/16	High	High	Early, detailed planning of the procurement process and ensuring that the necessary resources are in place. Robust management of the process. The procurement timescale is challenging and the need to meet this timescale will need to be balanced against the need to ensure the effective engagement with schools in the process and its outcomes
Insufficient bidders to provide effective competition	High	Medium	Procurement strategy designed to attract as many bidders as possible, through positive engagement with the market. Maintenance of Ethical Wall and Conflict of Interest protocols and the provision of comprehensive information on the opportunity
The Council does not secure the best possible outcome from the Competitive Dialogue process and the resulting contract does not deliver what is expected and required	Medium	High	Securing appropriate legal, commercial, financial and HR advisors at the earliest opportunity.
Schools do not purchase services through the resulting contract	High	Medium	Maintain a comprehensive programme of engagement activity to ensure that the views of schools are taken into account in the selection process, in formulating the contract and developing the service offer

7. Financial Appraisal

The cost of carrying out the options appraisal and developing proposals to this point is approximately £300k, which has been funded from the Transformation Reserve. Conducting a Competitive Dialogue and managing the transition to a new delivery vehicle is anticipated to take a minimum of nine months, to October 2015, and cost up to £1.3m, as follows:

Project team	£500k
Legal advice	£125k
Commercial advisors	£275k
HR, finance and procurement advisors	£150k
Subject matter advisors	£50k
Contingency/transition costs	£200k

Subject to approval, these costs will be met from the Transformation Reserve. The project team and specialist advisors will be procured independently of the existing Customer and Support Group arrangements, to mitigate any potential conflict of interest.

It is anticipated that revenue savings will be delivered as follows:

	2015/16	2016/17	2017/18	2018/19	2019/20	Total
Annual savings	£155k	£596k	£777k	£438k	£427k	£2,393k
Cumulative savings	£155k	£751k	£1,528k	£1,965k	£2,392k	£6,791k

8. Project Approach

The recommended model will be considered by the Children, Education, Libraries and Safeguarding Committee on 12th January 2015. If the recommendation is agreed, an OJEU notice will be published on 21st January 2015, seeking expressions of interest.

A competitive dialogue approach will be used, to allow the Council and bidders to explore different and innovative ways of delivering the services in scope, as well as ensuring that the most appropriate way of engaging schools in the new delivery model can be given proper consideration. A comprehensive procurement strategy and implementation plan will explore this in more detail.

The table below sets out the key dates and milestones for the project:

Key dates / milestones	Date
CELS Committee – approval of outline business case	12 th Jan 2015
Commence process to establish new model	13 th Jan 2015
Issue OJEU	Jan 2015
Bidders Day	Feb 2015
PQQ evaluation and moderation	Feb 2015
Dialogue	March – June 2015
P&R Committee – report	20 th July 2015 (TBC)
CELS Committee – approval of full business case	28 th July 2015 (TBC)
Commence formal TUPE consultation	29 th July 2015
Evaluation and moderation	August 2015
Preferred bidder selected	August 2015
Mobilisation	October 2015

The immediate next steps for the project will include securing commercial advisors and other specialist support, as set out above, and setting up a data room containing all the information bidders will need to be able to submit bids. The information will comprise of HR, financials, service specifications, asset registers and all information associated with the delivery of the services in scope.

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.

There will be continued engagement with key stakeholders, in particular schools, staff and trade unions throughout the process. The consultation has shown a strong indication that schools should be involved in the procurement process and have a strong role in the governance of any future delivery model. In order to achieve this, the Headteacher Reference Group will continue to be involved in the process, in order to ensure that the outcomes of the procurement process meet the needs of schools.

9. Project Assurance

Overall decision making rests with the Children, Education, Libraries and Safeguarding Committee. Detailed work to develop the project and its implementation is carried out by officers, reporting to the Council's Strategic Commissioning Board, which also signs off key deliverables. Within this process, project assurance is provided principally through the Project Board, which has membership as follows:

Commissioning Director Children and Young People (Acting)	Val White (Chair)
Education and Skills Director	Ian Harrison
Commercial and Customer Services Director	Claire Symonds
Project Lead	Deborah Hinde
Head of Programmes and Resources (project assurance)	Tom Pike
Head of Education Partnership and Commercial Services	Alison Dawes
Head of Finance	Ruth Hodson
Service Manager/Principal Lawyer (HB Public Law)	Sarah Wilson

The Project Board meets fortnightly and has oversight of all project activity, including:

- Approval of project plans
- Monitoring of progress
- Contribution of relevant professional expertise to development of products and deliverables
- Approval of products and deliverables

The project was the subject of an internal audit against the Council's project management standards during an earlier phase. Further audits and gateways reviews will be conducted at relevant points as the project proceeds.

Deliverable / Product	Quality Criteria	Acceptor
Procurement Strategy	Provides clear description of how the procurement process will achieve overall objectives	Project Board
Overall project plan, including engagement and consultation plan	Compliant with LBB project management standards and overall timescales	Project Board
Procurement plan	Compliant with EU requirements and overall timescales	Project Board
OJEU notice and Pre-qualification questionnaire	Compliant with EU requirements, overall timescales and project objectives	Project Board
Evaluation criteria	Compliant with EU requirements and project objectives	Project Board
Service specifications	Provide clear description of outputs and outcomes required and in accordance with product description	Project Board
Date Room contents	In accordance with product description	Project Board

10. Dependencies

There are no direct dependencies, although the outcome of the Unified Reward project may have an impact on bidders' responses, if it results in an increase in the current cost of the service.

Appendix A – financial modelling summary

The in-house model

An enhanced in-house service, based on additional investment to grow services has been developed. In doing so, account has been taken of the views from staff, engagement with trade unions and examples from other local authorities

It has now been assumed that the budget saving of £1.3m arising from not having to procure an external partner could be used to support a small marketing team and that a more commercial approach would thus lead to some growth in services.

As a result it is now assumed that, instead of having to secure a £1.55m budget saving largely through service reductions, it may be possible to hold the service reductions down to about £0.7m.

This is largely as a result of assuming growth in income amounting to approximately £1.9m over 5 years, mainly by selling more services to schools, including schools that currently do not buy services both within and outside the Borough. This represents an increase in income of over 20%. It is assumed that this would involve increased expenditure of about £1.5m on providing the additional services, thus producing a surplus of some £0.4m that would contribute towards the savings.

It is assumed that the balance of savings can be achieved through efficiency measures, with savings equating to 2.5% of gross expenditure, or about £470,000, over 5 years.

It is assumed that service growth would develop over time and that this approach would require substantial use of the procurement saving to meet the shortfall in the budget savings in the first two years.

The service reductions and efficiency savings required would still amount to a significant proportion of the non-Dedicated Schools Grant (DSG) budget. The net non-DSG budget, excluding SEN Transport (as savings in this area have already been factored in centrally) would still have to reduce by about £1.17m from £2.77m to £1.6m, a reduction of over 40%, with service reductions expected to be £0.7m or 25% of the net budget.

The social enterprise model

A similar approach has been taken to the development of the social enterprise model. In this case it has been assumed that investment of £1.5m will be available, £750,000 from schools and matched funding from the council. Some of this funding would be used to support a marketing team and a more commercial approach that would thus lead to some growth in services.

As a result it is now assumed that, instead of having to secure a £1.55m budget saving largely through service reductions, it may be possible to hold the service reductions down to about £0.3m.

This is largely as a result of assuming growth in income amounting to approximately £3.2m over 5 years, mainly by selling more services to schools, including schools that currently do not buy services both within and outside the Borough. It is assumed that schools' commitment to investing in the service would be reflected in a commitment among many schools to buy more services and to encourage other schools inside and outside Barnet to

Appendix A – financial modelling summary

do the same. The growths represents an increase in income of over 33%. It is assumed that this would involve increased expenditure of about £2.6m on providing the additional services, thus producing a surplus of some £0.6m that would contribute towards the savings.

It is assumed that the balance of savings can be achieved through efficiency measures, with savings equating to 3.3% of gross expenditure, or about £620,000, over 5 years. The figure is slightly higher than for the in-house model because it is assumed that there will be more scope for efficiencies in an organisation that is separate from the council.

It is assumed that service growth would develop over time and that this approach would require substantial use of the procurement saving to meet the shortfall in the budget savings in the first two years.

The service reductions and efficiency savings required would still amount to a significant proportion of the non-DSG budget. The net non-DSG budget, excluding SEN Transport (as savings in this area have already been factored in centrally) would still have to reduce by about £0.93m £1.17m from £2.77m to £1.84m, a reduction of over 33%, with service reductions expected to be £0.3m or 11% of the net budget.

The joint venture models

With the joint venture models, the underlying assumption is that a third party would invest in the new model in order to grow and sell more services in order to make a return on their investment over the lifetime of the contract. It is therefore assumed that no actual service reductions will be required.

Much more ambitious growth figures are assumed because of the commercial and marketing infrastructure the third party will bring to the partnership and because of their experience and track record in selling services to schools and/or local authorities across a number of council areas.

It is thus assumed that income growth will increase by £9m over 5 years (for the 2-way joint venture, about £0.5m less for the 3-way JV). This would be achieved through a combination of selling more services to schools, including schools that currently do not buy services both within and outside the Borough, and from selling services, including statutory services, to other local authorities. The growth represents a doubling of income. It is assumed that this would involve increased expenditure of about £7.2m on providing the additional services, thus producing a surplus of some £1.8m, with some of this contributing towards the savings and the rest to some form of gain-share agreement between the parties to the partnership.

It is also assumed that some savings can be achieved through efficiency measures, with savings equating to at least 4% of gross expenditure, or about £770,000, over 5 years. The figure is higher than for the social enterprise model because it is assumed that the third party will bring commercial expertise that will deliver a greater level of transformation and efficiency.

It is assumed that service growth would develop over time and that this approach would require management of its own investment and cashflow by the third party to cover any savings shortfall in the first year.

Appendix A - financial modelling tables

Summary of financial benefits

	In-house	Social Enterprise	Three-way JV	Two-way JV
Service reductions				
Catering	£0	£0	£0	£0
School Improvement	£0	£0	£0	£0
Other Traded	£296,533	£148,266	£0	£0
Non-Traded	£394,373	£157,749	£0	£0
Total	£690,906	£306,015		
Efficiencies				
Catering	£208,305	£277,740	£347,175	£347,175
School Improvement	£26,320	£35,094	£43,867	£43,867
Other Traded	£74,698	£99,597	£124,496	£124,496
Non-Traded	£48,004	£64,005	£80,006	£80,006
Other services*	£115,704	£144,630	£173,556	£173,556
Total	£473,031	£621,066	£769,100	£769,100
Increased trade to schools				
Catering	£57,072	£57,072	£85,608	£85,608
School Improvement	£28,682	£43,024	£62,743	£62,743
Other Traded	£16,117	£30,218	£40,291	£40,291
Non-Traded	£0	£0	£0	£0
Total	£101,871	£130,314	£188,642	£188,642
Trade - outside the borough				
Catering	£142,679	£321,029	£963,086	£963,086
School Improvement	£33,612	£53,780	£129,072	£145,205
Other Traded	£50,363	£54,392	£181,307	£226,634
Non-Traded	£56,004	£67,205	£246,419	£280,021
Total	£282,658	£496,406	£1,519,884	£1,614,946
Trade - Additional Services				
Catering	£0	£9,524	£28,571	£28,571
School Improvement	£0	£0	£0	£0
Other Traded	£0	£1,226	£12,260	£12,260
Non-Traded	£0	£718	£2,870	£2,870
Total	£0	£11,468	£43,701	£43,701
Total from income	£384,529	£638,188	£1,752,227	£1,847,289
TOTALs	£1,548,466	£1,565,269	£2,521,327	£2,616,389

Summary by service cluster

Catering	£408,056	£665,365	£1,424,440	£1,424,440
School Improvement	£88,614	£131,898	£235,682	£251,815
Other Traded	£437,711	£333,699	£358,354	£403,681
Non-Traded	£498,381	£289,677	£329,295	£362,897
Other services*	£115,704	£144,630	£173,556	£173,556
Total	£1,548,466	£1,565,269	£2,521,327	£2,616,389

*DSG-funded services and SEN transport

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Catering

Levers applied to catering

Range

Individual % within range

	Lever	Effect	%	Margin	Applied to	In-house	Social Enterprise	Joint Venture	Joint Venture with Schools	Notes/assumptions
1	Service reductions	Cost reduction x%	0.0%		Net Budget	0.0%	0.0%	0.0%	0.0%	
2	Efficient processes	Cost reduction x%	5-10%		Gross Exp	3.0%	4.0%	5.0%	5.0%	Reduction in costs through more efficient processes, particularly around ordering and stock management, and generating a similar level of income. Some potential for procurement efficiencies.
3	Ability to trade freely beyond the borough	Income increase x% per year	2-15%	20.0%	Income	2.0%	5.0%	15.0%	15.0%	Assumes that income-related expenditure increases by 80% of new income. Growth potential through broader market than schools, due to nature of service.
4	Increased trade to current schools	Increased income by x%	2.0%	20.0%	Income	2.0%	2.0%	3.0%	3.0%	Assumes that income-related expenditure increases by 80% of new income. Limited scope for increasing trade of basic service to existing customers, but some scope for increasing trade in specialist advice and event catering.
5	Trading to more schools within the borough	Increased income by x%	1-3%	20.0%	Income	2.0%	2.0%	3.0%	3.0%	Assumes that income-related expenditure increases by 80% of new income. Limited scope for increasing customer base due to current high buy-back levels, but some scope for increasing customer base beyond schools and for specialist advice and event catering.
6	Ability to add services	Income increase x % per year greater control of new service costs increases the margin on this income	0-15%		Net Budget	0.0%	5.0%	15.0%	15.0%	Assumes that income-related expenditure increases by 70% of new income. Potential for increasing specialist catering services.

Catering detailed modelling

Model: In House							
Lever	Full effect	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Service Reductions	0	-	-	-	-	-	-
Profile		50%	50%	0%	0%	0%	100%
Percentage of budget		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Transformation - Efficient processes	208,305	20,831	62,492	83,322	20,831	20,831	208,305
Profile		10%	30%	40%	10%	10%	100%
Percentage of budget		0.3%	0.9%	1.2%	0.3%	0.3%	3.0%
Trade outside the borough	28,536	28,536	28,536	28,536	28,536	28,536	142,679
Profile		100%	100%	100%	100%	100%	500%
Percentage of budget		0.4%	0.4%	0.4%	0.4%	0.4%	2.0%
Increased trade to current schools customers	28,536	2,854	5,707	8,561	11,414	-	28,536
Profile		10%	20%	30%	40%	0%	100%
Percentage of budget		0.04%	0.1%	0.1%	0.2%	0.0%	0.4%
Trading to more schools within the borough	28,536	-	2,854	5,707	8,561	11,414	28,536
Profile		0%	10%	20%	30%	40%	100%
Percentage of budget		0.0%	0.0%	0.1%	0.1%	0.2%	0.4%
Additional Services	0	-	-	-	-	-	-
Profile		0%	50%	50%	0%	0%	100%
Percentage of budget		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total	293,913	52,220	99,588	126,126	69,341	60,781	408,056
Cumulative effect		52,220	151,808	277,934	347,275	408,056	

Model: Social enterprise							
Lever	Full effect	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Service Reductions	0	-	-	-	-	-	-
Profile		0%	0%	0%	0%	0%	0%
Percentage of budget		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Transformation - Efficient processes	277,740	27,774	55,548	83,322	55,548	55,548	277,740
Profile		10%	20%	30%	20%	20%	100%
Percentage of budget		0.4%	0.8%	1.2%	0.8%	0.8%	4.0%
Trade outside the borough	71,340	35,670	71,340	71,340	71,340	71,340	321,029
Profile		50%	100%	100%	100%	100%	450%
Percentage of budget		0.50%	1.0%	1.0%	1.0%	1.0%	4.50%
Increased trade to current schools customers	28,536	2,854	5,707	8,561	11,414	-	28,536
Profile		10%	20%	30%	40%	0%	100%
Percentage of budget		0.0%	0.1%	0.1%	0.2%	0.0%	0.4%
Trading to more schools within the borough	28,536	-	2,854	5,707	8,561	11,414	28,536
Profile		0%	10%	20%	30%	40%	100%
Percentage of budget		0.0%	0.0%	0.1%	0.1%	0.2%	0.4%
Additional Services	9,524	-	952	1,905	2,857	3,809	9,524
Profile		0%	10%	20%	30%	40%	100%
Percentage of budget		0.0%	0.5%	1.0%	1.5%	2.0%	5.0%
Total	415,675	66,297	136,401	170,834	149,720	142,111	665,364
Cumulative effect		66,297	202,698	373,533	523,252	665,364	

Model: Joint Venture							
Lever	Full effect	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Service Reductions	0	-	-	-	-	-	-
Profile		0%	25%	50%	25%	0%	100%
Percentage of budget		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Transformation - Efficient processes	347,175	34,718	104,153	138,870	34,718	34,718	347,175
Profile		10%	30%	40%	10%	10%	100%
Percentage of budget		0.5%	1.5%	2.0%	0.5%	0.5%	5.0%
Trade outside the borough	214,019	107,010	214,019	214,019	214,019	214,019	963,086
Profile		50%	100%	100%	100%	100%	450%
Percentage of budget		1.5%	3.0%	3.0%	3.0%	3.0%	13.5%
Increased trade to current schools customers	42,804	4,280	8,561	12,841	17,122	-	42,804
Profile		10%	20%	30%	40%	0%	100%
Percentage of budget		0.1%	0.1%	0.2%	0.2%	0.0%	0.6%
Trading to more schools within the borough	42,804	-	4,280	8,561	12,841	17,122	42,804
Profile			10%	20%	30%	40%	100%
Percentage of budget		0.0%	0.1%	0.1%	0.2%	0.2%	0.6%
Additional Services	28,571	-	2,857	5,714	8,571	11,428	28,571
Profile		0%	10%	20%	30%	40%	100%
Percentage of budget		0.0%	1.5%	3.0%	4.5%	6.0%	15.0%
Total	675,372	146,007	333,870	380,005	287,270	277,286	1,424,439
Cumulative effect		146,007	479,877	859,882	1,147,153	1,424,439	

Model: Joint Venture with Schools							
Lever	Full effect	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Service Reductions	0	-	-	-	-	-	-
Profile		0%	25%	50%	25%	0%	100%
Percentage of budget		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Transformation - Efficient processes	347,175	34,718	104,153	138,870	34,718	34,718	347,175
Profile		10%	30%	40%	10%	10%	100%
Percentage of budget		0.5%	1.5%	2.0%	0.5%	0.5%	5.0%
Trade outside the borough	214,019	107,010	214,019	214,019	214,019	214,019	963,086
Profile		50%	100%	100%	100%	100%	450%
Percentage of budget		1.5%	3.0%	3.0%	3.0%	3.0%	13.5%
Increased trade to current schools customers	42,804	4,280	8,561	12,841	17,122	-	42,804
Profile		10%	20%	30%	40%	0%	100%
Percentage of budget		0.1%	0.1%	0.2%	0.2%	0.0%	0.6%
Trading to more schools within the borough	42,804	-	4,280	8,561	12,841	17,122	42,804
Profile			10%	20%	30%	40%	100%
Percentage of budget		0.0%	0.1%	0.1%	0.2%	0.2%	0.6%
Additional Services	28,571	-	2,857	5,714	8,571	11,428	28,571
Profile		0%	10%	20%	30%	40%	100%
Percentage of budget		0.0%	1.5%	3.0%	4.5%	6.0%	15.0%
Total	675,372	146,007	333,870	380,005	287,270	277,286	1,424,439
Cumulative effect		146,007	479,877	859,882	1,147,153	1,424,439	

School Improvement

Levers applied to school improvement

Range

Individual % within range

	Lever	Effect	%	Margin	Applied to	In-house	Social Enterprise	Joint Venture	Joint Venture with Schools	Notes/assumptions
1	Service reductions	Cost reduction x%	0.0%		Net Budget	0.0%	0.0%	0.0%	0.0%	
2	Efficient processes	Cost reduction x%	3-10%		Gross Exp	3.0%	4.0%	5.0%	5.0%	Reduction in costs through efficient processes and generating a similar level of income. Potential for improved use of ICT and better use of administrative resources.
3	Ability to trade freely beyond the borough	Income increase x% per year	1-8%	20.0%	Income	5.0%	8.0%	18.0%	16.0%	Assumes that income-related expenditure increases by 80% of new income. BPSI is well-regarded with current customer base and in-house/social enterprise models should be in a position to build on this.
4	Increased trade to current schools	increased income by x%	6-12%	20.0%	Income	8.0%	12.0%	15.0%	15.0%	Assumes that income-related expenditure increases by 80% of new income. BPSI is well-regarded with current customer base and in-house/social enterprise models should be in a position to build on this.
5	Trading to more schools within the borough	increased income by x%	4-15%	20.0%	Income	8.0%	12.0%	20.0%	20.0%	Assumes that income-related expenditure increases by 80% of new income. BPSI is well-regarded with current customer base and in-house/social enterprise models should be in a position to build on this.
6	Ability to add services	Income increase x % per year greater control of new service costs increases the margin on this income	0-30%		Net Budget	0.0%	10.0%	30.0%	30.0%	Assumes that income-related expenditure increases by 70% of new income. Good base from which to build new services.

Total savings	63,966	92,459	138,878	135,293
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School Improvement detailed modelling

Model: In House							
Lever	Full effect	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Service Reductions	0	-	-	-	-	-	-
Profile		60%	50%		0%	0%	100%
Percentage of budget		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Transformation - Efficient processes	26,320	2,632	5,264	5,264	6,580	6,580	26,320
Profile		10%	20%	20%	25%	25%	100%
Percentage of budget		0.3%	0.6%	0.6%	0.8%	0.8%	3.0%
Trade outside the borough	8,963	2,241	4,482	8,963	8,963	8,963	33,612
Profile		25%	50%	100%	100%	100%	375%
Percentage of budget		0.3%	0.5%	1.0%	1.0%	1.0%	3.8%
Increased trade to current schools customers	14,341	717	2,151	2,868	4,302	4,302	14,341
Profile		5%	15%	20%	30%	30%	100%
Percentage of budget		0.080%	0.240%	0.320%	0.480%	0.480%	1.600%
Trading to more schools within the borough	14,341	-	1,434	2,868	4,302	5,737	14,341
Profile		0%	10%	20%	30%	40%	100%
Percentage of budget		0.0%	0.16%	0.32%	0.48%	0.64%	1.60%
Additional Services	0	-	-	-	-	-	-
Profile		0%	50%	50%	0%	0%	100%
Percentage of budget							
Total	63,966	5,590	13,331	19,964	24,148	25,582	88,615
Cumulative effect		5,590	18,921	38,885	63,033	88,615	

Model: Social enterprise							
Lever	Full effect	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Service Reductions	0	-	-	-	-	-	-
Profile		0%	0%	0%	0%	0%	0%
Percentage of budget		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Transformation - Efficient processes	35,094	3,509	7,019	8,773	8,773	7,019	35,094
Profile		10%	20%	25%	25%	20%	100%
Percentage of budget		0.4%	0.8%	1.0%	1.0%	0.8%	4.0%
Trade outside the borough	14,341	3,585	7,171	14,341	14,341	14,341	53,780
Profile		25%	50%	100%	100%	100%	375%
Percentage of budget		0.4%	0.8%	1.6%	1.6%	1.6%	6.0%
Increased trade to current schools customers	21,512	1,076	2,151	4,302	6,454	7,529	21,512
Profile		5%	10%	20%	30%	35%	100%
Percentage of budget		0.1%	0.2%	0.5%	0.7%	0.8%	2.4%
Trading to more schools within the borough	21,512	-	2,151	4,302	6,454	8,605	21,512
Profile		0.0%	10%	20%	30%	40%	100%
Percentage of budget			0.2%	0.5%	0.7%	1.0%	2.4%
Additional Services	0	-	-	-	-	-	-
Profile			10%	20%	30%	40%	100%
Percentage of budget							
Total	92,459	8,170	18,492	31,719	36,022	37,494	131,897
Cumulative effect		8,170	26,662	58,381	94,403	131,897	

Model: Joint Venture							
Lever	Full effect	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Service Reductions	0	-	-	-	-	-	-
Profile	Total	0%	25%	50%	25%	0%	100%
Percentage of budget		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Transformation - Efficient processes	43,867	4,387	13,160	17,547	4,387	4,387	43,867
Profile	Total	10%	30%	40%	10%	10%	100%
Percentage of budget		0.5%	1.5%	2.0%	0.5%	0.5%	5.0%
Trade outside the borough	32,268	16,134	32,268	32,268	32,268	32,268	145,205
Profile	Year on Year	50%	100%	100%	100%	100%	450%
Percentage of budget		1.8%	3.6%	3.6%	3.6%	3.6%	16.2%
Increased trade to current schools customers	26,890	2,689	5,378	8,067	10,756	-	26,890
Profile	Total	10%	20%	30%	40%	0%	100%
Percentage of budget		0.3%	0.6%	0.9%	1.2%	0.0%	3.0%
Trading to more schools within the borough	35,853	-	3,585	7,171	10,756	14,341	35,853
Profile	Total		10%	20%	30%	40%	100%
Percentage of budget		0.0%	0.4%	0.8%	1.2%	1.6%	4.0%
Additional Services	0	-	-	-	-	-	-
Profile	Total	0%	10%	20%	30%	40%	100%
Percentage of budget							
Total	138,878	23,210	54,391	65,052	58,167	50,996	251,816
Cumulative effect		23,210	77,601	142,663	200,820	251,816	

Model: Joint Venture with Schools							
Lever	Full effect	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Service Reductions	0	-	-	-	-	-	-
Profile	Total	0%	25%	50%	25%	0%	100%
Percentage of budget		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Transformation - Efficient processes	43,867	4,387	13,160	17,547	4,387	4,387	43,867
Profile	Total	10%	30%	40%	10%	10%	100%
Percentage of budget		0.5%	1.5%	2.0%	0.5%	0.5%	5.0%
Trade outside the borough	28,683	14,341	28,683	28,683	28,683	28,683	129,072
Profile	Year on Year	50%	100%	100%	100%	100%	450%
Percentage of budget		1.6%	3.2%	3.2%	3.2%	3.2%	14.4%
Increased trade to current schools customers	26,890	2,689	5,378	8,067	10,756	-	26,890
Profile	Total	10%	20%	30%	40%	0%	100%
Percentage of budget		0.3%	0.6%	0.9%	1.2%	0.0%	3.0%
Trading to more schools within the borough	35,853	-	3,585	7,171	10,756	14,341	35,853
Profile	Total		10%	20%	30%	40%	100%
Percentage of budget		0.0%	0.4%	0.8%	1.2%	1.6%	4.0%
Additional Services	0	-	-	-	-	-	-
Profile	Total	0%	10%	20%	30%	40%	100%
Percentage of budget							
Total	135,293	21,417	50,806	61,467	54,581	47,411	235,682
Cumulative effect		21,417	72,223	133,690	188,271	235,682	

Other Traded Services

Levers applied to other traded services

Range

Individual % within range

	Lever	Effect	%	Margin	Applied to	In-house	Social Enterprise	Joint Venture	Joint Venture with Schools	Notes/assumptions
1	Service reductions	Cost reduction x%	0 - 15%		Net Budget	20.0%	10.0%	0.0%	0.0%	
2	Efficient processes	Cost reduction x%	3 - 10%		Gross Exp	3.0%	4.0%	5.0%	5.0%	Reduction in costs through more efficient processes and generating a similar level of income. Potential for improved use of ICT.
3	Ability to trade freely beyond the borough	Income increase x% per year	5 - 25%	20.0%	Income	5.0%	6.0%	25.0%	20.0%	Assumes that income related expenditure increases by 80% of new income. JV would be in better position to sell beyond the borough, but some scope for trading by other models.
4	Increased trade to current schools	increased income by x%	3 - 5%	20.0%	Income	3.0%	5.0%	5.0%	5.0%	Assumes that income-related expenditure increases by 80% of new income. Generally limited scope to increase provision of services to existing customers.
5	Trading to more schools within the borough	increased income by x%	5 - 15%	20.0%	Income	5.0%	10.0%	15.0%	15.0%	Assumes that income-related expenditure increases by 80% of new income. Reasonable scope for increasing customer base within the borough. Perceived independence from LBB expected to be a factor.
6	Ability to add services	Income increase x % per year greater control of new service costs increases the margin on this income	0 - 50%		Net Budget	0.0%	5.0%	50.0%	50.0%	Assumes that income-related expenditure increases by 70% of new income. Substantial scope for development of new services across spectrum of services currently provided. JV assumed to be in substantially better position to do this, due to broader customer base.

Other traded services detailed modelling

Model: In House							
Lever	Full effect	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Service Reductions	296,533	29,653	59,307	74,133	74,133	59,307	296,533
Profile		10%	20%	25%	25%	20%	100%
Percentage of budget		2.0%	4.0%	5.0%	5.0%	4.0%	20.0%
Transformation - Efficient processes	74,698	7,470	14,940	22,409	14,940	14,940	74,698
Profile		10%	20%	30%	20%	20%	100%
Percentage of budget		0.3%	0.6%	0.9%	0.6%	0.6%	3.0%
Trade outside the borough	10,073	10,073	10,073	10,073	10,073	10,073	50,363
Profile		100%	100%	100%	100%	100%	500%
Percentage of budget		1.0%	1.0%	1.0%	1.0%	1.0%	5.0%
Increased trade to current schools customers	6,044	604	1,209	1,813	2,417	-	6,044
Profile		10%	20%	30%	40%	0%	100%
Percentage of budget		0.1%	0.1%	0.2%	0.2%	0.0%	0.6%
Trading to more schools within the borough	10,073	-	1,007	2,015	3,022	4,029	10,073
Profile		0%	10%	20%	30%	40%	100%
Percentage of budget		0.0%	0.1%	0.2%	0.3%	0.4%	1.0%
Additional Services	0	-	-	-	-	-	-
Profile		0%	50%	50%	0%	0%	100%
Percentage of budget		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total	397,419	47,800	86,535	110,443	104,585	88,348	437,710
Cumulative effect		47,800	134,335	244,777	349,362	437,710	

Model: Social Enterprise							
Lever	Full effect	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Service Reductions	148,266	14,827	29,653	44,480	29,653	29,653	148,266
Profile		10%	20%	30%	20%	20%	100%
Percentage of budget		1.0%	2.0%	3.0%	2.0%	2.0%	10.0%
Transformation - Efficient processes	99,597	9,960	29,879	39,839	9,960	9,960	99,597
Profile		10%	30%	40%	10%	10%	100%
Percentage of budget		0.4%	1.2%	1.6%	0.4%	0.4%	4.0%
Trade outside the borough	12,087	6,044	12,087	12,087	12,087	12,087	54,392
Profile		50%	100%	100%	100%	100%	450%
Percentage of budget		0.6%	1.2%	1.2%	1.2%	1.2%	5.4%
Increased trade to current schools customers	10,073	1,007	2,015	3,022	4,029	-	10,073
Profile		10%	20%	30%	40%	0%	100%
Percentage of budget		0.1%	0.2%	0.3%	0.4%	0.0%	1.0%
Trading to more schools within the borough	20,145	-	2,015	4,029	6,044	8,058	20,145
Profile		0.0%	10%	20%	30%	40%	100%
Percentage of budget		0.0%	0.2%	0.4%	0.6%	0.8%	2.0%
Additional Services	1,226	-	123	245	368	490	1,226
Profile		0.0%	10%	20%	30%	40%	100%
Percentage of budget		0.0%	0.5%	1.0%	1.5%	2.0%	5.0%
Total	291,394	31,837	75,771	103,702	62,140	60,249	333,699
Cumulative effect		31,837	107,608	211,310	273,451	333,699	

Model: Joint Venture							
Lever	Full effect	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Service Reductions	0	-	-	-	-	-	-
Profile	Total	0%	25%	50%	25%	0%	100%
Percentage of budget		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Transformation - Efficient processes	124,496	12,450	37,349	49,798	12,450	12,450	124,496
Profile	Total	10%	30%	40%	10%	10%	100%
Percentage of budget		0.5%	1.5%	2.0%	0.5%	0.5%	5.0%
Trade outside the borough	50,363	25,182	50,363	50,363	50,363	50,363	226,634
Profile	Year on Year	50%	100%	100%	100%	100%	450%
Percentage of budget		2.5%	5.0%	5.0%	5.0%	5.0%	22.5%
Increased trade to current schools customers	10,073	1,007	2,015	3,022	4,029	-	10,073
Profile	Total	10%	20%	30%	40%	0%	100%
Percentage of budget		0.1%	0.2%	0.3%	0.4%	0.0%	1.0%
Trading to more schools within the borough	30,218	-	3,022	6,044	9,065	12,087	30,218
Profile	Total		10%	20%	30%	40%	100%
Percentage of budget		0.0%	0.3%	0.6%	0.9%	1.2%	3.0%
Additional Services	12,260	-	1,226	2,452	3,678	4,904	12,260
Profile	Total	0%	10%	20%	30%	40%	100%
Percentage of budget		0.0%	5.0%	10.0%	15.0%	20.0%	50.0%
Total	227,410	38,638	93,974	111,679	79,585	79,804	403,680
Cumulative effect		38,638	132,613	244,291	323,876	403,680	

Model: Joint Venture with Schools							
Lever	Full effect	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Service Reductions	0	-	-	-	-	-	-
Profile	Total	0%	25%	50%	25%	0%	100%
Percentage of budget		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Transformation - Efficient processes	124,496	12,450	37,349	49,798	12,450	12,450	124,496
Profile	Total	10%	30%	40%	10%	10%	100%
Percentage of budget		0.5%	1.5%	2.0%	0.5%	0.5%	5.0%
Trade outside the borough	40,290	20,145	40,290	40,290	40,290	40,290	181,307
Profile	Year on Year	50%	100%	100%	100%	100%	450%
Percentage of budget		2.0%	4.0%	4.0%	4.0%	4.0%	18.0%
Increased trade to current schools customers	10,073	1,007	2,015	3,022	4,029	-	10,073
Profile	Total	10%	20%	30%	40%	0%	100%
Percentage of budget		0.1%	0.2%	0.3%	0.4%	0.0%	1.0%
Trading to more schools within the borough	30,218	-	3,022	6,044	9,065	12,087	30,218
Profile	Total		10%	20%	30%	40%	100%
Percentage of budget		0.0%	0.3%	0.6%	0.9%	1.2%	3.0%
Additional Services	12,260	-	1,226	2,452	3,678	4,904	12,260
Profile	Total	0%	10%	20%	30%	40%	100%
Percentage of budget		0.0%	5.0%	10.0%	15.0%	20.0%	50.0%
Total	217,337	33,602	83,902	101,606	69,512	69,731	358,353
Cumulative effect		33,602	117,504	219,110	288,622	358,353	

Non-traded Services

Levers applied to non-traded services

Range Individual % within range

	Lever	Effect	%	Margin	Applied to	In-house	Social Enterprise	Joint Venture	Joint Venture with Schools	Notes/assumptions
1	Service Reductions	Cost reduction x%	0 - 20%		Net Budget	25.0%	10.0%	0.0%	0.0%	
2	Efficient processes	Cost reduction x%	7.5 - 10%		Gross Exp	3.0%	4.0%	5.0%	5.0%	Reduction in costs through more efficient processes
3	Ability to trade freely beyond the borough	Income increase x% per year	5 - 25%	20.0%	Gross Exp	5.0%	6.0%	25.0%	22.0%	Assumes that Gross Exp used at an 80% margin. JV would be in a better position to sell these services to other LAs, which other models are less likely to be in a position to do
4	Increased trade to current schools	increased income by x%	0.0%	20.0%	Income	0.0%	0.0%	0.0%	0.0%	These services are not sold to schools
5	Trading to more schools within the borough	increased income by x%	0.0%	20.0%	Income	0.0%	0.0%	0.0%	0.0%	These services are not sold to schools
6	Ability to Add services easily.	Income increase x % per year greater control of new service costs increases the margin on this income	0 - 20%		Net Budget	0.0%	5.0%	20.0%	20.0%	Assumes that income-related expenditure increases by 70% of new income. Broader commercial network would enable JVs to identify and develop new services.

Non-traded services detailed modelling

Model: In House									
Lever	Full effect	Year 1	Year 2	Year 3	Year 4	Year 5	Total		
Service Reductions	394,373	39,437	78,875	78,875	98,593	98,593	394,373		
Profile		10%	20%	20%	25%	25%	100%		
Percentage of budget		2.5%	5.0%	5.0%	6.3%	6.3%	25.0%		
Transformation - Efficient processes	48,004	4,800	9,601	14,401	9,601	9,601	48,004		
Profile		10%	20%	30%	20%	20%	100%		
Percentage of budget		0.3%	0.6%	0.9%	0.6%	0.6%	3.0%		
Trade outside the borough	16,001	-	8,001	16,001	16,001	16,001	56,004		
Profile		0%	50%	100%	100%	100%	350%		
Percentage of budget		0.0%	0.5%	1.0%	1.0%	1.0%	3.5%		
Increased trade to current schools customers	0	-	-	-	-	-	-		
Profile		10%	20%	30%	40%	0%	100%		
Percentage of budget									
Trading to more schools within the borough	0	-	-	-	-	-	-		
Profile		0%	10%	20%	30%	40%	100%		
Percentage of budget									
Additional Services	0	-	-	-	-	-	-		
Profile		0%	50%	50%	0%	0%	100%		
Percentage of budget		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		
Total	458,378	44,238	96,476	109,277	124,195	124,195	498,381		
Cumulative effect		44,238	140,714	249,991	374,186	498,381			

Model: Social Enterprise									
Lever	Full effect	Year 1	Year 2	Year 3	Year 4	Year 5	Total		
Service Reductions	157,749	15,775	31,550	31,550	39,437	39,437	157,749		
Profile		10%	20%	20%	25%	25%	100%		
Percentage of budget		1.0%	2.0%	2.0%	2.5%	2.5%	10.0%		
Transformation - Efficient processes	64,005	6,400	12,801	19,201	12,801	12,801	64,005		
Profile		10%	20%	30%	20%	20%	100%		
Percentage of budget		0.4%	0.8%	1.2%	0.8%	0.8%	4.0%		
Trade outside the borough	19,201	-	9,601	19,201	19,201	19,201	67,205		
Profile		0%	50%	100%	100%	100%	350%		
Percentage of budget		0.00%	0.60%	1.20%	1.20%	1.20%	4.20%		
Increased trade to current schools customers	0	-	-	-	-	-	-		
Profile		10%	20%	30%	40%	0%	100%		
Percentage of budget									
Trading to more schools within the borough	0	-	-	-	-	-	-		
Profile			10%	20%	30%	40%	100%		
Percentage of budget									
Additional Services	718	-	72	144	215	287	718		
Profile			10%	20%	30%	40%	100%		
Percentage of budget		0.0%	0.5%	1.0%	1.5%	2.0%	5.0%		
Total	241,673	22,175	54,023	70,096	71,655	71,727	289,677		
Cumulative effect		22,175	76,199	146,295	217,950	289,677			

Model: Joint Venture							
Lever	Full effect	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Service Reductions	0	-	-	-	-	-	-
Profile	Total	0%	25%	50%	25%	0%	100%
Percentage of budget		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Transformation - Efficient processes	80,006	8,001	24,002	32,002	8,001	8,001	80,006
Profile	Total	10%	30%	40%	10%	10%	100%
Percentage of budget		0.5%	1.5%	2.0%	0.5%	0.5%	5.0%
Trade outside the borough	80,006	-	40,003	80,006	80,006	80,006	280,021
Profile	Year on Year	0%	50%	100%	100%	100%	350%
Percentage of budget		0.0%	2.5%	5.0%	5.0%	5.0%	17.5%
Increased trade to current schools customers	0	-	-	-	-	-	-
Profile	Total	10%	20%	30%	40%	0%	100%
Percentage of budget							
Trading to more schools within the borough	0	-	-	-	-	-	-
Profile	Total		10%	20%	30%	40%	100%
Percentage of budget							
Additional Services	2,870	-	287	574	861	1,148	2,870
Profile	Total	0%	10%	20%	30%	40%	100%
Percentage of budget		0.0%	2.0%	4.0%	6.0%	8.0%	20.0%
Total	162,882	8,001	64,292	112,583	88,868	89,155	362,898
Cumulative effect		8,001	72,293	184,875	273,743	362,898	

Model: Joint Venture with Schools							
Lever	Full effect	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Service Reductions	0	-	-	-	-	-	-
Profile	Total	0%	25%	50%	25%	0%	100%
Percentage of budget		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Transformation - Efficient processes	80,006	8,001	24,002	32,002	8,001	8,001	80,006
Profile	Total	10%	30%	40%	10%	10%	100%
Percentage of budget		0.5%	1.5%	2.0%	0.5%	0.5%	5.0%
Trade outside the borough	70,405	-	35,203	70,405	70,405	70,405	246,419
Profile	Year on Year	0%	50%	100%	100%	100%	350%
Percentage of budget		0.0%	2.2%	4.4%	4.4%	4.4%	15.4%
Increased trade to current schools customers	0	-	-	-	-	-	-
Profile	Total	10%	20%	30%	40%	0%	100%
Percentage of budget							
Trading to more schools within the borough	0	-	-	-	-	-	-
Profile	Total		10%	20%	30%	40%	100%
Percentage of budget							
Additional Services	2,870	-	287	574	861	1,148	2,870
Profile	Total	0%	10%	20%	30%	40%	100%
Percentage of budget		0.0%	2.0%	4.0%	6.0%	8.0%	20.0%
Total	153,282	8,001	59,492	102,982	79,267	79,554	329,295
Cumulative effect		8,001	67,492	170,474	249,741	329,295	