
Collaborative School Traded Shared Services Mandate for Change

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What is this report about?

This report seeks a mandate from Cheshire West and Chester Executive and Wirral Borough Council Cabinet to develop a business case to create a shared traded service in collaboration with schools, settings and parents. Initial scoping suggests that the new organisation could have an annual turnover of £25 million and could employ over 1500 people. If a decision is made to progress to the business case stage, then the work to date will be built upon to develop the target operating model, with benefits and risks identified and an implementation plan developed.

This business case will be used to inform a political decision in autumn 2014 to authorise the creation of the new organisation with a view to it becoming operational by April 2015.

Both councils have recognised the immense potential that a new delivery model could bring for Traded Services to the education sector and want to work together to create a new organisation which delivers high quality services. The model we propose to be explored would deliver services to schools, settings and parents; and would incentivise them to use the services through a collaborative model where control is shared.

This consumer led Mutual approach, will provide a unique selling point which will differentiate the new organisations market offer whilst also recycling its profit back into the education system to raise attainment, build social capital and improve outcomes for children and young people.

This Traded Service to the education sector will work with existing and developing Council structures and draw on work the organisations have been engaged in developing and establishing new delivery models ensuring maximum benefits are delivered.

This mandate requests that both Councils agree a concordat to develop schools traded services into a separate legal entity where schools have a share of the governance.

This report provides the proposals for change and includes:

- Background and approach
- An overview of the current operating models
- Scope of the Project – the services which are being included in the scope of business case review.
- Summary Market Analysis - high level market summary
- Proposals for change – a summary of the proposals;
- Anticipated benefits of change
- Governance arrangements
- Timescales - high level plan
- Resource requirements - The resources required to deliver the business case and decision

Authorisation is requested to develop a business case based on the principles and governance outlined in this paper with a view to gaining a political decision in Autumn 2014 and the new organisation being operational in April 2015.

Authorisation is requested for the resources required to implement this proposal (page 13).

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1. Executive Summary

1.1. Background

The role of local authorities in relation to schools and education is undergoing a fundamental change. This change will affect all services Councils provide to educational settings, both central statutory functions, and traded services alike.

The main factors driving this change are;

- The increasing delegation and diversion of funding directly to schools and corresponding reduction in retained council budgets e.g. changes to funding of retained duties through DSG.
- The development of a competitive commercial market for support services and entry of private sector providers with significant marketing and business development resources.

Council Traded Services are in a unique position compared to other market participants. They understand and are motivated to develop the synergy between schools and their access to good quality traded services, to develop excellent schools and to improve the outcomes for children and young people in the borough on which Councils are judged.

A strategic review has been conducted and potential options for future services provision evaluated. The options considered included;

- Do nothing - remain the same
- Stop delivering services
- Outsource service provision
- Create a 'Separate Legal Entity' in partnership with Wirral Borough Council, Cheshire West and Chester Council and associated Schools

The Strategic Review concluded that the option which should be taken forward is to create a new organization: a partnership with Wirral Borough Council, Cheshire West and Chester Council and schools, settings and parents; which would be responsible for developing and delivering services to those same schools and other educational establishments based on the principles of mutualism.

If a decision is taken to continue to deliver traded services to schools and educational settings, then such services will need to be developed in order to ensure that they are sustainable in a market economy. This will require developing a sustainable business model which is capable maintaining competitive advantages over other market participants. Increasing competition in the market represents a burning platform which requires the council to re-assess service delivery; to take advantage of the opportunities presented and avoid the potential costs of inaction. Future provision will need to be capable of developing good quality, affordable services which schools would want to purchase.

The statutory school services that remain in the two councils will be in a unique position to describe the market/needs and influence the offer provided by the Traded Service in order to ensure there is a coherent approach to school improvement.

A joint application to the Cabinet Office Delivering Differently Programme was successful and access to bespoke professional support to develop and implement the new model of delivery will be procured (up to a value of £100,000.)

1.2. Current Operating Model

1.2.1. Wirral Offer to Schools:

Wirral Education Quality Services (WEQS) is a strategic partnership between Wirral Council and its schools to deliver a wide range of traded services for schools, governed by schools themselves. A key element is Education Quality (EQ) providing a range of services developed in defined packages related to school and curriculum management. Additional traded services are available for individual purchase.

Aims:

- To provide high quality, value for money services to schools and educational settings
- Respond to needs identified by Head teachers and governors
- Publicise the high quality expertise in Wirral Schools and share that good practice
- To further foster school-to-school support

WEQS generates around £9 million of income, mostly from Wirral schools, with all main annual traded services due for renewal April 2015.

The Wirral Education Quality Services (WEQS) is strategically governed by a single management board made up of Head teacher/Governor/LA representatives.

1.2.2. Cheshire West and Chester offer to schools

Cheshire West and Chester's offer to schools and settings is delivered using two brands;

- Quality Learning Partners (QLP) - QLP is a division of Children & Young People Directorate. It delivers services on a commercial basis. These services range from Outdoor Education to School Improvement Services. More recently it was agreed that the Catering and Cleaning Service would transfer into the QLP Brand. QLP is unique in that it currently trades directly with parents and receives a lot of business from schools and organisations outside of CWAC.
- School Business Service Agreement (SBSA) - A variety of support services are traded with schools via the School Business Service Agreement. This agreement provides the facility for school to opt to buy services back from the council. The services offered range from Legal advice, Health & Safety Guidance to Financial Management.

The total income generated from these services for period 12/13 was in excess of £17 million, which includes some DSG Grant funding.

The governance of these Traded Services is currently the responsibility of:

- The Head of Achievement and Wellbeing. (Mark Parkinson)
- The Director of Children and Young People. (Gerald Meehan)

There is strong liaison with the customer base through the three head teacher associations (C.W.A.P.H, C.W.A.S.H and C.W.A.S.S.H.). The Chairman's Trust has been developed in partnership with all schools, the

Council and its community in order to ensure all children have equality of access to educational opportunity irrespective of disadvantage.

1.3. Scope

Management from Wirral Council and Cheshire West and Chester Councils Children’s Services have met and agreed what services are in scope, are most suitable for initial consideration in the review, and what services may be considered for inclusion at a later date.

Table 1.0 In-Scope Services.

These are the services proposed to be specifically included in the new Traded Service.

Authority	Service/Function
CWAC	Outdoor Education, Borough Centres (inc Conway)
	Learning Outside the Classroom
	CPD for teachers and support staff (newly qualified teacher, teaching and learning, curriculum support, leadership and management, behavior management, ethnic minority support, etc)
	Music Service
	School Governance
	School Catering and Cleaning
	Education Library Service (tbc)
	Education Welfare Service
	Education Psychology Service
	Licenses & Leases
WBC	Minority Ethnic Achievement Service E for Primary A for Secondary
	Outdoor Education - Oaklands
	City Learning Centre’s (TBC) (u)
	School Leadership, Subject Leader, Teaching Learning etc
	Safeguarding and the wider workforce (u)
	Newly Qualified Teachers (some statutory)
	School Improvement Associates (P, S, Spec)
	Education Psychology Service Traded Element
	Music Service
	Governor Support
	Catering
	Caretaking and Cleaning
	School Swimming Service (u)
	Educational Visits and Off site activities
	PE Sports Dancing and Festivals (u)
	Information Management Data Service (u)
	Data Support Package(u)
Education Welfare Service (traded element)	
Managed moves (u)	

(u) Unique with no equivalent service in CWaC

Based on the feedback of head teachers; there were a number of other services which were identified where there may be advantages for also including in the scope but which are currently being delivered through corporate services. For CWaC some of these services are in CoSocius and shared with Cheshire East. Table 2.0

details these services. As part of the Trading Service Business Case development the programme will develop options to coordinate activity across both Councils and CoSocios to maximise benefits to shareholders with an aim to ensure that a stronger value proposition is offered to the market. All services that trade with schools could be explored for inclusion in the scope.

One of the guiding principles of this alliance will be that the School Trading SLE will act as the single front door for school services.

Table 2.0: Services which should be explored for further inclusion in the scope

Authority	Service/Function
CWaC	Health and Safety
	Schools' Financial Management Support
	Schools HR including Occupational Health
	Schools IT*
	Legal Services
	Property and Regeneration
	Headteacher Appointments
	Schools Payroll
	Insurance
WBC	Health and Safety
	Financial Support (LMS) Primary Secondary, Special and Nursery
	School HR Advice and Guidance
	Headteacher and Deputy Appointments
	Schools Payroll & HR Admin
	Schools IT and software support service
	Risk Management & Insurance Services
	Occupational Health
	Grounds Maintenance
	Wirral Community Patrol
	School Library Service
	Cash in Transit Service

* indicates CWAC services in CoSocios

1.4. Market Analysis

1.4.1. National Context

The market for School Support Services is a developing one with a large potential for growth and an increasing number of commercial providers. This ranges from sole traders and SMEs providing specific services to individual schools to multi-national providers with joint venture partnerships with councils and providing services to schools in a number of local authority areas. There are a number of councils who have externalised or outsourced schools support services. Existing externalized or outsourced schools support services include:

- Tri-borough (Westminster, Hammersmith & Fulham, and Kensington & Chelsea) created an Employee led mutual with a private sector business partner having a 25% ownership.
- Staffordshire County Council formed a joint venture company with Capita which commenced trading in 2013. This is 49% owned by the council and 51% by Capita.
- Babcock 4S have joint ventures with Surrey /Devon County Councils with profits shares.
- A number of councils have entered into contracts with providers for specific services such as schools improvement, SEN services, etc.

Cheshire West and Chester Council have established a an ambitious programme (Make or Buy) which involves every service within the council being reviewed to optimise outcomes and where appropriate, to explore new delivery models such as shared services, trading companies and mutual's. The review has adopted a framework which assesses the suitability of different delivery models. Using the Councils Review methodology we believe that the delivery model which should be taken to the business case development stage is a SLE which would be a shared service between both councils and schools. The growing market for traded services to educational settings provides the opportunity for the council to benefit from using existing resources and capability to lever additional benefits from a growing market, therefore a joint venture or council owned separate entity would be appropriate as it provides any new organisation the opportunity take advantage of a growing market with a limited number of participants. This is especially true for organisations which enter the market early as they have the opportunity to adapt to the market conditions, forging competitive advantages, ahead of later entrants to the market.

1.4.2. Local Context

The move to Academy and Free school status is gaining pace, with an increasing number of schools converting. If we look at the scale of conversion, Secondary schools are the sector where academy conversion is having most impact. As of October 2013 there are 2107 secondary academies or foundation schools in the UK which is 64% of all secondary schools. For primary schools the UK total is 1508 which is 9% of the total.

School designation figures are shown below. There are currently 3 CWAC community primary schools considering or in the process of converting to academy status.

In Wirral there are a further 2 primary schools that have expressed an interest in Academy status, in addition 2 Voluntary Controlled primary schools are investigating Voluntary Aided status. It is to be noted that Everton Free School Satellite operates from Wallasey School but is a Liverpool Free School.

Currently both Wirral and Cheshire West and Chester trade services with Academies and Free Schools. This is on a full cost recovery basis, as with maintained schools. This would continue under the new proposed SLE.

Fig 1.0: Cheshire West and Chester Schools:

Type	Nursery	Primary	Secondary	Special	Totals
Community	1	73	2	9	85
C of E Voluntary Controlled		25			25
C of E Voluntary Aided		14	1		15
Catholic Voluntary Aided		12	2		14
Academy		4	9	1	14
Foundation			5		5
Free School		2			2
Totals	1	130	19	10	160
% Academies	0%	5%	74%	10%	13%
/Foundations/Free					

Fig 2.0: Wirral Schools:

Type	Nursery	Primary	Secondary	Special	Totals
Community	3	62	4	13	82
C of E Voluntary Controlled		5			5
C of E Voluntary Aided		7			7
Joint Faith Voluntary Aided		1			1
Catholic Voluntary Aided		17	1		18
Academy		2	14		16
Foundation/Trust			3		3
Free School					0
Totals	3	94	22	13	132
% Academies	0%	2%	77%	0%	14%
/Foundations/Free					

1.5. Proposals for change

Discussions with key stakeholders having identified a number of aspects which would need to underpin a future delivery model in relation to School Traded Shared Services:

Principle

1	The schools shared service will be owned/governed by both local authorities and schools, for the benefit of the local authorities and schools.
2	Options for ownership, governance and control will be developed as part of the business case development phase.
3	Client side arrangements will be designed as part of the business case development phase.
4	Profit / surplus will be reinvested in the organisation to improve the quality of services and education attainment across the areas it operates.
5	As part of a family of companies, the Schools Traded Service will buy back-office services from the Council and/or CoSocius on a competitive best-value based model.
6	The Schools Traded Service will act as the single front door for all council services: The model which is developed will need to incorporate a quality assurance and best-value position bearing in mind that schools and other educational settings, not the Councils, are the customers.
7	Commitment from both organisations at all levels of the fundamental importance of supporting schools and the education sector to deliver good outcomes for children and young people.
8	Understanding of schools integral partnership with Councils in delivering economic and social development of the region including early intervention and preventative approaches.
9	Ensuring the Authority effectively delivers statutory duties in an efficient and sustainable manner.
10	Commitment to the delivery of best value high quality traded school services.
11	Agreement in principle from both Councils to conduct an options appraisal and Business Case for shared Council services related to schools and where appropriate children and families.

These design principles will be used to develop the target operating model and business case for the schools traded shared services including client side arrangements and interface with Councils and CoSocius.

1.6. Anticipated Benefits of change

If authorisation is provided to move to the business case development stage then a number of workshops will be undertaken to develop the target operating model and financial case for change. The business case will provide a detailed benefits profile, and benefits realization strategy to enable a considered decision to take place.

It is initially anticipated that a new organisation to provide services to schools and educational settings will create a thriving new business within the area and will be focused on establishing itself as a market leader in education support services supporting improving outcomes for education, achievement and well being of children.

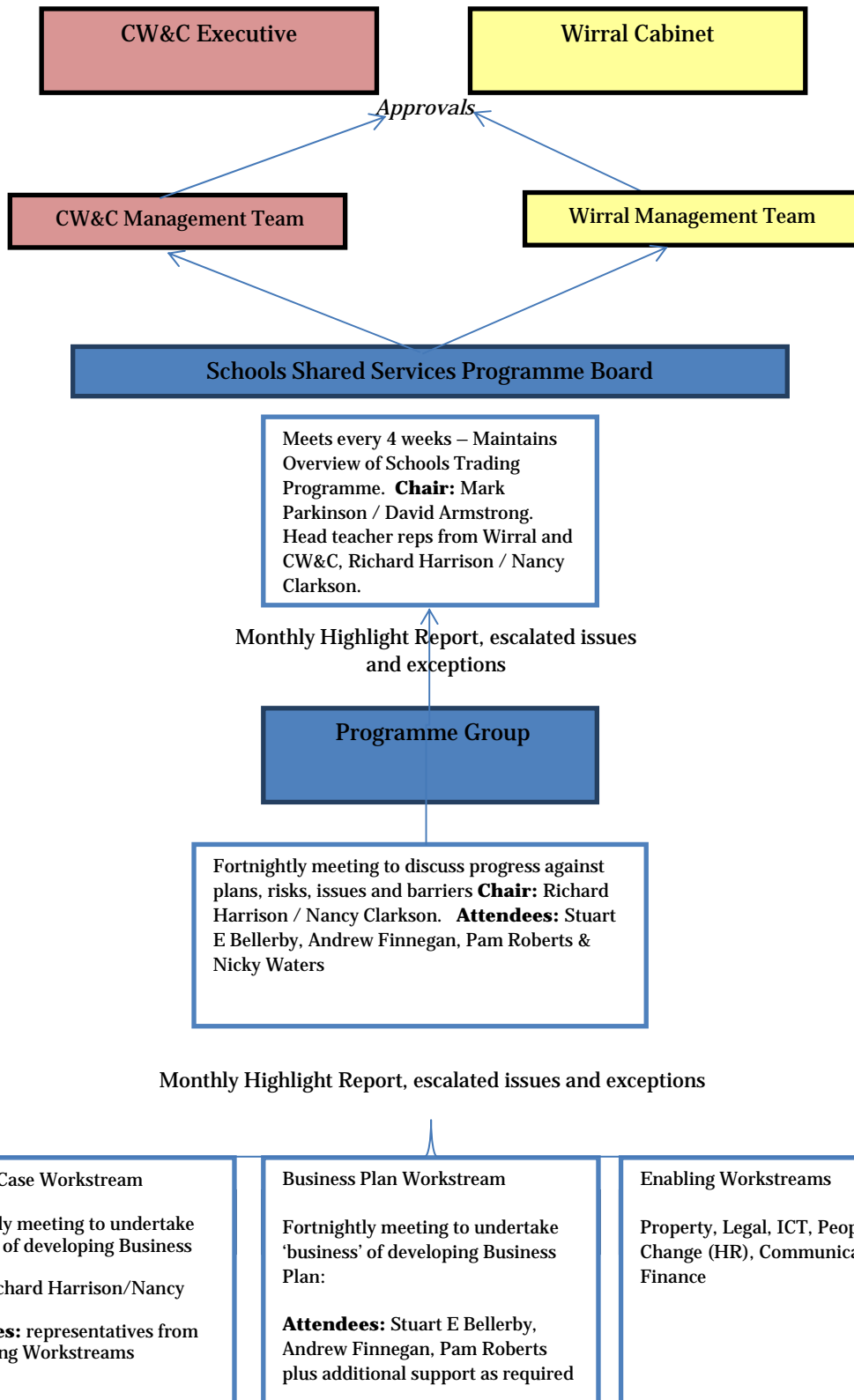
The Mutual model will empower schools to commit to the design, development and delivery of services. This will be a mutually beneficial commercial arrangement with an ownership structure that ensures funding stays within the public sector education system. There will also be the benefit of encouraging and facilitating schools working in partnership and sharing of best practice.

The following benefits, along with the financial case for change, will be explored further as part of the business case development phase:

- Improve the quality of services provided to schools
- Improve the education standards across both boroughs
- Avoids potential costs of inaction
- Increased productivity through more collaborative delivery models
- Commercial freedom to trade with any customer.
- Provides opportunity to trade for a real profit within a legally acceptable framework
- Provides the opportunity to generate further income which can be returned to shareholders or recycled into the system to reduce costs or increase quality and/or volume of services.
- Potential to lower the risk of challenge of state subsidisation from the current trading model poses
- Both Councils and schools see the advantage of ensuring both statutory and traded services mesh together to improve outcomes children and young people.
- Provides a competitive advantage as the shared ownership model will provide schools with an incentive to purchase services from the new organisation as they will be joint owners.
- Possibility of national agreements with academy chains.
- Private sector investment in improving and new services.
- Potential for tapping into new funding streams.

In addition to some of the benefits demonstrated above, there may also be opportunities for the organisation to become an Academy Sponsor to support more schools to convert to Academy status, there will also be an opportunities to facilitate school to school trading, such as to provide essential classroom cover, this again would be a unique offering. This concept has been very well received in our consultation sessions with Head Teacher representatives.

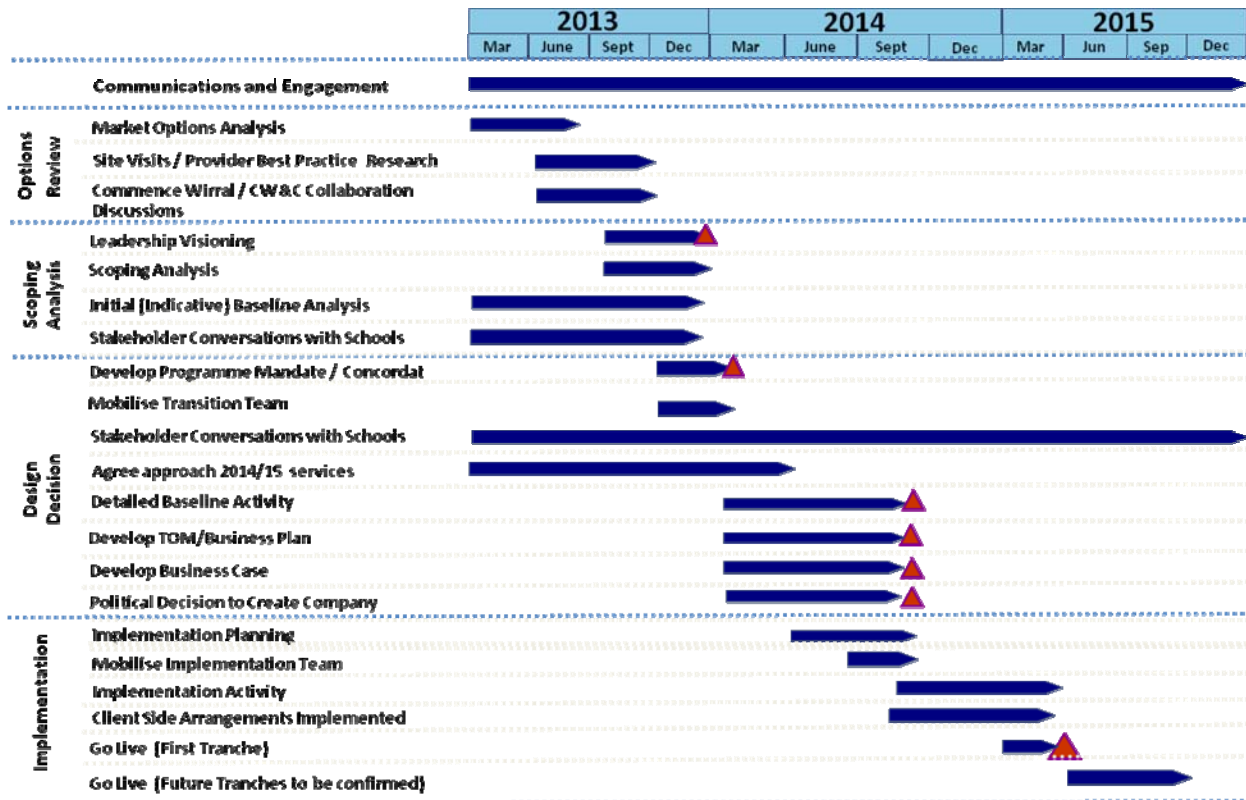
1.7. Governance Arrangements



1.8. Timescales

A detailed programme plan has been developed to take the programme up to the point of decision. This plan will be signed off at the 31/03/14 board. A further detailed implementation plan will be included in the Business Case with a target go-live date of April 2015.

Schools Traded Shared Services High Level Milestones



1.9. Resource Requirements

It is anticipated that the majority of resources required to deliver the business case and decision will be from existing resources. A Programme team has been established and this consists of:

- Sponsors - Mark Parkinson (CWaC) and David Armstrong (Wirral)
- Programme Managers - Richard Harrison (CWaC) and Nancy Clarkson (Wirral)
- Business Change Managers - Andrew Finnegan (CWaC) Stuart Bellerby (Wirral)
- Project Manager - Nicky Waters (CWaC)
- Business Change Consultant - Pam Roberts (CWaC)
- Financial Support - Paul Plested (CWaC) and Mark Lightburn (Wirral)
- HR and Legal Support - To be confirmed

The Delivering Differently Award provides £100,000 of technical support to the project. Part 1 of the support package provides support to appraise alternative delivery options for the service. Advice has been sought related to market research, governance, ownership, procurement and control. Work is underway through Cabinet Office to commission appropriate support in these areas.

Additional resources are requested for the following roles;

- 1 FTE Finance Analyst / Accountant for 6 months to support baseline exercise
- 0.5 HR Resource – HR Support
- 0.5-1 FTE Programme Office Support

It is recommended that a contingency sum of £100,000 is set aside to drawdown if there is a need for specialist advice.

1.10. Engagement and Consultation

It is recognised that if the programme is going to be successful then it is critical that key stakeholders are engaged with early, and on a continuing basis to retain buy-in to the programme.

The feedback from initial conversations with School representatives has been positive. Feedback included;

- School representatives could clearly see the potential for costs to be driven down through economies of scale in the development of services, design, marketing and quality assurance.
- One ‘front door’ for schools to access a range of services would be positive; especially if this could reduce school time spent sourcing good provision. School representatives support the idea of the new organisation being the point of access to schools services provided by the proposed new Council approach.
- Quality is a key reason schools purchase services. This is often linked to the background and quality of the people delivering them. This would have to be retained for schools to continue to purchase services.
- There is an opportunity that drawing resources from both Councils would increase the quality as both currently had good staff in some key areas of school support.
- Schools would want to ensure that ‘good’ services in each Council could be retained – there is an opportunity for a ‘good area’ in one Council to be shared and ‘poorer’ areas to be redeveloped.
- Schools are aware of what is available in the marketplace; the new approach would have to be competitive in order to be worth exploring.
- Along with quality and price, schools purchase from Councils as they have a public service ethos related to the best interest of children and young people, this is a key selling point for Council business.
- Schools want best value quality services, they would want to understand the business model being proposed and how profit would be re-invested.
- There was discussion regarding how schools would choose the services through menu or a package driven approach; this is a level of detail that will be defined as any plans progressed.
- Schools would want to know the full detail of the proposals before any clear agreement could be given and that progressing development options would be a first step in this.
- There was the potential for geographical issues regarding attending courses or receiving in school support which would need to be understood.

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- The proposed approach provides an opportunity for new developments. In this model there is an opportunity for more brokering (e.g. of curriculum support) based on a clear need defined by schools.

If a decision is taken to progress to the business case phase then it is crucial that schools have early involvement to exercise influence in developing the target operating model and the market offer. It is proposed that Head Teacher representatives (from CWaC and Wirral) are included on the Programme board as soon as authorisation is provided to proceed to the business case development stage.

Likewise it will be important to ensure that they have a voice if the proposal is to explore a consumer lead mutual approach. Specialist support will be sourced to explore options for developing a robust engagement plan and develop options for a constitution for the organisation.

A communications plan is currently being developed as part of this mobilisation phase. This plan will be a living plan, which will be adapted to reflect the needs of the programme.

1.11. Formal Agreement

On review of this report authorisation is requested to mobilise the programme of work through formal agreement from the Chief Executives from Wirral and CWaC Councils.

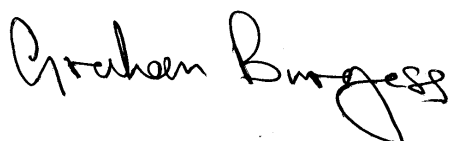
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Authorisation is given for the resources required to implement this proposal.

Wirral Chief Executive

Graham Burgess

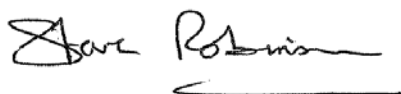
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Cheshire West and Chester Chief Executive

Steve Robinson

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Date 25 April 2014