
By: Mike Whiting, Cabinet Member for Education, Learning and Skills
Patrick Leeson, Corporate Director of Education, Learning and Skills

To: G&A Trading Activities Sub Group - 4 July 2012

Subject: EduKent

Classification: Unrestricted

Summary: To provide an update on EduKent's current position and make recommendations on how best to ensure its successful and sustainable development and growth.

FOR DECISION

INTRODUCTION

1. This report provides an update on EduKent's current position and outlines the key issues it faces. Following this, recommendations are made on how best to ensure EduKent's successful and sustainable medium term development and growth.
2. It is critically important at the outset that the right foundations are put in place. Key to this will be establishing the future governance and structure of EduKent, where it should sit, how it should be governed and what its role should be within KCC. EduKent needs a clear vision which in turn will give a defined direction of travel and define how it develops over the next year and beyond.

STRATEGIC CONTEXT

3. ***'Bold Steps for Kent: KCC will shape its school support provision so that it is competitive and attractive'***

As the education landscape changes with more schools having greater autonomy and more delegated resources at their disposal, the market for school support services (from back office management such as HR and payroll to front line activities such as school improvement) will grow, with an increasing number of commercial providers offering these services. Our commitment is to ensure KCC support services to schools are cost efficient and of high quality. We believe we make a strong, broad and competitive offer to schools in covering the full range of support functions that most other providers would struggle to match, both within Kent and in other local authority areas.

We aim to ensure the procurement vehicle (*i.e. EduKent*) can provide school support services, using our trading experience and expertise to offer a

competitive package of services to schools in Kent and other areas of the country.'

4. ***'Bold Steps for Education:*** Deliver an effective school improvement strategy and procure effective support and advice services for schools.

A key priority will be to ensure success for schools to procure support services well, have real choice and be able to procure high quality services through EduKent.'

5. It is clear from the above that EduKent has an important part to play in making Bold Steps for Education a reality as part of the overall Bold Steps for Kent strategy.
6. Whilst the exact size of the market is not known, given KCC's established expertise and the knowledge that schools, for the present, want to continue their existing beneficial relationships with KCC, we believe there is significant market potential for the services EduKent provides. For illustrative purposes, if Kent schools were to spend 5% of their budgets on schools services, this would equate to a total market size of circa £40m per annum.

CURRENT POSITION & ISSUES

7. For a detailed update on recent progress made by the EduKent team, see Appendix 1.
8. An initial team comprising 5 permanent posts has been established from 1 April 2012. A web portal and single brand through which to market and sell services to schools have been developed, and a single set of terms and conditions created.
9. It should be noted that EduKent does not provide services itself, but acts as the sales and marketing function for KCC's schools services. EduKent makes use of its position at the centre of KCC to add value to all its services by developing relationships with larger customers (for example, consortia, Academies Trusts, other LAs) that individual services may not be able to develop or serve on their own.
10. EduKent will increase the total cost of providing KCC's schools' services initially as it establishes itself. In the short to medium term, however, EduKent will reach the position where it adds value to all services by increasing the efficiency and effectiveness of marketing and sales effort, resulting in a reduction in overall costs of service delivery and in an increase in revenue generation. From April 2013, the intention will be to start charging the individual service providers a fixed fee in respect of the value added services provided by the EduKent team (see 12.xii in the 'Recommendations and Next Steps' section below). In preparation for this, financial analysis will be undertaken to establish a standardised costing and budgeting model across all services which in turn will deliver greater consistency and transparency with respect to charging.
11. The recommendations in the 'Recommendations & Next Steps' section below have been informed by the following key points, views and issues in respect of EduKent and the services it markets and sells:

- i. It should remain as part of KCC, act as a broker between services and schools, but should operate under a more formal governance structure.
- ii. An EduKent Governance Board should be formed. Given that the unifying theme across EduKent and services that trade through EduKent is a common focus on schools as customers, the Board should be customer focused, and it should be headed by the Corporate Director for Education, Learning and Skills. There would be benefit from including representation from schools on the Board through the Kent Association of Head Teachers; this would strengthen the existing desire to work in closer partnership with schools, and would help differentiate EduKent from private sector competitors.
- iii. Also, the EduKent Board should have influence over services that sell through EduKent. EduKent depends on the services it sells being sustainable and viable, but currently EduKent has no control over those services. The Board needs to have powers to drive change in services if these business units are to be developed into sustainable operations.
- iv. EduKent becomes the single route to market, and acts as a sales and marketing arm for KCC services; EduKent's sales and marketing resource needs to increase its size and level of expertise if the professional service required is to be delivered.
- v. EduKent should operate on a not-for-profit basis in the short to medium term, whilst it establishes itself and puts in place strong foundations to support future sustainable growth. There will be no benefit in setting up EduKent as a separate entity initially. Indeed, given the fragmentation of the services that are sold through EduKent, to do so would be a more costly, complicated and second best option. However, in the medium to longer term, once EduKent has been established sufficiently, the EduKent Board should look to explore alternative trading structures, for example Cooperatives or Limited Companies, if these enable further efficiency and effectiveness gains.
- vi. The services under EduKent should break even, with any surplus reinvested in service improvement.
- vii. EduKent should be funded by contributions made by services that sell under the brand.
- viii. EduKent becomes the single brand through which services trade with schools. The reason being that retaining multiple brands undermines the role of EduKent and creates unnecessary confusion for customers. This should be universal, because if only one or two services opt out of the EduKent brand, they undermine the purpose of EduKent and weaken the brand for other services.
- ix. KCC will also have to establish accounting procedures that can separate out the costs of the traded services from the statutory services, so that the Governance Board can have a full view of the viability of the services delivered through EduKent.

RECOMMENDATIONS & NEXT STEPS

12. The following are recommended:

- i. Establish an EduKent Board, headed by the Corporate Director for Education, Learning and Skills – The Board, once established, to amongst other things, (i) set out the Strategic Intent (including clear Mission Statement and Vision), make a set of strategic choices, determine the key strategic objectives, approve the key actions plans, and approve a medium term Business Plan, (ii) agree a terms of reference, (iii) clarify and formalise EduKent's relationship with the KCC school services that sell through it, (iv) put in place a reporting framework where Heads of Service for all services that trade with schools are accountable to the EduKent Board as well as their own directorates, (v) ensure the establishment of accounting procedures that can separate out the costs of the traded services from the statutory services, so that there is a full view of the costs of the services delivered through EduKent and (vi) consider setting the service providers income targets once their trading figures are available.
- ii. EduKent Board to mandate that EduKent is to be the single route to market, and acts as a sales and marketing arm for KCC schools' services; EduKent's sales and marketing resource needs to increase its size and level of expertise if the professional service required is to be delivered.
- iii. EduKent Board to mandate that EduKent is to become the single brand through which services trade with schools. The reason being that retaining multiple brands undermines the role of EduKent and creates unnecessary confusion for customers. This should be universal, because if only one or two services opt out of the EduKent brand, they undermine the purpose of EduKent and weaken the brand for other services.
- iv. KCC to establish the principle as to whether all services are (a) to be provided on a 'not for profit' basis where any surpluses generated are reinvested in service improvement or (b) to be provided on a 'for profit' basis. This is a critical decision and needs to be made as soon as possible as it will determine fundamentally the nature of EduKent's future development.
- v. The EduKent Board's terms of reference to include the power to direct services, where appropriate, to reassess pricing, or change service delivery to ensure sustainability and requisite quality.
- vi. Establish the full cost of providing each schools service sold through EduKent ('supply side') - this is critical as it will inform decisions about pricing.
- vii. Understand customers' level of demand and willingness / ability to pay what price for each service.
- viii. Bringing vi and vii above together will inform the decisions as to which services to grow, which services to reduce, which services to withdraw, and where the efficiency and effectiveness of the delivery of certain services has to be improved to make them viable.
- ix. No funding was provided in the current MTP for the EduKent Team so all the work to-date has been undertaken by redirecting existing resources. To ensure EduKent is established on a sound and professional footing, this report requests approval for formal funding for the team to operate and

deliver future developments including marketing, communications with customers, presence at events and upgrading the billing system.

- x. A dedicated EduKent budget for 2012/13 of £643k is approved, comprising:
- £427k re. transfer of existing provision currently set aside within the Finance department's budget which covers existing employee costs (£252k) and ICT costs re. CSB system (£175k).
 - £128k to fund additional staff (i.e. 1.4 FTE Business Liaison Officers, 1 website and CRM Systems Officer, and 1 Admin Officer) to support requisite sales and marketing activity.
 - £66k to fund development of improved website and comprehensive brochure.
 - £22k to fund general expenses and legal costs.
- xi. EduKent funding of £431k for 2013/14 is approved, broken down as follows:
- £381k to fund employee costs.
 - £29.5k to fund marketing costs.
 - £20.5k to fund general expenses and legal costs.
- xii. From April 2013, the price for each service to be set in light of budgeted annual demand to ensure each service provider has the financial capacity to pay EduKent an annual fixed fee. The aggregate of these fees to cover fully the total net costs of the EduKent team. The £ value of the EduKent annual fixed fee for each service provider to be determined during the budgeting process, based on their size and therefore ability to pay.

KEY RISKS

13. There are some risks associated with the recommendations being proposed:

- Loss of brand recognition when transitioning from recognised brands like EIS or SPS to the EduKent name.
- A risk that the EduKent name may limit the ability to sell services outside of Kent.
- Redirecting funding from services to EduKent may lead other services to need to find more savings.
- As well as the existing commercial companies such as Babcock's and Strictly Education, EduKent needs to be aware of the Academy Trusts that have been set up in the County and the need to try and engage with them as soon as possible.

RECOMMENDATION

14. Members are asked to endorse the recommendations as set out above, and to recommend them to Cabinet.

Nick Jordan, EduKent Manager, June 2012