

From: Roger Gough, Cabinet Member for Education and Health Reform
Mike Hill, Cabinet Member for Community Services
Peter Oakford, Cabinet Member for Specialist Children's Services
Patrick Leeson, Corporate Director for Education and Young People's Services

To: Cabinet – 27th March 2017

Subject: Proposal to implement an Education Services Company

Classification: Part Exempt (Business Case including appendices) – Not for Publication – Paragraph 3 of Schedule 12A of the Local Government Act 1972

Past Pathway of Paper:

Education Cabinet Committee – 7th March 2017
P&R Cabinet Committee – 8th March 2017

Future Pathway of Paper:

Cabinet – 27 March 2017

Summary: There has been considerable work over the last 6 months to develop a Full Business Case to support the decision to implement a new service delivery model for Kent Education Services, via the creation of a new Education Services Company. The decision will encompass both the implementation of a new company, the commissioning of that company to continue to deliver Education Services on behalf of KCC and to recommend the legal entity type.

It is also recommended that a shadow governance structure is implemented from April 2017, to allow the governance arrangements for the implementation phase to begin and to trial these arrangements before the Education Services Company goes live later in 2017.

Recommendation(s):

Cabinet is asked:

- a) To create a company, in line with the business case, and to enter into such contractual arrangements as are necessary to facilitate that creation.
- b) To agree the legal structure of the proposed company and to delegate authority to the Monitoring Officer to agree the final details in consultation with the Cabinet Member for Education and Health Reform, the Cabinet Member for

Commercial and Traded Services, the Corporate Director for Education and Young People's Services and the Corporate Director of Finance and Procurement.

c) To agree that a shadow governance structure is implemented from April 2017.

Members are advised that there will be no changes to any policy or entitlement as a result of the implementation of the new company.

1. Introduction

- 1.1 The Education and Young People's Services Cabinet Committee have been receiving updates on the development of the business case to support the implementation of a new Education Services Company
- 1.2 This report presents the business case to the Committee to support the recommendations outlined above. The Business Case (exempt from publication) is attached in Appendix A.

2. Background

- 2.1 The Directorate of Education and Young People's Services has achieved clear improvements in the services provided to schools, and in the quality of education in Kent schools and the outcomes for pupils, during the last five years. In schools this has been reflected in year on year improvements in pupil attainment and the increasing number of children and young people attending good and outstanding schools (up from 55% in 2011 to 90% in 2016). A key priority supporting the rate of improvement has been the close partnership with schools, the investment in collaborative partnerships between groups of schools and the Local Authority's support for the Kent Association of Headteachers. In moving forward we want to build on this close partnership and see it as critical to the success of education in Kent for the future.
- 2.2 However, in moving forward and adapting the way we deliver education services there are a number of challenges. At a national level, the education landscape is changing rapidly. The Government's direction of travel remains the further academisation of schools. Local Authorities need to reassess their role in light of financial and legislative constraints, particularly around changes to the national funding formula, and the reduction in the Education Services Grant. Changes to the funding to support school improvement services, as well as the possibility that Local Authorities may be able to sponsor Multi Academy Trusts (MATs) also require different delivery vehicles.
- 2.3 In April 2016, an Outline Business Case (OBC) was developed to investigate options for setting up an Education Trust. This model was amended by KCC, with a request to develop a business case focusing on services that trade with schools (for example through the existing EduKent model) and to expand the traded services that KCC currently delivers to schools and Early Years Providers in and beyond Kent.

2.4 EduKent was set up in 2011, and was created to provide a “single front door” to multiple KCC support services for schools. It is currently positioned within the EYPS directorate, and is funded via the directorate’s budgets. The service currently supports access to over 55 education and schools based services delivered across the KCC group (with the exclusion of Kent Commercial Services). As well as providing access to services through a website, EduKent markets all KCC services to schools, through marketing materials and through its annual Expo event, as well as attending other national events. It also provides a single billing process, to allow schools to have a single bill across all KCC services.

3. Education Services Company

3.1 The Business Case supports the development and implementation of an Education Services Company.

3.2 The new company is proposed to continue to have a coherent and sustainable approach to working in close partnership with schools and to deliver services that are fundamental to supporting schools, children, young people and families, seeking to:

- (a) Ensure that schools continue to have access to quality cost effective services from KCC that are both statutory core and traded, to support schools in improving educational attainment and standards and a support network which allows schools to focus on continued school improvement;
- (b) Maintain and maximise the opportunities to grow the income from traded services, to reinvest in supporting KCC education service delivery. As part of this the intention is to ensure that the operating model provides a sustainable approach to income from traded services which is resilient for any future changes in the educational sector.

3.3 The Business case demonstrates that the Education Services Company would be a financially viable alternative to continuing to deliver Education Services in their current form, which looks increasingly unsustainable if no action is taken. By creating a company, there is an opportunity to develop an innovative new business to allow us to deliver a sustainable service to schools, as well as extend our reach into the market, increasing trading opportunities and by doing so, extending our ability to support young people in Kent.

3.4 The option to retain the current service delivery model has a number of risks:

- (a) The possible increasing fragmentation of networks and systems that support schools and the possible loss of key education support services. KCC’s service to schools is dependent on close relationships with schools to achieve the best outcomes, for example securing enough good school places and good provision for SEN pupils. The potential for greater distance between schools and the LA with further academisation is a risk, unless KCC can develop new ways of working with all schools to shape services in the future;

- (b) With increasing pressure on budgets, the services will face considerable challenges in meeting their savings targets, and in some cases this may result in the reduction of services available and may impact on our capacity to deliver the statutory services. This directly impacts KCC's ability to deliver a quality sustainable service to its schools;
- (c) Reduced rather than increased capacity to trade and more limited potential to develop a more commercial approach to generating additional income will impact on service delivery and there may be greater difficulty in discharging essential functions.

3.5 Building on lessons learned from KCC's other ASDV implementations, the proposed Education Services Company would utilise technology to improve the service that clients receive. Existing systems would continue to be used, with a focus on better use of the existing CRM systems, and its ability to analyse the market and it's potential.

3.6 The proposed Company would allow Education Services to make the transition to becoming a fully traded vehicle, able to operate in the wider market outside of Kent.

3.7 The legal structure will include detailed governance arrangements that are consistent with other KCC companies where KCC acts as a shareholder.

4. Equalities implications

4.1 The equalities implications of the proposed decision are outlined in an equalities impact assessment. This is appended to the business case.

5. Conclusions

5.1 This report sets out the proposal for the creation of an Education Services Company to meet the Council's challenging requirement to deliver Education Services to schools in the medium to long term.

5.2 The proposal provides the best way forward in delivering a sustainable service, continuing to deliver high quality provision across the county. Without such a proposal going ahead, existing services will be under significant budget pressures, the schools system may continue to fragment and ultimately KCC would have a more limited ability to increase traded services to support future service provision.

Recommendation(s):

Cabinet is asked:

- a) To create a company, in line with the business case, and to enter into such contractual arrangements as are necessary to facilitate that creation.
- b) To agree the legal structure of the proposed company and to delegate authority to the Monitoring Officer to agree the final details in consultation with

the Cabinet Member for Education and Health Reform, the Cabinet Member for Commercial and Traded Services, the Corporate Director for Education and Young People's Services and the Corporate Director of Finance and Procurement.

c) To agree that a shadow governance structure is implemented from April 2017.

Members are advised that there will be no changes to any policy or entitlement as a result of the implementation of the new company.

6. Background Documents

Ernst & Young Report – Review of Traded Education Services – November 2016 (appended to the Full Business Case)

7. Contact details

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