

From: Patrick Leeson, Corporate Director for Education and Young People's Services

To: Education and Young People's Services Cabinet Committee – 22 September 2016

Subject: **Update – Education Traded Services Company**

Classification: **Unrestricted**

Future Pathway of Paper: Updates to Education Young People's Services Cabinet Committee

Summary: This report provides an update on the progress of developing an outline business case for an Education Trading Services Company.

Recommendation: The Education and Young People's Services Cabinet Committee is asked to consider and note the report.

1. Introduction

- 1.1 In April 2016, EYPS developed an outline business case, proposing to set up a Trust to deliver Education Services for KCC. It was agreed in April not to continue with the Trust proposal, but to investigate options to develop an Education Services Company, which would include trading based around the existing EduKent model.
- 1.2 EduKent currently offers 51 services to schools, delivered from across KCC and its LATCOs. Approximately £35m of services are billed through EduKent. To meet MTP targets, EYPS needs to increase net income by approximately £2.8m by 2018/19. EduKent offers a single website, and single access point to schools for all KCC services (with the exception of Kent Commercial Services). It also provides a single billing system, resulting in schools only receiving one invoice from across KCC.
- 1.3 Since April, a Working Group has been set up, supporting EYPS in exploring options for setting up an Educational Services Trading Company. This group has a number of objectives, including:
 - To develop a preferred model for any Alternative Service Delivery Vehicle to work in closer partnership with schools, further strengthening their relationship with KCC as the role of the authority evolves and more schools become academies
 - To develop proposals and support activities for delivering more traded service activity and increased income, which may support any ASDV and its business plan, as well as in the more immediate term to deliver savings for the Medium Term Financial Plan.

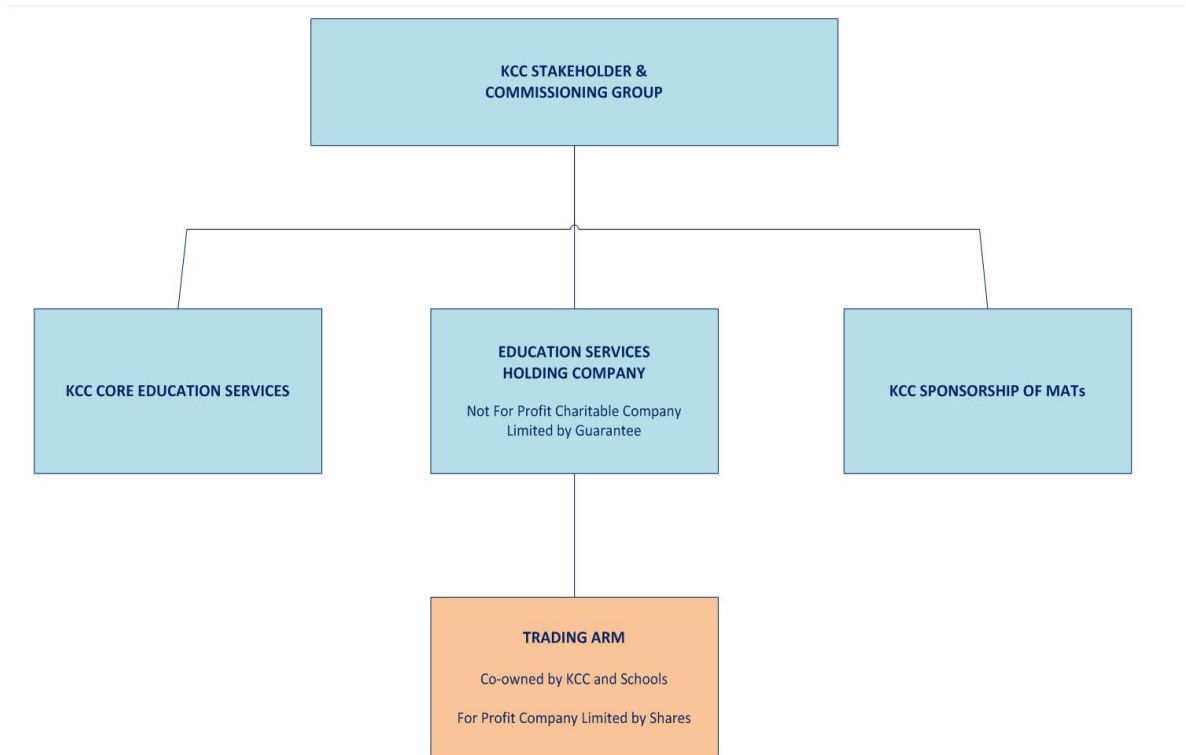
- 1.4 Since July, EYPS and the Working Group have been working with our partners, Ernst & Young (EY) to further explore options around the ASDV, to ensure that any proposal for an Education Services Trading Company is supported by evidence for a strong, commercially sustainable delivery vehicle. Their report is due in October.
- 1.5 Any proposal will include an approach to ensure partnership working with schools, to ensure that any new delivery mechanism is jointly governed, with schools working alongside KCC to deliver improved outcomes for the young people of Kent.
- 1.6 The work Ernst and Young are delivering is being developed alongside their review of the Business Service Centre (BSC) and will ensure that both proposals work together to ensure the best fit solution for KCC.

2. Key Update

- 2.1 EY were commissioned to provide an appraisal of the commerciality of the options, including market analysis and growth potential for a company. The objectives of their work include:
 - Further develop the partnership with schools and KCC through a new delivery vehicle
 - Ensure schools continue to have access to quality, cost effective services to continue raising attainment and standards
 - Maximise the opportunities to grow the income and re-invest in service delivery.
- 2.2 A key objective is to continue with the existing 'single front door' concept that is currently delivered via EduKent, along with a single billing/ invoicing process which is currently enjoyed by schools buying services from KCC. Any delivery vehicle will be expected to continue delivering the single view of our services to customers. It is expected that EY will recommend a strong corporate governance to ensure that any vehicle trading to schools can support a corporate-wide delivery via a single route.
- 2.3 Most of the services within EYPS are a blend of both traded and statutory services. It is proposed that services remain together to ensure sustainability and continuity for our customers, with an arrangement to commission back statutory services delivered from any new company.
- 2.4 Alongside the EY work, EYPS have been working on ways to improve income generation. A new group has been set up to focus on the identification, and implementation of a number of strategic packages, focusing on high value support packages tailored around school needs. This will complement existing products and services, and is expected to offer solutions and outcomes, rather than the school buying services on a piecemeal basis. These packages will be tracked and continuously improved and revised to ensure they remain relevant, and support changing initiatives that our schools continually tackle. Alongside this, an interim Business Development Manager has been appointed to support these activities, as well as support the development of the commercial case for any new vehicle proposed.

3. Proposed Company Model

- 3.1 The proposed company will allow KCC to provide a commercial route through which KCC can deliver its traded Education Services. Through increased buy in from Kent Schools, the Education Services Company can significantly extend its reach into traded and school improvement and professional development services for Primary and Secondary schools in the county, as well as providing a full range of traded services for other local authorities and Multi Academy Trusts.
- 3.2 It is proposed that KCC creates a company to deliver traded services to Kent or non-Kent schools and MATs. The company may be established as a charitable trust to deliver all of the services KCC wishes to commission, and to reinvest any surplus in the services. It is envisaged that as the Company grows, it can create a trading subsidiary to focus on income generation to support the delivery of KCC services through the Company.
- 3.3 The model builds resilience to future policy changes, brings and holds stakeholders closer together, strengthens strategic and operational relationships and helps to repair some of the fragmentation that has occurred in recent times.
- 3.4 The diagram below outlines a possible structure:



Remaining core services (primarily non traded) will remain with the Council, and a new KCC stakeholder and commissioning group set up to ensure services are seamless between KCC and the new Company. It is proposed that where services blend their delivery between traded and statutory (e.g. Educational Psychology), these services transition to the new Company and KCC commissions back the statutory element. In the same way, in order to ensure a single front door for schools, the Company will commission back from KCC services that schools wish to buy from KCC services, as well as other KCC LATCOs (e.g. GEN2).

4. Next Steps

4.1 EY is expected to deliver their report by October, to support the development of a full business case. Update reports will be taken to the following meetings throughout the early autumn

- Corporate Directors
- CMM
- Strategic Commissioning Board
- Budget Programme Board

4.2 EYPS continues to work on income growth, with the new Business Development Manager reporting progress directly to the EYPS senior management team.

5. Recommendation

Recommendation:

The Education and Young People's Services Cabinet Committee is asked to consider and note the report

Background documents: None

Report Author: Penny Pemberton
Delivery Manager, Education and Young Peoples Services
Telephone number 03000 416561
Email address penny.pemberton@kent.gov.uk

Relevant Director:
Patrick Leeson
Corporate Director, Education and Young People's Services
Telephone number 03000 416384
Email address: Patrick.leeson@kent.gov.uk