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<u>Item</u>
8
Public

Proposal to Transfer Selected Education Support Services, Operating as Inspire to Learn, to ip&e Ltd

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1.0 Summary

1.1 This paper sets out further detail regarding proposals for the delivery of education support services for Shropshire. It sets out proposals for ip&e Ltd to explore options for it to become the Council’s preferred provider of education support services, which may lead to the transfer the Council’s current delivery arm to ip&e Ltd.

The report proposes that, as part of the exploration of the options, the Council will continue to hold the contracts for service delivery with schools for the 2015/16 financial year and will sub-contract the service delivery to ip&e Ltd.

The range of services are outlined in Appendix A.

A separate report will be brought to Cabinet in respect of Shire Services (catering and cleaning) given the scale of the business and the specific matters relating to any potential transfer of this service.

1.2 Cabinet previously considered a report at a special meeting on 22 January 2014 at which they approved the intention to transfer education support services to ip&e, and authorised officers to progress the detailed work on this transfer and undertake relevant due diligence processes.

The Inspire to Learn traded service offer for 2015/16, which was prepared jointly between Shropshire Council and ip&e, and was circulated to individual Shropshire schools in January 2015, with schools purchasing required services before the end of the spring term.

1.3 The education support services market in Shropshire is very mature and has operated effectively for many years and so the Council has enjoyed a significant level of customer loyalty, evidenced by the historically high level of buy-back from Shropshire schools. The Council has also been successful in securing service contracts outside of the county borders. However, changes in the public sector in general, and the education sector in particular – both in structural and financial terms – means that there is a need for a new operating model that builds on the current solid foundations and is able to take advantage of the growth opportunities that are emerging in the market.

- 1.4 Any new operating model for service delivery will aim to maintain and consolidate the existing significant local market share, and to use this platform to grow the business beyond the county boundaries in the medium to long term. The services should be better placed to respond to the challenge by becoming more commercial, customer-focussed and responsive to an ever-changing education and wider public sector landscape. It should aim to provide the opportunity for schools to purchase all support services from one place.
- 1.5 Under the terms of the Strategic Contract in place between the Council and ip&e Ltd, there is the ability for the Council to instruct, or for ip&e Ltd to propose, that the Council commissions ip&e Ltd to undertake certain enabling services to work on proposals relating to new service provisions models, or alternative delivery methods for Council services. The Strategic Contract states that when such enabling services are complete this may result in the award of a services contract to ip&e Ltd.
- 1.6 It is proposed to put in place an Enabling Services contract with ip&e Ltd, further to the Council's Strategic Contract, to effect an interim arrangement for the delivery of education support services by ip&e Ltd whilst enabling work continues on a range of considerations including an appropriate operating model, taxation (including VAT), pensions, internal market charges, assets, IT systems and business support services in order to inform a new operating model and enable a longer term transfer. An enabling arrangement through to the end of March 2016 is being proposed involving the secondment of relevant staff to ip&e Ltd. In respect of the Inspire to Learn traded services consideration would need to be given to the most appropriate method of future traded service delivery.

2.0 Recommendations

2.1 That Cabinet agrees:

- 2.1.1 That on a phased basis as detailed in Appendix B, the following services currently delivered by Shropshire Council will be delivered in full (or part) by ip&e Ltd under an Enabling Services Contract to the end of March 2016 while consideration is given to a new operating model : School Library Services, Shropshire Music Service, School Financial Services, Schools IT Support Services, Education Access Services, Information Advice and Guidance and Governor Services, subject to completion of staff consultation.
- 2.1.2 To delegate authority to the Director of Children's Services in consultation with the Portfolio Holder for Children's Services to agree the terms of the Enabling Services Contract with ip&e Ltd, including the specification of the service to be commissioned by Shropshire Council and the outcomes to be achieved from the enabling services being commissioned.
- 2.1.3 To delegate authority to the Director of Children's Services in consultation with the Portfolio Holder for Children's Services to second staff currently employed in the delivery of services during the period of the Enabling Services contract.

REPORT

3.0 Risk Assessment and Opportunities Appraisal

3.1 Opportunities

- 3.1.1 The aims of a new operating model for education support services are to enable a wide range of Shropshire Council service teams to come together into a single commercial business unit – Inspire to Learn – providing an opportunity to deliver services to schools and the wider public sector in a more structured, effective and innovative way. Many of the service teams have traded successfully with Shropshire schools for many years but will benefit from being joined with other services in a single commercial enterprise that is fit for purpose and able to take up the challenge of operating in an increasingly competitive education services marketplace while retaining a strong Shropshire ethos.

This strategy will mitigate future financial liabilities to Shropshire Council, particularly as the Education Services Grant (ESG) reduces as more schools opt out of local authority control.

3.2 Risk

- 3.2.1 There are a number of considerations, as referred to elsewhere in this report, for the Council in respect of any proposal for the delivery of the services being transferred to ip&e Ltd which are to be considered during the Enabling Services contract period. The use of a shorter Enabling Services contract to explore new operational models will allow any risks to be identified and explored, whilst mitigating any risks associated with a commitment to a longer term arrangement prior to the specific issues of new models being fully explored.

Some other risks may, however, be longer term and not related exclusively to the services within Inspire to Learn – they may apply to other transferring services.

3.3 Council Decisions and Statutory Powers

- 3.3.1 No powers of intervention for underperforming schools will be undertaken by ip&e Ltd, its employees or staff seconded to it.

3.4 Consultation

- 3.4.1 There is a requirement to conduct consultation with staff and stakeholders. A number of briefings have taken place and communications sent out, both prior to and following the special Cabinet meeting in January 2014, with key stakeholders including school leaders and governors – both directly and via representative groups - on the proposal to bring education support services under the Inspire to Learn banner. Further consultation with staff will be required.

3.5 Equality and Diversity

- 3.5.1 An Equality and Social Inclusion Impact Assessment has been completed and is attached at Appendix C.
- 3.5.2 Any arrangement between the Council and ip&e Ltd will require the latter to ensure the equality duty, other equalities duties and the Council's equality policies are taken into account. The company will be required to assess the impact of any changes to working arrangements on staff with protected characteristics.

3.6 Environmental Consequences

- 3.6.1 There are no anticipated environmental consequences from the transfer of education support services to ip&e Ltd during the enabling services period.

3.7 Vulnerable People, Families and Community Resilience

- 3.7.1 The services under consideration for transfer support the work in protecting vulnerable children, looked after children and young people e.g. education welfare services with regard to statutory school attendance, including responsibilities in respect of child employment, children missing education and elective home education. The services will be required to operate under existing safeguarding processes – agreed and current – and to comply with any statutory responsibilities to share information in this regard.

4.0 **Financial Implications**

- 4.1 The total gross 2015/16 budget proposed for the delivery of the services by ip&e Ltd, excluding 'below the line' costs, is £5.411m. The projected income from trading and external grants is £3.908m, while the budget for Council commissioned services from ip&e Ltd is £1.503m. Appendix D provides details of the 2015/16 budget, service by service.
- 4.2 The services being delivered by ip&e Ltd as part of the enabling services have significant budgets which are currently approved in the Council's budget under expenditure and income categories. Under the Council's financial regulations approval is required for these budgets to be spent in a manner that differs to that currently approved in the Council's budget i.e. Financial Strategy, that was approved by full Council on 26 February 2015.
- 4.3 The contracting of the delivery of services to individual schools (or formal groups of schools) for 2015/16 has been Council-led supported by ip&e Ltd. The contracts will remain between Shropshire Council and the school(s) during the enabling services contract period. The Council will sub-contract this work to ip&e Ltd to deliver the services. The income derived from these contracts will therefore come into the Council and be utilised to pay ip&e Ltd for the services provided.
- 4.4 A commissioning budget, primarily underwritten by a combination of Education Services Grant (ESG) and base budget, will need to be established from the existing aggregated expenditure budgets of the services in order to purchase back, under contract, the delivery of a range of statutory functions from the staff being seconded into ip&e Ltd. It is important to note that the funding the Council will

receive via the ESG will reduce over time in direct proportion to the schools opting out of maintained control to become academies (in 2015/16 the Council will lose £87.00 ESG for every pupil in converting maintained schools). This will result in a diminishing commissioning budget and funding from the Council but will also open up opportunities for a provider to secure more business from the converting schools.

- 4.5 The overall buy-back levels for 2015/16 from Shropshire schools for education support services are being confirmed. At the time of writing the projected income from Shropshire school contracts is comparable with figures for the financial year 2014/15. In the face of stiff competition from other providers targeting the local market this is a very positive position and provides a solid platform for moving forward.
- 4.6 In the enabling contract period ip&e Ltd will be required to buy back internal Council services.
- 4.7 As set out in the recommendations, there will be a phased approach to service delivery by ip&e Ltd. Initially services proposed for transfer (on 1 June 2015) are fully traded services with all costs being met by income from service contracts with schools and an external grant. These services and the gross 2015/16 budgets associated with them are summarised in the table below with more detail provided in Appendix D.

Service Area	Gross Budget £'000	Income from Contract with Schools £'000	Income from other Sources £'000	Net Council Budget £'000
Shropshire Music Service	1,288	-913	-375	0
School Library Service	282	-282	0	0
School's IT Services (SIMS)	131	-131	0	0
School's Financial Services	309	-309	0	0
Total	2,010	-1,635	-375	0

The total gross budget identified above of £2.009m includes support costs of £0.132m which are currently only estimates but are not expected to vary significantly.

For the second phase of service delivery by ip&e Ltd the budgets are identified below. These services are partially traded services:

Service Area	Gross Budget £'000	Income from Contract with Schools £'000	Income from Other Sources £'000	Net Council Budget £'000
Information, Advice & Guidance	951	-161	-112	678
Education Access & Equality	492	-169	0	323
Technical Support Services - Governor Services	260	-248	0	12
Total	1,703	-578	-112	1,013

For this second phase, a substantial amount of the gross budget is funded from Education Services Grant (ESG) currently received by the Council. As this grant reduces to maintain the same level of gross spend, the services will need to secure alternative funding.

It is important to note the services identified are not funded from the Council's net budget (council tax, business rates and revenue support grant). They are funded from either service contracts with schools or from specific or other grants including ESG. As services transfer it will be important to ensure that the commissioning contract ensures that the current funding arrangements remain and that the transfer has no effect on the Council's net budget.

The financial business case for the transfer out of any function or service is dependent upon a number of factors, not least of which is the funding the Council retains (from internal or external sources) to commission services into the future. While the Council's current Medium Term Financial Plan does provide a certain degree of certainty over the Council's overall projected financial position, it will be necessary to revisit any financial assumptions made beyond the 2015/16 year.

5.0 Background

5.1 In support of the Council's 'Commissioning for the Future' strategy and in the context of the reductions in public sector funding, required budget savings and the changing education sector landscape, the opportunity of bringing together the wide

range of education support services from across the Council into a more coherent, cost effective and commercially driven Shropshire-based enterprise under Council ownership, has been recognised by the Council, resulting in the decision of Cabinet on 22 January 2014 to approve the intention to transfer these services to ip&e with authority for officers to progress this and undertake due diligence processes.

5.2 This strategy will:

- 5.2.1 Mitigate future liabilities to Shropshire Council, particularly as the Education Services Grant reduces as more schools opt out of local authority control.
- 5.2.2 Secure a financial return for the purposes of re-investment.
- 5.3 Following the Cabinet decision in January 2014, the priority has been to pull together the education support services from across the Council under a single brand (Inspire to Learn), to deliver improvements in certain service areas based on feedback from schools, and for ip&e Ltd to launch the brand to staff and schools, and to co-ordinate the service offers to schools for 2015/16, which were sent out in January 2015.
- 5.4 The Strategic Contract between the Council and ip&e Ltd allows ip&e Ltd to undertake 'enabling services' on behalf of the Council, which include making, developing and promoting proposals to the Council, including in relation to new services for transfer to ip&e Ltd and the transformation of existing services. Proposals by either party may include new and innovative service provision models and new or alternative service delivery methods. The Strategic Contract recognises that such enabling services may lead to the award of a service contract to ip&e Ltd and the parties can agree the requirements for the delivery of the enabling services such as the secondment of staff, available budget and requirements to work with either of the ip&e companies to effect the most suitable operating model.
- 5.5 There is an acknowledgement – via the recommendation to provide for the delivery of services through an enabling services contract with ip&e Ltd for a period of one year - that there is still a significant amount of work to do and some key issues to be addressed before both parties are in a position to commit to a longer term arrangement. To allow this work to be undertaken as part of the enabling services required in order to consider the award of a service contract, the report provides a number of delegations and authority for this work to be undertaken, completed and issues resolved enabling services contract period while exploiting the opportunity for services to operate more commercially and holistically. Via an enabling services arrangement the secondment of the staff and the availability of the service delivery budget to ip&e Ltd as set out in this report will also provide the opportunity to demonstrate that any future operational model is fit for purpose and that the Council is protected both financially and legally prior to any award of a service contract.

6.0 Additional Information

6.1 Enabling Services contract

- 6.1.1 An appropriate contract for the enabling services and service delivery will be drawn up to take account of the range and complexity of the services that will be delivered via ip&e Ltd. The contract will need to distinguish between the requirement to deliver services direct to schools, education settings and parents through the sub-contracting of this traded business, and the work being commissioned back by the Council to deliver a range of statutory functions for which it is responsible.
- 6.1.2 Sub-contracting the service delivery to ip&e Ltd in accordance with the proposed recommendations means the Council can take advantage of the Teckal exemption that allows local authority services to be transferred to a local authority trading company without having to go through tendering and procurement processes that would otherwise be required.
- 6.1.3 In respect of the Council commissioned work, the contract will specify the services to be provided.

6.2 Commissioning Structure

- 6.2.1 The internal structure for the commissioning functions of Shropshire Council in respect of statutory responsibilities for education is currently being consulted upon and is expected, during the interim contract period, to comprise the strategic commissioner - the Head of Education Improvement and Efficiency (reporting to the Director of Children's Services) - supported by other commissioning officers in Education Improvement Services, Education Access Services, and Information, Advice and Guidance. This interim arrangement will eventually need to fit in with the evolving Council-wide commissioning approach, while recognising the need for the specialist knowledge and understanding of the commissioned services to provide appropriate quality assurance and performance management.

6.3 Employment Issues

- 6.3.1 It is proposed that staff in the identified service delivery teams are seconded to ip&e Ltd through to the end of March 2016 to allow the enabling services to be undertaken in order and determine the longer term arrangements.
- 6.3.2 The secondment arrangement will allow Shropshire Council and ip&e Ltd to test business and operational assumptions as part of the enabling services, including further work around the pension implications of any TUPE transfer of staff.

6.4 Transition Process

- 6.4.1 Following the Cabinet decision, the matters that remain outstanding and will need to be addressed include:
- a) agreeing the enabling services contract and service delivery specifications for the period to March 2016;
 - b) agreeing the transition plan for transferring the delivery of services
 - c) consulting with staff and stakeholders prior to any transfer of service delivery
 - d) addressing the outstanding issues including, but not restricted to: appropriate operating model, taxation (including VAT), pensions, internal market charges, assets and business support services.

7.0 Conclusion

- 7.1 In order to consider an appropriate service delivery model for education support services in order to achieve the Council's strategic aims involving ip&e, whilst managing any issues involved in the transfer of services, an enabling arrangement as set out in this report ensures any risks involved are mitigated through such an arrangement whilst providing the opportunity to explore and achieve the most beneficial delivery model for the services.

<p>List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)</p>
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<p>Special Cabinet report of 22 January 2014 entitled 'Support Services for Education in Shropshire'</p>
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<p>Cabinet Member (Portfolio Holder)</p>

<p>Cllr Ann Hartley – Portfolio Holder for Children's Services</p>
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<p>Local Member</p>

<p>Not applicable as proposals have county wide application</p>

<p>Appendices</p>

<p>Appendix A: Education Support Services</p>

<p>Appendix B: Inspire to Learn Transition Plan</p>

<p>Appendix C: Equality and Social Inclusion Impact Assessment</p>
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<p>Appendix D: Inspire to Learn Budget 2015/16</p>
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