**Cabinet Report Template**

**Signing-off Sheet**

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| **Title of Report:** | School Improvement Partnership Full Business Case |
| **Name of Meeting:** | Cabinet | **Date of Meeting:** | 20th June 2017 |
| **This Report is currently listed on the Forward Plan**: (**Yes** / *~~No~~*) |

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|  | **Name of consultee:** | **Clearance given:**(Yes / No) |
| **Required Consultees on Draft Report**(these must be consulted or an explanation given i.e. not relevant)  |  |  |
| **Cabinet Member(s):** | Cllr Carpenter |  |
| **Ward Members** (for Ward related issues) |  |  |
| **Departmental Finance** (via financialimplication@lbbd.gov.uk) | Katherine Heffernan/ Daksha Chauhan |  |
| **Corporate Risk Manager** (via risk.implications@lbbd.gov.uk)  | N/A |  |
| **Corporate Procurement**(via eaun.beales@elevateeastlondon.co.uk)  | N/A |  |
| **HR** (via martin.williams@lbbd.gov.uk)  | Siobhan Davies | Yes |
| **Legal Practice** (via legalimplications@lbbd.gov.uk) | Assaf Chaudry | Yes |
| **Corporate Policy** (via salauoddin.asghar@lbbd.gov.uk) | Sal Asghar | Yes |
| **Community Safety** (via matthew.cole@lbbd.gov.uk)  | Matthew Cole |  |
| **Property/Asset Management** (via andrew.sivess@lbbd.gov.uk) | N/A |  |
| **Children’s Safeguarding** (via christopher.bush@lbbd.gov.uk)  | N/A |  |
| **Director of Public Health** (via matthew.cole@lbbd.gov.uk)  | N/A |  |
| **Other Consultees (including external bodies):****(To be completed as appropriate)** |  |  |
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**CABINET**

**20 June 2017**

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| **Title:** School Improvement Partnership Full Business Case |
| **Report of the Cabinet Member for Educational Attainment and School Improvement** |
| **Open Report with Exempt Appendix 1** (relevant legislation: paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972) | **For Decision** |
| **Wards Affected:** None | **Key Decision:** Yes  |
| **Report Authors:**Jane Hargreaves, Commissioning Director Education | **Contact Details:**Tel: 020 8227 2686 E-mail: Jane.Hargreaves@lbbd.gov.uk |
| **Accountable Divisional Director:** Jane Hargreaves, Commissioning Director Education |
| **Accountable Director:** Anne Bristow, Deputy Chief Executive & Strategic Director for Service Development and Integration |
| **Summary** This proposal has been developed in partnership with schools through a joint head teacher and officer working group and in consultation with head teachers and governors to ensure that the new School Improvement Partnership company will meet the needs of both schools and the Council. The company will enable a new and strengthened formal partnership, fit for the future, between the Council and schools. Its shared educational purpose will sustain the family of LBBD schools and it will provide high quality, best value services to ensure continued improvements in educational standards for all children and young people in the borough. The company will be a strategic forum for the further development of a school led system across the borough through the sharing of proven effective practice and by enabling schools to design the services that will have the greatest impact. The School Improvement Partnership company will need to be sustainable and financially viable and, as a not for profit company, will have the ability to reinvest any surplus to allow the company to provide additional support for local schools.The company will be owned by the Council and the Borough’s schools who sign up to becoming members. All schools will be able to purchase services, should they wish to. The members of the company will appoint a board of directors who will lead the strategic direction of the company. A chief executive will be in control of the day to day running of the company but major decisions would need approval from the board and, on occasion, company members. The Council will be both a member of the company and a commissioner of statutory and priority services from the company. These will be delivered on the Council’s behalf, through an annual Service Delivery Agreement. In the light of the analysis completed as part of the Full Business Case, the recommendation is for the establishment of a not-for-profit company, limited by guarantee and jointly owned by the London Borough of Barking and Dagenham and the borough’s schools.  |
| **Recommendation(s)**The Cabinet is recommended to:(i) Approve the School Improvement Partnership Full Business Case at Appendix 1 to the report;(ii) Agree the establishment of a not-for-profit company, limited by guarantee, also known as the School Improvement Partnership in accordance with the proposals set out in the report; (iii) Delegate authority to the Deputy Chief Executive & Strategic Director for Service Development and Integration, in conjunction with the Cabinet Member for Educational Attainment and School Improvement and the Director of Law and Governance, to implement all steps leading to the establishment of the new company in line with the proposals;(iv) Delegate authority to the Director of Law and Governance to execute all the legal agreements, contracts and any other documents on behalf of the Council to implement the setting up of the new company; and(v) Delegate authority to the Chief Executive, in consultation with the Leader, to select the individuals to be appointed to represent the Council on the School Improvement Partnership Company Board. |
| **Reason(s)**The national and local educational context continues to change and the school system is becoming increasingly diverse and autonomous. Budget constraints are impacting on schools and local authorities alongside high expectations of continued improvement in outcomes for all children and young people. Although the role of local authorities in relation to school improvement has reduced, there is still a focus in national policy on place based education. The future model of school improvement is of a school led system with the local authority retaining the role of advocate for children, young people and families in their area, specifically in relation to vulnerable learners. Opportunities are being taken across schools and councils nationally to shape the future of education through the development of new local models and approaches, including jointly owned school and local authority companies delivering a range of services, including school improvement. The London Borough of Barking and Dagenham (LBBD), through the Council’s transformation programme, has the stated aim of becoming a commissioning council and is currently developing a range of new delivery vehicles including a potential School Improvement Partnership company. |

1. **Overarching Introduction and Background**
	1. The national and local educational context continues to change and the school system is becoming increasingly diverse and autonomous. Budget constraints are impacting on schools and local authorities alongside high expectations of continued improvement in outcomes for all children and young people. Although the role of local authorities in relation to school improvement has reduced, there is still a focus in national policy on place based education.
	2. The future model of school improvement is of a school led system with the local authority retaining the role of advocate for children, young people and families in their area, and holding statutory duties, particularly in relation to vulnerable learners.
	3. Opportunities are being taken across schools and councils nationally to shape the future of education through the development of new local models and approaches, including jointly owned school and local authority companies delivering a range of services, including school improvement.

**Proposal and Issues**

* 1. Solid improvements have been made in standards and quality across schools in the Borough but challenges remain, particularly in meeting the needs of the most vulnerable children and young people at a time of reducing resources, a rapidly increasing and increasingly diverse child population, and growing difficulties of teacher and school leadership recruitment.
	2. Councils are increasingly finding the model of local authority led school improvement is unsustainable given diminishing resources, the growing autonomy of schools and the national policy drive towards a school led education system.
	3. There is a strong partnership history between schools and LBBD. In an educational landscape which continues to fragment, there is a clear appetite to maintain the “family of LBBD schools” to ensure the best possible outcomes for schools and the children and young people of the Borough.
	4. Going forward, the proposal is to establish a not for profit company limited by guarantee (School Improvement Partnership) jointly owned by the borough’s schools and the Council which will provide both statutory and priority services, on behalf of the Council, and traded school improvement services to schools.
	5. The company will also broker school to school support, bringing together the best of both school led and Council provided support services, and will provide membership benefits for schools to include networking, support and provision of resources.
	6. The company will enable a new and strengthened formal partnership, fit for the future, between the Council and schools. Its shared educational purpose will sustain the family of LBBD schools and it will provide high quality, best value education services to ensure continued improvements in educational standards for all children and young people in the borough.
	7. The company will be a strategic forum for the further development of a school led system across the borough through the sharing of proven effective practice and by enabling schools to design the services that will have the greatest impact. The School Improvement Partnership company will need to be sustainable and financially viable and, as a not for profit company, will have the ability to reinvest any surplus to allow the company to provide additional support for local schools.
	8. The company will be owned by the Council and the Borough’s schools who sign up to becoming members. All schools will be able to purchase services, should they wish to.
	9. The company will be funded through a combination of:
* Core Council funding for statutory and priority requirements through an annual Service Delivery Agreement
* An element of the Dedicated Schools Grant subject to agreement by the Schools’ Forum
* Income from schools buying back traded school improvement services
* Membership subscriptions from LBBD schools who choose to become members of the company
	1. The services which it is proposed will move to the new company currently sit across Education, Youth and Childcare Services in the Council but principally will be drawn from the current School Improvement Service.
	2. The services proposed to be delivered through the School Improvement Partnership company at its launch are:
* School Improvement advisory support – statutory and traded
* Governor Services and Governor Training
* Professional development, including support for recruitment and retention
* 14-19 services including work experience, careers and Aim Higher
* Information Technology support
* Attendance and Inclusion advisory support (traded not statutory)
	1. It is proposed that 34 staff will transfer into the company and TUPE would apply. There are also staffing vacancies which would enable the new company to either make efficiencies or recruit to new roles to reflect the business and commercial needs of the company.

**Options Appraisal**

* 1. The concept of a School Improvement Partnership company has been developed jointly with schools through a heads and officers working group which has met regularly over the past year. This approach was used to ensure the company will meet the needs of both schools and the Council.
	2. The working group, having identified in detail what the partnership should be, reviewed the options, including ‘Do Nothing’ and the full range of possible company and governance structures. In developing this business case, two options were considered in more detail:

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| Option | Summary |
| Do Nothing – gradual move to statutory only provision | In this model, the Council would continue to provide all school improvement and inclusion services to schools and employ all staff directly. The Council would retain full responsibility for all expenditure, service delivery and income generation. The advantages of this option are, in the short term, continuity and minimal disruption as well as the Council’s retained control and influence over the services and workforce for the medium term. However, this model is at odds with the new educational landscape of a school led education system and declining government funding of Councils for school improvement. Take up of traded school improvement services overall has been declining over time. The risk to the Council is, that as services reduce or are discontinued and the Council moves to a limited statutory provision only mode, there would be increased fragmentation of the education system locally, leaving vulnerable schools and young people more exposed and potentially with less support. This would lead to a decline in standards and outcomes overall with an impact on the life chances children and young people affected as well as the reputational damage to the Council. The weaknesses of this model are that it would not support the Council’s Growth Commission ambitions and would miss the opportunity to strengthen partnership working with a key community stakeholder – schools. |
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| Establish a School Improvement Partnership company | In this model, a new company, limited by guarantee and owned jointly by schools and the Council, will deliver a range of services both statutory and traded, which are currently delivered by the Council to schools. It will also be the vehicle to drive and support the development of a successful school-led system for the Borough for the future. This option has been developed in partnership with headteachers and governors through ongoing consultation and working groups.The company will take full responsibility for the employment of staff transferred from the Council, the delivery of outcomes defined through the Council’s contract with the company for statutory and priority services and the generation of income from traded services.The benefits of this model include the opportunities to; reshape the current partnership between schools and the Council to ensure the future viability of the “family” of LBBD schools; operate independently from the Council, enter into contracts and access funding not available to local authorities; build a cost effective school led education system for the borough; enable schools and the Council to buy services from a company which has as its core purpose, the raising of outcomes and standards for all LBBD children and young people.The weaknesses of this model are that it will require investment in set up costs and time to scope, design and implement the new model and train and support for staff to grow commercial skills.The risks are that unexpected rapid changes to government policy and funding, post-election could jeopardise resources and increase the requirement for immediate income growth; schools may not engage fully with the new model – though this should be mitigated through a low-level membership fee and through the leadership and promotion of the new company through heads and governors groups |

* 1. The detailed options analysis can be found in the School Improvement Partnership Full Business Case Appendix 1 - this document is in the exempt section of the agenda as it contains commercially confidential information (relevant legislation: paragraph 3 of Part I of Schedule 12A of the Local Government Act 1972) and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.
	2. The options appraisal, supported by the working group, concluded that the most appropriate company structure would be a company limited by guarantee.
	3. Advantages of establishing a School Improvement Partnership company approach are:
* Clear formal leadership and governance with accountability to both LBBD and schools as joint members of the company
* Dedicated focus on school improvement in LBBD
* An evolving approach allowing the partnership to develop and add further services in a phased way
* Ability to operate independently from the Council, enter into contracts, employ its own staff and develop flexible and new services in partnership with LBBD schools
	1. If we do nothing and continue to provide business as usual, schools may choose in the future not to buy back at all or to buy services from elsewhere. This would leave Council services at serious risk of being discontinued as central and local government budgets continue to reduce. If the Council chose to withdraw from the provision of school improvement services, it would incur significant redundancy costs and would still need to fund the provision of statutory local authority requirements in relation to schools. This has a high risk of increased fragmentation of the education system in LBBD and would leave vulnerable schools and young people exposed and potentially with less support resulting in reduced quality and declining educational outcomes.
	2. The proposed Partnership aims to increase the effectiveness of the partnership between the Council and schools and make a genuine difference to the lives of children and young people in the face of increasing external pressures.

The following section sets out the baseline financial information for the services which are proposed to be delivered by the School Improvement Partnership company. The baseline year is 2016/17. Projections have also been made for the transition year 2017/18 during which the partnership will be established and key staff recruited. Further projections have been made for the company when it is fully trading from 2018/19 onwards. **Overall, it is forecast that in the first year of trading (2018/19), the School Improvement Partnership company would turnover £2.29m, of which £1.33m (c.60%) is traded income from schools, and would generate a surplus of £80k, after expenditure of £2.2m.** Going forward, the company will need to make efficiencies on its cost base and/or generate additional income from LBBD schools or other sources of revenue in order to maintain viability and build up reserves, which can be reinvested into services for LBBD schools.

* 1. Although current financial modelling shows a projected cumulative loss of £61k in 2021/22, it is felt that this is a reasonable additional income target for the company to achieve by that point.
	2. The following figures overleaf detail the projected income for the School Improvement Partnership from 2017-2022, including the required increase in traded income.
	3. Set up costs for the new company will be taken from the projected surplus of £204k in 2017/18

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|  | **Actuals Baseline Yr** | **Budget Transition Yr** | **Trading Projections for School Improvement Partnership** |
|  | **2016/17** | **2017/18** | **2018/19** | **2019/20** | **2020/2021** | **2021/2022** |
| **Income**  |  |  |  |  |  |  |
| Traded income/school buy-back |  £1,263,326.51  |  £1,305,357.67  |  £1,331,464.82  |  £1,358,094.12  |  £1,385,256.00  |  £1,412,961.12  |
| DSG |  £330,000.00  |  £330,000.00  |  £200,000.00  |  £150,000.00  |  £120,000.00  |  £100,000.00  |
| Other income |  £133,009.00  |  |  |  |  |  |
| Council commission of SI |  £150,000.00  |  £150,000.00  |  £153,000.00  |  £156,060.00  |  £159,181.20  |  £162,364.82  |
| Council commission of SEND/ Inclusion |  £300,000.00  |  £300,000.00  |  £300,000.00  |  £300,000.00  |  £300,000.00  |  £300,000.00  |
| Central Government grant funding |  £150,000.00  |  £150,000.00  |  £150,000.00  |  £135,000.00  |  £121,500.00  |  £109,350.00  |
| Corporate overhead contribution |  £135,364.00  |  £135,364.00  |  £135,364.00  |  £135,364.00  |  £135,364.00  |  £135,364.00  |
| School membership fee |  |  |  £16,800.00  |  £16,800.00  |  £16,800.00  |  £16,800.00  |
| **Total Income** |  **£2,461,699.51**  |  **£2,370,721.67**  |  **£2,286,628.82**  |  **£2,251,318.12**  |  **£2,238,101.20**  |  **£2,236,839.95**  |
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| **Expenditure** |  |  |  |  |  |  |
| Salaries and oncosts | -£1,903,316.00  | -£1,988,772.35  | -£2,028,547.80  | -£2,069,118.75  | -£2,110,501.13  | -£2,152,711.15  |
| Recharges/overheads | -£135,364.00  | -£135,364.00  | -£135,364.00  | -£135,364.00  | -£135,364.00  | -£135,364.00  |
| Other costs | -£41,742.00  | -£41,742.00  | -£42,576.84  | -£42,576.84  | -£43,428.38  | -£43,428.38  |
| **Total Expenditure** | **-£2,080,422.00**  | **-£2,165,878.35**  | **-£2,206,488.64**  | **-£2,247,059.59**  | **-£2,289,293.50**  | **-£2,331,503.53**  |
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| **Surplus (Loss)** | **£381,277.51** | **£204,843.32** | **£80,140.19** | **£4,258.53** | **(£51,192.30)** | **(£94,663.58)** |
| **Cumulative** |  |  | **£80,140.19** | **£84,398.71** | **£33,206.41** | **(£61,457.17)** |
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| **Target additional income** |  |  |  |  | £51,192.30 | £94,663.58 |

**High Level Implementation Plan**

* 1. A high level timeline plan for School Improvement Partnership is shown below. Subject to Cabinet approval of this proposal, a detailed implementation plan will be drawn up to set up the new company.



1. **A jointly owned not-for-profit company, limited by guarantee**
	1. The vision for the new company is driven by the shared educational purpose of schools and the Council to achieve the best possible outcomes for all children and young people in Barking and Dagenham, particularly the most vulnerable.
	2. This jointly owned company, embodying the family of LBBD schools in partnership with the Council, will be the provider of choice for school improvement services for all LBBD schools and will shape the school led education system for the Borough.
	3. It will enable schools, Multi Academy Trusts, Teaching School Alliances and the Council to work collaboratively and ensure highly effective support for school improvement for all schools in the Borough.
	4. It will offer all LBBD schools the opportunity to purchase services from a company that they own and which will reinvest surplus to support further improvement.
	5. The ambition will be that every publicly funded school in LBBD will become a member of the company. It will be a dynamic, locally driven and supportive partnership which will attract and retain the best leaders and teachers to work in the Borough.

**Governance**

* 1. It is proposed that a shadow organisation structure, including a shadow board, will be set up from September 2017 prior to full launch in January 2018.

The proposed split between school and Council representation on the Board is 81% (schools) 19% (Council). This will give the company flexibility in potential future ventures such as the development of a local Multi Academy Trust sponsored by the company or in accessing potential funding streams not available to local authorities. The articles of association will allow Directors to co-opt up to 2 Non-Executive Directors in order to bring relevant skills and expertise to the Board which it will need particularly in areas such as business and finance.

* 1. The membership and governance model in a Company Limited by Guarantee is extremely flexible; it is an inclusive model that allows all schools to join in their current form; it is easier to manage in terms of regulation compared to other types of organisations; and the finances of the company’s guarantors (members) are protected. They will only be responsible for paying company debts up to the amount of their guarantees.
	2. All schools will be given the opportunity to become members of the proposed company and rights and responsibilities will be set out in the articles of association and membership rules.
	3. Strategic leadership of the company will be by the company board.
	4. The Chief Executive and the company’s management team will be responsible for the day to day operational running of the company.
	5. Membership of the board will reflect a proportionate representation of the membership of the company. Board members will be directors of the company and will be drawn from both schools and the Council. It will be important to balance both fair representation and the size of the Board to ensure efficient running of the company.
	6. The governance structure will consist of:

Company Members (equivalent of shareholders)

* London Borough of Barking and Dagenham
* Schools (membership would be open to any school, academy, 16-19 provider or other state funded provider of education in LBBD)

Company Directors:

* Non- executive Chair (1) – appointed by the board
* Non-executive Directors (3-5) – elected by schools on a phase basis
* Non-executive Director (1) Governor
* Non-executive Director (2) – LBBD
* Executive Director – CEO of the company
* Independent Non- Executive Directors (up to 2)
	1. The directors will have a legal duty to act in the best interests of the company, to promote its success and to avoid any conflicts of interest. The role of the board of directors is to:
* be responsible for the good governance of the company
* set the company’s strategic aims
* provide the leadership to achieve those aims
* supervise the management of the business and hold the management team to account
* report to shareholders on their stewardship.
	1. In addition, the Board must ensure it has oversight of the following functions:
* proper application of funds and risk management
* process of appointments to the Board
* Chief Executive’s remuneration
	1. It will be the responsibility of the Company to manage relationships with its members.
	2. Schools and the Council will also be customers and the CEO and senior management team will monitor quality assurance and value for money in the delivery of services to ensure continued and growth of business.
	3. The partnership between the Council, the company and its schools will have at its heart, the best interests of the children and young people of the Borough and will evolve over time as needed.

**Commissioning and Contract Management**

* 1. The Council will be both a member of the company and a commissioner of statutory and priority services from the company, who will deliver these on the Council’s behalf, through an annual Service Delivery Agreement. This agreement will contain Key Performance Indicators and will be monitored quarterly in line with the Council’s contract regulations.
	2. The Council’s corporate core and commissioning function will manage and monitor the contract with the School Improvement Partnership company.
	3. The Council’s Education Commissioning Director will identify, set and monitor the strategic priorities, statutory requirements and educational outcomes which it requires the company to deliver on its behalf.
1. **Consultation**
	1. A review was commissioned in 2016 by the Council to understand the views of Schools Forum members on the future of school improvement services and partnership working. With mostly positive support, it was identified that a quick response was required and new arrangements should be different reflecting the new educational landscape and not the local authority in a new guise.
	2. A further consultation was conducted in January 2017. This included meetings and an online survey with all Head Teachers and Chairs of Governors to gather their views on both current services and the development of the School Improvement Partnership company. Following this exercise, a decision was taken in principle to support the development of the proposed new company.
	3. It is recommended that going forward there are further consultations/market tests on communications and marketing strategies. This will ensure that all schools are informed about the services the new company will offer and the benefits of membership.
	4. Informal consultations have taken place with staff and unions through roadshows and meetings.
	5. A full staff consultation will occur ahead of the creation of School Improvement Partnership including the details of the TUPE process and pension implications.
	6. A Draft Equalities Impact Statement has been developed (Appendix B). This will be further developed as part of the staff consultation exercise, incorporating feedback ahead of the implementation and TUPE process required to create the new company.
2. **Financial Implications**

Implications completed by: **Katherine Heffernan, Group Manager for Service Finance**

* 1. Central Government funding for Local Authorities to support their education duties is being severely reduced. The Education Services Grant (ESG) will reduce by nearly £2.8m by 2018/19. This has been built into the MTFS as a corporate pressure (as the funding is not ring fenced to Education). In addition, funding from the Dedicated Schools Grant is expected to be tapered down and further restrictions introduced with the risk that once transition to a national funding model is completed, authorities’ ability to centrally retain (top slice) funding will be constrained or removed.
	2. These restrictions and reductions effectively mean that a trading model could be the only option for school improvement and similar services and so it is essential to develop a sustainable model for this.
	3. The School Improvement Partnership set out in this report is a potential model. As set out above the Local Authority will commission the Partnership to carry out some of its statutory functions using a combination of Council base budget, the residual Education Services Grant and the High Needs block of DSG. The service is working with Finance on identifying the available funding (taking into account the requirement to also fund the Council’s Education Commissioning structure.) Current modelling suggests that £300k is available from the High Needs Block and £150k from the current School Improvement budget. The business case assumes these will be maintained and school improvement spend slightly increased over time. If this is not possible then this would present a risk to the business case.
	4. The business case assumes these funding streams will be available at this level until 2021/22. It also assumes Centrally Retained DSG of £330k and School Improvement Grant funding of £150k initially but these sources will taper off and be replaced by increased trading income. Uncertainties about these funding streams present a risk to the business case. (Although these are risks that the Council would have to manage anyway if the programme did not go ahead.)
	5. Currently the Education service is supported by the Council’s HR/Finance/Legal services etc and attracts overhead charges but gets budget to fund these costs. Initially the School Improvement Partnership is likely to continue to need support from these services but is not likely to be able to generate sufficient trading income to absorb the costs. It would therefore require Council support at least initially (it is assumed in the business case for at least five years). If over time it began to source support elsewhere the implications for the Council’s core would need to be understood and mitigated.
	6. There are currently no MTFS savings expected from Education Commissioning or School Improvement although changes to DSG do mean that the service is having to find efficiencies and cost reductions.
	7. Over time if successful in growing its income the Partnership should cease to require subsidy which would benefit the Council. In addition, by operating more efficiently it may allow the Council to commission certain services more cheaply. These potential benefits are beyond the period covered by the business case. The business case does not suggest it will generate substantial dividend income and so the case for the partnership needs to be made on other grounds than profitability.
	8. Moreover it should be noted that the creation of the partnership will result in some new costs – as a minimum a Chief Executive and a business manager/company secretary that it will need to generate income to fund. At this stage the business model has a very high cost/income ratio although work is going on to seek ways to improve this. The business case model shows trading losses are likely to occur unless further income is generated. This does represent a financial risk to the Council.
	9. Although currently the service does have some trading activity it is not operating on a truly commercial basis and work is likely to be required to change the working practices and culture.
1. **Legal Implications**

Implications completed by: **Assaf Chaudry, Major Projects Solicitor, Law & Governance**

* 1. This report seeks Cabinet approval for the Council to assist the Borough Schools in setting up a School Improvement Partnership Company (the Company) and authorise the participation of the Council in the Company. The Council has the following powers to appoint to outside bodies either under;
		1. [*Section 111*](http://uk.practicallaw.com/4-508-2809?pit=) of the [*Local Government Act 1972*](http://uk.practicallaw.com/9-508-0346?pit=), because it is anticipated that having a Council appointee on the outside body is “conducive or incidental to, or calculated to facilitate” the discharge of the authority’s functions.
		2. [*Section 1*](http://www.legislation.gov.uk/ukpga/2011/20/section/1/enacted) of the [*Localism Act 2011*](http://www.legislation.gov.uk/ukpga/2011/20/contents/enacted) (the general power of competence).

The general power provides that "A local authority has power to do anything that individuals generally may do" (section 1(1)).

The power is not limited by the need to evidence a benefit accruing to the local authority's area, as the well-being power is. Nor is it limited in geographical scope. However, existing and future restrictions contained in legislation continue to apply

* 1. The School Improvement Partnership Company is to be a Company Limited by Guarantee (CLG).A CLG does not have share capital and the members (equivalent to the shareholders in a CLS) give a nominal guarantee to cover the company's liability, normally limited to £10. Therefore if the Council was to appoint members to the Company their liability is limited to the sum of £10 and if directors are appointed to a CLG they are not liable for the debts of the Company except in limited circumstances.
	2. Although the Company will not be a wholly owned company of the Council. It may be considered as an influenced company under Part V of the Local Government and Housing Act 1989 if it has 20% ownership, in which case it will be subject to financial and propriety controls of the Council. The relevant extracts from Part V of the Local Government and Housing Act 1989 states that

“A company is subject to the influence of a local authority if **all** of the following conditions are met:

* It is not a controlled company.
* There is a business relationship between the company and the authority.
* There is a "personnel association" between the company and the authority. A personnel association exists when:
	+ at least 20% of the total voting rights at a general meeting are held by persons associated with the authority; or
	+ at least 20% of the directors are persons associated with the authority; or
	+ at least 20% of the total voting rights at a directors' meeting are held by persons so associated.

A person is at any time **"associated" with an authority** if they are at that time a member or officer of the authority, or both an employee and a director, manager, secretary or similar officer of the company under the authority's control, or if they have been a member of the authority within the preceding four years...........”

* 1. The appointment of members and directors of the Company has to be in accordance with the Council’s constitution; including ensuring the training of the Member or staff on recognising and addressing conflicts of interest. Furthermore, to ensure that the Company does carry out indemnity cover for the directors and have in place the Council’s indemnity insurance to cover extended liability.
	2. Finally, the Transfer of Undertaking Provisions (TUPE ) is to apply on the transfer of these services to the new Company . The TUPE Regulations imposes the Duty to inform and the Duty to consult which needs to be undertaken during the procurement process.
1. **Other Implications**
	1. **Risk Management** - Risk management implications are covered in the Full Business Cases attached at Appendix A.
	2. **Contractual Issues -** If approved, School Improvement Partnership will operate under a long-term contract with LBBD. This will be prepared during the implementation phase with advice from both internal and external lawyers.
	3. **Staffing Issues –** The current proposal is that 34 FTE staff will transfer to the School Improvement Partnership Company and TUPE would apply. Informal consultations, including as part of staff roadshows have been taking place with staff. Informal consultation meetings have taken place with unions.
	4. **Corporate Policy and Customer Impact -** The proposal to establish A School Improvement Services company is in line with the Ambition 2020 strategy. The proposal is aligned to the Council’s overall vision as the organisation seeks to consider alternative and innovative methods of service delivery to improve services and respond to the financial challenge.

There are no anticipated negative impacts on residents or any of the protected characteristics as a result of the proposals. Draft Equalities Impact Assessments (EIA) that identify the impact of this change on staff are attached as Appendix B. These will be further developed as part of the staff consultation exercise, incorporating feedback ahead of the implementation and TUPE process required to create the new company.

* 1. **Property / Asset Issues –** Not applicable

**Public Background Papers Used in the Preparation of the Report:** None

**List of appendices:**

* **Appendix 1:** School Improvement Partnership Full Business Case, May 2017 (Exempt document)
* **Appendix 2:** DRAFT - School Improvement Partnership Equalities Impact Statement, May 2016