Developing Mutuals for School Support Services

Friday 15th February
Journey to becoming a mutual joint venture for School Support Services

Andy Rennison
Director of Schools’ Funding & Capital Programme
To be CEO of 3BM
Background

• Public Sector Austerity
• National Agenda change Public Service Delivery
• Mutualisation more of the benefits known – performance / productivity / well-being
• Coalition Government – Big Society / Big Wins
• Three Boroughs Location and Political make up
  – H&F, RBK&C, WCC
• Political Support, Strategic Officer Support
• Pathfinder status
The Mutual’s Services

• The Services for Schools by the Mutual
  (Traded / paid for directly by schools)
  • Schools Curriculum ICT (hardware and software)
  • Strategic ICT support / review / project management
  • Schools Management Information Systems (support for software)
  • Schools Financial Services – budget planning / closing accounts
  • Schools Capital / Building Services

• The Council’s Contract

Professional Services (Service Specification)
  • Mainly Schools Funding / Strategic ICT / Strategic Buildings/Options Appraisals/PPP
Why These Services For Mutualisation?

• The services had a good mix/balance £2m Schools p.a. £1m Council [Not dependent]
• Three high performing boroughs *(we had a brand to sell)*.
• Consistent high regard for existing services by schools *(good track record)*.
• Providing the services to schools on Traded Basis meant genuine competition *(Commercial Approach)*.
• Teams operate flexibly with emphasis on delivery not process *(Cultural Fit)*.
• Status quo not a longer term option.
Why not Alone?

Where would we source the bonds / all the legal bureaucracy required for Local Authorities to enter into contracts – the same bureaucracy this process is trying to free us from

• Due Process!

• Wrap Around Infrastructure

• Capacity – continue / growth – Sustainability

• We will always need partners

• Our inherent fears!
Our Vision of a JV

• Sustainability – quickest failure private sector inability to access finance/bid for contracts.

• Access to Independent Sector expertise e.g. Marketing, Branding, Business Support & Development and Capacity Management

• JV Partner sought that will be a business partner and a critical friend.

• Best of all worlds!
Key Challenges in JV Relationship

- JV ISP max 25% Share
  (class of shares – to veto or not to veto)
- Balance of Control even at Director level always sitting with Mutual
- A Partner – Not Take Over
- ISP partner - genuine commitment to demonstrate nurturing, challenge, support, sustainability and mutual benefit
Our Process to deliver this Approach

• Formal OJEU notice
• Very Structured Formal Process – Physical Walls not purely Chinese Walls
• Negotiated Process - SUCCESS
• Clearly documented and formal approvals
• Process dictated it became about a Service Contract not about partnership - clear lessons for future projects
• As a pathfinder the need to not make a legal mistake actually hindered the project to the frustration of bidders and officers
• BUT – Doing it properly has enabled the right decision
Key Considerations 1

- What process approach to take – this will be influenced by the end structure ie:
  - Teckal / Charity / Private Sector
- Length of venture / partnership
- How to make it less challenging / confrontational
- Conflicts of interest
- Payment Mechanism and Contract – is it about externalising a service to a multi-national – or about creating something genuinely new, small and potentially rooting a future rose.
Key Considerations 2

• No Pension Bond
  – Authority accepting its liability for historic shortfalls
• Structured Cash Flow Arrangements
  – Greater than base rate (no public sector subsidy)
• Reasonable approach to the “what if fails”?
  – Removal of presumption of social enterprise status
  – Profits will create the fund to mitigate financial risks
• Reasonable approach to the “what if successful”?  
  – Significant savings being delivered as part of mutualisation agenda
  – Acceptance that if business very successful the Employees should benefit
Lessons Learned So Far....

• The following areas are crucial to success
  – Political & Senior Management Support
  – Early Employee Engagement
  – Cabinet Office – Mutual Support Programme
  – Effective Mentor (Patrick Lewis)
  – External Advisors on board from the outset
    • OPM
    • Grant Thornton
    • Field Fisher Waterhouse
    • Trowers & Hamlin’s (Council)
  – Project Management
  – Timings for Launch
  – Patience
Is It WORTH IT?

• Yes absolutely
  – The first management team with our future partner was such a breath of fresh air. It felt for the first time in over a year that the light had been turned back on
  – The support we are currently receiving is invaluable – we would have possibly collapsed under the burden of work needed to be done
  – The staff group are empowered, we feel positive and looking forward to our future with our partners
Mutuals in school support services:

Sandwell Inspired Partnership Services

February 2013
Why we needed change

- Greatly reduced role for Local Authority
- Council budgets under pressure
- Further shift of funding from LA to schools
- School independence
- Schools working in local partnerships
- Growing competition for school business
- Schools as mature customers
What were the options?

- “No change”- Council services compete for schools’ business
- “Stop”- Council stops providing these non-statutory services, other suppliers step in
- “Private sector partner”- Council plus a private sector company set up a joint venture to compete in the market-place
- “Co-operative”- Schools, with the Council, set up an independent not-for-profit company where customer=owner
- Assessment of these options supported the co-operative…..with the IPS as the best Co-op model
What is an IPS?

- Co-op societies are run for the mutual benefit of their members, with any surplus re-invested back into services or returned to members in proportion to their trade with the society.
- An IPS is a form of co-op society “an organisation conducting an industry, business or trade…as a co-operative…registered under the Industrial & Provident Societies Act 1965.”
What is Sandwell’s IPS?

• Sandwell Inspired Partnership Services provides services for Schools and Council, majority-owned and controlled by schools
• Own and control services worth £11m+
• Schools were already £9m+ investors
• Schools decide: what grows, what develops, what stops and what new services start
• Members re-invest the surplus
• Huge potential
• Risks confined to the IPS
SIPS Services

- Catering Service
- Sandwell Music & Arts
- Broadband Sandwell
- Teaching & Learning Advisers (Primary & Secondary)
- School Management Information Systems
- School Governor Support
- Health & Safety Support
- Education Business Partnership
- Workforce Training & Development
- Schools Library Service

............an £11+m business with 433 staff (…so far…)
Governance

- One member, one vote
- Members elect Committee of Members (Board)…who direct the Chief Executive
- Full members = Sandwell schools + buy from SIPS + sign Concordat
- Developing associate member concept
- Members decide how surplus spent
- Council remains an investor and junior partner
“What does this mean for my school?”

- You own and develop the services you want
- You invest in local people and support the local economy
- You decide how surpluses are reinvested
- You don’t have to run the business—engage as much or as little as you want
- Your school has no liabilities—they are confined to the IPS
Procurement

• How do schools and the Council buy from SIPS without EU tendering?
• Solution: Ensure the main focus is selling to members and that members maintain control
• …IPS still has to offer Best Value
• …and c.20% of income can come from non-members
How is the Council supporting SIPS?

• Underwriting of existing pension liabilities and acting as guarantor
• Council underwriting of redundancies for transferring staff (point of transfer/taper)
• All assets available for IPS to use rent-free
• Working capital arrangement
Employee transfers

- Full TUPE rights
- Pensions and redundancies underwritten by Council
- Admitted body status for LGPS and Teachers scheme
- Decision to offer ‘open’ pension scheme
- Decision to apply to DWP for inclusion on ‘Redundancy Modification Order’
# The IPS Journey

## IPS Begins Trading

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 January 2013</td>
<td>Staff Transfer</td>
</tr>
<tr>
<td>End of November 2012</td>
<td>TUPE consultation ends</td>
</tr>
<tr>
<td>November</td>
<td>Cabinet approval of business plan, confirmation of under-writing</td>
</tr>
<tr>
<td>September</td>
<td>IPS established as legal entity, Board of Directors established, start of TUPE consultation</td>
</tr>
<tr>
<td>July 2012</td>
<td>Cabinet Report- submission of Business case, approval to establish</td>
</tr>
<tr>
<td>May-June 2012</td>
<td>Formal consultation on establishing IPS, establishment of shadow Board</td>
</tr>
<tr>
<td>May 2011-April 2012</td>
<td>Ongoing informal consultations with school, employees and unions, and development of business case</td>
</tr>
<tr>
<td>12 May 2011</td>
<td>Cabinet Member approves informal consultations on the IPS</td>
</tr>
<tr>
<td>October 2010</td>
<td>Cabinet Member approves exploration with schools of co-operative models, informal consultation begins</td>
</tr>
</tbody>
</table>
Prospects and opportunities…

• Further take up of services across the whole organisation.
• The opportunity to develop new service lines from the inward investment of surpluses.
• Business expansion – offering new services that haven’t TUPE transferred.
Prospects and opportunities…

• Schools are offered bespoke services based on their individual needs & requirements.
• Processes are implemented to suit the needs of the business.
• Employees are part of the decision-making process.
Prospects and opportunities…

• We are all responsible for our own destiny.
• New skills are being developed across the whole organisation as a consequence of moving out of the LA e.g. marketing, sales, budget management etc.
Developing Mutuals for School Support

The Birmingham Experience

David Perkins
Chief Executive/Strategic Head of Services to Schools
## Original Scope

<table>
<thead>
<tr>
<th>Service</th>
<th>Cost of Service</th>
<th>Headcount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cleaning &amp; catering</td>
<td>£42,925,586</td>
<td>3750</td>
</tr>
<tr>
<td>Music</td>
<td>£4,705,885</td>
<td>271</td>
</tr>
<tr>
<td>Outdoor Learning</td>
<td>£3,320,944</td>
<td>49</td>
</tr>
<tr>
<td>Health Education</td>
<td>£1,192,710</td>
<td>20</td>
</tr>
<tr>
<td>Learning &amp; Assessment</td>
<td>£1,500,000</td>
<td>13</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>£53,645,125</strong></td>
<td><strong>4,103</strong></td>
</tr>
</tbody>
</table>
## Final Scope

<table>
<thead>
<tr>
<th>Service</th>
<th>Cost of Service</th>
<th>Headcount</th>
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</thead>
<tbody>
<tr>
<td>Music</td>
<td>£4,705,885</td>
<td>271</td>
</tr>
<tr>
<td>Health Education</td>
<td>£985,732</td>
<td>13</td>
</tr>
<tr>
<td>Learning &amp; Assessment</td>
<td>£545,336</td>
<td>6</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>£6,236,953</strong></td>
<td><strong>290</strong></td>
</tr>
</tbody>
</table>
Why?

• Local Authority bureaucracy making services uncompetitive;

• Wish to retain services, impact on young people, expertise, jobs;

• Avoidance of decommissioning costs;

• Economies of scale;

• Public service ethos: private sector efficiency;

• To have control over our own destiny.
Birmingham’s Choice:

A charitable company limited by guarantee independent of the City Council
And why?

• Not for profit;
• Kept under existing manager control;
• Potential for attracting external funding;
• Control over our own destiny.
The Story So Far – Part One

- **August 2010**: Approval from Cabinet Member
- **November 2010**: In-principle Cabinet report agreed
- **December 2010**: More detailed Cabinet report setting out Council’s duties and responsibilities - agreed
- **March 2011**: Cabinet report withdrawn. Transition funding withdrawn
- **March 2012**: Final Cabinet report agreed.
The substantive Board of Directors has been appointed.

The company is registered at Companies House as S4E Ltd. Its Articles of Association have been agreed, and it has been awarded Charitable Status.

The company has its own bank account with Lloyds TSB.

The company has moved to its own city centre premises.

The order book for 2012/13 is healthy and the company estimates a modest surplus.
Lessons Learnt

• Is externalisation really necessary?

• Political support is not, in itself, enough. There needs to be whole-Council buy-in from the start.

• The early engagement of the most senior officers is essential.

• Transition funding is unlikely to materialise. Is the externalisation viable without it?
• Be prepared for many new costs.

• Local Authority bureaucracies are quickly replaced by others.

• Engage with the pension scheme(s) as early as you can.

• Local Authorities need convincing that decommissioning is often more costly than externalisation.

• Be prepared to manage the process yourself.
Contact details:

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Email: david.perkins@servicesforeducation.co.uk
Public Service Mutuals

Mutuals Team, Cabinet Office
The Mutuals Team in Cabinet Office support the Government policy of creating and growing new forms of organisations to transform and improve the delivery of public services

**Our goal:**

To drive the creation and growth of mutuals from the wider public sector through cross Government engagement, policy development and support services

“...I deeply believe that public service mutuals, employee-led and owned, can be a big part of the future. This isn’t a cloak for privatisation. It’s the idea that public sector staff should be able to spin themselves off from their parent bodies by turning themselves into enterprises with an ownership stake for their employees. Some will do so with the help of private-sector joint venture partners, others will go it alone. Some will be not for profits, others fully commercial. The benefits are less bureaucracy, better access to outside expertise and capital, and the huge boosts in productivity and morale that comes with employee ownership.”

Francis Maude, 5 July 2011
The Mutals Support Programme

- **Mutals Information Service: online resource**
  Managed by Cabinet Office, this will provide initial information, generic advice on key issues, case studies, opportunities for peer support and knowledge sharing.
  
  [http://mutuals.cabinetoffice.gov.uk](http://mutuals.cabinetoffice.gov.uk)

- **Mutals Information Service: Hotline**
  Delivered by a consortium of industry experts, led by PA Consulting, the hotline will provide information, signposting and case management for existing or potential Mutuals, and refer cases for support to the Mutals Support Programme **0845 5390 543**

- **Mutals Support Programme: Professional support services**
  Taking referrals from the Mutals Information Service, the Cabinet Office will contract for either one to many training or one to one professional services (e.g. tax, legal, HR or business advice) to assist fledgling mutuals
  
  [http://mutuals.cabinetoffice.gov.uk](http://mutuals.cabinetoffice.gov.uk)
Mutuals Ambassadors

We are also providing support on a pro-bono basis through our Mutuals Ambassadors Programme. The Ambassadors have a diverse range of skills and experience in order to do the following:

• Troubleshoot

• Use their commercial expertise

• Advocate and promote

• Develop policy and the pipeline
Local Authority Mutuals Commissioning Group

- We have recently established a group of 15 LA commissioners to provide insight and practical solutions that others can learn from.

- Its role is to:
  - Provide **challenge** and steer
  - **Collaborate** with peers and central government
  - **Champion** the agenda

- The group are helping us to develop a “Commissioners Tool Box” that will be available on the Mutuals Information Service.
Identifying solutions to barriers and templates for solving

- We are undergoing research into a number of the challenges facing mutuals and using this to guide the support available in the following areas:
  - **Understanding TUPE** - developing a Guide for PSM leaders on how to handle TUPE effectively, including templates and best practice from leading practitioners.
  - **Pensions** - Engaging with CLG on local government pensions to understand admission routes to becoming an admitted body and potential impact of Fair Deal policy review.
  - **VAT** - Guidance produced by MSP contracts will be made available on MIS as case studies on how the VAT issue is navigated in practice.
  - **Assets** – we have produced guidance including options and choices on acquiring and transferring assets and model set of agreements available on MIS.
  - **Access to finance** – we are undertaking research in order to better understand the finance needs of public service mutuals, particularly post spin-out.
  - **Procurement** - Significant work has taken place to simplify and streamline the procurement process to help PSMs when bidding for work.
Rights to Provide are being developed and implemented across public services

<table>
<thead>
<tr>
<th>Department</th>
<th>Service Area</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>DH</td>
<td>NHS Trust and Community Health Services</td>
<td>The Right to Request programme has been followed by the implementation of a Right to Provide across NHS Trusts</td>
</tr>
<tr>
<td>MoJ</td>
<td>Probation</td>
<td>The Government is consulting through <em>Punishment and Reform: Effective Probation Services</em> on how best to support the creation of mutuals in this sector</td>
</tr>
<tr>
<td>DH</td>
<td>Social Care</td>
<td>The Department of Health (DH) has provided tools, resources and a toolkit to implement the Right to Provide across social care services</td>
</tr>
<tr>
<td>DH/DfE</td>
<td>Social Work</td>
<td>Pilot programmes of Social Work Practices are being led by the DfE and DH. These provide an opportunity for staff to develop mutual models of delivery</td>
</tr>
<tr>
<td>BIS</td>
<td>Community Learning</td>
<td>The Department for Business, Innovation and Skills has invited local authorities to consider mutualisation of community learning services as part of a pilot programme</td>
</tr>
<tr>
<td>DfE</td>
<td>Youth Services</td>
<td>Draft statutory guidance which recognises employees’ Right to Provide has been consulted on by the Department for Education (DfE)</td>
</tr>
<tr>
<td>DfE</td>
<td>Sure Start Children’s Centres</td>
<td>Draft statutory guidance recognising employees’ Right to Provide has been consulted on</td>
</tr>
<tr>
<td>CLG</td>
<td>Community Right to Challenge</td>
<td>Complements Rights to Provide by enabling voluntary and community groups, charities, parish councils and employees of the authority to bid to run local authority and fire and rescue authority services</td>
</tr>
</tbody>
</table>

A diverse range of services now have opportunities for mutualisation in place – from health, social care and social work to community learning, youth services and early years provision.
The community right to Challenge

Matthew West
Department for Communities and Local Government
# Community Right to Challenge

**What is it?**
A new right for communities to put forward proposals for delivering local authority services better and/or differently, and to have the right to tender for them.

**Why has it been introduced?**
As part of the government’s localism and open public services agenda we want local communities and parishes to have the right to get their ideas about services heard and to run them.

**Who can use it?**
Voluntary and community groups (including community benefit societies and co-ops, CICs and charitable incorporated orgs), parish councils and groups of two or more LA employees.

**How does it work?**
- Body gathers service info and prepares an EoI
- Submits to authority
- Authority must consider and can only reject on certain grounds
- If accepted – procurement exercise
Support service helps community groups to develop ideas – including LA staff.

- Ability to compete in tenders.
- Expressions of Interest.
- Tenders (following a challenge or for a named contract).
- Telephone or e-mail advice, guidance and in-depth referrals

Grants available to relevant bodies (including parishes) for

Pre-feasibility work – governance, accreditation etc

Feasibility – developing tenders, specific contract readiness.

Again; available for people using CRTC or identified contract
Local Government central to this process – opportunities and challenges for the sector

You can set windows where you will accept EoIs – either across the board or for specific services.

**Examples**

**Kent CC**
- six monthly windows for specific services areas;
- using challenge as a mechanism for soliciting ideas and bids from the community
- Now working with support providers to develop up to five local VCS groups to submit EoIs for adult daycare services in 2013/14

**Doncaster BC**
- working with a local consortium who have developed a vehicle to help nurture and put forward challenges
- Consortium being helped by Locality - will act as conduit for challenges