

## UNISON Report

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### Private Sector Involvement Increases

Privatisation of education services is growing, not just through the transfer of LEA services to private contractors, but through new models of partnership<sup>1</sup> working where companies work closely with authorities to manage education services or, as in Surrey, a private company is asked to directly run schools facing particular problems.

A series of strong trends are emerging which are expected to be exacerbated by the Government's education reforms.

- v Increased use of private sector consultants and contractors by LEAs and clusters or individual schools.

- v Greater private involvement in education through initiatives such as specialist schools, City Academies and Education Action Zones.

- v An expanding schools PFI programme - 480 schools in signed PFI contracts by September 2001.

### New Era For LEA Partnerships

Two recent statements by government ministers make it clear that LEA private sector partnerships are to be expanded.

The Secretary of State for Education and Skills, Estelle Morris, speaking at the annual Confederation of British Industry's (CBI) conference praised the management and financial skills of private companies who are working with the public sector to provide better schools:

“We have recognised that if we are to deliver what will be the greatest programme of school building and modernisation this country has ever seen, we need the support and skills of the private sector. Bringing the financial and management skills of private companies to focus on complex and challenging task, coupled with performance based payments, will provide value for money and quality in services.”<sup>1</sup>

“In the longer term I want the relationship between government and business in education to be based on a realistic appreciation of the strengths of each party, mutual understanding and respect. We need the structures to build real collaboration rather than being merely bureaucratic window

dressing and help for each party in developing the skills and understanding to deal with the other.<sup>1</sup>

A few days later the Schools Minister Stephen Timms, speaking at a New Local Government Network conference, stated that LEAs will soon be able to work in partnership with other LEAs, private companies and charities to deliver a wider range of education services. An order under the Deregulation and Contracting Out Act 1994 in the new year will give LEAs greater freedom for partnership working in a number of areas such as special educational needs assessment for pupils, preparing education development plans and developing early years development and childcare partnership plans.

‘We are entering a new era of partnership where Local Education Authorities will be free to engage in smart partnerships to deliver excellent education. Many LEAs are already using partnerships to deliver better services – and we want to see more. Working in partnership with other bodies can increase the capacity, quality and responsiveness of local education services.’<sup>1</sup> (Stephen Timms)

Education White Paper ‘Schools Achieving Success’<sup>1</sup>

The Government’s white paper on education published in September 2001 proposed several initiatives which will boost private sector involvement and enlarge the two tier education system:

- v Legislation to allow for the establishment of City Academies with the private, voluntary and sector being able to establish new schools whose running costs are met by the state. It is intended that 20 academies are established by 2005.

- v A target of 1,500 specialist schools representing 40% of all secondaries in England.

- v A reserve power for the Secretary of State to require an LEA to involve an external partner in turning around a failing school. Those LEAs which decide against private sector involvement will need to justify this in their action plans to improve failing schools.

- v In cases of school weaknesses or failure, the government will allow for a governing body to be replaced by an interim executive board which could involve ‘external partners’<sup>1</sup>.

Head teachers in ‘successful’ schools will, under the so-called ‘earned autonomy’,<sup>1</sup> be able to opt out of parts of the national curriculum and vary staff pay.

Councils will be required to establish a list of approved ‘partners’<sup>1</sup> to develop improvement plans, including private firms, not-for-profit bodies and other successful schools.

On a more positive note the Government intends to allow greater freedom for schools to work together to share resources and expertise. The Government expects a range of types of partnership to emerge over the next few years.

### Wales Rejects Privatisation Model

On the same day as the White Paper was published for England the Minister for Education and Lifelong Learning in the Welsh Assembly published a plan for schools and colleges which does not include any private sector involvement in education. League tables for secondary schools and national tests for seven year olds have also been scrapped in Wales.

### Privatised LEAs

#### Bradford

1,200 staff employed by Bradford's Education Authority were transferred to private contractor, Serco QAA, in July 2001. The company, which operates as Education Bradford<sup>1</sup>, was awarded a ten year contract to run education services following a procurement process involving three other companies (see Bulletin No 1). The council's plan for the largest privatisation of its kind followed a highly critical OFSTED report.

The ten year contract is worth about £360m. Originally a seven year £210m contract, Serco negotiated a three year extension with incentive payments of £1.8m per annum if it meets annual performance targets. Serco has been given targets to raise standards of achievement across the district with the overall aim being to ensure that pupils reach at least the national average for educational attainment by 2005. Specific targets have been established for boys and for pupils from ethnic minority backgrounds in addition to improving school attendance.

Whilst staff were assured of a TUPE transfer and continued membership of the West Yorkshire Pension Fund, Serco announced 70 redundancies the day after transfer, 40 of which were unfilled posts and 30 of which were staff who may be made redundant. UNISON are still negotiating with the company over this proposal.

Serco recognises UNISON and regular consultation meetings take place between UNISON and the company. Shop stewards are given trade union facility time.

A further 230 staff involved in providing welfare transport services will be transferred to Serco in January 2002. The council has been left with strategic educational responsibilities and teachers continue to be employed by the authority.

Bradford is a test case in many ways, but particularly around the issues of

segregated schooling and under performance by ethnic minority children. An Education Policy Partnership which includes a large range of local stakeholders is working alongside the council and Serco.

Serco recently recruited a new director of education, former education director at Blackburn with Darwen, with a salary package worth £130,000. This appointment reflects the trend for private companies to recruit new senior staff from local government.

## Southwark

Southwark's education service was privatised through the formation of a public-private partnership with WS Atkins, following the direct intervention of the Education Minister, Estelle Morris and the subsequent report by consultants KPMG. WS Atkins had no previous track record in providing educational services. KPMG warned against wholesale privatisation but did recommend that the council advertise for a private sector partner to assist with some services.

Ironically, the new Director of Education came from Bradford, which was itself subjected to a highly critical OFSTED report. In addition, ten days before the council met to decide that WS Atkins had been selected as preferred bidder, Southwark's head of school improvement announced that he had a new job as Director of Education at WS Atkins.

Parents were not consulted about the proposal and in February 2001 the council announced WS Atkins had been awarded a five year contract worth £150m to take over the running of the vast bulk of LEA services. The privatisation process cost the council at least £1m.

Ministerial reassurance was given that the DfEE would reimburse the company for VAT costs, representing a public subsidy of several million pounds.

On 1st April 2001 LEA staff including educational social workers, special educational needs advisers and educational psychologists were transferred to WS Atkins. Early years services will transfer next year, when the company will be given control of both pricing and admissions policies for council day nurseries.

The council has established a range of targets including:

- v Increasing 16-19 year old participation in education to 75% by 2002
- v Key Stage 2 mathematics to level 4 or more to 70% by 2002
- v GCSE 5 or more grades A-C to 35% by 2002
- v Teacher vacancy rate to best in London level by 2005.

UNISON managed to secure the best possible terms of transfer for staff. The Secretary of State agreed to amend the Redundancy Schedule so that employment with WS Atkins will count as long service if those staff leave and join another council. Members will also be able to stay in the Local Government Pension Scheme and new joiners to the service can also be admitted.

### Haringey

Capita's contract with the local education authority, which started on 23rd April 2001, is limited to employing 14 staff at a cost to the council of £4.5m over three years (representing £107,000 per post per annum). At the same time the council is seeking to privatise school meals and a number of other services. All the new senior staff are from other local authorities, including the director of education, who was formerly director at Nottingham City Council. Ofsted are currently re-inspecting the service. UNISON has questioned the lack of consultation.

Capita has already managed to move into other aspects of the service. The council was recently criticised for awarding a £92,000 contract for an asset management plan to Capita without following the proper tendering protocol.

### Leeds

Education Leeds, an arms length company managed by Capita, took over the running of the LEA in April 2001. The board responsible for the 1,200 staff transferred from the LEA is run by a panel of five - two from Capita, two from the council and Peter Risdale, chair of Leeds City Football Club. The chief executive appointed to Education Leeds previously worked for York City Council, but the two deputy chief executives are Capita employees.

Five months after the transfer, the unions were presented with a large scale restructure of the service. All job descriptions were rewritten. The first tranche has involved tier three and four senior managers who were forced to apply for what were essentially their own jobs. Although Capita promised that there would be no redundancies, five senior managers were not appointed following interview and the jobs are now being advertised. UNISON is concerned that those senior managers without jobs have a very uncertain future. The company is now engaged in the implementation of the restructuring of remaining posts in the service; UNISON objected to open competition and the company has agreed that there will be ringfencing and that posts will be filled internally. The total restructure is to be implemented by April 2002.

The restructuring proposals were sprung on the unions and UNISON has sought assurances that agendas are established ahead of joint trade union/company meetings. UNISON is insisting that the grievance procedure (Stage 3) transferred across includes appeals to the executive board for Education Leeds and that it should be open to all employees.

## Hackney

Two years after Hackney's education service was partially privatised and a third critical Ofsted inspection, a joint report, commissioned by the Department for Education and Skills and the council, recommended handing control of all LEA services to a not-for-profit trust. The trust would be responsible for running core education and support services. The creation of Hackney Education Trust would end Nord Anglia's contract with Hackney. The private company employed in 1999 to improve school standards will hand over the trust in July 2002. But the company's involvement won't stop there; managing director Max Caller and education committee chair will be two of the 14 directors of the trust.

With respect to Nord Anglia's involvement, the report stated: 'Whilst some progress has been made in these areas, there is evidence that this partial solution has reduced the ability of other services to contribute fully to the shared objective of school improvement and weakened attempts to get a coherent and cohesive strategic direction across education services as a whole'.

The report recommends that the Trust should be incorporated as a company limited by guarantee with the board appointed by the Secretary of State in consultation with the council. It is intended that staff currently operating LEA services or services contracted to Nord Anglia will become employees of the Trust and transferred under TUPE.

## Waltham Forest

The authority has privatised its LEA services in a contract with EduAction Ltd in a five year £200m contract which started on 1 September 2001. The company, a joint venture between Nord Anglia and construction company Amey PLC, is responsible for pupil/student services, school development and review and core support services. The contractor has been meeting with regularly with UNISON. The branch understands that a reorganisation is planned. Head teachers are getting impatient because no change is evident.

## Walsall

The authority has appointed Serco to run the school improvement services in a contract worth £20m over seven years and 120 staff transferred in September 2001. The UNISON branch has successfully established joint negotiating arrangements with the company which has to meet a range of service improvement targets.

## Rotherham Brokerage System

Windsor & Co/Essex CC was selected to run the brokerage services established by Rotherham MBC. Windsor, an independent educational consultancy, is

working jointly with Essex LEA. The aim of the brokerage system, which became operational in April 2001, is to provide a range of services for schools to buy using their delegated budgets.

The brokerage scheme itself does not provide any services though it privatises the management; instead it provides access to other service providers including cleaning, catering, IT, financial and advisory services. The broker then advises the schools on the most appropriate provider in terms of cost, quality and specification. The company will recover its cost by charging a fee of around 5% being charged to the supplier of the service.

### Islington

Cambridge Educational Associates (CEA), which was awarded a seven year contract to run Islington schools in April 2000, had a £300,000 penalty imposed in August for failing to meet GCSE targets. The targets required that the percentage of pupils getting five or more top grade GCSE passes be increased from 26.5% last year to 35% in 2001. However, CEA managed only a small increase to 27.7%, well below the target. CEA has also imposed cuts of £800,000 in LEA services this year with another £700,000 planned for 2002/03.

### Teachers Transfer to Nord Anglia at Surrey County Council School

Surrey has appointed Nord Anglia Education PLC to directly manage and provide specialist support to Abbeylands School until November 2007. The aim is to increase pupil attendance, raise attainment and seek new status as a foundation school.

The county and Nord Anglia intend to close Abbeylands as a community school next August and reopen as a specialist foundation school in September 2002. The school will be renamed as Runnymede Business and Enterprise College, reflecting its business focus. The details of the contract are confidential but the county will pay an additional £500,000 and invest £1m into building works at the school.

Under this school management arrangement, teaching staff will transfer but the head and deputy head's jobs will be re-advertised. 3Es run two other Surrey schools and it's expected that other schools in the county will establish similar arrangements in the future. The key difference with this arrangement is that the company runs the school and employs the teachers while continuing to be directly funded by the local authority.

The 3Es, a not-for-profit trust, is the commercial arm of Kingshurst City Technology College in Birmingham. The company runs Kings College in Surrey which was closed by the LEA and opened up with private management in 2000. The company gets a performance-linked fee of £40,000 a year over the 10 year contract if it meets the terms of the contract. The £1.5m cost of refurbishing the school came from the county council. The company has plans

to run up to 100 state schools within five years.

### Secondment of LEA Officers

Private sector poaching of senior LEA officers is not new. The recent moves of senior education officers from Newham to Capita, Southwark to WS Atkins and Blackburn to Bradford highlights the paucity of private sector (Einnovation<sup>1</sup> when they are forced to recruit from the public sector. However, another trend is emerging. Senior LEA officers from at least two local authorities have recently been seconded to work with authorities which have privatised their LEA services. Graham Badman, Oxfordshire County Council's Chief Education Officer, is seconded to Waltham Forest where EduAction has the LEA contract. Roger Edwardson, Assistant Director of Education, Newcastle City Council, is seconded to Bradford where Serco operates the LEA.

The principle of secondment between local authorities is established but when private companies are involved this raises fundamental issues and questions about whose interests are being served.

### Rules on Private Sector Marketing in Schools Relaxed

The Government has endorsed new guidelines advocating a more relaxed attitude to the branding of teaching materials and activities by corporate sponsors. The old code stated that promotional schemes should (not actively encourage children to pester parents about buying a specific companies products or services<sup>1</sup>. The guidelines now say that this should not be encouraged but could be unavoidable.

### Private sector consolidation

The larger companies in the education sector are consolidating their activities by acquiring smaller firms. For example, Nord Anglia, has acquired the nursery group Bright Horizons to add to its existing chain of ten Princess Christian nurseries. Nord Anglia has sold its accountancy tuition and publishing activities to concentrate on school and nursery services. It has also acquired Belle Associates, which specialises in on-line training packages for teachers. The firm has called for teachers at state schools run under contract by the private sector to share in profits.

Some LEA contractors are also heavily involved in PFI schools projects. WS Atkins has a joint venture NewSchools with Innisfree which has PFI projects in Kent, Waltham Forest and Cornwall. WS Atkins increased its profits by 14% in 2000/01 largely on the back of public sector contracts. Amey PLC has over £600m of PFI schools projects in Glasgow and Edinburgh in addition to funding and operating the Unity City Academy in Middlesbrough.

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