



Private Sector Working

Islington – the first ‘privatised’ LEA in the country

Is it working?

Private Sector Working

Contents	2
Introduction	3
1. How on earth did we get here?	4
2. What's the new structure?	8
3. So, is it a better service then?	10
4. How has change been achieved?	14
5. Profit or Children?	17
6. Working together	21
7. Bringing in new skills – or just confusion?	24
8. Yes, but is it accountable?	27
Conclusion	31
Appendix A – Summary of key conclusions	32
Appendix B – 11 Key Performance Indicators	34
Appendix C – 62 Key Performance Indicators	35
Appendix D – Summer 2001 User survey results	39

The extent to which traditional public services could in the future be provided by private companies is one of the key questions of this Parliament, and for the future of Government in the UK. Everyone has their view on it, from traditional service-providers, to the enthusiastic private sector who might replace them.

But there is very little evidence base examining whether it might work in practice.

Liberal Democrat-controlled Islington Council has unique experience, being the only LEA in the country to outsource all school support functions to a private company.

Has it worked?

Do children receive a better education as a result?

Has the private company simply cut services, putting 'profit' before children's education?

Has the private sector brought something new to the party?

Is the service still accountable?

This pamphlet aims to answer these questions, and feed in some much-needed evidence to the public-private debate.

Politicians from all parties increasingly talk of 'no ideological barriers', and instead of focussing simply on 'what works'.

This pamphlet aims to answer the question of whether it is working in Islington.

1. How on earth did we get here?

1.1 Background to Outsourcing

Official documents so often make dreary reading. The inspection by Ofsted of Islington LEA in Spring 1999 suffers from no such failings. Page after page details severe weaknesses in the LEA's service to schools. The inspectors noted that schools felt that "they need, and do not receive, effective support from the LEA. They are right."¹ They adjudged that the LEA "is not properly fulfilling its statutory duties in respect of²:

- Raising educational standards
- Providing suitable and efficient education
- Providing adequate support for schools causing concern
- Managing school places
- Headteacher and teacher appraisal

And that it was not adequately fulfilling its functions in a further 11 areas³:

- Consultation with schools over major plans
- Support for school planning and target-setting
- Support for literacy
- Support for numeracy
- Support for information and communication technology (ICT) in the curriculum
- Support for the quality of teaching
- Support for schools in special measures and with serious weaknesses
- Behaviour support
- Managing the supply of school places
- The maintenance of school buildings and grounds
- Support for School Governors

It could find only six functions in which performance was adequate, "though in most cases improvements are needed"⁴. Referring for example to the improvement tasks set out in the Education Development Plan (EDP), the report says that "if the LEA were able to do some of them a little less inadequately than it does at present, that would be a major advance."⁵ On LEA support for improving standards, it comments "Overall, these are dismal findings, the worst encountered to date in any LEA inspection"⁶ While the inspectors did find pockets of adequate services, the overall picture justifies the belief that this report may hold for some time yet the depressing distinction of being the worst

¹ Para 5

² Para 56

³ Para 6

⁴ Para 7

⁵ Para 10

⁶ Introduction to Section 5 – "LEA Support for Improving Standards"

report any LEA has ever received. The reviewer looking for damning phrases is spoilt for choice.

While many of these failings are partly the responsibility of Council officers within the Education Department, Councillors from the then Labour Administration led from the front in bringing about this failure. The inspectors refer to “the tendency of elected members to oscillate between expressions of support for schools and vilification of them”.⁷ As well as failing to lead the LEA, Labour Councillors failed to establish any sort of political consensus about a possible route out of the Educational mire, and this was a central element in the difficulties.

The Council did prove itself capable of providing pockets of good educational services, but outside the area of school support. Islington had, and continues to have, for example, an Early Years service which is nationally recognised as an example of good practice.

But support for schools was a fully-fledged part of the general appalling situation in which Islington Council found itself by 1999 – the result of thirty years of virtually unbroken Labour control and experimentation. In the 1980’s Islington was the original “Loony Left” Borough – famous for flying the Red Flag over the Town Hall and banning “Baa Baa Black Sheep” in schools. As Ofsted commented, “The Council as a whole has many problems, including a large budget deficit, from which education is not immune. Not the least of these problems is that, according to the Chief Executive, it has largely lost the confidence of the people it serves. This is especially true of the education service...”⁸ You get the drift.

1.2 The Outsourcing Process

Ofsted, finally, concluded that “The existence of so many weaknesses of such severity sets the LEA a formidable agenda. We do not believe it has the capacity to tackle it.”⁹ As Ofsted published their report on 18 May 1999, the Council’s leadership announced plans, as requested by David Blunkett, the Secretary of State for Education & Employment, to externalise “some or all” of its education services¹⁰.

These would “set up an education partnership in the form of a School Standards Board which will bring in education leaders, headteachers, governors, parents, diocesan representatives and people from the business community. *The education authority in its current form will cease to exist* and the partnership will take over the strategic management of education services”(my italics). They planned to establish a joint venture company to provide the remaining school support functions.¹¹

⁷ Para 8

⁸ Para 8

⁹ Para 8

¹⁰ Council Press Release 18/5/99 “Islington Proposes New Education Service”

¹¹ *ibid*

PricewaterhouseCoopers (PwC) were employed as consultants to advise on the outsourcing, and by 22 June, working with the DfEE, they put to the Education Committee plans for a contract to cover a range of school improvement services, under a Private-Public Partnership arrangement in which the Council would be a minority shareholder. The whole would be overseen by an “Islington Education Trust”, comprising Councillors and “educational and business leaders”, which would effectively replace the traditional Education Committee. The Trust would be guided by an Islington Stakeholders Group of parents, teachers, governors and church representatives.¹²

Negotiations were carried out in secret by officials from the Council and DfEE, and PwC. The Liberal Democrats, still in Opposition, argued vociferously for a more open procurement process. A fundamental principle of local democratic control for the Education Service is crucial for Liberal Democrats, and they argued against the loss of democratic accountability to an appointed Education Trust. Nevertheless, the conclusions of Ofsted that the LEA was incapable of self-improvement seemed, particularly in the context of continuation of the same Labour control as had brought about the mess, fairly unarguable. The need for a radical solution seemed clear, and the Liberal Democrats supported the outsourcing as the last best hope of providing a decent education service in Islington. Four organisations expressed an interest in taking on the contract, with three eventually submitting final offers. The evaluation team said that while it regarded none of the bids as “exceptional”, and all were short on vision, it was able to recommend one bid – not the cheapest – as the best. On 25 November the London Borough of Islington (LBI) announced that it had selected Cambridge Education Associates (CEA) working with the construction company Mott MacDonald, as the Preferred Bidder, and contract negotiations moved to the final stage.¹³

But by this stage a series of political developments had been set in train which would alter the outsourcing plans crucially. Since the local elections in 1998 Labour and the Liberal Democrats had held 26 seats apiece (with none of any other party), and Labour retained control, by means of the casting vote of the Mayor, only because of their previous incumbency. The sudden death of a longstanding Labour Councillor on 15 November 1999 caused a byelection in Hillrise Ward. On 16 December the combination of a Council providing a range of frankly appalling services, including but by no means restricted to Education, and a classic Liberal Democrat campaigning operation, helped bring about a thumping Liberal Democrat victory. An ‘anti-education privatisation’ candidate made very little impact – reflecting the ongoing openness of residents to trying something new. Cllr James Kempton, now Chair of Education, and Deputy Leader of the Council, declared that “one of our biggest tasks as a new administration is to put education on the right track in Islington.”¹⁴

The Liberal Democrats threw out the plans for the unelected Education Trust, but moved swiftly with the whole outsourcing project. At its meeting on 13 January 2000, when the

¹² Council Press Release 22/6/99 “Council Moves Forward on Improving Education”.

¹³ Council Press Release 25/11/99 “Islington Selects Preferred Bidder for Education Service” The other bidders were CfBT Education Services Ltd with Essex LEA, and Nord Anglia Plc.

¹⁴ Council Press Release 11/1/00 “A Fresh Start for Education in Islington”.

Liberal Democrats formally took control, the Council agreed unanimously a maximum seven-year contract to run from April 2000 with CEA, at a cost of approximately £10 million per year¹⁵. However, the Council kept control of the most important strategic functions, and other key features of the contract included:

- The contractor took on responsibility for operational provision of all school support services
- The Education Committee retained control for approval of the Education Development Plan (EDP), the School Organisation Plan (for submission to the School Organisation Committee), the Behaviour Support Plan, other key statutory plans, and of the Budget
- As the client, the Education Committee retained responsibility for monitoring the performance of the contractor
- The Council also retained responsibility for appointing special School Governors for schools in special measures (which Labour had planned to hand over to the contractors).
- CEA's profit was included as an annual "management fee" of £600,000, some or all of which could be withheld if output targets were not met. This level was capped, and any reduction in operation costs beyond those built into the contract would be spent on schools.
- A regime of 11 main performance targets, and 400 more detailed ones was put in place.
- A residual Council Education Department would monitor the contract (and also manage the Council's Play & Youth, Under 5's and Lifelong Learning services)
- A 'Partnership Board', meeting twice a term and made up of officials from LBI and the DFEE, as well as CEA/Mott MacDonald was constituted
- A contribution of £1million from the DfEE to meet the additional costs of the contract was made

The contract set out educational targets (including several pre-existing LEA targets) described by Ofsted in their return visit a year later as "undeniably challenging",¹⁶ such as a requirement that during the period of the contract no school fail its Ofsted inspection, that all four schools currently in special measures come out of them within two years, and that 39% of GCSE pupils achieve 5 A*-Cs by 2002.

¹⁵ This and all payment figures quoted are figures after tax. The pre-tax equivalent here is £878,000.

¹⁶ Para 6

2. What's the new structure?

2.1 Contract & Management Structure

The contract as eventually agreed created a split between CEA and the Council. CEA were responsible for operational provision of all school support services. In addition, they were given responsibility for preparing the LEA's strategic plans.

They are monitored on a day-to-day basis by a vestigial Council Education Department. Although also overall responsible for other Council services (including libraries, lifelong learning and play and youth services), as far as school functions are concerned they are responsible for monitoring CEA's performance against Key Performance Indicators (KPIs) specified in the contract, and also for considering and assessing the strategic plans prepared by CEA and making recommendations on both these matters to Members.

Islington presently (and until May 2002) retains a traditional Committee system, and the Education and Libraries Committee remains responsible for making decisions, on the basis of recommendations from its own Education officers, on withholding payments to CEA for failure to meet its performance targets, and on the strategic plans. The whole relationship is also assisted by a 'Partnership Board', which brings together the Chief Executive and Director of Education of Islington Council, the senior official ('Director of Schools Services') of CEA@Islington, with representatives of CEA's national parent, its own major shareholder, Mott McDonald, and the DfEE/DfES. To date the Partnership Board, meeting twice a term, has simply facilitated the relationship, but in the event of a serious dispute it would have an important role in its resolution.

The overall contract is worth around £10m, including up to £600,000 as a "management fee" (or profit) for CEA. Payment of the full £600,000 is dependent on CEA meeting all its targets. Half of this – up to £300,000 – is based on meeting eleven annual targets. For each of these which it fails to meet, CEA does not receive £75,000, up to a maximum of four. These indicators include Key Stage 2 and GCSE results, exclusions, truancy, and schools failing Ofsted inspections or remaining in special measures or serious weaknesses.¹⁷

The other £300,000 is similarly based on meeting 400 other targets set out in the contract. These include monthly targets measuring operational performance, and termly targets for customer satisfaction. For each of these 400 which it does not meet, CEA loses a proportion of the second £300,000.

¹⁷ The full list is set out, with first year results, at Appendix B.

2.2 Changes to the contract

Early in the contract's life, both sides agreed that some of its provisions were detracting from the overall goal of improving educational standards, and consequently at its meeting on 28 June 2001, after the contract had been in operation for a year, the Education Committee agreed to re-negotiate it with CEA. The changes were intended to reduce the burden of day to day monitoring, and focus instead on the most important measures of outcomes. The management team on both sides wanted to focus more on actually providing a good service than obsessively monitoring whatever was being provided.

The Committee therefore agreed to reduce the original 400 indicators down to 62¹⁸ (retaining the existing main 11), and to introduce a number of new requirements on CEA@Islington, specifically to agree and implement project plans for each of the key strategic plans, to produce an annual report (with termly updates) on the overall position and the initiatives they are taking to achieve improvements, and finally to agree a detailed communications strategy with the Council.

A further aim was to provide a more effective system of financial incentives for CEA to achieve these outcomes.

The new agreement also refined the incentive system for CEA. In the first year it became clear that some of the key targets would clearly not be met, which left CEA, in strict contractual terms, without any financial incentive to deliver any progress. Clearly a more subtle set of arrangements was needed. Instead of losing a whole £75K block in the event of failing to meet one of the eleven targets (by however much), under the new arrangements CEA would lose the whole £75K block if it failed to get at least half way to the following year's target, but beyond half way to next year's target, their penalty will be reduced in proportion to how close they get to meeting it.

¹⁸ 29 indicators of performance, covering all aspects of CEA's work, and 33 indicators of customer satisfaction (headteachers, parents, governors and parent organisations). All 62 are set out in Appendix C.

3. So, is it a better service then?

3.1 Exam results and ‘key eleven’ indicators

As a party the Liberal Democrats do not like League Tables. They can be simplistic and unhelpful. But there can be no denying that Islington’s place at the bottom of the London GCSE league tables, and near the bottom of the national tables, has reflected accurately some pretty poor educational outcomes for its children.

GCSE results in Islington LEA Secondary Schools ¹⁹

	1998	1999	2000	2001
Percentage of pupils gaining 5 A* to C	23.3%	27.4%	26.5%	28.7%
Percentage of pupils gaining 1 A* to G	90.2%	90.9%	91.7%	88.6%

Key Stage 2 results in Islington LEA Primary schools

	1998	1999	2000	2001
Percentage of pupils gaining Level 4 or above in English	58%	65%	69.4%	64.4%
Percentage of pupils gaining Level 4 or above in Maths	51%	65%	66.5%	65.1%

These results are mixed. On the positive side, Islington schools have achieved nearly three times the national average improvement in 5 A*-Cs at GCSE (2.2% against 0.8%), and plainly this is welcome. However, the number gaining 1 A*-G has fallen disappointingly, and the average points score measure has stayed the same. It is clear that there has not yet been the step-change improvement which was hoped for. Although obviously the improvements that have happened are welcome, considering the very low base from which Islington started, they are disappointing.

These indicators of GCSE results are three of the ‘key 11’ indicators. In 2001 performance in five of the eleven rose (one of the GCSE measures, primary truancy, one of the two exclusions indicators, and schools coming out of special measures or serious weaknesses, and schools passing Ofsted inspections)²⁰, four went down (the two Key Stage 2 results measurements, the 1 A*-G GCSE score, and exclusions), and stayed the same in two (GCSE points score and secondary truancy).

¹⁹ Figures from DfES, and CEA monitoring report to Education Committee 9 October 2001.

²⁰ The full results, with 2000 comparisons and targets, are attached at Appendix B.

CEA met only the two targets on numbers of exclusions, and in exam results they fall far short. Indeed the targets are so far removed from the outcomes, that one could be forgiven for wondering what targets like these are really for. Plainly targets are something to be aimed at, and if they were always met they would have been wrongly set. But to assist in raising improvement they should also be realistically achievable.

It is perhaps also unfortunate that there seems to be an inverse correlation between how well the indicators are understood by the public, and how well they have turned out. Those measurements which are particularly readily understood and are publicly followed – primarily exam results – are the worst of the bunch. Those which are less readily comprehensible to the lay person, most noticeably helping schools pass their Ofsted inspections, and come out of special treatment measures, have done better. At the time of the first Ofsted inspection three of the borough's nine secondary schools were in 'special measures'. By the time of the re-inspection one had come out of these entirely, and the other had progressed to 'serious weaknesses'. The more complex indicators which educationalist professionals look at contain more promising messages, and it is this which helps to reconcile the disappointing outcomes this year with the distinctly more encouraging report of professionals and of Ofsted, mentioned below.

The truth of course is that it is too early to say. Any educationalist, public or private, will recognise that fourteen months is an extremely short period in which to turn around schools which have produced persistently weak results for many years. And crucial though LEA services are to schools, it is particularly difficult to achieve radical changes swiftly in children's exam papers from the inevitable remove of the LEA offices.

We must wait until future years to be able to make a real judgement on the basis of exam results.

3.2 Other indicators

An assessment of the new 62 more detailed indicators provides better news, and indications for the future²¹. Of the 29 operational performance indicators currently measured, CEA achieved 23 (80%). The Council is now, through CEA, providing to schools good financial management support, good places planning and schools admission services, and a range of good school improvement services. The loss of a very high proportion of its resident 11 year-old pupils (often including the brightest), including famously the Prime Minister's progeny, to secondaries outside the Borough has long been a problem for Islington, so it is welcome that more parents are now sending their children to schools within the Borough. There is increased budget delegation to schools, and some progress with helping schools do better at Ofsted inspections and come out of special measures or serious weaknesses.

²¹ CEA Annual Performance Report, presented to Education & Libraries Committee, 9 October 2001, Appendices B and M. The performance of the 62 is set out in Appendix C.

There are of course other areas where a good service has been slower to come, such as serious delays in putting together an ICT strategy (although this has now been tackled), and a risk and insurance management plan²².

The absence until June 2001 of an EDP for 2000-2002 was notable, although Ofsted noted that the existence of targets within the contract framework made this deficiency less worrying than it would otherwise have been. The 1999-2002 EDP was approved only for one year, with a requirement for a new Plan for 2000-2002, and under the contract it is the responsibility of the contractor to prepare it, for final approval by the Education Committee. A version was prepared by CEA in Autumn 2000, but was withdrawn with concerns expressed by the Council's own Director of Education, leading Members, and the DfEE. It was not finally approved at Committee until June 2001.

The departure of the popular acting Chief Inspector of Schools was one of the first things to happen after CEA took over responsibility. Eighteen months later (October 2001) she has still not yet been replaced, and in the context of the massive school improvement agenda this is a notable feature of the contractor's service.

3.3 Customer satisfaction

Most Islington Headteachers and governors are happy to tell anyone who will listen that they are receiving a far better service now from CEA than they ever did from the LEA before the change.

Asked by the local newspaper about the service now provided by CEA, the headteacher of Islington Green Secondary School, said "It's not that I think education should be driven by money, it's just that at least now it is being driven by something", adding "Things can't be changed overnight, it takes a long time"²³

33 of CEA's 62 performance indicators monitored under the new regime are based on satisfaction of their direct service users, primarily Heads and Governors. Since taking over responsibility, responses to regular surveys have consistently been positive, and school Governors in particular are not slow to praise the improved service which they receive from the LEA.²⁴ In the survey carried out in Spring 2001, 55% of respondents said that they thought the service had improved since CEA took over, 28% thought it had stayed the same, 17% did not respond to this question, and none thought it had deteriorated.²⁵ In the same survey, only one service fell below 50% approval rating (ICT service), with all other services getting a 75+% rating, and nine services rated as satisfactory or better by 100% of respondents.

²² CEA Monitoring report to Committee, para 4.3

²³ Marion Parsons, *Highbury & Islington Express*, 19 October 2001

²⁴ The summer 2001 user survey results are appended at Appendix D

²⁵ CEA Monitoring report to Committee, 9 October 2001, para 13.3

Communication and consultation with schools had been particularly poor in the past, and the very introduction of involving schools in evaluating the LEA's services has been helpful.

Commenting at the time of the publication of the Ofsted re-inspection report, a teacher at Clerkenwell Parochial School, said "On a general level, CEA seem to carry a bit more of an air of efficiency. They seem to have a clear idea of where they are going, and although some staff might not agree with what CEA are doing, at least they keep us informed".²⁶

3.4 Ofsted's Verdict

In early 2001 Ofsted re-inspected the LEA, and announced that "The Tide has Turned in Islington"²⁷. In terms as glowing as they had previously been scathing, they declared "Since the letting of the contract in April 2000, communication has been established and effective systems put in place. Even more importantly, a sense of purpose and optimism has been instilled. The task facing the LEA has been a formidable one, but, to a remarkable extent, it has been successfully accomplished".²⁸

They endorsed CEA's approach, saying "In its first ten months, the contractor's strategy has focused on building relationships and trust, listening and responding, consulting and creating sensible arrangements in response to consultation. This has won it the overwhelming confidence of primary headteachers and the confidence of governors."²⁹ Singling out the secondary headteachers, they acknowledge their continuing lack of confidence, but place the blame for this squarely on the headteachers themselves, calling on them to follow the example of primaries where "trust has been established" and "the contractor is now embarking on challenge".

They adjudged that "support for literacy and numeracy, support for special educational needs, the provision of performance data to schools and consultation with schools are all now carried out well"³⁰ Ofsted acknowledged that "early signs are that the new arrangements constitute better value for money".³¹ "Strong foundations for further progress have been laid by a capable team of officers. There is a forward momentum which is engendering the confidence needed to raise expectation on all fronts".³²

²⁶ David Hyams, *Islington Gazette*, 5 April 2001

²⁷ Re-inspection report, Para 10

²⁸ Para 4

²⁹ Para 6

³⁰ Para 7

³¹ Para 8

³² Para 10

4. How has change been achieved?

4.1 How has CEA achieved these improvements?

Perhaps more than anything else Islington LEA needed change. The sheer fact of some new approaches has itself been a help. And few other changes would have been so great.

But the specific changes experienced here have also brought their own benefits.

Firstly the new arrangement brought in a tier of new senior officer staff. CEA@Islington's *de facto* Chief Executive came from being Chief Education Officer at the London Borough of Richmond, a larger and much better achieving education authority. Two of the three second-tier officers within CEA came from senior positions in other authorities. Clearly the influx of a strong team of new officers, without involvement in the previous regime, and a commitment only to do something new and drive up results, has made a big difference to the work of the LEA. It is difficult to see how without a similar change the LEA could have achieved the combination of an almost entirely new management team and motivation of the education department's school support function.

This new team has led the organisation to put in place a range of detailed operational systems to plug the manifold gaps already outlined. In their re-inspection report Ofsted surveyed these in some detail.

In the area of supporting school improvement, CEA has carefully analysed performance data, so that they have a good idea of schools' needs. They have performed 'root and branch' surgery³³, in particular re-organising staff into roles more suited to their experience. They have targetted very carefully recruitment of new staff to match the organisation's needs. Link inspectors now have a well-organised and planned programme of visits following Ofsted inspections, and the department has installed 'a regular cycle in phase, cross phase and cross service groupings [ensuring] that knowledge of schools is pooled and updated, good practice disseminated and progress reviewed collectively'³⁴. Performance of the above systems is closely managed with individual targets set, in the context of the contract and the EDP.

The department had previously had such low quality performance information that 'its EDP targets were questionable'³⁵. CEA have helped inspectors to support schools in the target-setting process, and introduced for each school a School Management Information File (SMIF), bringing together a large amount of data in a relatively comprehensible format. This has significantly helped improvement in the primary sector, although less dramatically in the secondary sector, where data collection was in many cases much better developed. There have been some difficulties between CEA and schools at both

³³ Ofsted re-inspection report para 66

³⁴ Ofsted para 68

³⁵ Para 71

primary and secondary levels, in agreeing how the borough-wide contractual exam result targets be passed on to individual schools.

Within the literacy programme, an 'English and literacy' team has been established, which is working to a clear service plan based on achieving the EDP targets. The responsibilities of individual members of this team are clearly defined. The team use a system for assessing how much support schools need and provides it, and have an intelligent approach to assessing which staff within schools would benefit from support.

There is similarly a numeracy team, providing each school with a named consultant and targetting well according to schools' needs. Schools particularly appreciate the support provided to newly-qualified teachers, and to very experienced teachers concerned about their numeracy skills. The role of link inspectors has been set out clearly, and relations between them and the literacy and numeracy teams have improved.

Quality of teaching has been a longstanding contributor to the education service's difficulties. CEA have improved dramatically in-service training for teachers, with a range of good quality training programmes whose effectiveness is monitored. They are especially focussing on schools most in need. They are also helping schools become used to reviewing their own teaching, through mechanisms such as paired lesson observations. CEA are tackling the very severe problems of teacher recruitment and retention, which has a massively destabilising effect in schools.

According to Ofsted they take a strongly professional approach to dealing with schools they identify as 'causing concern'³⁶, targetting funds and establishing for each a project team under a member of the CEA management team, to co-ordinate support.

They have developed a capacity to analyse and project demand for school places, and in partnership with Members have shown determination in driving forward its implications, including extensive consultation with those affected. Schools have received strong support for improving their financial circumstances and management, based on close scrutiny of financial information, and in some cases external professional assistance has been brought in. CEA have here provided a 'healthy balance of support and challenge'³⁷. They have surveyed school building conditions, and put together a good Asset Management Plan, which has provided the basis for ambitious PFI and other capital funding bids.

There was significant initial delay in appointing an ICT manager, and therefore in producing an ICT strategy (resulting in missing an important contractual target), but this has now been done and is moving forward. CEA have given advice on writing ICT development plans, most schools now have one, and all schools have an ICT co-ordinator. Appropriate ICT training has been targetted on the basis of a 'needs' audit. CEA have put in place good systems for providing information, guidance and training to

³⁶ Paras 105-8

³⁷ Para 117

governors, individual schools have been helped to find governors, and ‘vigorous and targeted action to recruit new governors is underway’³⁸.

CEA have established primary and secondary behaviour support teams to work with existing Pupil Referral Units (PRU’s), and is much better at disseminating good practice. It has put in place systems for monitoring key indicators here, including rates of exclusion, representation of black pupils in exclusions, referrals to PRU’s, incidents linked to race, levels of bullying or harassment, and attendance rates. CEA provide support to schools on improving attendance, and have re-organised and improved the Educational Welfare Service (EWS).

In the area of Special Educational Needs (SEN), CEA have led in developing a new vision, involving moving three present special schools on to the same site as a mainstream primary and a mainstream secondary. This strategy includes a mechanism for linking all schools to an individual special school, and proposes specific actions which relate closely to the overall objectives.

One of the most important overall features of CEA’s behaviour to date has been a major step-forward in relations between the LEA and schools, especially primaries. The CEA management team have also shown themselves open to change when mistakes in what they have done have been pointed out. Details of schools’ satisfaction is detailed elsewhere in this paper³⁹, but the improvement in relations has itself contributed greatly to raising achievement.

4.2 The change in political control

At almost exactly the same time as the handover, for the first time in almost two decades political control of the Council changed. This brought in yet more new faces keen to take a fresh look at, and devote fresh energy, to the problem. It brought in too a Liberal Democrat team who were strongly committed to Education at a corporate level (as witnessed by the high level of capital investment in schools made by it). And although they had been in opposition at the time of both the Ofsted report and negotiations over replacement arrangements, they were committed to giving CEA both the independence and the support necessary to allow the experiment to function properly. It was a very able team which took over, including people both with significant outside experience, and others with many years’ experience at the sharp end of the former LEA’s failings. If things have improved in Islington it can surely not be a complete coincidence that they have done so on the watch of a team assessed as a ‘2’ on the Ofsted scale⁴⁰, as against a ‘7’ of the previous team.

There have been two change processes happening here. They have brought improvement at respectively, Officer and Member level. Each has brought something new to the common task of raising children’s achievement.

³⁸ Ofsted para 130

³⁹ Appendix D

⁴⁰ On the Ofsted scoring scale of 1 (best) to 7 (worst).

5. Profit or children?

5.1 Payment structure

At the time of writing, the National Union of Teachers is conducting a campaign under the slogan “Education is for children not for profit”⁴¹. It reflects the widespread concern that the over-riding characteristic of the private sector is its lust for money. This may be right or it may be wrong, it is often said, but the explicit aim of a private company is to make money for its shareholders.

This obsession with the means of service provision, at the cost of everything including outcomes, reveals an entirely inverted set of priorities. The aim of ‘public services’ is surely to serve the public, not other ideological objectives. Setting prevention of profits as the specific objective is monstrously cavalier with children’s educational experiences. The important question is whether or not children receive a better education.

Business contests the claim that its legitimate desire to make money will conflict with the interests of children’s education. It does not accept that making money will pull the company’s efforts in a different direction, away from what is in the interests of the child, distorting the provision of what ought to be only a public-interest service.

It has not been the experience in Islington that lust for money has distorted the service.

When CEA bid for this contract, their bid was not the cheapest, but distinguished itself by two key features which appealed to the Council. Firstly, they demonstrated an organisational culture which was more obviously rooted in public sector values of consensus and partnership working. But they also proposed an unusual payment structure. Instead of the Council simply handing over to the contractor whatever it is prepared to pay for its schools service, and leaving it to its own devices as to how much it is prepared to invest in services, and how much to take out in profits, CEA is paid an agreed amount for the provision of the service, plus an annual management fee worth £600,000 if it meets the performance targets specified in the contract. Calculations were based on the whole of this service, including the management fee, costing around £150,000 per year extra, over the seven-year lifetime of the contract. This cost of a million pounds was contributed by the DfEE.

In effect, this arrangement insulates the Education service from raw shareholder greediness, by ‘capping’ the profit which CEA can make, at a maximum of £600,000 per annum. Clearly it lies within the power of CEA to make further savings within the management of the service – indeed annual efficiency savings on operational costs are built into the contract. But obviously to achieve payment of the maximum ‘management fee’ of £600,000, it has to find a way of doing that which is compatible with achieving the contractual targets. The contract also stipulates that any additional savings made in

⁴¹ For example, advertising in the Liberal Democrat Party Conference Agenda, Autumn 2001

the running of the service, will be returned to the Council, who will decide its use. Effectively this removes the incentive for CEA to cut other services.

There is nothing comparable to the situation in which the GP fundholding practices found themselves during the 1990's – making direct choices between giving someone an operation (investing in the service), and spending it on the practice itself. For the manager of the service – in this case, CEA – there is no choice to be made between increasing returns to shareholders and maintaining investment in services.

Underpinning and guaranteeing this financial system has been a system of 'open-book accounting' within CEA's operations. The council is able to examine CEA's accounting procedures and ensure that it is not making hidden profits.

The subtlety of this reward system – it is seen as a nuance but actually it is fundamental – has not always been well understood by the population of Islington. When, in June 2001, CEA announced plans to reduce staff at the central level, this was seen locally as the private sector returning to its instincts and simply cutting, with headlines such as "Privatised schools firm slashes costs"⁴², "Jobs threat in £1.5 million schools cuts"⁴³, "Schools 'saviour' makes £1.5m cuts"⁴⁴. In this contractual context it could not of course be that – and in fact it was a reduction on expenditure at the centre and increased delegation of finance to schools – precisely the sort of educationally desirable objective CEA was brought in to achieve. Indeed Ofsted commented that the new service seems to be providing better 'value for money' than the old.

It is worth noting too that this choice between investing in the service, and spending the money on something else, is precisely the choice faced by political parties, when in control or in Government. The only difference is that whereas companies are returning the finance to their shareholders, politicians are returning it to taxpayers. Depending on how the tax cut is structured, it can of course be very similar groups of people who are benefitting. So in many ways this clever arrangement achieves a greater insulation from the general pressure to cut than traditionally structured Council- or Government-provided services.

As well as the services which CEA are paid directly by the Council to provide to schools, it also offers other 'traded services' in additional areas (including learning support, governor services, libraries and personnel and finance), in the same way as any other LEA. And as with any other LEA these are offered in a market place, where the school is free to take those offered, or to go to any other supplier. This market is obviously particularly effective in relatively small geographical urban areas such as Islington, and this constraint keeps the cost down. In the particular case of CEA, the prices of these services are fixed by contract to inflation for the first two years, and thereafter they are free to operate in a market place in the same way as any other LEA, and with the same market-imposed restrictions.

⁴² *Highbury & Islington Express*, 8 June 2001

⁴³ *Islington Gazette*, 7 June 2001.

⁴⁴ *Evening Standard*, 6 June 2001

There remains with many a lurking feeling that ‘they must be making their money from somewhere’. Where CEA can make their money in this contract is quite explicit, and definitively delimited. CEA can make up to £600,000 ‘profit’ per year on the arrangement, if and only if they provide better services, and under no circumstances can they make any further money out of the arrangement. From the Council’s point of view, it is paying more – for example in the current year, possibly as little as £237,000⁴⁵ – for an extra service, and the question for the Council is whether the improved service that they receive is worth that.

CEA does take one advantage from this structure of the contract. It is difficult to see how they could actually make a loss. They cannot be forced to spend more than they receive on it. In this sense they are protected by the same ‘insulating’ effect of the contract which caps their profit. In broad terms CEA’s profit, if they were to take the full amount, would hover around the 5% mark, which in commercial terms is at the low-medium end of the spectrum for outsourcing projects. In the balance between risk and profit, if their maximum profits are low, their risk exposure must be pretty small too.

This choice comes down ultimately to the overall approach to the structure.

For each of its first two years CEA will not receive the full ‘management fee’ of £600,000, and it seems likely that this will remain the case for at least the next few years. Accustomed to many contracts in which financial penalties, or ‘fines’ are imposed only for serious breaches of the contract, this can imply that CEA have ‘failed’. This can seem even more alarming when it becomes clear that CEA@Islington must have anticipated such losses. But this is not the way in which this arrangement has been structured. Here, the Council is paying a provider to provide a service, and is setting targets beyond what has been achieved in the past – indeed, increasingly, very well beyond previous achievements. If CEA achieve those further targets, they will be paid extra for them. If they do not, then they will not. This surely seems sensible. Logically, CEA could only be judged to have ‘failed’, if they were to be paid extra for providing the same service as the LEA was already receiving. They are not.

5.2 Non-contractual initiatives

Indeed, in refuting their interest only in making further money, CEA are legitimately able to point to a number of initiatives which they have taken outside the direct scope of the contract, and which are aimed at improving the educational experience of the schools’ children.

In July 2001 the Council and CEA organised together Islington’s first ‘Education Week’. More than a dozen events took place, from concerts, to a speech and presentation by Lord Putnam, Chair of the General Teaching Council. The intention of the project was to focus attention on the successes of Education in the Borough. This it did, and it is clear to

⁴⁵ October 2001 CEA monitoring report to Education Committee

all that encouraging this sort of pride and self-respect in Islington education will be a key part of improving standards.

CEA have also, for example, put effort into a project supporting Saturday morning music schools – something which is certainly not mentioned in the contract.

In other ways too CEA have not tied the services they provide only to the Performance Indicators (PI's) mentioned in the contract – and indeed the vision expressed in their initial bid was one of the reasons why they were selected. Senior CEA staff are always keen to emphasise their strong personal backgrounds in and commitments to improving education, and it is indeed true that before becoming employees of the private sector pioneer in this area, all had spent long careers in traditional public-sector local education.

So they have provided some quite good evidence of 'teaching the children, not the exams'.

Supporting such initiatives helps the profile of CEA. But it also helps the children of the Borough. Without wishing to sound too naïve, supporting excellence in schools can be in the interests of the Islington's children, of the contractor, and of the Council.

The suspicious reactionary traditionalist, sitting watchfully in the corner nursing his pint, will refuse to believe that CEA is doing this without commercial advantage at the back of their mind. But it is difficult to see precisely what this could be. Their profit is quite clearly capped, and certainly neither CEA itself nor Mott McDonald have been quick to press any commercial advantage on other projects in Islington.

6. Working together

6.1 Contractually

The contractual arrangement created eschews the ‘Trust’ model, in which the Council is represented as a member of the board of the actual service operator (used by education ‘privatisations’ elsewhere, and used by Islington in other areas), and opts for the purchaser/provider split model instead. This distinction, however, is of interest to few, (and comprehensible to fewer), and it most certainly does not worry service end-users as they trot to school in the morning.

The Education Committee, and the few remaining officers who assist it in managing the contract, are helped by a ‘Partnership Board’ set up by the contract. This brings together the Council’s Chief Executive, the Director of Education and a deputy, with the senior official (‘Director of Schools Services’) of CEA@Islington and a deputy, CEA’s national director, and a representative of their major shareholder, Mott McDonald, with 2 representatives of the DfES. This group meets twice termly, and is the primary forum for discussion concerning management of Islington’s education service.

The Liberal Democrat administration has resisted pressure for elected Members also to participate in this body. In the constant delicate balance between accountability through direct involvement of elected Members, and avoiding unhelpful interference in detail, they believe they have made the right choice. Constituted as it is, any important decisions are brought to Members, and the contract is being managed effectively.

As well as considering the regular performance monitoring data, consequent financial penalties, and plans to remedy failings, this group regularly considers matters such as budgets, strategic plans, and any complaints made against CEA’s performance. It also considers major current items in the Borough’s education system, and since it started has also devoted considerable effort to the simplification of the contract reducing the monitoring burden.

The Partnership Board has the central role in co-ordinating the management of the contract and the service. It is this group which is primarily responsible for ensuring that Council and contractor are working together, at officer level, to provide the service which direct service users such as schools, and ultimate users such as pupils, want.

6.2 Extra-contractually

But plainly although the written contract provides the basis for the service, delivering a good service over many years needs a strong foundation in informal relationships too. Having a contract changes some things, but it does not alter the fact that any working relationship in any organisation depends on strong personal relationships. As one Member has put it, they still have good ideas, which they want to implement (and have a mandate for), and they will still put them to officers able to implement them. A wise

officer (whether in a new or an old context) would like to try to implement at least some of these, and CEA have certainly shown willingness to try to do this. CEA's Director of Schools Services regularly meets the Council's Director of Education, and the Chair, and every few months has an 'informal' meeting with members of the Education Committee. Experience has shown that the original contract underestimated the need for the ability to meet informally, bouncing around ideas, and particularly for discussion on a continuous basis on ongoing issues. This has been one of the learning points of the contract's first 18 months.

The most controversial project on which CEA and the Council have together embarked has been the proposal to close a primary school. The need to close a school, and probably this one, was according to orthodoxy among educational professionals, virtually unarguable. This of course did not prevent Members, and indeed the contractor directly, being put under considerable pressure from very vocal campaigns by the governors and parents at the school against closure. It is quite clear that this proposal, involving as it did for example more than one trip to the High Court as well as the usual journeys through the hidden byways and backways of the School Organisation Committee procedure, could not have been successful without a clear and constant resolve from both the contractor and the Council. However strong partnership and the mutual confidence developed between the Council and CEA carried the proposal forward and it is now going ahead.

But it raises interesting questions about how the groups work together. Presented with a proposal by the contractor, the Council has very little capacity to 'audit' it, and carry out its own independent research into it. It has very little information to question whether a proposal is right, still less – and at least as importantly – to question whether additional proposals ought to be being brought forward. Of course this would only be of concern if there was reason to believe that the contractor is bringing forward proposals for reasons other than the good of the Borough's education service – and as we have seen with the financial systems set up as they are, the Council believes that it is largely insulated from that possibility. No leading Councillor in a traditional set-up has a means of 'independently auditing' a recommendation from her officers. The main difference is that in principle CEA could, if they wished, 'go public' on any disagreements they had with the politicians. The new 'scrutiny' function with which Islington has not yet tangled, and due to be introduced next year, may provide a means of fulfilling part of this role.

If the relationship, and the contract, is to work, then CEA need, conversely, to recognise the constraints on Members. Members with an arms-length relationship are not, for example, ultimately any more likely to want to have to deal with closing schools in an election year than those with in principle a more direct responsibility.

To date what would happen if there were not this agreement has not been tested, and of course one hopes it will not be. In the first phase of this development, when the Council is dealing with individuals who until a year or two ago sat on their side of the fence is one thing: it will be interesting to see how this might develop over the course of the contract.

6.3 Communications

One area where, if there is not close co-ordination, it is sure to be noticed, is in the communications and press work for the Education service. Press work relating to schools is a responsibility which CEA took over from the Council, and they have contracted this out to an agency, but plainly Councillors' ongoing ultimate responsibility for the service means that they need to retain some capacity in this area.

In the first few months of the contract Islington education came fairly heavily under the spotlight of national press interest, mainly for reasons not directly related to the outsourcing,⁴⁶. The relationship between the Council's and CEA's press staff has nevertheless developed quite well. There does however remain some in clarity about the division of functions, and a memorandum setting this out was one of the features of the revised contract.

This has not prevented some good press achieved for education in the Borough, in a way which certainly 'adds value' to the underlying reality of the situation.

The willingness of both sides to be publicly seen to be responsible has certainly helped this process greatly.

⁴⁶ Primarily the 'Fresh Start' launch of Islington Arts and Media School (IAMS), opened with a Superhead by David Blunkett and Steven Spielberg in September 1999, which ran into significant troubles, which did not unfortunately remain unnoticed by the BBC documentary crew which had been granted access. The three-part documentary 'Head on the Block' was broadcast in September 2000.

7. Bringing in new skills, or just confusion?

7.1 Private sector attitudes

Great claims are sometimes made for the private sector and the contribution it can bring to revolutionising publicly-provided services. At the root of this argument, “the crucial ingredient which private sector possesses and the public sector needs is management”⁴⁷. Among the skills variously credited to it are a greater focus on outcomes, and less on inputs and process, more ‘realistic’ personnel policies, and better motivation, and access to better resources.

There is widespread agreement that CEA have brought greater professionalism to the LEA. As noted elsewhere, Headteachers and Governors who use their services are much happier with the service they get, and Ofsted commented in their re-inspection that “effective systems have been put in place”⁴⁸, and frequently on their greater professionalism. They have installed a range of basic management systems which were desperately needed.

It is certainly true that the contractor has focussed attention on the outcomes – exam results and the other key performance indicators – much more than the previous LEA did. This has undoubtedly helped to focus the energies of all of achieving these, even if in these early days they have not yet shown a dramatic improvement. Of course the existence of the contract and its targets has also helped to focus the attentions of Councillors and Council staff monitoring CEA on these outcomes, and this improved focus is perhaps as much a result of having a contract with such targets as a specific contribution of the private sector *per se*.

But if having a provider which now operates in a private sector context has created a helpful new focus for staff, it has brought little change to the way in which they are treated as employees. At the handover all but the most senior staff were passed across under TUPE rules, and CEA has shown no sign of taking a significantly more ‘private’ approach either to treating those it employs directly or in its treatment of teaching and school staff.

It may be perhaps by turns both re-assuring and confusing to students of this experiment in ‘privatisation’ that its leading figures have not taken a noticeably more ‘commercial’ approach to staff than their predecessors, since those predecessors are after all ‘themselves’ in other Boroughs, or, in one case, in the old Islington Education Department itself. It is not difficult even for the relative outsider to see where a senior manager within CEA@Islington who had a basic business background could take a different approach. CEA’s current senior officers seem to view the prospect of not only the withholding of an extremely large wedge of their management fee this year, but the

⁴⁷ Martin Taylor, introducing the report of the IPPR’s Commission on Public Private Partnerships, which he chaired.

⁴⁸ Para 4

likely withholding of large chunks of it for many years to come, with a remarkable degree of sanguinity.

But if basic employee management practices have not changed radically, staff have had access to training, support and other resources through CEA at a national level which of course LEA staff would not have had. This has been particularly true of CEA@Islington's senior staff.

And the contractor's position as part of a larger national organisation, with access to outside resources, has realised one of the other hopes for the involvement of the private sector. Probably the most significant manifestation of this has been the loan made by the parent company to CEA at the start of the contract. Plainly this would not have been available, at least not on such terms, to a traditional LEA. This is 'additional financial resources available' – although of course to call it such is to accept the reality of the existing public sector financial situation. The simultaneous contribution by the DfEE towards the cost of the contract to help get the whole thing off the ground is a reminder that the public sector has access to plenty of additional resources if the Government were only prepared to make them available.

There has not elsewhere been greater involvement by CEA in any other educational projects in or around the Borough. CEA as a national organisation has expertise from experience in a wide range of educational fields, but this has not affected their input as the LEA contractor here. Perhaps the most striking element is that this company which has a large part of its business in educational inspections, has still not yet managed to appoint a chief inspector for Islington schools.

So while the new arrangements have brought in some new disciplines and opportunities – welcome, and in many cases frankly long overdue – these have to date been limited, and they have not brought about fundamentally new working attitudes and practices among managers with many years' experience in the public Education sector. As one longstanding Council official put it, sometimes quoted by Councillors, "they look like an Education Department, they walk like an Education Department – this is nothing new." Others, pushed to identify any way in which they were really a 'private sector' organisation, could not think of any, other than formally.

7.2 Other consequences of not being a traditional LEA

Children in Islington are not only subjects of the education system. They are also young people who have their own lives here, including interaction with other Council departments. They may, for example, have contact with the Council's Social Services Department. Many, certainly, live on Islington Council housing estates, and are also quite possibly involved in Council-run 'regeneration' initiatives. Clearly any outside organisation providing one of these many services has to find a way of relating to the others. Deciding where these interfaces are, and helping them to operate smoothly, is a key part of any outsourcing project.

In Hackney the Government had directed the outsourcing of the LEA's 'school improvement' functions as a solution to the failing service. The experience was neither a particularly happy nor successful one, and in Islington they required the outsourcing of all LEA school support functions to avoid the difficulties of interfaces that have been experienced elsewhere.

While clearly this particular problem has been resolved within most LEA functions, it has become clear that however large a chunk of Council services is outsourced, there must be interfaces somewhere. A child may, for example, spend the day in school as part of a normal lessons, and then stay on for an after-school club funded by New Opportunities Fund (NOF) money through the Council, and not directly involving CEA.

Clearly making these interfaces work smoothly is important. Of course any Council (and indeed any organisation) knows well the difficulties of territorial issues between departments. But whereas traditionally many of the services were ultimately within the same organisation, with all that implies for co-ordination and resolution of differences, now this must be mediated through the contract any by negotiation.

Inevitably there are a range of such interfaces between the education department and other parts of the Council, and some work well. Co-ordination with the Social Services over children with special needs works particularly well – and it is noticeable that this is the area where the senior officials responsible have individual professional relationships which pre-date the changeover.

In other areas, such as regeneration, the partners are working through ways of improving co-ordination, and following other changes in the Council's senior officer structure, it is presently recruiting a Director of Regeneration and Education, who would among other things be responsible for leading and monitoring the contract.

Improving co-ordination across services is an ongoing process, and not only in Councils where one of them is supplied by a private provider.

8. Yes, but is it accountable?

8.1 I'm a dissatisfied parent and voter. What do I do?

The traditional remedy for a dissatisfied resident to achieve change in public services is through the ballot box. This remains essentially the case. Elected politicians make the key decisions, including on finance, and through their officers they monitor and discuss constantly with the service provider. Politicians can not, it is true, replace a service provider if they are consistently unhappy with the service (except perhaps *in extremis*), any more than they can normally replace a traditional in-house education department. But they do have powers to make the key decisions, monitor and scrutinise those who provide the day-to-day service, and (unlike in the public sector) grant or withhold financial incentives to them. They are also able – as the current administration here has done – to put in additional resources.

Most of the politicians taking these decisions are not in the Town Hall, but in Westminster. All LEA's these days, and particularly failing ones, are increasingly directly accountable to the Government, which provides most of the money, most of the targets, and most of the bureaucracy to LEA's these days. This may in some ways be helpful, but it certainly violates the principle of democratic accountability as near as possible to those affected.

Those powers which central Government does allow down to local level, remain in the hands of Councillors or their officers.

But if you are a voter dissatisfied with your local education service, the only real way to change it is to vote in a different Government.

8.2 Accountable in principle

The structure of the arrangement in Islington sets up a web of accountabilities and relationships which have all helped to focus attention on improving the quality of services provided to schools, and ultimately on producing better education for children.

Most importantly, there is the accountability to the Islington public, to parents, through Councillors whom they can elect if they choose. Key decisions are still taken by the Education Committee, meeting approximately quarterly. These include approving:

- Decisions on both Capital and Revenue Budgets
- the Educational Development Plan (EDP)
- the School Organisation Plan (to be recommended to the School Organisation Committee).
- Appointing Governors
- Contract monitoring – including withholding payment – and changes

These levers give Councillors effective control over the most important decisions, and – through the last – strong indirect control over what the contractor is doing. In practice on a day-to-day basis this is done by the Committee’s Chair at a strategic level, and the Committee devolves a lot of the active decisions to the Partnership Board on their behalf (see section 6.1) Clearly CEA are accountable primarily through the terms of the contract, and it has proved a useful tool in focussing energies on performance improvement, and on keeping Member involvement to the strategic level. These are two areas where Islington has had problems in the past. Plainly there are other good LEAs around the country which have managed to achieve this effectively without use of a formal contractual arrangement – there can be if you like an internal ‘contract’ between Councillors and a traditional Education Department. This clearly wasn’t happening in Islington, though.

But the arms-length arrangement has scope to introduce a further level of accountability into the system. Instead of the Councillors being directly themselves the ‘service providers’, they could act as the public’s champion, sitting on their side of the fence, and challenging on their behalf those who do directly provide the service. In one sense this removes accountability a step from the public – if they don’t like the service, they can’t vote out the people who fail to provide it, only those who supervise those failing. But in other ways it increases their fire-power, rather in the same way as having a professional barrister helps in court. The general public are not typically very interested in the detail of, say, education policy, and are unlikely to devote much attention to studying how well it is working, or might do better – so ‘direct’ accountability in this way can fail to be very sensitive. No-one would ever dare say that an officer can’t bamboozle a Councillor paid to scrutinise them – but it is a lot more difficult than pulling the wool over the eyes of the public. So this arrangement can introduce a greater level of accountability to the electorate.

It certainly introduces greater accountability to other groups. CEA@Islington are accountable too to their parent company, CEA, and its major shareholder Mott McDonald, for their performance. And although their interest is likely to be largely financial, there is nothing morally or practically wrong with this – financial incentives are perfectly acceptable – and indeed successful – incentives to provide a good service. The only problem arises if commercial pressures lead the provider in a different direction to the provision of a good service for users, and as explained Councillors believe that they have largely insulated CEA@Islington from raw commercial pressure.

Indeed in an overall climate in which the contractor is facing increasingly steep performance targets from the Government and from the Council, with consequent possible loss of management fee, CEA has seemed remarkably immune from associated commercial pressures. The commercial stereotype of business watching only ever the bottom line has been noticeably absent.

But what Mott McDonald surely does want to see from CEA@Islington is essentially a good service which they will get from the profits arising out of providing a good service – something which is plainly in the interests alike of all involved.

8.3 Accountable in practice

The Liberal Democrat administration has also brought to the Council a strong personal practical commitment to local political accountability. For too long Islington Council had got away with providing substandard services and voters had to know that if they were not happy with Council services they could vote out those responsible.

James Kempton, the Chair of Education, and the Liberal Democrat team have taken pains to be personally and closely engaged in the educational arrangements and identified with them. Across a range of unpopular decisions which the press have instinctively tried to attribute to the new contractor, the Liberal Democrats have not shrunk from being seen to take active responsibility. James and the Lib Dem team will rightly be held accountable for the eventual out-turn.

They have also taken some care to focus only on their strategic role: they have had a very clear idea of what members should do and what they should not. Mindful of Ofsted's previous complaints about the direct involvement of Members in detailed operational concerns (a phenomenon not confined to the Educational sphere), the new Administration kept themselves strictly to the daunting enough strategic issues.

In their re-inspection report Ofsted commented that "A clear definition of roles has focused the energies of elected members on their strategic responsibilities". More than this, the administration has had a clear commitment to taking the politically tough decisions which ducking had led to the original outsourcing. Members agreed to close a Primary School in a decision long called for by Ofsted, the DfEE and the District Auditor (and long flunked by the previous administration), but not at all popular in an election year. Again Ofsted paid tribute, "[Members] have taken key decisions on surplus places and the budget strategy."⁴⁹ This view was reflected in their assessment of the leadership shown by Members.⁵⁰

The new arrangements have meant new relationships in other senses as well, going beyond formal contractual relationships of accountability. The new political leadership has made a genuine commitment to partnership working, and this has been reflected by the contractor as well as by others. This has certainly meant working closely and constructively with the contractor, but also with the political Opposition. Making a determined attempt to build consensus on the key planks of the new approach, and holding a united political front on the key decisions, has enormously increased the Council's capacity for implementing change. It also of course meant a new partnership relationship with the schools, teachers, and Governing Bodies, as well as other local educational stakeholders such as the Dioceses.

The education team at Member level can be proud of their warm endorsement from the Ofsted re-inspection report.

⁴⁹ Para 5.

⁵⁰ On the Ofsted scale of 1 (best) to 7 (worst), a 2, compared to 7 at the first inspection.

8.4 Clienting in practice

All of the above means nothing if the Council is not prepared to use its powers to withhold payments from the contractor if its targets are not met. This the Council has shown itself consistently ready to do. The Education Committee agreed the first deduction from the contract of £15,000 for the first half of 2000/1, and has subsequently made deductions of £38,000 for the second half of 2000/1, and £33,000 for the first half of £2001/2. But it is the 2001 GCSE and Key Stage 2 results (along with some of the other key eleven indicators) which will have the greatest impact: this means the deduction of the whole half of the management fee (£300,000) dependent on them. Combined with more deductions expected⁵¹, CEA may lose around £367,000 this year. Clearly this is a pretty hefty whack out of a maximum of £600,000 per annum.

The underlying strength of the way in which the contract has worked, has given the Council the confidence to agree with CEA changes to the original contract to streamline it. The performance indicators in the original agreement imposed a high bureaucratic burden on CEA, including on many indicators which would not realistically change on a monthly basis. In setting new ones for the revised contract CEA and the Council were concerned to focus on key outcome measures and the most important processes of achieving them, as well as reducing the day-to-day monitoring burden. The new requirements imposed on CEA by the new contract, such as providing an annual report, should also serve the same objective of helping to see the wood for the trees. Refining and keeping a constant watch on the sensitivity of the contract to providing a good service, is a key part of the arrangement. The entire relationship is, ultimately, premised upon the contract and CEA feeling an incentive to produce a good service. If in any particular area CEA do not feel it is worth their while to make any effort, then, notwithstanding the individual commitment of members of staff to providing a good service, they would not ultimately be supported by the company, and over time performance could be expected to fall.

The most extreme scenario for this, of course, is if it were to apply to the contract as a whole. Potentially, if the contract does not keep pace with the expectation of CEA that they will make a reasonable profit from the whole enterprise, then in principle they could simply give up. Such a 'writing off' of the potential profits by the contractor could potentially be catastrophic. This seems unlikely to happen for two reasons. Firstly, there is of course a constant two-way dialogue between the Council and CEA, and as the revision of the contract, relatively easily arrived at, already shows, both would be very keen to avoid such a situation coming about. But as CEA have also pointed out, the services which they provide to schools are of two kinds – those which they are paid by the LEA to provide, and those which they sell to schools on a 'commercial' basis⁵². If they were to simply 'give up' in this way, they would of course lose the potential income from these services as well. In effect these act as a further permanent financial incentive for them.

⁵¹ The October 2001 CEA monitoring report anticipates a further £30,000.

⁵² As outlined above in section 5.1. In 2001/2 these services have an estimated annual value of £6.6m (Ofsted reinspection report paragraph 39)

Conclusion

The private sector is working in Islington.

Over many years, the traditional public sector had conspicuously and consistently failed to provide an education authority service capable of giving Islington's children the education they are entitled to expect.

A private company in charge has brought in a new tier of senior staff, systems for supporting schools, good practice in challenging them, and a rigorous approach to monitoring them.

A private company has done things the previous LEA could not do.

A new Liberal Democrat administration in control at the political level has re-focused Members on questions of overall strategy, holding the service provider to account, and away from over-engagement in administrative *minutiae*. It has also, crucially, successfully engendered a general political consensus in support of what is happening. Both these factors have helped improve the service.

It is early days to judge the overall success of the project. Within the first 18 months of the 7-year contract, CEA have not succeeded in transforming GCSE and other exam results. But indications are strong that they are providing a much-improved service, which can be expected to work its way through to provide a better education for Islington pupils. This is certainly the view of outside inspectors – such as Ofsted, who said, “Strong foundations...have been laid”.⁵³

Central to the new way of working is a close working relationship between the Council and the contractor. As this relationship matures, especially at the personal level, the partners are progressively finding new and more successful ways of working together. A contractor taken on at the open wish of the local authority rather than by Ministerial Direction following failure, might find the earlier stages of this more easy.

Those who thought a private company must ‘cut and run’ at the first sign of trouble go away disappointed. Not only has CEA not done so, the structure of the contract means that it is not able to. It has not either exploited its relationship for other commercial interest. Yes, there are financial incentives, and having some incentives has been a very good thing. The stereotyped accusation that the taxpayer is lining the pocket of greedy businessmen while services decline and are slashed could not be more wrong.

Education for children *and* profit.

The private sector is delivering things in Islington which the traditional public sector could not. Here, now, this arrangement is starting to provide the education service which Islington children deserve.

⁵³ Para 10

Appendix A

Summary of Key Conclusions

1. Improvements in GCSE and Key Stage 2 results to date have been mixed, but there has been no step-improvement (although the most recent tests were sat only 14 months after outsourcing).
2. There is promising sign of improvement among other indicators, and the service receives high user satisfaction ratings from Heads and Governors.
3. Ofsted gave the LEA a very good report, issued under the title “The tide has turned”, identifying many significant achievements.
4. The Council and contractor have developed a good general working relationship. This has been crucial, and some key initiatives would have been impossible without it.
5. The contractor is effectively prevented from making a profit beyond the agreed capped management fee. The contractor is not in a position to choose between investment in education and returning profits to shareholders.
6. The contractor is paid its profit/management fee for providing a better service, and if it does not do so, does not receive its management fee. This is often popularly perceived as it ‘being fined for failing to meet its targets’.
7. In the current year CEA is expected to receive approximately £237,000 of a maximum £600,000 management fee. It may not receive the full amount for several years.
8. Strategic responsibility for approving budgets and key statutory plans remains with the Council’s Education and Libraries Committee. It has also taken a vigorous approach to clienting the contract.
9. The Council and CEA have agreed a refinement of the contract, to improve financial incentives, and reduce unnecessary monitoring burden.
10. The contract has been a useful tool in focussing on improving performance.
11. CEA@Islington has made contributions to education provision beyond those precisely specified in the contract.
12. The introduction of a private company has introduced a new degree of professionalism, but not otherwise any ‘private sector’ techniques, or attitudes.
13. CEA@Islington and its parent companies have made no attempt to take any commercial advantage of its position.
14. The outsourcing coincided almost precisely with the change in political control, and it is very difficult to separate the consequences of one from another. It is clear that the simple fact of change would always *per se* have a beneficial effect on Islington’s education service.
15. The Education Service has additionally benefitted from high levels of corporate support from the Council, including capital investment.
16. Moving the Education Department effectively outside the Council has created some problems in interfacing with other Council departments.

17. Focussing Councillors' responsibility on holding CEA to account and strategic decisions, removing them from close involvement of a 'partnership' kind, has been helpful in clarifying roles and improving performance.

18. A political consensus has substantially been established in support of the project and generally in support of CEA's proposals.

19. There has been a greater need for ongoing constant dialogue, mainly at an informal level, than was envisaged by the original contract.

Appendix B

Eleven Strategic Targets

		2000 result	Contract/ EDP target for 2001	2001 result
1	KS2 English test - % level 4 and above	69.4%	75.0%	64.4%
2	KS2 Maths Test - % level 4 and above	66.5%	68.0%	65.1%
3	GCSE - %5 or more A* to C grades or equivalent	26.5%	35.0%	28.7%
4	GCSE (or equivalent) - % 1 or more A* to G grades	91.7%	95.0%	88.6%
5	GCSE (or equivalent) – average point score per pupil	28.4	31.8	28.4
6	Exclusions – 3 year rolling average number	25	47	21.5
7	Exclusions – per year	18	47	25
8	Unauthorised absences - % half days missed at Primary Schools	1.2%	0.8%	1.12%
9	Unauthorised Absences - % half days missed at Secondary Schools	2.0%	1.8%	2.0%
10	Schools failing Ofsted inspections in previous 12 months from August	2	0	1
11	Schools remaining in special measures or serious weaknesses after 2 years	7	N/A	5

Information from CEA@Islington Annual Report September 2000-August 2001, presented to Education Committee, 9 October 2001, Appendix C, and updated final GCSE and KS2 results from DfES.

Appendix C – 62 Indicators
Operational and User Satisfaction Targets

Blank Requirement met N Requirement not met NP Not Proven, probably ok but not absolutely certain
NA Not applicable (eg not relevant this period)

	Output requirement	Performance Standard	Result
	Annual		
1	Provide a budget and financial management service	All schools out of their deficit budget within the agreed timescale of the individual school plan	
2	Provide a planning of school places service	Accurate forecasts (within 2% over 3 year rolling average) support the sufficient provision of school places	
3	Provide a pupil attendance service	Schools identified by Education Welfare Service as causing concern have improved attendance levels and have implemented policies to address specific issues	N
4	Provide a schools admissions Service	Increasing % of Islington residents choosing schools	
5	Provide a schools admission service	No admissions appeals won on the grounds of CEA@Islington maladministration of failure to tackle inappropriate practice in schools	
6	Provide a schools resourcing service	School budgets and section 52 prepared to statutory timescales. Formula in accordance with budget strategy and statutory requirements	
7	Provide a SEN assessment and review service	BVPI targets met each year and majority of tribunals found in favour of the Council	
8	Provide a SEN assessment and review services	SEN service judged as satisfactory or better by external inspectors., SEN service chartermark maintained unless agreed inappropriate	
9	Provide an ethnic minority achievement Service	EMAS strategy in place and data shows a trend in the reduction in attainment differentials of ethnic groups that have traditionally underachieved at KS2 and KS4	N
10	Provide ICT services	External evidence demonstrates improving trend in ICT in schools. NGfL targets met, subject to appropriate Council funding.	Pass 50%
11	Provide schools improvement and development services	All schools have school development plans in place	N
12	Provide schools improvement and development services	Credible external evidence demonstrates improvement in “good leadership and management” for all schools, depending on dates of inspection	
13	Provide schools improvement and development services	Credible external evidence demonstrates school status improving to time-scale	
14	Provide schools improvement and development	Value added data demonstrated improved achievement in schools year on year	N

	services		
15	Provide schools improvement and development services	Credible external evidence demonstrates an increasing percentage of good teaching	
16	Provide schools improvement and development services	Credible external evidence demonstrates reducing underachievement ins schools with reference to QCA free school meals benchmarks	NP awaiting QCA
17	PRU passes Ofsted inspection Termly	Pupil referral units judged as satisfactory or better by external inspections	
18	Comply with the direction, all relevant legislation and ensure all services are managed so as to enable the Council to meet is statutory obligations including the Code of Practice on LEA/School relations	100% law and mandate requirements in school met	N Payroll returns
19	Provide a health and safety, school security and fire service	100% Health and Safety audits carried out satisfactorily	
20	Provide a management information service	Up to date and accurate management information provided to the Council to agreed timescales	
21	Provide capital asset management services	Capital programme developed and reported to Council within the agreed timescales	
22	Provide education services for pupils out of school	Pupils out of school (whether for reasons of exclusion, illness or other) provided with adequate education in accordance with individual plans and statutory requirements	
23	Provide fund bidding service	Bids made in accordance with official rules/guidance for all bidding opportunities which arise, unless otherwise agreed	
24	Provide governor support	Number of LEA and co-opted governor vacancies reduced to less than 10% per annum (and subsequent trend downwards)	
25	Provide PR service	Termly report of all planned PR for the coming term, plus all draft press releases provided 24 hours in advance	
26	Provide risk management and insurance service	Up to date risk management insurance plan in place and targets being achieved across the service	N
27	Provide services relating to national initiatives	Plans implemented in accordance with initiatives including ICT, Literacy, Numeracy, EiC, EMAS, and KS3, as evidenced by satisfactory reports from external assessors. 75% of target (not already measures elsewhere) met	
28	Provide strategic management	State of the nation report on the progress of the borough's schools and CEA@Islington overall improvement programme	
29	Provide strategic management service	All plans and statutory returns i.e. section 52, EDP, action plans for schools in special measures continue to be approached by the SoS and the DfES	

User Satisfaction				
	Output requirement	Performance Standard	Target Group	Result
30	Provide a data management service	% satisfied with the data management service	Heads	
31	Support for the secondary transfer process	% of parents and headteachers satisfied with the secondary transfer and appeals service	Heads and Parents	
32	Provide a complaints service	% satisfaction levels achieved with the action taken in response to complaints	Heads	
33	Provide a budget and financial management service	% satisfied with the financial management service	Heads	
34	Provide capital asset services	% satisfied with the capital asset service	Heads	
35	Provide personnel management services	% satisfied with the personnel service	Heads	
36	Provide training services	% satisfaction levels achieved with the training service	Heads	
37	Provide ICT services	% satisfied with the ICT service	Heads	
38	Provide school improvement and development services	% satisfied with the school improvement service	Heads	
39	Provide governor support services	% satisfied with the advice/consultancy support	Governors	
40	Provide governor support services	% satisfied with the personnel support	Governors	
41	Provide governor support services	% satisfied with the training support	Governors	
42	Provide governor support services	% satisfied with the finance support	Governors	
43	Provide governor support services	% satisfied with the school improvement service	Governors	
44	Provide governor support services	% satisfied with the asset management support	Governors	N= 60%
45	Provide legislative consultancy services	% of headteachers satisfied with advice on new legislation	Heads	
46	Provide services in support of the Standing Advisory Committee for RE	% SACRE representatives satisfaction levels achieved with the SACRE service	SACRE	NP
47	Provide a SEN assessment, placement and review service	% headteacher satisfaction levels achieved with the SEN service	heads	
48	Provide a SEN assessment, placement and review service	% parent satisfaction levels achieved with the service	parents	
49	Provide school improvement services	% satisfied with support for addressing educational needs of groups at risk of underachievement – children looked after, refugees and asylum seekers, mobile pupils	Heads	
50	Provide school organisational management services	% satisfied with school organisation management service	Heads	
51	Provide a schools transport service	% satisfied with the school transport service	Heads	

52	Provide a SEN assessment, placement and review service	% satisfaction levels achieved with the service	Social Services DMT	NP
53	Provide a SEN assessment, placement and review service	% satisfaction levels achieved with the service	EYPDC	NP
54	Provide a Crime Reduction Service	Chair of Crime Reduction Partnership satisfaction levels achieved with the service	Chair of Crime Reduction	NP
55	Provide a Child Protection service	ACPC have 70% satisfaction levels	ACPC	NP
56	Provide support for headteachers as purchasers	% satisfied with the schools purchasing support service	Heads	N= 35%
57	Provide a schools health and safety service	% satisfied with the schools health and safety support service	Heads	
58	Provide a schools fund bidding service	% satisfied with the fund bidding support service	Heads	
59	Provide strategic management services	% satisfied with the consultation arrangements	Heads Governors	
60	Provide a schools exclusions service	% satisfied with the schools exclusions support service	Heads	
61	Provide a schools admissions service	% satisfied with the schools admissions support service	Heads	
62	Provide a schools child protection service	% satisfied with the schools child protection support service	Heads	

Source: CEA Monitoring Report to Education Committee, 9 October 2001, CMIS Monitoring for KPI3

Appendix D

Summer 2001 User Satisfaction Survey results

How responsive to your needs have you found the following services? (note satisfaction percentages are a proportion of those that answered and exclude not applicable or not answered)						
	Very satisfactory	Satisfactory	Unsatisfactory	Very unsatisfactory	N/A or not answered as % of returned questionnaires	Total satisfaction level
Admissions	29.2%	70.8%	0.0%	0.0%	6.5%	100.0%
Behaviour Support	38.9%	55.6%	5.6%	0.0%	25.8%	94.4%
Education Welfare	44.0%	40.0%	16.0%	0.0%	3.2%	84.0%
Education Psychology	24.0%	60.0%	12.0%	4.0%	3.2%	84.0%
English and Literacy	56.0%	40.0%	4.0%	0.0%	3.2%	96.0%
Ethnic Minority Achievement	25.0%	62.5%	8.3%	4.2%	6.5%	87.5%
Exclusions	0.0%	100.0%	0.0%	0.0%	51.6%	100.0%
Financial Services	72.0%	24.0%	4.0%	0.0%	3.2%	96.0%
Health and Safety	17.6%	82.4%	0.0%	0.0%	29.0%	100.0%
Learning Support Service	47.1%	47.1%	0.0%	5.9%	29.0%	94.1%
Library Service	88.0%	12.0%	0.0%	0.0%	3.2%	100.0%
Maths and Numeracy	76.0%	20.0%	4.0%	0.0%	3.2%	96.0%
Media Services	43.8%	56.3%	0.0%	0.0%	32.3%	100.0%
Pastoral Support by DMT	30.0%	60.0%	10.0%	0.0%	19.4%	90.0%
Payroll	24.0%	68.0%	0.0%	8.0%	3.2%	92.0%
Personnel	56.0%	36.0%	8.0%	0.0%	3.2%	92.0%
Planning and Development	8.7%	87.0%	4.3%	0.0%	9.7%	95.7%
Quality and Performance (QPMU)	54.5%	40.9%	4.5%	0.0%	12.9%	95.5%
Quality Learning Inspection (QLI)	65.4%	26.9%	7.7%	0.0%	0.0%	92.3%
School and Governors Support	42.9%	52.4%	4.8%	0.0%	16.1%	95.2%
Special Educational Needs (SEN)	29.2%	58.3%	12.5%	0.0%	6.5%	87.5%
Training and Development	8.3%	83.3%	8.3%	0.0%	6.5%	91.7%
Transport	15.4%	76.9%	7.7%	0.0%	41.9%	92.3%
Changes to LSS and EMAS staffing	5.3%	73.7%	10.5%	10.5%	22.6%	78.9%
National Grid for Learning (NGfL)	20.0%	50.0%	30.0%	0.0%	19.4%	70.0%
Curriculum ICT	4.8%	47.6%	42.9%	4.8%	16.1%	52.4%
SIMS Support	9.1%	63.6%	13.6%	13.6%	12.9%	72.7%

Source: CEA Annual Performance Report,
reported to Education and Libraries Committee, 9 October 2001, Appendix J