



**Leicester
City Council**

**WARDS AFFECTED
All Wards (Corporate Issue)**

FORWARD TIMETABLE OF CONSULTATION AND MEETINGS:

**Cabinet
Council**

**3rd November 2003
27th November 2003**

School Development Support Agency

Report of the Corporate Director of Education and Life Long Learning

1. Purpose of the Report

- 1.1 This report seeks the agreement to the Council becoming the sole member (i.e. owner) of the School Development Support Agency, a company limited by guarantee and not having a share capital, in place of the Secretary of State, and to agree the Council's representation on it. The original advantage was that this was an arms length company which would secure government funding. However, there are now considered to be strong advantages to the Council in it becoming the owner, in particular that it will secure sustained close working with the City Council and a confirmation of work that has proved beneficial to the Council and its schools.
- 1.2 In the event that the Council so agrees Cabinet is asked to agree the governance arrangements for the company.

2. Summary

- 2.1 The SDSA was established by the DfES in July 2000 as part of the recovery strategy in the wake of the Ofsted report into the performance of the City Council as a local education authority. It is a limited company owned by the Secretary of State for Education and Skills, and for the first two years of its life, was mainly funded by the DfES, with the City Council financing its accommodation and some administrative costs.

- 2.2 In May 2003, all Leicester political parties, agreed with the Secretary of State that ownership of the company should transfer to the Council with the number of directors increasing from four to nine. (The transfer needs to be to the Council itself as a corporate body). Of these nine directors, one would be a representative chosen by the Leader, one from the secondary sector, one from the special sector, two from the primary sector, the Director of Education or his representative, one governor representative, one representative from the Teachers Consultative Committee (TCC), and one co-opted by these eight representatives on an annual basis.
- 2.3 As the proposal is a change to the Policy Framework (in particular the Education Development Plan) it requires the agreement of the Council. If the Council agrees to the transfer, the operation of the Council's rights in respect of the company will be an executive function to be exercised as determined by the Cabinet.

3. Recommendations

- 3.1 The Cabinet is recommended to request that the Council amends the Policy Framework by agreeing to become the sole member of the SDSA, a company limited by guarantee and not having a share capital, in place of the Secretary of State.
- 3.2 Subject to the Council agreeing to the proposal, the Cabinet is recommended to agree that the exercise of the Council's membership rights in the company be delegated to the Corporate Director of Education and Life Long Learning in consultation with the Cabinet Link for Education.
- 3.3 The Council is recommended to amend the Policy Framework by agreeing to become the sole member of the SDSA in place of the Secretary of State.

4. Financial and Legal Implications

- 4.1 As the Company is self-financing no financial burden should fall on the Council. (David Wilkin, Head of Education Finance – Ext: 7750)
- 4.2 There are no substantive legal obstacles to the Council taking on the ownership of the SDSA with the Council having the power to do so by virtue of its various functions as a local education authority under the School Standards and Framework Act 1998 and section 111 of the Local Government Act 1972. It will be necessary for the Council itself to become the sole member of the company.

- 4.3 Under the proposal the SDSA upon transfer would become a local authority controlled company by virtue of section 68 of the Local Government and Housing Act 1989. As a consequence the company would need to meet the requirements of Part II of the Local Authorities (Companies) Order 1995 which deal with such matters as the remuneration of directors, the provision of information to the Council's auditors, members of the Council and the Council itself, and the appointment of an auditor; together with the Capital Finance provisions contained within Part V.
- 4.4 A company is managed on a day-to-day basis by its Board of Directors. Under company law, there is a requirement for a company to hold an Annual General Meeting of members to consider and approve the annual accounts, the auditor's report, the Directors' report, and the appointment of auditors. Members also have the right in general meeting to appoint or remove directors. There is provision for a single member company for dispense with the need for an AGM.

(Guy Goodman, Assistant Head of Legal Services – ext 7054)

5. Report Author

Steven Andrews
 Corporate Director of Education and Life Long Learning
 Tel: 252 7700

DECISION STATUS

Key Decision	No
Reason	Part of Policy and Budget Framework
Appeared in Forward Plan	No
Executive or Council Decision	Council



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SUPPORTING INFORMATION

1. Background

- 1.1 The SDSA was established by the DfES in July 2000. It is a limited company, owned by the Secretary of State for Education, and for the first two years of its life, was mainly funded by the DfES, with the City Council financing its accommodation and some administrative costs. In May 2003 a delegation of all Leicester political parties agreed with the Secretary of State that ownership of the company would transfer to the Council with the number of directors increasing from four to nine. Of these nine, one representative would be chosen by the Leader, one from the secondary sector, one from the special sector, two from the primary sector, the Director of Education or his representative, one governor representative, one representative from TCC and one co-opted by the eight representatives on an annual basis.
- 1.2 The SDSA has been particularly successful with attracting grants from the National College of School Leadership (£280,000), Neighbourhood Renewal Funding (£400,000) and (£560,000), GOEM (£20,000) and most recently the DfES (£125,000 and £25,000). In addition, it offers paid services and consultancy to a range of educational clients.
- 1.3 The agency was established to support school improvement initiatives in the broadest sense but with particular reference to supporting

Development Groups and Continuing Professional Development. Its memorandum reflects these broad aims. Finer details are agreed between the Directors and the company's employees.

2. Advantages of the City Council assuming ownership of the SDSA

2.1 The advantages are demonstrated in the range of achievements of the SDSA that are outlined below. The new arrangement would secure a sustaining of the benefits that have accrued to date. These would not have accrued to the City Council if the SDSA had not been in existence because it did not have the capacity or necessary funding. It can safely be argued that, with the exception of NRF funding, all other sources of income would not have come about without the innovative enterprise of SDSA personnel. In part, the SDSA successes have been very much the result of its excellent working relationship with the Education Department in particular, and other service departments in general. There is an increasingly strong argument that all LEAs would benefit from companies like the SDSA who share a teaching and learning agenda with the Education Department.

2.2 The SDSA has achieved the following which demonstrate the advantages to the City Council in assuming ownership:

i). The SDSA offers a series of opportunities that the resources and personnel of the LEA are unable to offer. It has a proven track record in promoting school improvement, particularly through the city's seven Development Groups which operate collaboratively and which have made a major impact in enhancing the quality of teaching and learning.

ii). It leads on Continuing Professional Development and has successfully brokered services in several areas, most recently securing £125,000 from the DfES to manage a regional CPD project.

iii). Its work with NRF has been acclaimed locally and nationally and it manages over forty-two school and community based projects.

iv). It has pioneered some exciting opportunities such as promoting the Strategic Leadership of ICT and has secured £130,000 to promote this for the National College of School Leadership. In addition, it has secured 'professional development partner' status with the Oracle Corporation and has developed the first on-line governor community in the country (with the LEA) and the first online Student Voice Community.

v). With the University of Leicester, the SDSA organised the first ever conference on Islam and Education for all LEAs with significant numbers of Muslim pupils. This led to the development of another on-line community. The DfES are very interested in the project and may fund it at a later date.

vi). It works very closely with Lifelong Learning Division in promoting and encouraging Student Councils and presently is working on a feasibility study to develop a Leicester City Young People's Parliament.

vii). It has managed to attract over £1.5 million worth of extra funding to the city largely through grants from the DfES, NCSL, NRF, and Pathfinder. In addition it has demonstrated considerable earning capacity through courses, consultancies, and administrative support to a range of organisations including City Primary Heads and Pathfinder.

viii). With the exception of £18,000 support from the LEA for accommodation and administration, it is totally self-funded. Its management charges as a proportion of income generated, are considered by the SDSA to be some of the lowest in the country. It has a full-time staff of four, and a part-time staff of three.

ix). It is a limited company, which can attract funds that the City Council would not be eligible for. It has KPMG as its auditors and is fully protected by generous insurance.

x). It is the lead bidder for a £200,000 Home Office grant for developing a Leicester Complementary Schools Trust. Local Councils are not eligible.

3. Disadvantages of City Council ownership

3.1 The disadvantages might include:

i). A view that the success or failure of the company is a City Council responsibility, in particular if the company does badly. Ofsted will, of course, make a judgment when the LEA is next inspected. Similarly if the company is judged to be good it could well be that this would be judged as being little to do with the Council. However, this concern is small if the Company continues to produce support strategies consistent with its recent track record.

ii). Schools being confused about where the responsibility for school improvement is located. However, new models of working do sometimes produce short-term confusion and the SDSA and the LEA are working well together. Roles and responsibilities are established in written LEA/SDSA policy.

iii). The company fails leaving a City Council financial and PR responsibility. Financial failure is fully protected. PR requirements are considered to be small.

3.2 The checks and balances undertaken by the Directors, the financial procedures and audits, the insurance cover, and its self-funded status

ensure that there are few or no disadvantages in the Council assuming ownership.

4. Governance arrangements for the SDSA

- 4.1 The ownership of a company rests with its members who have under company law certain rights that are exercised collectively at general meetings. One of the most significant powers of members is to appoint and remove directors. The Board of Directors have the executive responsibility for running the company. The members also have the power to change the memorandum and articles of the company which are effectively the company's constitution.
- 4.2 As a corporate body the Council will need to determine how to exercise its membership rights. As the exercise of these functions is an executive one then, under the Council's constitution, the discharge of those functions rests with the Cabinet. The Cabinet could decide to exercise the rights collectively or delegate them to a Cabinet sub-committee. In these circumstances the Cabinet or sub-committee would by resolution determine the Council's approach to a particular issue and appoint a nominee (member or officer) to express those views and vote accordingly at general meetings. If delegation was to a single member or an officer the individual could exercise the Council's rights at their discretion.
- 4.3 Unless the decision is taken to dispense with the AGM, then it is likely that consideration of exercising the Council's membership rights will only be required annually.
- 4.4 The proposal is to increase the number of directors from four to nine as set out in the Report. This proposal requires member approval at a general meeting.

FINANCIAL, LEGAL AND OTHER IMPLICATIONS

1. Financial Implications

These are set out in paragraph 4.1 of the Report.

2. Legal Implications

These are set out in paragraph 4.2 - 4.4 of the Report.

3. Other Implications

OTHER IMPLICATIONS	YES/NO	Paragraph References Within Supporting Information
Equal Opportunities	No	
Policy	No	
Sustainable and Environmental	No	
Crime and Disorder	No	
Human Rights Act	No	
Elderly/People on Low Income	No	

4. Background Papers- Local Government Act 1972

The Memorandum and Articles of Association of the SDSA and associated company papers.

5. Consultations

The Chief Executive of the SDSA

6. Author

Steven Andrews
Corporate Director of Education and Life Long Learning
Tel: 252 7700