



THE  
WHITEHOUSE  
CONSULTANCY

A RESEARCH PAPER  
PREPARED BY  
THE WHITEHOUSE CONSULTANCY

# The Future of Education Procurement

September 2014

[www.whitehouseconsulting.co.uk](http://www.whitehouseconsulting.co.uk)

# TABLE OF CONTENTS

TABLE OF CONTENTS .....	2
INTRODUCTION .....	3
EXECUTIVE SUMMARY .....	4
BACKGROUND .....	5
THE NEXT GENERAL ELECTION .....	6
CONCLUSION .....	10
THE WHITEHOUSE CONSULTANCY .....	11
AUTHORS OF PAPER .....	12

# INTRODUCTION

Although all publicly-funded services have, since 2010, been forced to adapt to harsh financial constraints, the schools sector has faced not only having to come to terms with a new fiscal reality, but also the implementation of the most dramatic reform of the education system since the introduction of comprehensive schools. Under the umbrella of the academies and free schools programmes, the Conservative-led Coalition Government has sought to disengage schools in England from traditional local authority control, handing management power to teachers, parents and academy sponsors. Amongst the many implications of this dramatic change has been a shift in the manner in which schools procure their services from external suppliers.

However, even with most of the changes brought forward in the Academies Act 2010 now implemented, the transformation of the education sector is far from over. Whilst the UK economy appears to at last be emerging from the 2008 downturn, public sector finances will remain, even in 2015, in a shape far poorer than was originally forecast by the Coalition Government when it took power in May 2010. Such a situation will require further substantial departmental spending reductions to be implemented by whatever party or coalition forms the next UK government, and it seems unlikely that education will be exempt. The increasing public sector tendency to outsource the provision of critical goods and services means that further cuts to the public sector will have a substantial impact upon commercial enterprises.

Continuing resource constraints are not the only issue the education sector will face. Whilst the English schools system has been radically altered since 2010, the drastic reforms have been subject to a broad range of criticism. Not only is there an absence of cross-party consensus, but the compromises and conflicts inherent in governing coalitions have ensured that even those implementing the reforms have not been entirely happy with the form they have taken. These differences between the three main political parties - some sourced from ideology and others from more practical concerns - will ensure that the next parliament will see further changes to the current education landscape that will impact upon suppliers both directly and indirectly.

This paper focuses on the procurement drivers determined by political uncertainties. However, political considerations will in turn be influenced by the increasing demographic pressures on the schools system to provide places caused by population growth and a lack of investment in the schools estate by successive Governments. The resulting strain on schools, which are generally seeing a year-on-year growth in pupil intake, means they require ever more educational supplies for ever lower prices. Market adaptability is therefore the key to meeting this demand, with schools looking for suppliers to package services in non-traditional ways. We envisage a future with education suppliers follow the example of schools to coalesce in consortia to offer personalised packages to schools to supply all their non-teaching needs, from classroom and catering supplies, to facilities management and payroll.

# EXECUTIVE SUMMARY

The three scenarios we have considered are a Conservative majority government, a Labour majority government, and a formal or informal coalition arrangement involving the Liberal Democrats giving their support to either Labour or the Conservatives.

Our analysis finds that:

- A Conservative majority government would be expected to provide both the highest level of sectorial stability due to its overall continuing adherence to ‘light-touch’ regulation, and the greatest number of new market opportunities to suppliers through the expansion of both the academic and vocational elements of the academies programme.
- However, recent controversies over academy finances may also mean that the Conservatives find it impossible to avoid imposing additional transparency rules on the procurement process, making some existing arrangements very unlikely to sustain.
- A Labour government would almost certainly result in additional regulatory measures being imposed on the procurement sector. The free school programme could be substantially curtailed if Labour imposes rules stating that their opening would require local authority approval, reducing the rate of procurement market expansion. In addition, plans by Labour to make it easy for schools to leave academy chains could make long-term procurement planning difficult.
- A majority Labour government would likely see a renewed focus on vocational education, which could result in a substantial expansion of the UTC and Studio School components of the academies programme, as well as the introduction of technical universities, creating additional sales opportunities for suppliers. Labour’s push for greater transparency could also add a new degree of dynamism to the market by lubricating competition.
- A formal or informal coalition arrangement involving the Liberal Democrats would, regardless of the identity of the larger party, see the Liberal Democrats focus on initiatives they could call their own - not least the pupil premium, which provides additional revenue to schools to procure goods and services.

We also recommend that the next Government should:

- Commission the creation of central online marketplace that schools can use to procure goods and services. This network would encourage the partnerships between suppliers to provide packages of services to schools, in turn offering choice to schools while decreasing costs.

# BACKGROUND

Traditionally, local authorities have been heavily involved in the procurement activity of schools, both directly as purchaser and indirectly through regulations. Fundamentally, most of the specialist elements of procurement - credit checking, ensuring value for money, etc. - were performed externally, with schools being largely passive consumers. However, schools that have converted to or opened as academies or free schools have instead had this responsibility devolved to them. In cases where such schools have remained independent, purchasing is now often performed in-house. Some schools have opted to join academy chains, with procurement usually being the responsibility, in whole or in part, of the academy sponsor. Others have entered into consortia, seeking to jointly purchase goods and services in order to secure better value for money.

The change in the relationship between many schools and their goods and service providers has not been without controversy. An absence of financial transparency, particularly within academy chains, has led to allegations of back-door profit-making by those directly and indirectly linked to the running of many such schools. Academies and free schools are legally charitable trusts unable to make a profit, although the trusts often directly procure most or all their services from an associated subsidiary company that acts as the profit-making arm of an academy chain. The existence of subsidiary companies encourages investment into the sector, while the charitable academy trust - directly overseen by the Department for Education - theoretically protects from profiteering. This once-removed outsourcing of services has provoked only limited controversy, with *The Guardian* - which has consistently opposed academy schools - leading a slender chorus of attacks against the links between schools and private business. However, the barriers to entry such arrangements create can prevent the functioning of a competitive procurement market and can hamper efforts by schools to obtain value for money. Meanwhile, occasional reports of financial mismanagement by academies and certain chains are heightening calls for tighter regulation of chains, to which the Government has thus far been resistant for fear of strangulation of the growth in the sector.

# THE NEXT GENERAL ELECTION

The 2015 general election seems likely to be one of the most unpredictable elections for several decades. Despite four years of austerity, Labour and the Conservatives are polling almost equally. A continuation of the improvement in fortunes of David Cameron's party could easily see the Conservatives form a government with an outright majority. However, sustained dissatisfaction with the current government and the advantage the current constituency boundaries provide to Ed Miliband's party also leave open the possibility of a Labour majority. Equally plausible, given current polling, is a result which forces Labour or the Conservatives to form another coalition or a minority government in collaboration with the Liberal Democrats.

With this in mind, it is important to look at all three of the potential outcomes of the next general election.

## SCENARIO ONE: A CONSERVATIVE MAJORITY GOVERNMENT

The broad thrust of a Conservative government's education policy would be one of continuity. We would expect to see a continuation of the "academisation" of the education system. The Conservative Party's approach to education has been, and will likely continue to be, supply sided in its nature, with the emphasis on increasing school freedom, parental choice and improving teaching standards. Without the centrist influence of the Liberal Democrats, we should expect to see a redoubling of efforts in this direction, although it is likely that a Conservative government would stop short of allowing the operation of publically-funded schools for profit.

The Conservatives' approach to education policy is rooted in their belief that education is an economic investment that will allow Britain to compete in the "global race". This is reflected in the current coalition government's focus on raising academic standards. The former Secretary of State for Education, Michael Gove, had shown luke-warm enthusiasm for vocational education during his time in office. However, a combination of Prime Minister David Cameron and Chancellor George Osborne's apparent enthusiasm for the 'German Model' of vocational training, plus the need to respond to Labour's policies in this area, are likely to prompt an increased focus by the Conservatives on the expansion of the University Technical Colleges (UTCs) and Studio School elements of the academy programme.

The net result of these changes is likely to be the further watering down of local authority involvement in the procurement process as more schools source their goods and services directly, through their academy chains, or via formal and informal multi-school consortia. However, whilst Conservative ideology is sympathetic towards market-led solutions, such an approach requires a level of financial transparency that is not currently present in order to function properly, a fact that may not remain unaddressed.

### *Opportunities*

1. A Conservative government would provide a high degree of stability in the education procurement sector by maintaining its current 'light-touch' approach to regulation.

2. The intensification of largely unchanged academy conversion, UTCs, Studio Schools and free school programmes is likely to provide new commercial opportunities to procurement providers.

### Risks

1. Procurement suppliers should expect to come under increased scrutiny with relation to the cost and quality of the goods and services they provide to schools.
2. The cuts to defence and policing have been deeply unpopular within many in the Conservative Party, and those seeking to avoid further spending reductions in these areas - as well as fiscal hawks in general - would seek cuts in areas such as education, reducing resources available for procurement.

### SCENARIO TWO: A LABOUR MAJORITY GOVERNMENT

Labour's proposed plans for government are being outlined in a series of policy reviews, with former Education Secretary David Blunket asked to lead Labour's education policy review last year. The resultant paper, *Putting Students and Parents First*, was released in April 2014, and will form the basis of Labour's approach to education as it composes its 2015 manifesto. When combined with comments made by Shadow Secretary of State for Education, Tristram Hunt, it is clear that there will be no large-scale 'roll-back' of the current reforms. In part, this stems from the fact that the academy programme was originally launched during the Blair era. As such, the current Labour leadership is keen to avoid charges of hypocrisy and opportunism.

However, there is likely to be a reduction in pressure on still-existing local authority schools to convert, and a substantial increase in regulatory oversight and transparency requirements for existing academies. The most important embodiment of this would be the appointment of up to eighty Directors of School Standards. Operating at the local level, these directors would monitor and support all state funded schools, ensuring that they operate in accordance with the interest of pupils, parents and local communities - with the likelihood of a particular emphasis on detecting any financial irregularities.

Labour's language regarding education policy differs from that of the Conservatives in that it substantiates its education plans as more than just a route to economic growth: instead, it also sees a need to focus on building pupils' character and wider skills. Labour have promised to address the "forgotten 50 per cent" - those aged 14-18 that require a vocational education as opposed to preparation to attend university. Details of how such a revolution in vocational education are to be delivered are sparse, but the expansion of the UTCs and Studio Schools programmes is one obvious route.

The impact Labour's policies would have on procurement would mainly centre on tighter regulations to prevent academy chains and their subsidiaries, as well as companies associated with individuals linked with the running of academy schools, from profiting through the acquisition of school supply contracts.

### Opportunities

1. Labour's renewed focus on the expansion and enhancement of the vocational sector would provide new opportunities for procurement suppliers to acquire new customers for their goods and services.

2. Labour's transparency initiatives could see the market opened up, providing access for suppliers previously excluded from the market.

#### *Risks*

1. The opening up of academy schools and chains to financial scrutiny could make many current procurement arrangements unviable.
2. The option for schools to easily switch between academy chains could make long-term procurement planning difficult.
3. The development of the Community Trust schools' model, whilst still poorly defined, could provide a serious alternative to the academy model amongst many schools and see the entrenchment of, or return to, bureaucratic local authority involvement in the procurement process.
4. Opening free schools would be likely to become substantially more difficult if local authorities acquire the power of veto over such proposals, reducing the growth of the market for suppliers.

### **SCENARIO THREE: A SECOND COALITION GOVERNMENT**

The primary strategy of the Liberal Democrats during their time in the Coalition Government has been to use their influence to force through policies for which they can claim credit. In education, this has primarily been manifested through the Pupil Premium and the provision of free school meals to young children. Should the party enter into a coalition with either the Conservatives or Labour, this pattern of behaviour should be expected to continue. The provision of free home-to-school transport seems likely to be a policy that will appear in the 2015 Liberal Democrat manifesto, and should be expected to be high on the Liberal Democrat's list of demands in the negotiations for any coalition agreement, or an informal 'confidence and supply' arrangement to sustain a Conservative or Labour minority government. During the course of a 2015-2020 parliamentary term, other similar initiatives would almost certainly follow in order to allow the party to retain its own identity within government.

The Liberal Democrat approach to education policy is designed to appear to embrace the middle ground between the Conservatives and Labour. Whilst it has broadly supported Conservative-led education reform, Liberal Democrat leader Nick Clegg has backed Labour in its call for only allowing qualified individuals to teach and has questioned the wisdom of elements of the free schools programme. However, whilst emphasising its place in the political centre, it would seem probable that the Liberal Democrats would broadly support Labour's planned modifications to the academies programme in a Labour-Lib Dem coalition, whilst a new Conservative-Lib Dem government would likely see the Liberal Democrats continue to act as a brake on further education marketisation by insisting on a strong 'middle tier' of academy regulation, along with enhanced powers for Regional School Commissioners.

With regards to procurement, a coalition between the Conservatives and the Liberal Democrats would be a continuation of the status quo with regards to regulations, with further shifts towards weakening regulations probably being resisted. In contrast, a coalition between Labour and the Liberal Democrats would likely see the Labour plans for tighter procurement rules being implemented.

Liberal Democrat involvement in Government would also be certain to ensure the continuation of the Pupil Premium. The Government introduced the Pupil Premium in 2011 to provide additional school funding for those children classed as having a deprived background, and also those who have been looked



after (by a local authority) for more than six months. The Service Premium was also introduced for children whose parent(s) are, or have since 2011, served in the armed forces. Since its introduction, changes have been made to the eligibility criteria and the funding levels of the Pupil Premium. The Pupil Premium has increased from the £430 per pupil in 2011-12, to £1,300 per primary pupil or £935 per secondary pupil in 2013-14, therefore offering a substantial additional resource to purchase goods and services.

### *Opportunities*

1. In their desire to implement initiatives to distinguish themselves from a coalition's leading party, the Liberal Democrats would almost certainly seek to push through policies that would require private sector providers, e.g. free home-to-school transport.
2. The Liberal Democrats would likely support Labour's drive to expand the vocational sector and implement sectorial transparency, again increasing opportunities for some procurement suppliers.
3. Liberal Democrat involvement in Government would also be certain to ensure the continuation of the Pupil Premium, offering a substantial additional resource to schools to purchase goods and services.

### *Risks*

1. The Liberal Democrats would almost certainly support Labour's proposed reforms to the academies system, including those covering procurement, with all of the negative implications we have already illustrated.
2. It is possible that some of the signature policies the Liberal Democrats would attempt to implement could syphon off funding that could otherwise have been used for procurement.

# CONCLUSION

Having examined the three potential outcomes of the 2015 General Election, we are presented with a set of scenarios that will all result in varying levels and forms of change to the education procurement landscape. A Conservative majority would provide the greatest level of sectorial continuity. However, the further intensification of the current programme of education reforms, plus the need to address problems that have emerged with the current reform model - the latter a requirement most recently illustrated by the Birmingham Trojan Horse schools scandal - will both bring their own challenges.

A majority Labour government would prove to be the most disruptive, although it is unlikely that they would move to reverse any of the fundamental reforms that have been seen over the last four years. The alteration that would be brought in by a Labour administration would instead primarily focus on new regulatory measures, a reduction in the number of new Free Schools and an enhanced emphasis on vocational training. A formal or informal coalition between either of the two main parties and the Liberal Democrats would see the latter focus its education policy on 'eye-catching' initiatives in order for them to remain distinct from their larger governing partner. However, whilst a Liberal Democrat party allied with the Conservatives would likely act as a brake to further moves towards education marketisation, it would probably largely support Labour attempts to intensify regulatory and local authority oversight of the sector.

It is clear that we are entering a phase of extreme uncertainty for the procurement sector. However, despite the challenges this presents, all of the potential General Election 2015 scenarios present opportunities as well as risks. There are no outcomes that are uniformly negative. It is possible, with access to those with high levels of relevant expertise and an up-to-the-minute knowledge of key sectorial developments, for suppliers to engage with policymakers to facilitate implementation of any of the policy paths we have illustrated in a way that serves the interests of all of stakeholders. The key will be to create an engagement structure that both informs suppliers of the latest developments relevant to them and allows them to channel feedback to policymakers in a way that accurately reflects their combined knowledge and experience.

These political uncertainties combined with increasing demographic pressures, placing severe strain on the schools system to provide places, means we are in a time where the education services sector needs to be innovative. Now the school system has been re-modelled into a system built on "chains", fluid "consortia" and loose "collaborations", the education suppliers market should similarly embark on a journey of new forms of cooperation. There will be pressure on education suppliers to follow the example of schools to coalesce in consortia that offer personalised packages to schools to supply all their non-teaching needs, from classroom and catering supplies, to facilities management and payroll.

**The next Government, whichever Party is in power, should encourage the collaboration of suppliers and choice for schools by commissioning a central online marketplace that schools can use to procure goods and services – similar to NHS Supply Chain. This network could increase partnerships between suppliers and decrease costs to schools. Suppliers and schools should come together to persuade the next Government of the value of such an initiative. The entire education sector needs to be adaptable if it is to flourish in the indefinite parameters of this brave new world.**

# THE WHITEHOUSE CONSULTANCY

The Whitehouse Consultancy was established by Chris Whitehouse in 1998 as a specialist public affairs agency, with our first clients including the British Olympic Association. Since then we have expanded and we now specialise in delivering integrated communications and events services for our clients across the fields of public affairs and political communications, EU political and policy engagement, public relations campaigns, media relations, political due diligence and political risk analysis, and events management.

Our job is to advise our clients on how to engage with each of these areas to influence and inform developments in politics, policy and the media.

We work with all areas of the national, local and specialist press, and EU, national, devolved and local government - ensuring our clients are talking to the right people, in the right way, and at the right time.

Whitehouse has extensive experience of working in the field of education and children's services and presently provides support to a large number of organisations including children's charities, education providers, representative groups and Multi-Academy Trusts. This work involves offering advice and guidance across a broad range of policy areas including schools policy, funding, procurement practices, market access, Special Educational Needs, Educational Psychology and social work

The Whitehouse Consultancy is a member of the Association of Professional Political Consultants and rigorously upholds the highest ethical standards in all of our activities.

## CONTACT

For further information on this paper or about other services that Whitehouse can provide please contact:

**Oliver Cardinali, Consultant** - 020 7463 0688 / [oliver.cardinali@whitehouseconsulting.co.uk](mailto:oliver.cardinali@whitehouseconsulting.co.uk)

# AUTHORS OF PAPER

## EMMA CARR, MANAGING DIRECTOR

Emma leads on a range of our clients, providing strategic advice and direction across an array of policy areas, but with a particular focus on education, health, medical technology, financial services and regulation. Emma works with clients from the corporate and charity sectors and with trade and industry bodies. Emma has extensive experience of delivering effective public affairs and public relations campaigns across the public, private and third sectors

## OLIVER CARDINALI, CONSULTANT

Oliver is an education policy specialist who and provides strategic guidance, the production of communication materials, research and briefing documents for clients. Oliver has drafted amendments to a major piece of legislation that were debated in the House of Lords, led campaigns on special education issues and is a lead writer for Public Service Information, a Whitehouse affiliated website providing public service news and comment.

Oliver has organised Parliamentary Receptions in both the House of Lords and the House of Commons. Before joining Whitehouse, Oliver gained extensive experience of local government and the charity sector, including work with Oxfam.

## ROWAN ALLPORT, RESEARCH EXECUTIVE

Rowan supports the team by drafting monitoring documents, briefings, policy audits, research papers and select committee submissions, and aids in the organisation of meetings and events. Prior to joining the Whitehouse Consultancy, Rowan acquired work experience through voluntary roles with education and public policy organisations, having provided research and administrative services to The Aldridge Foundation, The National Association of College and University Entrepreneurs and the think-tank ResPublica.

Rowan holds a PhD in Political Science and an MA in Conflict, Governance and Development from the University of York, as well as a BA (Hons) in Politics, Economics and Philosophy. In his spare time he is a writer for the online think-tank Future Foreign Policy, and he was recently made a Junior Fellow at the Humanitarian Intervention Centre.