



Department
for Education



Achieving for Children (AfC)

A review of the establishment of AfC

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Important Notice

The Department for Education (DfE), as part of the Innovation Programme, has commissioned the delivery team of the Spring Consortium* (led by Deloitte MCS Limited) to review the establishment of Achieving for Children (AfC) and its impact on children's social services in Kingston and Richmond. The purpose of the review completed for DfE over June and July 2016 was to focus on:

1. Exploring what led to the creation of AfC, its choice of model and understanding the development journey it has been on since its establishment;
2. Assessing, to the extent possible and with the information available, the benefits that have been realised to date and the key drivers of these benefits (service quality, internal environment and financial);
3. Identifying lessons that may be transferrable to other similar projects and the potential replicability of the delivery model elsewhere.

This work was undertaken over a three week period and has relied on data provided by AFC, as well as public source materials and stakeholder views. Beyond basic consistency checks, the data received has not been verified or externally validated. Given the short duration of this project, there are some important limitations to note:

- This report should not be considered a forensic review of the establishment of AfC – rather it should be treated as an extended case study having wider relevance and identifying lessons learned;
- Quantitative data provided has not been validated beyond basic consistency checks;
- No financial analysis has been undertaken to apportion costs and savings;
- The customers (children, young people and their families) of AfC's services have not been consulted, nor have the professional staff involved in delivery; and
- The observations and conclusions made are specific to AfC and are based on the particular circumstances of the establishment of AfC and its operating environment.

This document has been prepared solely for DfE for the above purpose and cannot be relied on to cover specific situations. The application of any principles and lessons learned will depend upon the particular circumstances involved and we recommend that you obtain professional advice before acting or refraining from acting on any of the contents of this publication. Spring Consortium accepts no duty of care or liability for any loss occasioned to any person or third party acting or refraining from action as a result of any material in this publication.

Should the available data change or new information come to light, the insights and conclusions contained in this document may be subject to change.

*Further details of the Spring Consortium delivery team can be found at:

<http://springconsortium.com/about-the-consortium/>

Chapter 1: Executive summary

Context

The government has high ambitions for the future of children's social care services across England, aiming for a system that delivers consistently excellent practice and generates the best outcomes for children, young people and their families. To achieve this, the government, through the Department for Education (DfE), has embarked on a wide reaching reform agenda and part of this is an ambition that by 2020 over a third of all current local authorities will have reviewed a new delivery model.

Achieving for Children (AfC) is an example of an alternative delivery model, built on the political ambition of two London Authorities to radically improve the delivery of public services. Formed in 2014 following the merger of children's services in the Royal Borough of Kingston upon Thames and the London Borough of Richmond upon Thames, this new Community Interest Company has been recognised as a pioneer in establishing new ways of working and has been recently recognised as a DfE Partner in Practice.

This report explores the circumstances around its establishment and the benefits achieved to date.

The journey to becoming AfC

Prior to the establishment of AfC, Kingston and Richmond already had an established track record of working together across a range of services. The impetus for change and the merger came from a number of sources including:

- A desire to improve practice and service outcomes through greater autonomy, innovation and staff empowerment;
- A highly critical Ofsted inspection of Kingston's children services highlighting the need to take urgent, bold action; and
- An increasingly challenging fiscal environment which required savings targets of between £20m-£30m in the four years beyond 2014/15.

Together with the strength of political will to pioneer new practice led by senior councillors including Lord True, Richmond and Kingston were able to identify their ambitions for a new joint service and begin the process of transition. The case for change, and its likelihood of success, was further supported by the fact that the services looking to merge were similar in size, scope of services and demography and already had a track record of working closely together.

From the beginning there was a strong desire for the merger to provide holistic children services, have a high degree of autonomy, not be profit-making and be able to minimise tax liabilities. The new organisation would have a strong public sector ethos, but also the ability to make private sector- style efficiency savings, all the while being transparent and democratically accountable.

In choosing the alternative delivery model, a number of different variables or dimensions of operation were considered:

- **Geographic coverage:** in this case, the new organisation would cover both Richmond and Kingston;

- **Delivery model:** in this instance, this would be joint borough delivery in an organisation outside of the local authorities delivering the full range of children services in a holistic way;
- **Ownership:** the new entity would be equally and wholly owned by the two local authorities; and
- **Corporate structure/legal form:** in this case, a Community Interest Company was chosen to protect the organisation from being commercialised and to ensure it was recognised as not-for-profit.

Thinking beyond Richmond and Kingston, other local authorities' choice of geographic coverage, delivery model, ownership form and corporate structure will differ depending on their own local factors, preferences and constraints. In the case of AfC, the main factor which influenced the final choice of alternative delivery model was that the parent local authorities wanted to retain full ownership.

The cost of set-up was originally estimated at £1.2m, covering a range of programme management activities, legal and finance advice, technology, and organisational design development. In addition to these one-off costs a significant amount of Council staff time was dedicated to the set up. The actual cost is estimated to have been at least £1.6m, which was part-funded by a Transformation Challenge grant. Anecdotally, it has been stated that the actual cost may have even exceeded this as other costs have not been quantified - but no data to validate this has been received.

AfC was established in 2014 using a 'big bang' approach, i.e. there was no period where the new organization operated in parallel to the old ones or in 'shadow form'. While there was significant transition planning put in place to prepare for AfC's launch, in retrospect, it has been acknowledged that first operating in 'shadow form' may have been beneficial to iron out any initial issues and reduce pressure around set-up. The reason for the big bang approach was a concern that the political environment might have changed to be non-conducive to the model and momentum would be lost.

Lessons learned

To overcome some of the identified transformation challenges the AfC Management team has had to demonstrate a continued passion and enthusiasm for the new delivery model and communicate the objectives to key stakeholders.

Some of the key lessons learned from AfC's particular journey include:

- The importance of having clear governance and leadership during transition with roles and responsibilities defined in order to build trust and avoid confusion;
- Having the political will and ambition, allied with executive vision, to drive forward change, achieve wider stakeholder buy-in and maintain momentum;
- Maintaining a holistic approach to children's services which allowed the new organisation to quickly establish wider networks and address problems end-to-end;
- Having a 'shadow period' of operations where the new organisation ran in parallel to the old ones in order to test approaches and address teething problems;
- Being clear with staff that the merger was the creation of a new organisation, not a takeover by one authority or the other; and

- Having careful planning around system integration and not underestimating the effort required to achieve this.

Benefits realised

In AfC, Kingston and Richmond local authorities have now successfully established a jointly owned organisation to deliver integrated children's services across the two local authorities. AfC continues to seek to improve and develop its operations, continuing the transformation journey. The full transformation is still a work in progress, particularly as AfC shifts its focus from integration to diversification and growth.

Three main areas of benefits have been identified which have been realised from the establishment of AfC due to the empowerment of leadership, greater autonomy, improved staff engagement and a more agile organisational form:¹

1. **Service quality:** improvements in the delivery of core services (Early Care, Social Care, Education and Special Educational Needs & Disabilities) using an integrated approach. This includes Kingston being out of intervention status and Richmond maintaining its 'good' inspection. This corresponds to the strategic objective of securing quality outcomes for children and their families;
2. **Internal operating environment:** increased innovation, improved staff engagement, commitment and its ability to recruit and retain high quality people. This corresponds to the strategic objective of providing greater resiliency as well as securing quality outcomes;
3. **Financial:** managing the set-up costs of the new organisation, expenditure savings and the development of alternative revenue streams. This corresponds to responding to a challenging financial outlook and local authorities working together to reduce costs.

What we see today is an organisation with a greater focus on the delivery of children's services, rather than competing with the multitude of interests and duties of two large public bodies. This has resulted in improvements in the quality of services across both local authorities, although this has been most dramatic in Kingston, which became one of the first local authorities in the country to jump two grades in one Ofsted inspection. The holistic approach to children's services has led to successes in service delivery across providers.

Across the main service areas of Early Help, Social Care, Education, and Special Educational Needs and Disabilities, improvements have been seen across a number of KPIs.

AfC has established an organisation of people who are passionate about ensuring the best possible outcomes for children and their families. Staff now have a genuine involvement in the governance, strategic direction and day to day operational management in ways that were simply not possible in a much larger local authority organisation. The change in the internal environment can also be seen across KPIs on engagement, retention and absenteeism, as well as by more intangible changes in the culture of the organisation.

AfC has been able to realise significant savings resulting from the provision of joint services. Analysis of the incremental savings for the first two years of operation and the projected savings for the following three years indicates that AfC is meeting its original benefits expectations of £2m-£3m for the first two years.

Looking ahead, AfC has developed detailed plans to achieve further savings. Interviews

¹ Although direct causality has not been proven and was out of scope of this report.

suggest that AfC is expecting future savings to be attributed to AfC's delivery model (most synergies from integrating the organisations have already been achieved). There are a variety of in-flight initiatives designed to deliver future savings including merging all teams and having in-house, in-borough provision of programmes.

AfC will also continue to explore alternative revenue streams to improve its financial sustainability – something that would not have been easily possible in the previous model.

Ongoing challenges

While significant improvements have been achieved, AfC faces a number of ongoing challenges that will make it harder for it to realise its full potential. These include:

- Having a lengthy decision making process, and a limited authority for capital/budget expenditure;
- Limitations around the Teckal exemption which restrict what AfC can do around scope of services, governance and income generation;
- Integration of functions remains slow;
- Greater value for money could be achieved on procured services outside of current providers; and
- Having the roles of CEO and DCS held by one person could be perceived as a conflict of interest and do not necessarily require the same skills set in the long-term.

A number of these challenges may be resolved over time as AfC further establishes its credibility and track record.

Conclusions

The need to make expenditure reductions while maintaining, or even growing, service delivery has placed unprecedented demands on local authorities and their leadership. Kingston and Richmond have completed the first stage in the evolution of a new delivery model to deliver children's services through a jointly owned company. We now see alternative delivery models being considered or developed in other local authorities such as Slough, Doncaster, Sunderland and Birmingham, and voluntarily in areas such as Lincolnshire. This trend is likely to continue across the country – not least because this type of transformation has demonstrated positive results in terms of service quality as well as financial returns.

The journey that AfC has been on has required a clear vision and set of values, strong leadership and political will, the appetite to share control and risk with other organisations and between local authorities, a tremendous amount of careful planning, and specialist advice to navigate the design and implementation. It has, however, not all gone to plan.

For example, there continues to be integration challenges with IT, it can be difficult to balance the political priorities across two local authorities, the top level governance structures provided little change to the previous restrictions that faced both organisations and it has been slower to integrate services than was originally planned.

The circumstances under which AfC was established may be unique and the delivery model may not be the appropriate model for other local authorities; nonetheless, it does support the government's drive for a more diverse range of children's social care organisations and provides evidence that new models can:

- Refresh leadership and attract strong and ambitious people to organisations where new ways of doing things are needed
- Attract strong people more generally – including to areas where previous organisations have had reputational and recruitment problems
- Provide a sharper focus on children's social care as a whole or on aspects of the system
- Enable existing strong organisations to innovate more easily and to create a distinctive culture of excellence
- Bring together different areas and organisations in robust structures which go beyond collaboration and into integration

AfC will continue to evolve, particularly as it moves into a period of diversification and growth, but the lessons learned from its journey and the successes it has achieved should act as catalyst for other children's social care organisations as they consider new and innovative delivery models.

Chapter 2: Context and background

Background to the project

The government has high ambitions for the future of children’s social care services across England, aiming for a system that delivers consistently excellent practice and generates the best outcomes for children, young people and their families.

To achieve this ambition, the government, through the DfE, has embarked on a wide reaching reform agenda and part of this is an ambition that by 2020 over a third of all current local authorities will either be delivering their children’s services through a new delivery model, or actively be working towards a different model.² This takes place against a wider backdrop of change in local government with many local authorities coming together to deliver services across a larger geographic area, such as the Greater Manchester Combined Authority and West Midlands Combined Authority – alternative delivery models are, in some cases, a direct response to greater devolution of powers.

There is no single alternative delivery model for children’s services that has been used to date, and those that have been implemented have differed across a number of key dimensions, as well as the range of services they deliver. The precise choice of delivery model has, to date, been influenced by a number of factors, including the local context.

One way of delivering children’s services differently has been to merge delivery across wider geographical areas: across two (or more) local authorities. Another dimension of difference has been on changing the corporate structure of the organisation, taking the delivery of children’s services outside of existing local authority structures into a separate legal entity.

Closely linked to this have been changes to ownership and delivery methods, sometimes with new organisations taking both full control and ownership of children’s services albeit with the role of the Director of Children’s Services (DCS) remaining with the local authority. It is anticipated that more children’s services will be delivered by not-for-profit organisations, either in a single authority or across a combined authority area and discussions across government are ongoing considering how barriers to this innovation can be unlocked.³

This short report focuses on a Community Interest Company known as Achieving for Children (AfC) which is jointly owned by the Royal Borough of Kingston upon Thames (hereafter known as Kingston) and the London Borough of Richmond upon Thames (hereafter known as Richmond). The two local authorities came together with aspirations to transform their children’s services against a challenging financial outlook through an organisation that focused on high quality outcomes underpinned by transparency, democratic accountability and the ability to innovate and drive through improvements and savings. AfC is regarded as one of the first examples of establishing alternative delivery models for children’s services and has recently become a DfE Partner in Practice.⁴

This report explores the circumstances around the company’s creation, and the rationale for

² Department for Education (2016). Putting children first: Delivering our vision for excellent children’s social care, p.45, [online] retrieved from: <https://www.gov.uk/government/publications/putting-children-first-our-vision-for-childrens-social-care>

³ Spring Consortium, based on experience across public sector organisations

⁴ DfE is working with some of the country’s best local authorities as “Partners in Practice” to provide a “blueprint for excellence that the whole system will be able to learn from.” Source: Department for Education (2016). Delivering a revolution in children’s social care, [online] retrieved from: <https://www.gov.uk/government/speeches/nicky-morgan-delivering-a-revolution-in-childrens-social-care>

this particular alternative delivery model. The report then considers what benefits have been achieved subsequently, considering practice outcomes for children, cultural changes, governance and value for money.

Objectives of this report

This report has been commissioned by the DfE as part of the Innovation Programme to review the establishment of AfC and its impact on children's services. The DfE aspires for all children's services to be of high quality and aims to ensure that all local authorities can learn from best practices. In light of this, this report seeks to:

1. Explore what led to the creation of AfC (the case for change), its choice of model and understand the development journey it has been on since its establishment;
2. Assess the benefits that have been realised to date and identify the key drivers of these benefits (service quality, internal environment and financial);
3. Inform other local authorities on transferrable lessons (service quality, leadership, culture, etc.) and the replicability of the delivery model elsewhere.

While the DfE recognises there is no one-size-fits-all model for alternative delivery models in children's services, this report will form an important component of an emerging evidence base that can inform future transformations.

The approach taken

Throughout this exercise the Spring Consortium has gathered evidence to assess the costs and benefits of the establishment of the company in terms of quality of services, finances, and governance, to inform the replicability of the model elsewhere and to provide information to other local authorities considering this approach. This has included a high level assessment of the establishment of AfC and the benefits that have been realised to date, and those that could be realised if certain challenges were overcome.

This report, which was produced over three weeks in June and July 2016, has taken a top-down approach, relying on in-depth discussions with AfC management, who played a significant role in the establishment of the company, for their observations and insights. These discussions have been supplemented and, to the extent possible, validated through discussions with other individuals involved in the set-up and a review of publicly available information (e.g. through Richmond or Kingston Cabinet reports and DfE data) and non-publicly available information directly provided by AfC.

This report has considered the motivations for the model chosen for AfC, i.e. setting out the strategic case for change, the benefits for children's services that the proposed change was expected to enable, the choice of options and which represented the closest fit with stated ambitions, the financial costs of transition, and governance/management arrangements. Integration efforts have been assessed using the prism of a current operating model (enterprise model design), which looks at different layers of activities that make up how an organisation's components are configured (e.g. customers, services, channels, governance, organisation, people, facilities, technology, information/data and processes). Some financial and operational details were excluded from this report due to confidentiality.

Limitations of report

Given the short duration of this project, there are some important limitations to note:

- This report should not be considered a forensic review of the establishment of AfC – rather it should be treated as an extended case study identifying wider relevance and lessons learned;
- Quantitative data provided has not been validated beyond basic consistency checks;
- No financial analysis has been undertaken to apportion costs and savings;
- The customers (children, young people and their families) of AfC's services have not been consulted, nor have the professional staff involved in delivery; and
- The observations and conclusions made are specific to AfC and are based on the particular circumstances of the establishment of AfC and its operating environment.

AfC support

The Spring Consortium would like to extend its thanks to the staff at AfC for making time available for interviews and providing information to support the report in a timely manner.

Chapter 3: The journey to becoming AfC

Introduction

This chapter considers the steps taken to establish AfC. It does not focus or comment on whether the particular alternative delivery model chosen was the correct one or not, but rather the processes followed and the information considered.

This chapter explores the original motivations for creating AfC. It uses a structure analogous to an M&A strategy, and sign-posts key steps in the journey and decision-making process. These are:

- The **strategic case for change**: setting out the reasons why the status quo was no longer tenable (or at least required improvement), exploring the drivers behind the change, and the benefits to local children and families that the local authorities wanted to achieve;
- The **choice of model**: considering the different options that were available to the two local authorities in addressing the case for change and their relative pros and cons, including what the preferred option meant in terms of procurement, tax treatment, etc. This also explores the costs of transformation, including both those budgeted for explicitly and hidden costs incurred by other parties; and
- The **transition case**: exploring what the selected option meant in terms of governance and implementation of the new organisation.

It should be stressed that the actual decision-making process may not have followed these precise stages sequentially – however, for review purposes and for wider lessons for future transitions, this staging has been used for analytical convenience. Each stage is considered in more detail below.

Strategic case for change

In 2010-11, Children's services in both Richmond and Kingston had strong reputations and consistently high Ofsted ratings.^{5,6} The two local authorities were existing partners across a range of services and shared similar aims and ambitions. Even at this stage, local leaders in Richmond had ambitions to improve practice outcomes in children's services even further through transforming existing delivery models.

With the ongoing consequences of the financial crash and subsequent squeeze on public expenditure, both local authorities faced pressure to improve their financial sustainability. Estimates suggested that each local authority was facing savings targets of £20m-£30m in the four years beyond 2014/15.⁷ Together, Richmond and Kingston identified that a new independent enterprise, operationally separate to the local authority, could lead to a range of

⁵ Ofsted (2011). Local area children's services performance profile: summary profile, Richmond upon Thames, Quarter 10, 03, [online] retrieved from:

http://reports.ofsted.gov.uk/sites/default/files/documents/local_authority_reports/csa_pp2011/pp11/Richmond%20upon%20Thames%20-%20PP2011.pdf

⁶ Ofsted (2011). Annual assessment of children's services, Kingston upon Thames [online] retrieved from:

http://reports.ofsted.gov.uk/sites/default/files/documents/local_authority_reports/csa_pp2011/csa11/Kingston%20upon%20Thames%20-%20CSA2011.pdf

⁷ AfC (2014). Enc 3 - Achieving for Children Benefits Realisation, p.11, [online] retrieved from:

<http://cabnet.richmond.gov.uk/ieListDocuments.aspx?CId=163&MId=3257&Ver=4>

benefits that would meet a number of ambitions including:⁸

- **Improving service quality:** delivering services through an organisation solely focused on children's services would provide unprecedented autonomy to improve outcomes. It would give the delivery team the freedom to innovate, to do things differently and try new ways of working led by the needs of children and their families;
- **Engaging and empowering staff:** a social enterprise-type model could provide opportunities for staff to be genuinely involved in the governance, strategic direction and operational management of the service, and create a more positive work environment and culture centred around quality and innovation, as well as the ability to pursue alternative revenue streams to build financial sustainability; and
- **Leading to an efficient service integration:** a separate organisation could reduce divisions within (and between) local authorities leveraging economies of scale and enable genuine collaboration and efficiency savings.

Richmond went into talks with Kingston about establishing a joint endeavour. However, progress was slow and was complicated by bringing the two Directors of Children's Services (DCS) together to try to lead the change process across both local authorities. This led to some difficult conversations and a lack of direction that a single leadership might have brought. These delays led Richmond to consider taking the project forward alone.⁹

Following the Ofsted inspection of Kingston in mid-2012, which found 'safeguarding and looked after children services' to be inadequate,¹⁰ the impetus for urgent action grew.

Kingston decided to take positive and decisive action and took the forward-looking approach to accelerate the discussions and join with Richmond and transform their services together. The two local authorities established a shared Children's Services Team under the leadership of a Joint Director of Children's Services, Nick Whitfield, who was tasked with improving service quality in Kingston urgently whilst maintaining standards in Richmond. In early 2013, the two authorities made the decision to take the integrated children's service forward as a new, independent organisation - *Achieving for Children*.

Richmond and Kingston decided early on that AfC would take on all aspects of children's services, including social care, school improvement and youth services. The rationale for this was that it would be easier to provide a holistic service which integrated all aspects of the practice. This would further enable a more efficient service that could focus on quality improvement for children and their families and allow AfC to build strong partnerships with health, police and schools. This would, in turn, improve services, especially for those with special educational needs or disabilities who might require co-ordinated help from multiple organisations.¹¹ The Councils and management of AfC believe that the strength of these partnerships with all those serving children is an integral part of their model for sustainable improvement.

The benefits and ambitions of the new organisation, as listed in the original business case,

⁸ AfC (2014). Enc 3 - Achieving for Children Benefits Realisation, p5

⁹ AfC Management interviews with Spring Consortium, July 2016.

¹⁰ Ofsted (2012). Inspection of safeguarding and looked after children services Royal Borough of Kingston upon Thames, 21 May – 1 June 2012, Chris Sands HMI, published 10 July 2012, [online] retrieved from: http://reports.ofsted.gov.uk/sites/default/files/documents/local_authority_reports/kingston_upon_thames/051_Safeguarding%20and%20looked%20after%20children%20inspection%20as%20pdf.pdf

¹¹ AfC (2014). Enc 3 - Achieving for Children Benefits Realisation, p.3-4

were as follows:¹²

1. Greater focus on the delivery of core services
2. Improved staff engagement, commitment, productivity and recruitment power
3. Decisions taken closer to the service user
4. Improved sustainability of services
5. Increased innovation
6. Strong accountability through contractual arrangements
7. A strong legal and statutory framework that enhances focus
8. Financial sustainability through alternative revenue streams
9. An exemplar for Local Government
10. Annual revenue savings of between £2m-£3m in 2014/15, rising in later years



INSIGHTS FOR OTHERS

The experience in Richmond and Kingston highlights the specific circumstances in which it was decided to explore an alternative delivery model. In this case, the conditions leading to the change included:

- Strength of political will to pioneer new practice
- A clear case for change to both enable positive improvement and address a real 'burning platform' in the case of Kingston

The case for change was further supported by the fact that the services looking to merge were similar in size, scope of services and demography and had a track record of already working closely together. However, the experience of bringing together two DCSs to lead the process was (in this instance) difficult and was not considered successful.

In developing a case for change, Richmond and Kingston quickly identified the key benefits that an alternative delivery of children's services aimed to achieve. These were improved quality, staff engagement, innovation and increased efficiency. These enabled them to clearly articulate what success would look like. Other authorities may differ in their ambitions, perhaps with a specific focus on different performance metrics for children's social care or wider ambitions for improvement across a wider set of services, but they will nonetheless need to have a strong case for change and a vision for what the new model should deliver.

The choice of model

The strategic case established a rationale for Richmond and Kingston to seek a new approach to delivering children's services that could take advantage of new opportunities to innovate, improve sustainability and generate better outcomes for children. In early 2013 they began the process of selecting the model through which to deliver children's services. The two local authorities had aspirations for the new organisation to have a public sector ethos, but also the ability to generate and sustain private sector efficiencies, all the while being grounded in democratic accountability. It was also very important for the organisation to be seen by both local authority officials and service users as a type of social enterprise which worked for public benefit first and foremost. As set out in the introduction, across public services in England and the United Kingdom there is a growing diversity of delivery models that are different from the traditional model of full provision and ownership by the public sector. These models differ by:¹³

¹² AfC (2014). Enc 3 - Achieving for Children Benefits Realisation, p.5

¹³ Spring Consortium, based on experience across public sector organisations.

- **Geographic coverage:** Some models cover services from one local authority area while others integrate services across geographies;
- **Delivery model:** Services can be delivered in-house or can be outsourced to another entity in an alternative delivery model. The scope of services may vary from part of one service (e.g. social care or education), to multiple services (e.g. children's services and health);
- **Ownership:** The new entity may be wholly local authority owned, an employee owned mutual, public or private, or a joint venture between multiple entities; and
- **Corporate structure/legal form:** This will affect the regulations the company must comply with and may determine governance structures. Some options include limited companies, mutuals, Community Interest Companies and charitable trusts.

The spectrum of these options is shown in the box overleaf.¹⁴ These can be combined in various ways into different delivery models which are explored in more detail in Appendix A. In the case of AfC, given time pressures, the two local authorities very quickly came to a view on the model they should pursue, reflecting their starting position and ambitions.

¹⁴ Spring Consortium, based on experience across public sector organisations.

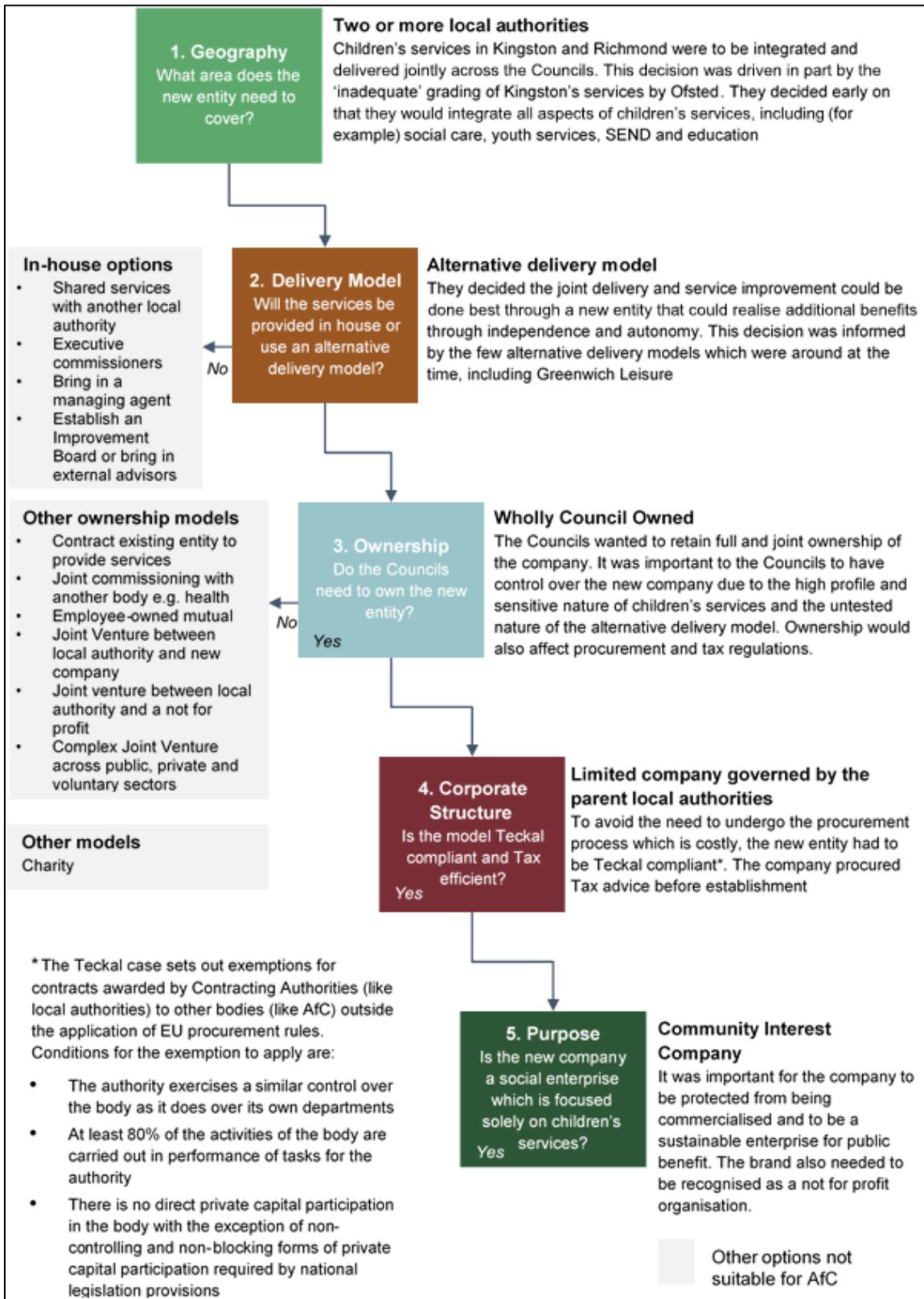


Figure 2: Decision process AfC used to choose alternative delivery model

As Figure 2 illustrates, the choice of corporate structure and legal form was based on pre-specified requirements to create a new entity that could operate effectively across multiple geographies that would be independently run but be owned by the local authorities, be Teckal

compliant, and be clearly recognised as not for profit, as well as minimising tax liabilities.¹⁶ At the time of its establishment, AfC had little choice other than to comply with Teckal if it was to avoid public sector procurement rules.¹⁷ There was also the consideration of statutory duties, and what the new organisation could and could not do.

The choice of structure and model was supported by expert legal advice procured by AfC Management. This advice was regarded as being essential in ensuring that the new model achieved the necessary operating freedoms that would enable it to meet its aims, whilst still providing the necessary levels of control and oversight.

In summary, AfC was established as a Community Interest Company (CIC) limited by guarantee. CICs were introduced by the Companies Act 2014 and the structure has been widely adopted by health provider entities that have been externalised as social enterprises.¹⁸ The key implications of the CIC model for AfC are¹⁹:

- As a CIC, it has the specific objective of providing a benefit to the community and must use its income, assets and profits for the good of the community it is formed to serve. The primary purpose of a CIC is to benefit the community and not its shareholders/members, directors or employees;
- It can reassure stakeholders as the assets and community purpose are regulated. This provides a clear public statement that it is not for profit;
- Profits made cannot be distributed to the local authorities (e.g. as a dividend) and must be reinvested into the company;
- Any assets owned by the CIC can only be disposed of at market value and the value retained within the company; and
- Relatively simple to set-up and less expensive than other options, as it is specifically designed for social enterprises.

The decision to be a CIC equally and jointly owned by the local authorities brought with it the following pros and cons:

Pros:

- Local authority retains ownership and control, which gives them reassurance as to the direction of the new company and a high degree of oversight, which was important to them when implementing a largely untested model for delivering children's services;
- The Teckal exemption means that costly procurement processes are not required. It has been stated by AfC Management that the choice of a CIC has saved money through avoiding the need to take forward an EU-compliant procurement;²⁰
- CIC acts as a social enterprise and supports the AfC brand by providing a clear public

¹⁶ Transitioning statutory social care services out of local authority ownership brings substantial VAT liability and this was a significant determinant for the local authorities in deciding on the ownership model for AfC.

¹⁷ Since AfC was formed, EU procurement rules have changed. A newly formed public service mutual (as defined by Cabinet Office) can be awarded an initial contract for a period of 3 years without open competition. Had this option been available to Kingston and Richmond it may be that they would have chosen differently. In light of the results of the UK EU membership referendum earlier this year, regulations may change again in the next few years.

¹⁸ Spring Consortium, based on experience across public sector organisations.

¹⁹ Spring Consortium, based on experience across public sector organisations.

²⁰ AfC Management interviews with Spring Consortium, July 2016

statement that it is not for profit. It is the closest the company could be to a charity while avoiding burdensome regulatory requirements;

- Provides transparency and accountability of operation, supported by a clear governance framework, delegation of authority and explicit member role;
- The company format can be tailored to a specific organisation structure, governance or membership; and
- The ownership by the two local authorities has meant the organisation is not liable for corporation tax (although AfC may be liable for corporate tax on any surpluses generated through 'sales') and additional VAT liabilities (estimated to be in the order of £1.5m-£2m for services in scope for AfC) are not applicable.

Cons:

- More complex governance and additional layers of bureaucracy between management teams and local authority leadership. As a company owned by two local authorities, the governance structure requires that important decisions are made by the local authorities, either jointly or individually. This means the speed of decision-making is likely to be slower than it would have been the case if there were a single leadership layer;
- The Teckal exemption restricts commercial activity. A maximum of 20% of revenue can come from revenue sources outside the local authorities;
- Although CICs can own assets, they are subject to an asset lock which preserves their use for the social objects stated in the articles of association of the CIC. All CICs are required to nominate an alternative social enterprise or charity to whom assets will be transferred in the event of the CIC being wound up. This is a key feature of the CIC model and is regarded as a safeguard against individuals gaining from the disposal of assets of a social enterprise. However, in the case of AfC it is a potential impediment to the company's development as the asset lock also applies to any assets the owning local authorities may consider transferring into AfC – accordingly the local authorities have been reluctant to allow AfC to hold assets.



INSIGHTS FOR OTHERS

AfC has contributed to the sector's understanding of alternative delivery models, relative pros and cons of its selected legal form, a CIC and demonstrated what is possible.

Other local authorities' choice of delivery model and legal form will differ depending on local factors. In the case of AfC, the main factor identified in this engagement which influenced the choice of delivery model was that the parent local authorities wanted to retain full ownership. Other key factors included:

- The appetite to openly procure was low therefore compliance with the Teckal exemption provided a work around;
- Potential VAT liability was significant. This liability restricted the range of financially viable alternatives. This is depending on extent of use of external supply and size of service but can be large;
- The need to be recognised as a social enterprise, keeping profits for the benefit of the community;
- Limitations on the ability to delegate statutory roles meant that initially the local authorities had to second roles into the company from the local authorities;
- Trend of local authorities externalising services and gaining experience in alternative models meant that local authority leaders were open to the idea of transferring children's services to such entities.

Since AfC was set up in 2014, changes in legislation have enabled more freedom of choice. EU procurement rules have changed. Under certain conditions, a newly formed public service mutual (as defined by Cabinet Office) can be awarded an initial contract for a period of 3 years without open competition. This means that compliance with the Teckal exemption is not initially required. In addition, amendments to the Children and Young Person's Act mean that a greater range of statutory duties in children's services can now be delegated.

In future there may be further regulatory changes. In light of the results of the UK EU membership referendum earlier this year, regulations may change again in the next few years. AfC also highlights that the government may need to address the 'VAT trap' so that the choice of financially viable models available to local authorities is expanded.

Financial costs and benefits

Financial Costs

The AfC Management team has identified the key cost drivers in setting up the new organisation as the following:

- Programme management: Central programme leadership, co-ordination between the work streams, and the reporting of progress and issues to key stakeholders;
- Legal: Advice on drawing up all the necessary legal documentation;
- Organisation design and operating model development;
- Payroll: direct costs of setting up a separate payroll facility and the costs associated with the additional HR support required in transferring a large group of staff to a new organisation;
- Finance advice: VAT, corporate tax, pensions and other specialised finance advice;
- Finance systems development (ledger, cash, payments); and
- Technology: Staff time and initial set-up costs (consultancy, user training, service desk, desktop support, office & email migration, business analyst and desktop support).

In addition to the one-off set-up costs, there were likely to be incremental operating costs (that a local authority may not otherwise have to incur) that were incurred simply by establishing a new company including (not an exhaustive list): external audit fees, insurance, banking accounts, additional finance processes (filing statutory accounts, treasury process, tax, treasury, etc.), Board of Directors, and legal.

The planned costs of setting up AfC were originally estimated to be around £1.2m as set out in the original business case.²¹ This included programme management, legal services, organisation design and operating model development, direct costs of setting up a separate payroll facility, finance advisory (VAT, corporate tax, pensions and other specialised finance advice), finance systems development (ledger, cash, payments), and ICT initial set-up costs.²² In context of the size of the combined organisation, the budgeted set-up costs represented less than 1% of AfC's total annual turnover and it was expected the payback period was less than one year.²³

Budgeted set-up costs²⁴	Costs (£)
Overall programme (programme management and legal fees)	375,000
AfC Work stream (additional support and payroll system)	327,300
Finance Work stream	225,000
Commissioning Work stream	20,000
Council Impact Work stream	20,000
ICT Work stream	270,000
Total	1,237,300

Later chapters compare the actual cost to the planned cost based on the available data.

²¹ AfC (2014). Enc 3 - Achieving for Children Benefits Realisation, p.13

²² AfC Set-up Costs, provided by AfC Management July 2016. Original document: *AfC Set Up Costs Charge Audit Return.xlsx*

²³ AfC (2014). Enc 3 - Achieving for Children Benefits Realisation, p.6

²⁴ AfC (2014). Enc 3 - Achieving for Children Benefits Realisation, p.13



INSIGHTS FOR OTHERS

When developing the cost estimate of a new delivery model it is imperative from the beginning to understand the technical detail and identify what will be implicated by the transformation. Areas such as accounting systems, tax treatment, technology requirements, contingency planning, redundancy pay and the actual scope of services being delivered in the new model can have a massive impact on the set-up costs. These are often underestimated by policy makers as ‘the plumbing’ and perceived as marginal, but in practice they can often make or break the business case. Public bodies often require extensive professional advice to stand up a new organisation and this needs to be managed carefully. For children’s services, credibility is vital and much of it flows from the soundness of the technical understanding.

Further, the actual spend should be tracked and measured against plan, with processes in place to understand/sanction over-spends.

Financial Benefits and Savings

AfC sought a new delivery model to improve service delivery and to meet challenging financial pressures. This transformation was expected to help the sustainability of the efficiency targets. The original, expected sources of cost savings can be summarised as follows:

- Operating governance: transitioning to a more efficient governance model that aligns with the business model and achieves better cost efficiency. By combining management layers across the organisation the model would significantly reduce its headcount;
- Service delivery model: clearly defining and optimising what work is performed, where, with how many resources, and at what cost AfC could streamline operations;
- Economies of scale: by joining forces, AfC looked to achieve a proportionate saving in costs gained by an increased service delivery across the two organisations;
- Doing things differently: simplifying, standardising and automating processes as well as incorporating best practice across the two organisations;
- Organisation design: aligning the organisation structure to the overall delivery of children’s services to achieve better outcomes for children and their families;
- External spend management: more rigor into sourcing and managing spend specifically as it relates to the provision of support services.

The expected savings were a combination of integrating two organisations and sustainable structural changes to the delivery model, although without detailed financial analysis it is not possible to estimate or indicate what proportion is attributable to which. The scale of savings possible elsewhere would depend on the delivery model chosen and the ability to implement structural, sustainable changes.

It was anticipated that the annual savings through provision of joint services would rise to £2m-£3m in total across both local authorities.²⁵ The majority of these savings would come from a reduction in management at all levels of the joint service with the emphasis on protecting front line services. Overall staff numbers for the combined organisation were anticipated to be lower than the legacy organisations as well. In later years it was expected

²⁵ AfC (2014). Enc 3 - Achieving for Children Benefits Realisation, p.6

that the ability to deliver efficiency savings would come from other factors, such as cultural changes, innovation and entrepreneurship.

It was also suggested that by becoming a larger, more stable organisation AfC would be able to attract and retain the best staff and provide responsiveness and flexible services to local authorities, therefore providing a better structure to meet the financial challenges faced by all public services and allowing it the opportunity to develop innovative services and explore the opportunities for trading to the benefit of both founding local authorities.²⁶



INSIGHTS FOR OTHERS

The financial benefits case has to be thorough, with supporting review cycles across all parties to make sure the financial objectives are clear and traceable from the beginning. It is crucial to establish a cost and organisational baseline to allow for future comparisons. A case for organisational change must also examine structures and finances and ask tough questions around fundamental capability, skills, and whether regulatory restrictions and conventions, such as pay inflexibility, undermine the case for change.

The financial benefits case should clearly articulate:

- Financial returns of opportunity or recommendation (NPV, IRR, Payback Period)
- Impact on financial statements and metrics
- Description and quantification of recommendation benefits, costs, and investment required
- Benefit, cost and analysis assumptions
- Recommended benefits tracking and management approach

Further, these benefits should be tracked.

The transition case²⁷

The local authorities and the incoming AfC Management undertook extensive planning before employing a 'big bang' approach, meaning all elements of the organisation went live on the same date. Throughout 2013 and early 2014, a strategic planning effort that aimed to ensure that the establishment of the organisation was successful was put into place. This meant an extended design period which included consultation and engagement of stakeholders from partners to staff to service users. This was key to creating a company that was designed to improve services for children and their families.

A programme team was set-up with a variety of work streams to lead the implementation of various components including: programme management, finance, Payroll & HR, organisation design and operating model and ICT. As part of the original business case a detailed implementation plan was developed to demonstrate how AfC would transition into a new organisation and was signed off by both local authorities.

Prior to the establishment of AfC, an approach for managing the staff changes necessary to support integration of the services across both organisations was required. As a new organisation was to be set-up, a separate set of terms and conditions of employment were needed. A work stream was set up to review the options of future terms and conditions to support AfC objectives of recruiting and retaining the best staff. Where TUPE applied, staff

²⁶ AfC (2014). Enc 3 - Achieving for Children Benefits Realisation, p.13

²⁷ The entire 'Transition Case' section was derived from: AfC (2014). Enc 3 - Achieving for Children Benefits Realisation, and was supplemented with management interviews

transferred their existing terms and conditions over, whereas new staff were recruited on new terms and conditions.²⁸ Initially a small number of staff had to be seconded because they performed statutory roles and needed to be employed by the local authorities.²⁹ The implementation plan included a formal consultation and job matching process to consider voluntary and non-voluntary redundancies.

AfC is classed as a designated body of the Local Government Pension Scheme (LGPS) and take on responsibility for any pension deficit accumulated after inception that relates to their share of the schemes. Staff who transferred in under TUPE remained in the pension scheme of their previous employer (Richmond or Kingston) and new staff are split between the two schemes. The Company has opted to offer membership of the LGPS as it is recognised as a key factor in the recruitment and retention of social care staff. AfC also employs a smaller number of staff who are able to opt in to the NHS and Teachers Pension Schemes.

Extensive consultation and engagement was carried out to ensure that users and both internal and external stakeholders:

- Understood the benefits of creating AfC;
- Were kept informed of how plans to create AfC were progressing; and
- Were involved in the creation of AfC and able to influence its development.

Staff engagement was carried out through surveys, email briefings, intranet updates and face to face briefings. A joint staff reference group was also set-up to improve flow of information between the Joint Management Team and staff. Service users were engaged through updates and presentations at meetings and events as well as a specially commissioned set of six focus groups. The focus groups explored service users' views on the intended benefits of AfC and gave them an opportunity to raise any issues and concerns. Partner organisations were engaged through regular communication, including updates to Head teacher Partnership meetings, voluntary sector network meetings, and other forums such as the Health & Wellbeing Board and Local Safeguarding Children Board.

This stakeholder engagement was important because it was the first time in the UK where children's services were being separated from local authorities and the most important aspect was that this change would not have a negative impact on the delivery of services. The launch of AfC included a formal event for key stakeholders, drop-in style event for staff, engagement event for schools, engagement event for other key partners and an event for young people.

²⁸ TUPE refers to the Transfer of Undertakings (Protection of Employment) Regulations 2006. It is an important part of UK labour law, protecting employees whose business is being transferred to another business

²⁹ The statutory regulations that applied to the small number of employees changed in 2014 when the regulations in the Children and Young Persons Act 2014 were enacted



INSIGHTS FOR OTHERS

The design and implementation of a significant transformation journey is integral to the success of its outcomes. Some key insights from AfC that were identified from the design and implementation period were:

- **Design a robust project management structure:** the complex stakeholder environment across the two local authorities meant that a clear project management framework was necessary to successfully deliver the project. This included clearly defined work packages, appropriate communication across work streams and clear project management structure;
- **Agree clear decision making forums:** the presence of two parent local authorities, both with separate political leadership and priorities, coupled with the sensitive nature of children's services created a challenging environment for decision making during the design and implementation of the new enterprise. The early establishment of a Joint Officer Board and Joint Committee proved useful for both local authorities to debate, discuss and agree to decisions in a timely manner;
- **Develop a clear vision and values:** by developing and articulating a clear set of principles and values for the new organisation at the beginning of the process, it was possible to maintain a common reference point during design and implementation that helped overcome difficult decisions;
- **Prioritise organisation design and development:** For the new model to work it was important to take the time to properly design the structure of the new entity, with suitable roles and responsibilities. It was also important to agree the targeted behaviours, leadership, culture and capabilities to inform the wider organisation design;
- **The appropriate implementation approach:** AfC employed a 'big bang' approach where most elements were moved over to the new organisation immediately. Interviews have highlighted that a phased approach may have been more appropriate – but the decision for a big bang was based on the concern that the political climate might become unfavourable. This would mean that elements were transferred over in different periods (e.g. by function or service). Other organisations could also employ a piloted approach, a shadow period or a blend of all of the approaches. It is essential to choose the method that balances cost, risk, time and quality, which will depend on the specific situation.

Conclusions

The case for change clearly set out the rationale for delivering children's services across Kingston and Richmond through an alternative delivery model. The main benefit was to be improvement to services, as well as increased staff engagement and efficiency savings.

Although there are many models to choose from, requirements to create a new entity that would be independently run but owned by the local authority, limited the VAT liability, was Teckal compliant and was clearly recognised as not for profit meant that AfC was set-up as a Community Interest Company (CIC) limited by guarantee, jointly owned by Richmond and Kingston. It was anticipated that the set-up costs of the company would be £1.2m and annual savings, through provision of joint services, would rise to £2m-£3m in total across both local authorities. To ease service transition to the new company, service users and key stakeholders such as staff and partners were engaged throughout the design process. In the next chapter we explore key lessons learned throughout the establishment of AfC.

Chapter 4: Lessons learned from the transition to AfC

It is important to recognise the scale and nature of what has been achieved by Richmond and Kingston. Throughout this exercise a number of key lessons learned were captured and could be relevant for other local authorities who might be considering a similar delivery model.

Governance and building trust

Embarking on the transformation to form AfC required a leap of faith from the local authorities. There are always going to be differences between organisations involved in the externalisation of children's services. It is inherently more risky for local authorities to allow an independent organisation to deliver its children's services, so governance is likely to be sensitive.

Our engagement has highlighted that, at times, the governance between the local authorities and AfC was, and continues to be, arduous and a lot of duplication still exists (e.g. management reports to separate local authorities). As AfC has evolved, this has improved and the governance has become more streamlined, however, there is still room for improvement. AfC Management have highlighted that a greater degree of delegation of authority could be granted to the Board of Directors and AfC Management, intervening only in exceptional circumstances. It is acknowledged that it may take time to build complete trust.

Political will and executive vision

At the beginning of the AfC journey there was political will from senior councillors including Lord True (councillor in Richmond) to advance the issue of an alternative delivery model. This political will was key in securing buy-in across the local authorities. Richmond and Kingston had the vision and belief that they would benefit from using an alternative delivery model, to give them the freedom and space to try innovative new techniques, to improve the quality of services for children and families in their local areas. This bold new thinking was critical in driving the venture forwards.

Many of those we spoke with also highlighted that the AfC Management Team provided strong leadership and ambition to move the project along, despite many challenges along the way. Nick Whitfield's vision and ability to navigate a complex stakeholder environment proved to be a very important asset to the success of AfC.

Scope of children's services

It has proved beneficial to agree that AfC be responsible for delivering all aspects of children's services for the local authorities. The company has been able to foster close partnerships across police, health services and schools based on the fact it covers a range of children's services, not just one element. This is especially pertinent in an area where there is a relative high proportion of academies across the two local authorities, which is likely to grow - 34% of schools in Kingston and 18% in Richmond are free schools or academies.³⁰ Having the full range of children's services gave AfC the permission to continue to be engaged with local schools, even where the local authorities had reduced oversight/engagement. This has allowed consistent delivery of services and improvement of quality so that children and their families achieve better outcomes for a full range of services and therefore no services suffer or get left behind (see subsequent chapters). This

³⁰ Edubase, the Department for Education's register of schools, July 2016. Figures shown are free schools and academies as a proportion of all free schools, academies, LA maintained schools, special schools and other

was a key principle that AfC Management has mentioned during the engagement, and is likely to be relevant in other geographies with high numbers of academies and free schools.

Establishment of a new organisation, not a takeover

The creation of AfC was a joint effort by both local authorities to establish a completely new entity. It was not a takeover of children's services from one local authority to another. This approach made it easier to engage staff from all areas of the business from both local authorities. It was important that one local authority was not seen as more dominant than the other. The new start also makes it easier to gain buy in from partners outside the organisation, such as police and health, as well as internal staff and council members.

Core business systems

The integration of the core systems have proved very complex and time consuming as well as having financial costs. Although careful planning was at the heart of the implementation, interviews have indicated that the complexity was underestimated. This created delays in integration efforts and impacted the day to day running of the company. Clarity about scope, skills required and governance of major systems work is key to the success of systems integration. It was important for AfC that it set-out plans in its medium-term plan to transform its technology.

Shadow period

AfC was established with a 'big bang' approach where all elements including the statutory accounts went live on the first day. Interviews indicate that there was a strong preference from the local authorities to follow this approach. An alternative approach could have been to allow for a 'shadow' period where components of AfC remained in the parent local authorities (e.g. finance ledgers) to allow for more time to integrate the two organisations.

Cost of establishment

These are discussed in the benefits chapter.

Conclusions

The transformation that Richmond and Kingston have been on to establish a new organisation in such a short space of time is indeed an accomplishment to be proud of. There were some lessons learned along the way that other local authorities can seek to incorporate to their plans to develop alternative delivery models. This above list is only indicative and it is likely that other lessons will be relevant depending on the specific situation. To overcome some of the transformation challenges, the AfC Management team has had to demonstrate a continued passion and enthusiasm for the new delivery model and continually communicate the objectives to key stakeholders. Later in this report, we will consider some of the ongoing challenges that AfC continue to experience.

Chapter 5: AfC today

The organisation today

Two years on since the establishment of AfC, the company is recognised as pioneer with a distinctive delivery model. The key features of the organisation are shown below³¹:



Vision: Passionate about ensuring the best possible outcomes for children and their families and will deliver the services they need to live safe, happy, healthy and successful lives.



Values: Children and young people first; focus on quality and innovation; value diversity and champion inclusion; a listening and learning organisation; and work in partnership to improve services

Services: A full range of children's services in Early Help, Social Care, Education, and Special Educational Needs and Disabilities.



Approach: They have a preventative approach, providing targeted help and support at the earliest stage so that concerns do not escalate to an extent where they require higher-level and more costly specialist support.

Ownership: Kingston and Richmond are the joint and equal owners of AfC, which is a Community Interest Company (CIC) limited by guarantee. They fulfil their ownership through a joint committee.

Governance: Decisions about the services that are commissioned from AfC are delegated to a Children's Commissioning Board and An Operational Commissioning Group is responsible for monitoring how well the Company performs in terms of financial management and the services it provides. The Board of Directors is responsible for overseeing the management of the Company and for providing advice to the Local authority owners on its future direction and strategy.

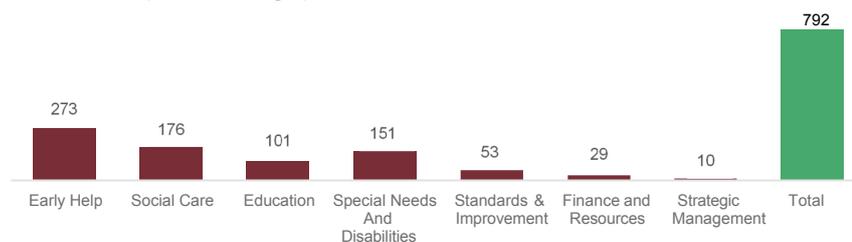
The Structure diagram below illustrates the structure of AfC. The six business units it is organized in to are: Early Help, Social Care, Education, Special Needs and disabilities, Standard and Improvement and Financial and Resources. The Workforce diagram plots workforce FTEs in each business unit. There are 792 in total in the 2015/16 budget. They are ranked most to least in the order mentioned above. Early help is highest with 273. Finance and resources have 29.



Structure: AfC is organised into six business units:



Workforce FTEs (2015/16 budget):



Locations: AfC operates from existing office accommodation in Central Kingston and Twickenham. There is also a wider network of buildings (22) they use to deliver services to children and their families including children's and youth centres.



Support Services: There is a blend of services which have been integrated and retained in AfC and those which are purchased Functions which continue to be purchased include payroll, HR management, legal services, communications, IT services procurement support and health and safety advice, which are purchased from one or both of the founding local authorities.

³¹ Information sourced from: <http://www.achievingforchildren.org.uk/>; AfC. 2015/16 Annual Report: AnnualReport2016.pdf; AfC: Business Plan 2014-17, (<http://www.achievingforchildren.org.uk/Policies-Procedures-Plans>); and 2016/17 Budgeted FTE information provided by AfC Management July 2016

Current and future plans³²

In AfC, Kingston and Richmond local authorities have successfully established a jointly owned organisation to deliver integrated children's services across the two local authorities. AfC continues to seek to improve and transform its operations, continuing the transformation journey begun in 2010. The full transformation is still a work in progress, particularly as AfC shifts its focus from integration to diversification and growth.

As shown below, it is now entering a 'diversification' phase that grows the businesses revenues from a larger number of customers.

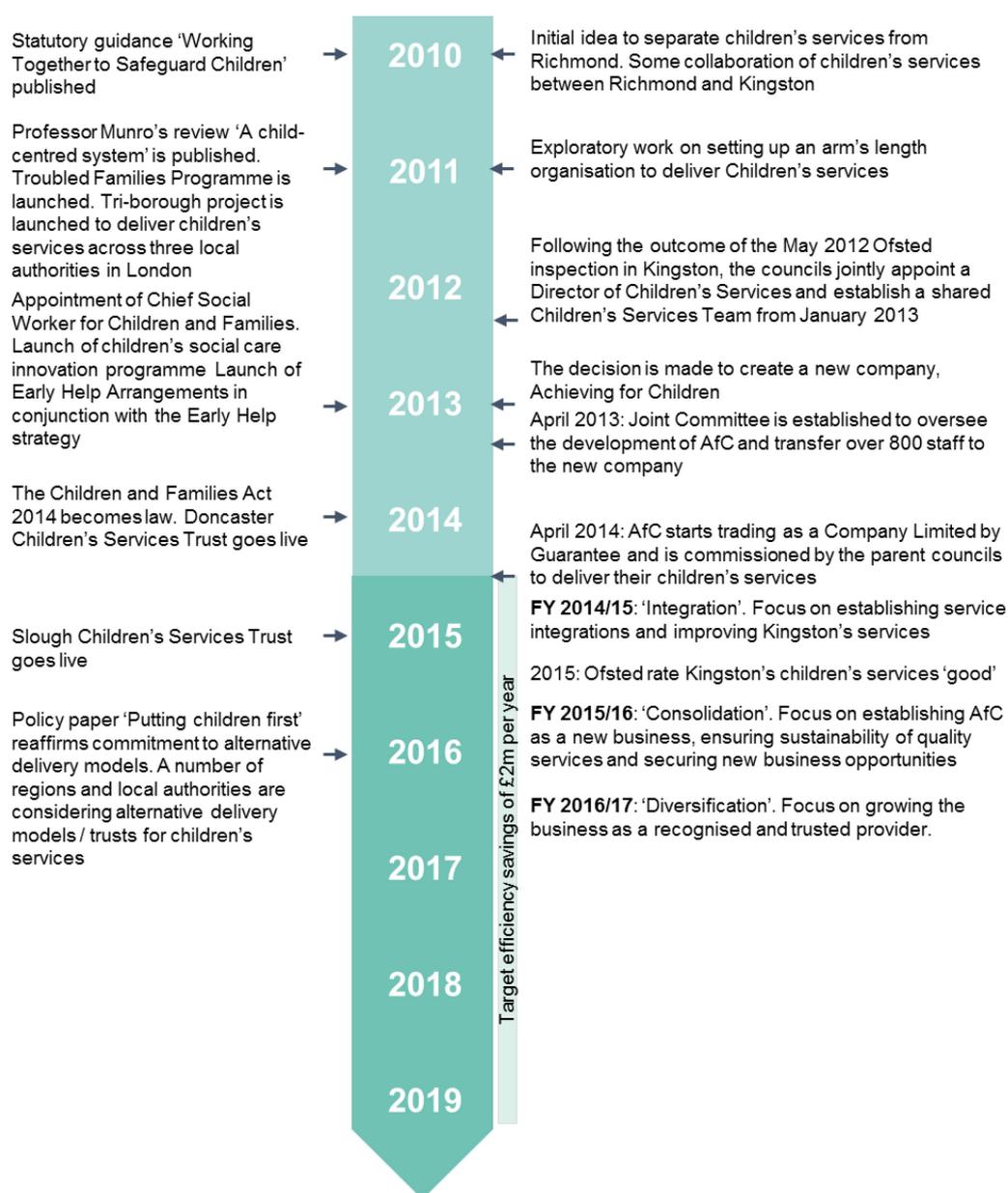


Figure 3: Timeline of events in AfC's transition journey, including changes in national children's services

³² AfC Management interviews with Spring Consortium, July 2016, AfC (2014). Enc 3 - Achieving for Children Benefits Realisation, various pages.

The next focus is on growth and working with other local authorities.

As AfC matures, its management team will continue to ask the following questions in order to sustain the change in light of financial challenges:

1. What is the correlation between headcount and outcomes?
2. How effective is the organisation structure and are there opportunities to take layers out or optimise service delivery?
3. What opportunities exist for improving effectiveness?
4. Are people being deployed in the most effective way?
5. Can new and innovative models of service delivery be incorporated and what would be the impact of digital technologies and flexible workforce models?

These questions will impact the next wave in AfC's transformation journey. In the next chapter we will assess the relative success of AfC's integration against the original objectives.

Chapter 6: Benefits of the model

Introduction

Having described the expected benefits in the objectives section, this chapter explores what AfC has accomplished in its first years of operations.

To recall, the establishment of AfC as a standalone company sought to address several key strategic objectives for children's services across Kingston and Richmond:

- **Improving service quality:** delivering services through an organisation solely focused on children's services would provide unprecedented autonomy to improve outcomes. It would give them the freedom to innovate, to do things differently, and try new ways of working led by the needs of children and their families;
- **Engaging and empowering staff:** a social enterprise-type model could provide opportunities for staff to be genuinely involved in the governance, strategic direction and operational management of the service, and create a more positive work environment and culture centred around quality and innovation, as well as the ability to pursue alternative revenue streams to build financial sustainability; and
- **Leading to an efficient service integration:** a separate organisation would reduce divisions within (and between) local authorities leveraging economies of scale and enable genuine collaboration and efficiency savings.

Throughout this assessment we have identified three main areas of benefits that link to these objectives which have been realised from the establishment of AfC:

- **Service quality:** improvements in the delivery of core services (Early Care, Social Care, Education and Special Educational Needs & Disabilities) using an integrated approach. This includes Kingston being out of intervention and Richmond maintaining its 'good' inspection. This corresponds to the strategic objective of securing quality outcomes for children and their families;
- **Internal operating environment:** increased innovation, improved staff engagement, commitment and its ability to recruit and retain high quality people. This corresponds to the strategic objective of providing greater resiliency as well as securing quality outcomes;
- **Financial:** managing the set-up costs of the new organisation, expenditure savings and the development of alternative revenue streams. This corresponds to responding to a challenging financial outlook and local authorities working together to reduce costs.

Two years on from the creation of AfC, there are some clear and tangible benefits and it is evident that AfC has made progress to meet its core strategic objectives that were set-out at the beginning of the journey. AfC is already becoming an exemplar model for local authorities. An example of this is that in 2015/16 AfC was named one of just eight *Partners in Practice* selected by the Government to drive up standards in children's services across the country.³³ AfC's organisation is still evolving and will continue to change in the short to medium term as the company moves from a focus on improving and integrating services to growing the business further, therefore, it is anticipated that additional benefits will be

³³ AfC (2016). 2015/16 Annual Report and Statement of Accounts, p.5, [online] retrieved from: <http://www.achievingforchildren.org.uk/Reports>

realised as it continues its transition journey.

We begin by examining the drivers behind these benefits ('improvement drivers') and then assess if the specific benefits were achieved.

Improvement drivers

Throughout our conversations with staff and stakeholders, several key themes have emerged as to what the key drivers of success behind the establishment and ongoing operating of AfC are.³⁴ These include:

- Empowerment of leadership around a single focus on children's services;
- A new organisational form, based on a consistent vision principles;
- Greater autonomy of internal decision making; and
- Emphasis on staff engagement.

Firstly, both local authorities provided AfC Management with the freedom to create a fundamentally different organisation. Leaders of the organisation are free to focus their time and expertise in one area, empowering them to make changes in the best interest of children and their families. Equally important, the Management have the ability to stop doing non-core activities or reprioritise according to their own objectives. AfC Management demonstrated the commitment to make bold and innovative decisions throughout the process. They led by example and it had a positive impact on service delivery, staff engagement and financials (see below).

Secondly, AfC provided a new organisation model, based on consistent principles. It was not bound to the behaviours and cultures of the legacy local authority organisations. It largely started with a 'blank sheet of paper' and was able to create an environment where the sole focus is to improve services for children and families. This resulted in an engaged and innovative workforce and a culture that was different to either of the two legacy organisations. AfC's organisational principles were carefully designed before launch. AfC did not choose elements from both Kingston and Richmond, but implemented a third way designed around its core values.³⁵

1. *We will put children and young people first*
2. *We will value and invest in our staff to deliver innovative and quality services*
3. *We will embrace diversity and champion inclusion*
4. *We will be resourceful, adaptable and dependable*
5. *We will nurture strong, responsive and caring relationships*
6. *We will work with our customers to deliver the most effective solutions for them*

Thirdly, AfC provided the organisation with greater autonomy of internal decision making. Within the organisational model for the workforce is the objective to have devolved responsibility, giving front line staff more accountability. This had to be balanced with good management and support frameworks. Staff report that devolving responsibility has led to better decision making and financial control, as well as improved staff engagement. This has led to improved staff job satisfaction, which is recognised to have contributed to the increase

³⁴ AfC Management interviews with Spring Consortium, July 2016.

³⁵ AfC (2016). 2015/16 Annual Report and Statement of Accounts, p.2.

in quality of services.

Lastly, AfC Management put a lot of emphasis on staff engagement, particularly with the front line delivery of services. The engagement and HR statistics described in the benefits section provide quantitative evidence of this, but anecdotal evidence from our conversations indicates that the focus on staff engagement was a key driver of benefits realisation. Without this engagement it would have been more difficult and lengthier to instil the new organisation.

One should bear in mind that the factors driving improvements in children's services were not unintentional and many can be attributed to careful planning from AfC Management before the launch of the company. As can be seen from the Transition Journey, planning for AfC started in earnest after the Ofsted result for Kingston.



INSIGHTS FOR OTHERS

The establishment of AfC is a ground breaking case study for alternative delivery models in children's services. The key drivers of its improvements / success are consistent with the three pillars of children's social care system as described in the July 2016 publication "Putting children first – Delivering our vision for excellent children's social care":

1. **People and leadership:** AfC has been able to bring good people into the organisation and has made improvements in developing the right knowledge and skills. AfC has also made efforts to develop leaders within the organisation;
2. **Practice and systems:** the focus on developing the right environment where new ideas and best practices are rewarded has helped AfC achieve success;
3. **Governance and accountability:** the organisational model based on consistent principles now provides greater autonomy on the frontline, through to the Senior Leadership Team.

Benefits realisation

Below we set out the different benefits realised since the creation of AfC. This should not be taken to be an evaluation of performance or a statistically robust assessment of the contribution of the new model to changed metrics (correlation or causation).

Service quality

At the core of the benefits case for creating AfC was the need to improve the delivery of children's services. What we see today is an organisation with a greater focus on delivery of children's services, rather than an organisation competing with the multitude of interests and duties of two large public bodies. This has resulted in improvements in the quality of services across both local authorities, although this has been most dramatic in Kingston. The holistic approach to children's services has led to successes in service delivery across providers. In the final part of this section, specific improvements in key performance metrics have been divided into the four main service areas in AfC; Early Help, Social Care, Education, and Special Educational Needs and Disabilities.

Ofsted recognised improvement in Kingston's services

The improvement in services is most clearly evidenced in Kingston, which had received an 'inadequate' grading and Notice to Improve by Ofsted in 2012. Within 18 months of AfC taking over management of services, Kingston became one of the first local authorities in the

country to jump two grades in one inspection, achieving 'good' in August 2015.³⁶ The Ofsted Report summarised:

*"Good leadership means that children and young people are protected, the risks to them are identified and managed through timely decisions and the help provided reduces the risk of, or actual, harm to them. Children and young people looked after, those returning home and those moving to or living in permanent placements outside their immediate birth family have their welfare safeguarded and promoted"*³⁷

Richmond was in a different position in 2014 having achieved 'good' in its last Ofsted inspection (in 2012). Interviews indicate that although the improvements have not been as dramatic, Richmond has benefited from the focus on service improvement in Kingston through sharing of best practice and new ways of working. In Kingston, radical changes were needed within a tight budget, and key learnings gained through this have been applied to Richmond. This has included, for example, developments around children missing from education and children missing from home and care.³⁸

Integrated children's services

Richmond and Kingston decided early on that the new organisation would offer the full range of children's services and work closely with partners in health, policing, schools and organisations in the voluntary sector. The Company represents the interests of children's services on a number of statutory partnership bodies, including the Health and Wellbeing Boards, Community Safety Partnerships and the Local Safeguarding Children Boards.

AfC Management has indicated that this holistic approach has benefited children by allowing AfC to offer a truly integrated one-stop service. One of its successes has been in providing a centralised service for children with disabilities by working with health providers. Last year AfC supported over 750 children with disabilities and 417 children and young people were treated by its emotional health service.³⁹ AfC launched its Local Offer in May 2015, a single point of access to information for families and children with special educational needs and disabilities (SEND).

Another success has been in AfC's work with schools. AfC has helped schools implement the new SEND Code of Practice which they would have struggled to do without the expert advice and guidance of the company.⁴⁰ Since the establishment of AfC, most schools have converted to academies (all secondary and most primary schools). Although this may have happened without AfC, the company has supported the transition. AfC has also helped with the set-up of multi-academy trusts (MATs), taking a hands-off approach once the new system is working well.

³⁶ Ofsted (2015). Royal Borough of Kingston upon Thames Council, Inspection of services children in need of help and protection, children looked after and care leavers, and review of the effectiveness of the local safeguarding children board. Inspection date: 22 May 2015 – 18 June 2015 Report published: 3 August 2015, [online] retrieved from: http://reports.ofsted.gov.uk/sites/default/files/documents/local_authority_reports/kingston_upon_thames/054_Single%20inspection%20of%20LA%20children's%20services%20and%20review%20of%20the%20LSCB%20as%20pdf.pdf

³⁷ Ofsted (2015). Royal Borough of Kingston upon Thames Council, Inspection of services children in need of help and protection, children looked after and care leavers, and review of the effectiveness of the local safeguarding children board. Inspection date: 22 May 2015 – 18 June 2015 Report published: 3 August 2015

³⁸ AfC Management interviews with Spring Consortium, July 2016

³⁹ AfC (2016). AfC Review of the year 2015/16, provided by AfC Management July 2016 p.3

⁴⁰ AfC (2016). 2015/16 Annual Report and Statement of Accounts, p.8

Early Help

Early Help services provide targeted help and support to children and families in need at the earliest stage so that concerns do not escalate to an extent where they require higher level and more costly support. One of the programmes of development in AfC is to 'Ensure the effectiveness of Early Help services for vulnerable children', which particularly focuses on enhancing the Troubled Families initiative and improving waiting times for Child and Adolescent Mental Health Services (CAMHS).⁴¹

Key performance indicator ⁴²	Before AfC (2012/13)	After AfC (2014/15)
Number of families identified since the start of the Troubled Families Programme who meet the criteria of the programme	240	460 400 families identified for phase 2 of the programme (2015/16)
Payments by Results claims as part of the Troubled Families programme	87	325
Percentage of Common Assessment Frameworks closed with some or all outcomes achieved	No data	75% in Kingston 63% in Richmond

AfC has succeeded in identifying more families who may be in need of its services before issues escalate. The number of families identified since the start of the Troubled Families Programme who meet the criteria of the programme almost doubled in two years, and last year 400 families were identified for phase 2 of the programme. AfC is currently working with 253 families living in complex circumstances, using a Think Family approach to address the causes of their parenting difficulties.⁴³

Social Care

Social Care services include statutory assessment and care planning for children at risk of significant harm, provision for looked after children and those leaving care, as well as fostering and adoption services. There were 231 looked after children across the two boroughs in 2015/16 (up from 213 in 2014/15).⁴⁴

Child protection plans and referral decisions KPIs are shown below:

Key performance indicator ⁴⁵	Before AfC (2012/13)	After AfC (2015/16)
Percentage of Initial Child Protection conferences held within timescale	62% Kingston 68% Richmond	85% Kingston 93% Richmond
Percentage of referral decisions that have been made in 24 hours	63% Kingston (No data for Richmond)	100% Kingston 98% Richmond
Percentage of children subject to a child protection plan, for 6 or more weeks, who have been visited within the last 20 working days	55% Richmond (2013/14) 78% Kingston	100% Richmond 95% Kingston
Percentage of children becoming the subject of a child protection plan for a second or subsequent time (within 2 years) (target 5%)	(No data for Kingston) 4% Richmond	17% Kingston 4% Richmond

⁴¹ AfC (2014). Achieving for Children Business Plan 2014/17, p 24, [online] retrieved from: <http://www.achievingforchildren.org.uk/Policies-Procedures-Plans>

⁴² AfC Performance Report 2015-16, provided by AfC Management July 2016. Original document: *OCG 2015-16 Q4 Final 220416 (2).xlsx*.

⁴³ AfC Performance Report 2015-16, provided by AfC Management July 2016

⁴⁴ AfC Performance Report 2015-16, provided by AfC Management July 2016

⁴⁵ AfC Performance Report 2015-16, provided by AfC Management July 2016

The rate of children per 10,000 who were subject of a child protection plan at 31st March 2015 in Kingston and Richmond was 39.7 and 26.3 respectively, which is below the England average of 42.9.⁴⁶ Timeliness of Initial Child Protection conferences and referral decisions have improved since AfC was established, with 100% of referral decisions in Kingston made in 24 hours. However, the proportion of children becoming the subject of a child protection plan in Kingston is higher than the target of 4%, although it should be noted that the small number of cases involved means that small changes in absolute figures can cause large changes in percentages.

Looked-after children KPIs are shown below:

Key performance indicator⁴⁷	Before AfC (2012/13)	After AfC (2015/16)
Percentage of looked after children who have had three or more placements within 12 months	9% Kingston 12% Richmond	6% Kingston 9% Richmond
Percentage of children who have been looked after for more than two and a half years and have been in the same placement for two or more years	68% Kingston 57% Richmond	78% Kingston 64% Richmond
Percentage of looked after children that contribute to their statutory review	81% Kingston 80% Richmond	98% Kingston 96% Richmond

⁴⁶ Department for Education (2015). Characteristics of children in need: 2014 to 2015, Main Tables, [online] retrieved from: <https://www.gov.uk/government/statistics/characteristics-of-children-in-need-2014-to-2015>

⁴⁷ AfC Performance Report 2015-16, provided by AfC Management July 2016

Looked after children have more permanent placements and the percentage of looked after children who are in the same placement for two or more years has increased from 68% to 78% in Kingston and 57% to 64% in Richmond, indicating that placements are more stable. The percentage of looked after children who have had three or more placements within 12 months has also improved, declining from 9% to 6% in Kingston and 12% to 9% in Richmond. The percentage of looked after children placed more than 20 miles from their home is stable at 18% in Kingston and 24% in Richmond in 2015/16 which is around the target of 20% or less and AfC are looking to improve this further. Similarly, it is working to improve outcomes for care leavers; the percentage of 19-21 year olds living in suitable accommodation is 74% in Kingston and 90% in Richmond which is similar to before the merger.

Looked after children are actively involved in their care planning, as evidenced by the proportion of looked after children that contribute to their statutory review, which grew by more than 15 percentage points in both Local authorities from 2012/13 to 2015/16.

Education

AfC works with local schools to ensure there are sufficient school places and gives advice on school improvement, leadership and curriculum development. It aims to 'Support high educational achievement in schools' and 'Support young people in their transition to adulthood and employment'.⁴⁸

Key performance indicator ⁴⁹	Before AfC	After AfC (2014/15)
Percentage of Ofsted inspections grading children's centres and their localities as 'good' or 'outstanding'	75% Kingston 40% Richmond	100% Kingston 60% Richmond
Percentage of schools judged by Ofsted as good or outstanding for overall effectiveness	<i>No data available</i>	96% Kingston 91% Richmond (2 out of 3 sponsored academies had not reached a judgement of good These have now been released to work with other local schools)
Percentage of children reaching a good level of development at the end of the Early Years Foundation Stage (target 60%)	<i>No data available</i>	65% Kingston 64% Richmond
Percentage of resident families who are able to send their children to one of their preferred primary schools	<i>No data available</i>	95% Kingston 93% Richmond
Percentage of resident families who are able to send their child to one of their preferred secondary schools	96% Kingston 94% Richmond	98% Kingston 92% Richmond

Most education metrics are not comparable with those from before the establishment of AfC and it is not obvious how much change can be attributed to AfC. However, key performance results are high. Over 90% of schools are judged as outstanding or good in both local authorities and over 60% of children reach a good level of development at the end of the

⁴⁸ AfC (2014). Achieving for Children Business Plan 2014/17, p.33.

⁴⁹ AfC Performance Report 2015-16, provided by AfC Management July 2016.

Early Years Foundation Stage. School place planning has ensured that 100% of children have a school place at the start of term⁵⁰ and over 90% of resident families are able to send their children to a preferred school. The numbers of 16-18 year olds not in education, employment or training was at 2.7% in Kingston and 3.3% in Richmond in 2014/15, below the national average of 6.5%.^{51, 52}

Special Educational Needs and Disabilities (SEND)

AfC delivers an integrated support service for children with disabilities and their families that brings together health, social care and educational support in partnership with local healthcare providers. This includes help for children with special educational needs.

Key performance indicator ⁵³	Before AfC (2013/14)	After AfC (2015/16)
Percentage of statutory SEN assessments completed within 26 weeks/20 weeks from 01/09/2014 (including exceptions)	74% Kingston 95% Richmond	79% Kingston 96% Richmond

SEN assessments completed within 20 weeks was well above the target of 70% in 2015/16. AfC is currently further developing SEND transport services across the region as the management of SEND transport services in Richmond transferred to the company in 2015, and 13 young people have now completed independent travel training.



INSIGHTS FOR OTHERS

Since its establishment in 2014, AfC has already seen some improvements in services which are reflected in the metrics reported in this section. The company's success is most clearly evidenced by the Ofsted inspection of Kingston's children's services in 2015. Improvements have been supported by the alternative delivery model, which allows the company to operate at arm's length from the local authority and focus on transforming core services. It has given them the freedom to change the internal culture and take a more innovative approach so that frontline services are now more tailored to local children and families' needs.

When considering the benefits realised so far, it is important to consider that AfC has only been established for a couple of years and its preventative approach means that benefits of its current activities may be realised sometime in the future.

Internal Environment

AfC has established an organisation of people who are passionate about ensuring the best possible outcomes for children and their families. Staff now have a genuine involvement in the governance, strategic direction and day to day operational management in ways that were simply not possible in a much larger local authority organisation. The change in the internal environment can be evidenced in some key performance metrics as well as more intangible changes in the culture of the organisation.

⁵⁰ AfC Performance Report 2015-16, provided by AfC Management July 2016.

⁵¹ AfC Performance Report 2015-16, provided by AfC Management July 2016.

⁵² Department for Education (2016). Participation in education, training and employment: 2015, Main Tables, [online] retrieved from: <https://www.gov.uk/government/statistics/participation-in-education-training-and-employment-2015>

⁵³ AfC Performance Report 2015-16, provided by AfC Management July 2016.

Innovation

One of the benefits of this new company culture and improved staff engagement has been accelerated innovation. Involving staff in decision making encourages staff to think creatively about how to solve problems they encounter and provides empowerment. For example, in 2015/16 AfC launched the iHub, which is a forum for employees to submit their ideas for improving services and generating income. The first round resulted in 50 ideas being submitted. The winning entry, *Bubble-Popping Theraplay*, received development funding and is now being delivered across the two boroughs and is also being sold to schools and other organisations.⁵⁴

AfC Management believe that innovation is accelerated because AfC is free of many of the constraints of being in a large public sector organisation and there is now a culture which encourages innovation. Operating at arm's length of the local authorities allows AfC to be quicker to turn ideas into reality, more responsive in seizing opportunities for children and young people, and offer better value for money.

Staff engagement:

73% of 882 employees completed the most recent staff survey in June 2015, an increase from 51% in 2014.⁵⁵ This higher response rate in itself is a good indicator of improved staff engagement. AfC also realised general improvement in key metrics from the first iteration. When looking at the results it is useful to bear in mind that at the time of the first survey, AfC was undergoing significant changes while services from the two local authorities merged, and this may be reflected in lower staff satisfaction:

Staff satisfaction survey question ⁵⁶	2014	2015
Vision: I have a clear understanding of the goals of AfC	65%	81%
Job satisfaction: Overall, I am satisfied in my current role at AfC	55%	70%
Engagement: I would recommend AfC as a good place to work	43%	65%
Equality: I am treated with fairness and respect in AfC	56%	71%
Leadership: I believe that the Senior Leadership Team decisions and behaviours are consistent with the values of AfC	41%	57%
Recruitment: I believe AfC is doing a good job of recruiting the right people for its future needs	33%	52%

The survey results indicate the employees are acutely aware of the vision and organisation objectives of AfC and there are positive results in terms of employees having a greater sense of identification and purpose with AfC.

AfC has established a *Workforce Board*, representing employees from across the organisation to voice concerns and develop key improvement plans. Management has indicated the success of the Workforce Board to help AfC tackle some of its most challenging employee concerns such as the recruitment and retention of key employees.

⁵⁴ AfC (2016). 2015/16 Annual Report and Statement of Accounts, p.9; supplemented by AfC Management interviews with Spring Consortium, July 2016.

⁵⁵ AfC (2016). 2015/16 Annual Report and Statement of Accounts, p.8

⁵⁶ Achieving for Children Staff Survey 2015, provided by AfC Management July 2016. Original document: *AfCSSReport2015 (1) (1).docx*.

Staff retention and absenteeism:

As AfC has experienced significant change establishing itself as a new company, staff metrics have remained strong. AfC was not able to provide statistics from the legacy local authority organisations, however, we have heard anecdotally that recruitment and retention was a big concern across legacy organisations. Some key metrics from the latest Joint Workforce Summary from June 2016 are shown below:

Workforce indicator ⁵⁷	2015	2016
Vacancy rate in social care	AfC 13% National average 17%	AfC 10%
Agency staff - percentage of social work roles covered	AfC 14% National average 16%	AfC 13.7%
Voluntary Turnover rate	AfC 16.5% National average 16%	AfC 13.7%
Absenteeism	AfC 2.5% National average 4%	AfC 2.9%

- **Vacancy rates in social care:** The improvement in vacancy rates in social care (well below the national average) is an encouraging sign that the combining of social care services in the most recent financial year is working;
- **Agency staff:** Over the period of transition to become AfC there was a temporary increase in the number of orders for agency staff. There are still currently 12.5 posts covered by agency staff above the agreed establishment numbers. AfC anticipates that this spend will decrease as it establishes itself as a stable employer;⁵⁸
- **Retention** is still a concern for staff. In the staff survey, only 30% of staff believed that AfC was doing a good job of retaining the most talented people, although this was an improvement from 23% in 2014.⁵⁹ Interviews indicate that the high turnover rate may have been due to middle managers being headhunted following the 'good' Ofsted inspection in Kingston.⁶⁰

Some of the workforce indicators may have been influenced by organisational changes over this period, including the transfer in of social care managers in Early Help, transfer in of children centre staff; the transfer in of SEN transport service in Education; and the transfer in of social care management in Social Care.

In the latest AfC Annual Report a key risk was highlighted that "failure to recruit and retain staff in key service areas such as social care", which could have negative impacts on the delivery of children services, staff morale and consistent service delivery.⁶¹ To mitigate this risk AfC has established the following actions:

1. The Workforce Board has developed a clear plan of action for the recruitment and retention of key employees
2. Terms and conditions and revised pay scales have been developed to ensure AfC is an

⁵⁷ AfC Joint Workforce summary June 2016, provide by AfC Management July 2016. Original document: Joint Workforce Summary June 2016_v1.docx

⁵⁸ AfC Joint Workforce summary June 2016, provide by AfC Management July 2016

⁵⁹ AfC Joint Workforce summary June 2016, provide by AfC Management July 2016 60 AfC Management interviews with Spring Consortium, July 2016

⁶⁰ AfC Management interviews with Spring Consortium, July 2016

⁶¹ AfC (2016). 2015/16 Annual Report and Statement of Accounts, p.10

employer of choice

3. The enhancement of learning and development pathways and improved continuing professional development (CPD) opportunities

AfC has been able to instil a new culture with great pace. Building on the positive trends demonstrated in employee engagement and satisfaction, it is expected that this will continue to be reflected in workforce indicators. However AfC should continue to monitor and respond appropriately to recruitment and retention as this is an area that has been flagged an area of genuine risk to the organisation.

Resilience

Interviews with AfC Management has highlighted that one of the benefits of bringing together the services of two smaller local authorities is that it provides greater resiliency in the workforce than either Borough would be able to achieve on a standalone basis. It does this in two main ways:

Firstly, integrating teams together increases team sizes and creates flexibility to respond to staff resignation and staff absence during leave or sickness. For example, in Richmond they previously only had one Child Protection Conference Chair whereas AfC now has four who work across the two geographies and are able to cover all children if one of the Chairs is not available.⁶²

Secondly, in a larger organisation it is more feasible to keep specialist staff who are experts in specific areas.⁶³ In an environment of budgetary pressure and great changes in the children's services sector, these specialists are vulnerable to cuts. It is important to AfC that these specialists are retained to support the core workforce and continue to contribute their knowledge and experience.

Our conversations have highlighted the importance of resiliency and the impact that it has had on the delivery of children's services. The merger of the two organisations creates a larger and more agile model than the legacy organisations and one that can respond to the challenge of service demands and reduction in resources. Management believe that this is one area where AfC could feel the impact immediately. Resiliency continued to improve with the merger of Social Care services in 2015/16.



INSIGHTS FOR OTHERS

A new delivery model cannot, in itself, improve service quality. Our engagement with AfC has highlighted the importance in creating the right environment for excellent practice and innovation to develop. This complements the new delivery model and we have seen evidence from AfC that this can:

1. Assist in the recruitment and retention of strong and ambitious people, including areas that have had a poor reputation and recruitment problems;
2. Provide a better focus on children's social care and overall service delivery;
3. Enable organisations to innovate more easily and to create a distinctive culture of excellence; and
4. Bring together areas of organisations that complement each other and introduce not only collaboration but true integrations.

⁶² AfC Management interviews with Spring Consortium, July 2016

⁶³ AfC Management interviews with Spring Consortium, July 2016

Financial

Local authorities across the UK are facing increasing financial pressure to adapt to a rising demand of children's services, in light of reductions in resources that local governments provide to support those services. This is evident by the dominance of children's social care overspends in local authority finances across London and the surrounding areas.

One of the most compelling arguments for the creation of AfC was to help the two local authorities respond to those financial challenges. The objective was clear – by joining services together AfC provides larger, more sustainable units that can be flexible to respond to the demands of both local authorities, while maintaining excellent services and achieving a greater level of efficiency than would be possible as separate organisations. AfC is still in its infancy and the success of the financial benefits will continue to evolve, particularly as the organisation enters a phase of growing and diversifying its revenue base. Nevertheless, the direction of travel in terms of financial benefits indicates that AfC is providing positive financial returns.

Set-up costs

The set-up costs for AfC incurred to March 2015 were approximately £1.6m,⁶⁴ which was marginally higher than the original estimate of £1.2m.⁶⁵ The gross set-up costs amounted to 1.5% of AfC's year 1 (2014/15) total controllable budget (£104.7m).⁶⁶

Figure 4: AfC set-up costs



In this bar chart we can see the total set up cost of AfC was £1,604,000. There are eight areas separate cost areas: Programme Management cost £219,000, Legal costs £255,000, Payroll & hr £198,000, AfC workstream £249,000, Finance workstream £305,000, Council Impact Workstream £23,000, ICT Work Stream £348,000, Other (£8,000).

AfC was awarded £200k as part of the Government's transformation fund, set-up to reward local authorities at the cutting edge of transforming public services, therefore the net set-up costs are considered to be £1.4m.^{67, 68} AfC has taken on £1.4m in debt to pay for the set-up of the company.⁶⁹ The set-up costs do not include the entire ICT

⁶⁴ AfC Set-up Costs, provided by AfC Management July 2016. Original document: *AfC Set Up Costs Charge Audit Return.xlsx*

⁶⁵ AfC (2014). Enc 3 - Achieving for Children Benefits Realisation, p13

⁶⁶ AfC (2014). AfC Budget 2014/15, p.13, provided by AfC Management July 2016. Original document: *Item 4- AfC Budget for 2014-15.pdf*

⁶⁷ AfC Set-up Costs, provided by AfC Management July 2016.

⁶⁸ The councils also received a contribution from the Cabinet Office's Mutual Support Programme which covered some additional support from Mutual Venture's – above what they funded directly themselves (c£120k).

⁶⁹ AfC (2015). Medium Term Financial Plan, p.3, provided by AfC Management July 2016. Original document: *AfC A&RC-Item 8-Medium Term Financial Plan v2 .pdf*

investment, which is considered to be business as usual upgrades, most of which would have been incurred regardless of if AfC was created.

Evidence suggests that AfC managed the costs of the set-up effectively and indeed achieved a payback period of one year or less. The overspend of £1.6m vs. £1.2m in the original business case is understood to be related to the change in scope of services that AfC provides, as the scope evolved throughout the implementation stage. Both Councils also invested significant amounts of staff time in the set-up of the Company and this time is difficult to quantify, but could raise the figure to well beyond £1.6m.

In addition to the direct set up costs, the Company is in the process of fully merging ICT to bring all staff on to the same network. It is difficult to distinguish between cost that would have been incurred to upgrade ICT for staff regardless of the delivery model and additional costs. It is clear that, until AfC is able to financially sustain itself, the parent Councils will need to set money aside for routine investment in ICT (e.g. equipment refresh, network upgrade, etc.).

Additionally, there are additional annual operating (running) costs that are introduced when establishing a Company. This includes costs such as: external audit fees, insurance, bank accounts, additional finance functional costs (filing statutory accounts, treasury procedures, corporation tax, vat, treasury), Board of Directors, etc.

Expenditure savings

In contrast, AfC has been able to realise significant savings resulting from the provision of joint services. Analysis of the incremental savings for the first two years of operation and the projected savings for the following three years indicates that AfC is meeting its original benefits expectations of £2m-£3m for the first two years.⁷⁰ The following chart illustrates the actual (2014/15 and 2015/16) and projected (2016-19) savings over the first five years of operation⁷¹:

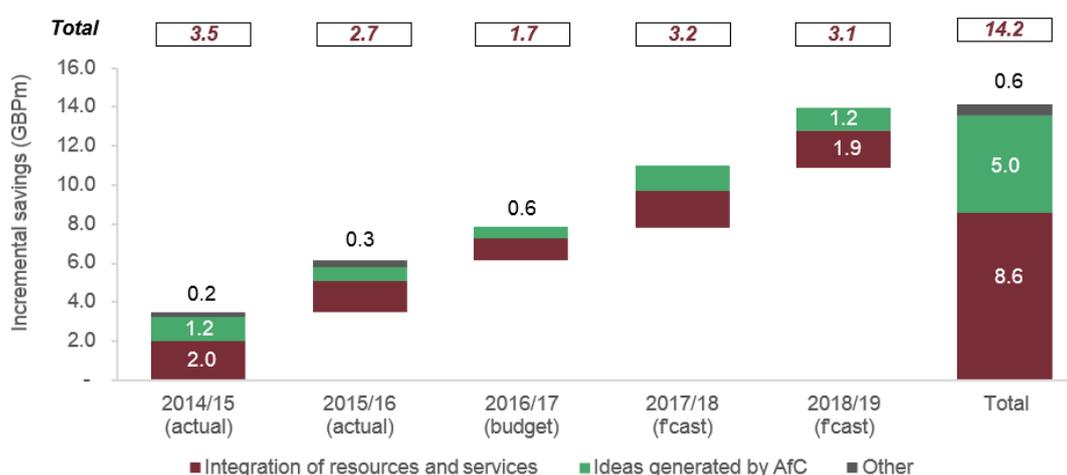


Figure 5: AfC actual and projected savings in first five years of operation

Figure 5 spans a five year period 2014/15 until 2018/19. The first two years are actual results, (£3.5m and £2.7m respectively), 2016/17 figure is a budget result (£1.7m) and 2017/18 and 2018/19 are forecasts (£3.2m, £3.1m respectively). Finally, there is a sixth column which adds up the incremental annual savings in order to show clearly the total saved over the period. This amount was £14.2m. Each year's incremental costs are further broken down in to categories. These are Integration of resources and services (£8.6m in Total), Ideas generated by AfC (£5.0m in Total) and Other (£0.6m in Total). Each year, Integration of resources saves the most money, followed by Ideas generated by AfC and there are limited savings originating from Other.

Over the first two years of operation AfC was able to achieve significant savings targets through several levers:⁷²

1. **Integration of resources and services:** savings through restructuring teams to work across both local authority areas and savings achieved through standardising offers and policies where one was more efficient or there was a better quality service. In 2014/15 the focus was on integrating the staff structures and in 2015/16 there was an emphasis on standardising services:
 - a. *Changes to staffing structure:* efficiencies across all divisions of AfC, with the largest areas of savings (over two years) coming from Early Help including SEN & CWD (£1.9m) and Standards and Improvement (£0.6m), but efficiencies were also realised in Education (£0.2m), Social Care (£50k), Finance (£33k) and Strategic Management (£15k).
 - b. *Standardising services:* in the second year of operation, AfC was able to realise savings through implementing best practice standards and policies across the two local authorities. This included SEN Transport (£0.35m), Early Help: improved and rationalised joint commissioning and infrastructure (£0.28m), Finance and

⁷⁰ AfC (2014). Enc 3 - Achieving for Children Benefits Realisation, p.8

⁷¹ AfC Cost Savings Actuals and Budgeted, provided by AfC Management July 2016.

⁷² AfC Cost Savings Actuals and Budgeted, provided by AfC Management July 2016.

Standards & Improvement (£0.16m) and merging youth service curriculum in Early Help (£30k).

2. **Ideas generate/championed by AfC:** These are new and innovative initiatives that were thought of and championed by AfC. This included initiatives in Social Care (contract review/commissioning/supply increase) (£1.1m), Education Services (£0.25m), Early Help (£0.25m), cessation of dual use policy (£0.1m), Education (£70k), and Standards and Improvement (£0.18m).
3. **Other:** ideas or savings that were inherited from the Local Authority pre AfC such as Education Kingston (£88k), 2 ten Project (£67k) and Supplies and Services (£0.33m).

Looking ahead, AfC has developed detailed plans to achieve further savings. Interviews suggest that AfC is expecting the future savings to be attributed to AfC's delivery model (most synergies from integrating the organisations have already been achieved). There are a variety of initiatives in-flight designed to deliver future savings. Some of the 'big ticket' projects include:⁷³

1. Organisational Transformation and Accommodation Programme: aimed at completing the process of co-locating and merging all teams (including Social Care) across the organisation
2. Developing more in-borough and potentially in-house provision: there are a number of programmes that look to increase in borough provision for residential placements (SEN and LAC), respite provision, supported accommodation and special schools
3. Support services: savings have been made in the first couple of years with regard to support services and AfC hope to reduce costs even further over the next 3 years. This will be done by rationalising resources within in-house services by streamlining the service offer and further exploiting economies of scale particular as the company continues to grow
4. SEN Transport: this service transferred into AfC from Richmond in August 2015. £1.3m worth of savings have been built into our medium term financial planning. This will be achieved by formalising the transport policy, running a more efficient service and working towards a single service for the two boroughs.

⁷³ AfC (2015). Medium Term Financial Plan, p.3, provided by AfC Management July 2016. Supplemented by management interviews

AfC had originally estimated that overall staff numbers for the combined organisation were expected to be lower than the legacy organisations as well. Data for the combined organisation pre- AfC has not been made available, however analysis suggests that AfC has grown its organisational footprint over the first three years of operation. Interviews indicate that is largely due to the transfer of staff over from the local authorities that were not previously in AfC.⁷⁴

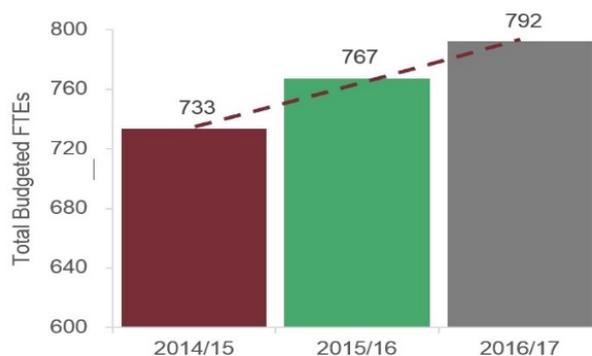


Figure 6: AfC workforce

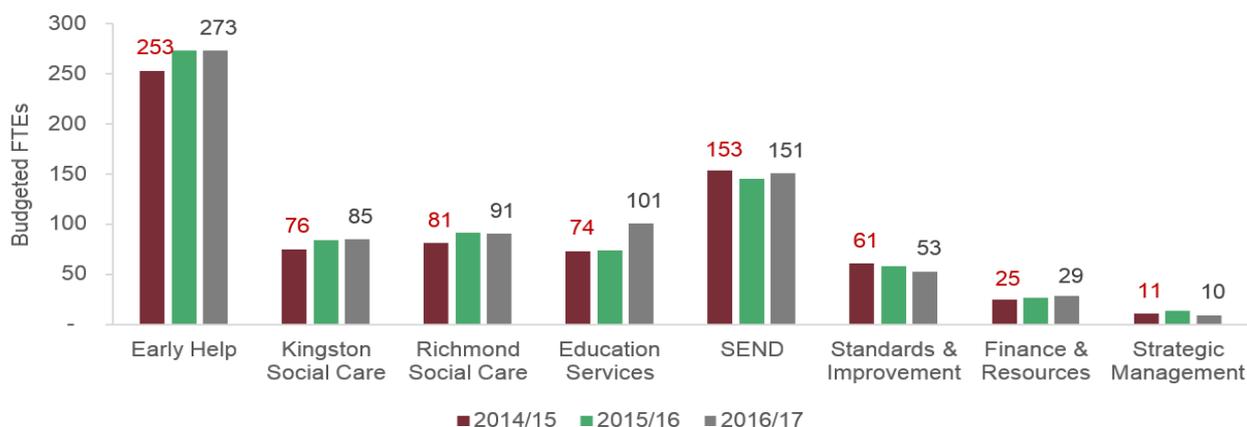


Figure 7: AfC workforce in each service area

This is represented as a bar chart and contains three annual results for each area. The years span 2014/15 until 2016/17. In the following description the numbers in brackets are the number of Budgeted FTEs These 8 areas are Early Help (2014: 253, 2016/17: 273), Kingston Social Care (2014/15: 76 2016/17: 85), Richmond Social Care (2014/15:81, 2016/17:91), Education Services (2014/15:74 2016/17: 101) SEND (2014/15:153 2016/17:151), Standards & Improvement (2014/15: 61 2016/17:53) Finance & Resources (2014/15: 25 2016/17: 29), Strategic Management (2014/15: 11 2016/17 10).

Some of the changes in the organisation since its creation include:

- Early Help: Troubled Families Programme grant funded staff, transfer in of social care managers, transfer in of children centre staff;
- Education: Transfer in of SEN transport service;
- Social Care: Transfer in of social care management; and
- Finance and Resources: Establishment of finance staff for corporate functions e.g. statement of accounts, treasury and centralisation of financial administration staff.

Overall, AfC has demonstrated that it has been able to achieve efficiency savings as part of the integration of the two organisations. It has also built a robust plan to continue to deliver savings. During this exercise it was, however, difficult to develop a financial or organisational baseline to enable year over year comparison of costs and size. This is due to the changing nature of the services contract and therefore the scope of services that AfC is providing for the local authorities. It is recommended that AfC continue to monitor the relationship between headcount and outcomes.

⁷⁴ AfC Budgeted Organisational FTEs, provided by AfC Management July 2016.

Alternative revenue streams

Another benefit of providing children's services through AfC is that it enabled the combined organisation to develop alternative revenue streams and to respond more quickly to user demands for new services and take opportunities to develop its client base.

There are already some examples of AfC developing alternative revenue streams. In 2015/16 AfC delivered a range of consultancy services to other local authorities across a number of service areas, including early years, e-safety and safeguarding improvement.⁷⁵ AfC was also appointed by the DfE as the improvement advisers to Doncaster and Sunderland. Lastly, AfC has developed consultancy offers in relation to youth services, school improvement and educational psychology.⁷⁶

The company has set challenging income generation targets for the next three years and so it is anticipated that the proportion made up from non-core contract income will increase over the term of its medium financial plan.⁷⁷ Interviews indicate that while some of these revenue streams could have been realised in the legacy local authority model, the new model has created an environment where employees are encouraged to share ideas and it is much more likely that ideas actually turn into action. The legacy organisations were considered to be less innovative and characterised by heavy management layers and bureaucratic decision making.

Key to AfC's financial stability is its ability to develop alternative revenue streams. There is an inherent risk in the AfC plan as alternative revenue stream income is not certain.

However, AfC has the structures in place allowing it to leverage spare capacity to pursue these alternative revenue streams and reinvest in its services, which might not be open to the local authorities.

As AfC is subject to the Teckal exemption, at least 80% of its revenue must be from its public sector owners, therefore it will continue to be constrained in terms of the value of alternative revenue streams it can pursue. Furthermore, there is a risk that AfC is simply not able to secure new business and generate income. To respond to this risk, AfC has developed a Business Development Strategy and has put a Business Innovation Academy in place with clear business cases produced for individual opportunities. The company has also established a Business Development Team, which is tasked with searching and responding to business development opportunities.

Financial health

There are a number of key factors that influence AfC's finances:

1. Central government policies and guidelines on children's services
2. Central government funding of children's services, local government and specifically the impact of this on the two local authorities that own and fund the majority of AfC's costs
3. Changing demographics in the two boroughs that impact the number of children
4. Demand for children's services both statutory and preventive

⁷⁵ AfC (2016). 2015/16 Annual Report and Statement of Accounts, p.8

⁷⁶ AfC (2016). 2015/16 Annual Report and Statement of Accounts, p.9

⁷⁷ AfC Management interviews with Spring Consortium, July 2016; AfC (2015). Medium Term Financial Plan, p.4, provided by AfC Management July 2016

5. Income generation via AfC specific arrangements

Balancing the ever increasing financial pressure with the responsibility to ensure the best outcomes for children remains a key challenge for AfC. Increases in demand and the average cost of placements is a national issue that is causing budget pressure for most providers of children's services. The growth that the owning local authorities are providing as part of their contract process will help meet some of the current budget shortfall on placement and transport budgets; however, it is unlikely to resolve the budget pressure on the Kingston contract where a lower level of growth has been agreed. AfC must achieve cost reductions of £2.7m to ensure it continues to contribute towards the contract price reduction targets of the founding local authorities and unfunded budget pressures.⁷⁸



INSIGHTS FOR OTHERS

Greater financial stability through alternative revenue streams was one of the key objectives for establishing AfC. This will likely be an objective for other local authorities as they develop alternative delivery models. Several key takeaways may be relevant for other organisations as they consider alternative revenue streams:

1. In order to develop alternative revenue streams local authorities need to develop commercial capability that may not exist in other Public Sector organisations. This requires a step change in the mind set of employees and the conventional way that most local authorities approach financial management. It also requires a commitment to strengthen capabilities and the recruitment practices employed by the organisation;
2. Organisations must assess how their governance and legal structures will impact their ability to develop alternative revenue streams. In AfC's case they are limited to securing 20% of their revenue through alternative revenue streams. This structure restricts their ability to generate revenue and will continue to challenge AfC's growth aspirations. Securing alternative revenue streams will be critical to AfC's ability to meet budget shortfalls.

Every situation will present nuances and will require careful consideration of how the specific model helps the local authorities maintain financial health.

Conclusions on benefits realised

The creation of AfC was an ambitious project by two local authorities with a heritage of collaboration. Two years in to the journey, significant benefits have been realised. We now see better outcomes for children and their families as well as more resilient services. This is most obvious in Kingston who became one of the first local authorities in the country to jump two grades in one inspection, achieving 'good' in August 2015. AfC has also been able to create a positive internal environment where innovation is encouraged, staff feel much more empowered and engaged, recruitment, and retention has improved. Overall AfC is a much more resilient organisation. Finally, AfC has achieved cost and service efficiencies from the size and scale that the combined organisation provides. As AfC enters a period of growth and diversification, its model will continue to develop and be tested, and other local authorities should look to the AfC journey as they consider alternative delivery models.

⁷⁸ AfC (2015). Medium Term Financial Plan, p.2, provided by AfC Management July 2016

Chapter 7: Ongoing challenges to improvement

This chapter sets out the challenges that AfC experienced in setting up and establishing the company. Some of these are ongoing and are still being addressed. Challenges can be attributed to either the alternative delivery model or the merger of services from two local authorities.

Challenges attributable to the chosen alternative delivery model

Decision making processes

The two local authorities currently have a high degree of control over the activities of AfC. Some of this is inherent in the governance structure. The full governance structure can be found in Appendix B. There are three main groups that have a role in governing the company, the Joint Committee, the Children's Commissioning Board and the Board of Directors. The local authorities fulfil their obligations as owners through the Joint Committee. The contract between the local authorities and the AfC is overseen by the Children's Commissioning Board. The Board of Directors oversees the Senior Management Team.

One of the challenges with this arrangement is that it can make decision making slower than the company would like, especially on significant issues or those that require additional capital expenditure (above £10k) or budget increase and must be agreed by the local authorities.

The nature of the service the company delivers and the sensitivity of working in children's services has naturally led to strong oversight by the local authorities. Political oversight tends towards risk aversion when considering company growth plans and service development.

However, it is important to note that this organisation is still in the early stages of development and processes continue to change over time. For example, several management reports used to be developed for all boards and committees separately, but now this has been streamlined and they all receive the same document which saves management time.



INSIGHTS FOR OTHERS

Differences in appetite for risk as well as the ability to maintain control are often key factors in developing the right business model. For Richmond and Kingston a variety of factors influenced the governance structure:

- Richmond and Kingston had some history of collaboration but not on the scale that was being proposed as part of the new organisation. It was important for both parties to balance the political priorities of each of the local authorities
- There was a low level of appetite to concede control given the risk involved in delivering children's services. It was also the first time in the UK where children's services were being included in an alternative delivery model
- The need to meet the Teckal exemption, enabling the two local authorities to commission directly their jointly owned social enterprise, resulted in a governance structure that provided little change to the existing restrictions that the services encountered.

It is critical to obtain specialist advice on the potential governance structures for each legal structure and

As AfC continues to prove itself as a provider of reliable, quality children's services, it is likely that it will receive more autonomy from the local authorities. With this in mind, a good relationship between the owners and the company is critical.

Legislation and regulation

One of the consequences of the alternative delivery model is that legislation and regulation limits choice and flexibility over degrees of autonomy.

- **Local authority ownership and Teckal exemption:** a benefit of this is that AfC does not have to go through procurement to sell its services to the parent Local authorities. However, it does mean that the company must comply with two factors:
 - The scope of the business is limited to services for children and families
 - The local authority must have significant and over-riding control over the company

Although the company could opt out of the Teckal agreement and change its governance structure, in this case, the local authorities want to retain strong oversight and decision making power. This may also introduce potential VAT liability;

- **Community Interest Company:** CICs are subject to an asset lock meaning they can hold assets but the articles of association of a CIC are required to lock any assets for use in advancement of the social objects of the company.

Children's services are facing budget pressures nationally, to decrease spending on services. At the same time, however, demands on services are increasing with more children requiring support. The number of children in need is up 4% since the children in need census began in 2010. Over the same period, the number of children who are the subject of a child protection plan has increased by 27%.⁷⁹ In its current business plan, AfC has a target of £2m in annual efficiency savings. To keep abreast of these pressures, the company must expand rapidly and generate income through new avenues.

Alternative revenue streams need to be considered in light of the boundaries of the Teckal exemption and management interviews indicate that this has and will continue to challenge AfC's ability to realise opportunities to grow and diversify its revenue base. Under the exemption, no more than 20% of revenues can come from the open market.

Challenges attributable to the merger of services

Integration of services is slow

The merger of children's services from two local authorities required integration of both front line services and back office functions. This is not an easy process and some elements of the integration may have been done more quickly. For example, the Social Care functions were not initially integrated, locality of teams is spread across the two boroughs and ICT integration is still ongoing

When AfC was launched, most functions were already integrated across the two boroughs. However, Social Care remained separated until 2015/16. One of the reasons for this was the

⁷⁹ Department for Education (2015). Characteristics of children in need: 2014 to 2015, Main Text p.1

difference in quality of services between Kingston and Richmond at the time (Kingston having received an inadequate Ofsted inspection in 2012). Without the difference in quality, this could have been completed more quickly.

Although all functions now operate together across both boroughs, not all are in the same locality. Further location changes will occur over the next few years which will bring more teams together and reduce overhead costs. Location changes must be managed at a reasonable pace and savings achieved by rationalising and vacating accommodation are limited by break clauses in leases and the owning Councils' ability to find alternative uses for the buildings.

ICT integration has been one of the main challenges. Technology solutions are a way for AfC to improve effectiveness, efficiency and productivity. However, the company needed a five year implementation plan which is to be completed in 2018/19. The two legacy organisations were on different networks which makes it difficult to offer a fully integrated service. Google technology is currently used across the organisation to share information more easily and enable more flexible working. However, it cannot be used to access confidential information saved in the database. One of the challenges is in implementing a system which allows AfC to have a single database and secure platform to access sensitive files.

Procurement of professional services

AfC procures support services from the parent local authorities. These include payroll, HR management, procurement support, legal services and health and safety advice. This inhibits innovation to reduce cost or improve efficiency. AfC are contractually bound to procure these from the local authorities until April 2017. The company is likely to test the market and ensure that these services meet its needs and deliver good value for money.



INSIGHTS FOR OTHERS

Selecting and agreeing what is the best delivery arrangement for support services such as HR, finance, legal, audit, marketing, communications and ICT can be crucial to the ability to integrate multiple organisations and will be a key determinant of benefits realisation. For AfC, many elements were retained by the local authorities, which has presented some challenges in terms of achieving service delivery and value for money. An objective framework to agree what is 'made' or 'bought' can help to ensure a balance between service delivery impact, cost and impact on the local authorities. It is also prudent to consider a short to medium term review or opt clause of services provision which are provided by the parent local authorities. AfC have suggested that they could have benefited from obtaining more control of support services.

The combined role of Chief Executive and Director of Children's Services

Nick Whitfield has been critical to the establishment of AfC. He has been described as similar to a typical technology start-up founder. He was at the centre of building the culture, not just the organisation, was good at advocating and convincing people why the change was positive for customers (children and their families), acted as a visionary, was able to stay focused, and was resilient. He was also involved at all stages and areas of the creation of AfC.

Nick Whitfield holds the Chief Executive position but is also joint Director of Children's Services (DCS) for Kingston and Richmond. While interviews have indicated that this has worked well at AfC to date, during its start-up and any expansion, it may not be advisable in other organisations with different leadership or in the long-term (and we understand this overlap will discontinue in the autumn of 2016). The DCS is responsible for the leadership, strategy and effectiveness of local authority children's services and the performance of functions relating to the education and social care of children and young people. As the DCS is responsible for the performance of the provider of services (AfC in this case), this role could be in conflict of interest with the Chief Executive of the company.

The two roles are very different, and the Chief Executive should be focused on business issues that do not necessarily require the expertise in children's services that are essential in the DCS role. It is beneficial to have the DCS in a position at the children's services company because it encourages transparency between the company and local authorities, but this role may be held by someone at a senior or mid-ranking level in the company who is not the Chief Executive.

Chapter 8: Closing thoughts

The need to make expenditure reductions while maintaining or even growing service delivery has placed unprecedented demands on local authorities and their leadership. Kingston and Richmond have completed the first stage in the evolution of a new delivery model to deliver children's services through a jointly owned company. We now see alternative delivery models being considered or developed in other local authorities such as Slough, Doncaster, Sunderland and Birmingham. This trend is likely to continue across the country – not the least because this type of transformation has demonstrated positive results in terms of service quality as well as financial returns.

This exercise has highlighted the successes that AfC have been able to achieve including:

1. Improvements in the delivery of service quality using an integrated approach. The most pertinent evidence is in Kingston whose Ofsted rating has gone from inadequate to good in just two years. There is strong reason to believe that the model has been successful in improving quality outcomes for children and their families across Richmond and Kingston;
2. There is strong evidence of increased innovation, improved staff engagement and the ability to recruit and retain high quality people in AfC. These are critical tools for AfC to evolve to the changing external environment including the delivery of quality outcomes; and
3. Joining together organisations has delivered efficiency savings and there are ambitious targets to meet the future financial challenges.

The journey that AfC has been on has required a clear vision and values, strong leadership and political will, the appetite to share control and risk with other organisations and between local authorities, a tremendous amount of careful planning, and specialist advice to navigate the design and implementation. It has however not all gone to plan. There continue to be integration challenges with IT, it can be difficult to balance the political priorities across two local authorities, the top level governance structures provided little change to the previous restrictions that faced both organisations and it has been slower to integrate services than what was originally planned.

The circumstance in which AfC was established may be unique and the delivery model may not be the appropriate model for other local authorities. Nonetheless, it does support the DfE's drive for a more diverse range of children's social care organisations and provides evidence that new models can:

- Refresh leadership and attract strong and ambitious people to organisations where new ways of doing things are needed
- Attract good people more generally – including to areas where previous organisations have had a poor reputation and recruitment problems
- Provide a sharper focus on children's social care as a whole or on aspects of the system
- Enable existing strong organisations to innovate more easily and to create a distinctive culture of excellence
- Bring together different areas and organisations in robust structures which go beyond collaboration and into integration

AfC will continue to evolve, particularly as it moves into a period of diversification and growth, but the lessons learned from its journey and the successes it has achieved should act as catalyst for other children's social care organisations as they consider new and innovative delivery models.

Appendix A: Alternative delivery models

Corporate structure/legal forms

Before exploring the different delivery models that are available, it is worth considering the different legal forms these can take:⁸⁰

- *Limited company*: In a limited company, the liability of members of the company is limited by shares (CLS) or by guarantee (CLG). Companies that are limited by shares may be public or private and have shareholders who invest capital into the company. A company that is limited by guarantee are guaranteed by its members who agree to pay a fixed amount in the event of the company's liquidation. This is a common corporate form taken by charitable organisations. One type of company limited by guarantee is a *Community Interest Company* (CIC) which is discussed in more detail below. AfC is a CIC;
- *Limited liability partnership (LLP)*: A limited liability partnership is a corporate body where the partners have limited liability and no individual responsibility for each other's actions. Common examples of LLPs are solicitor's firms; and
- *Charitable incorporated organisations*.

The vast majority of charities are CLGs registered as charities. Some registered societies are also have exempt charity status and now by law must register with the Charities Commission. The Charitable Incorporated Organisation in the list above is a relatively new "off the shelf" legal form for charities.

An example of unincorporated form is a *Trust*. Typically a Trust is set-up where there is a specific objective and high value assets involved. Common examples in service delivery include leisure Trusts. It should be noted that a number of 'Children's Trusts' have been established to date which are actually CLGs (some, but not all with CIC status), and are not 'trusts' in the sense of the technical legal definition – nonetheless across children's social care, the term 'trust' is often used more widely to cover all alternative delivery models, not just trusts.

A *Mutual* is an organisation which raises funds from its members which can then be used to provide services to all members of the organisation. It has no external shareholders and does not usually seek to make large profits. Examples can be found in traded services.

Most "traditional" mutual organisations take the form of a cooperative society. In the context of contemporary public service reform, public service mutuals are more relevant to this report/discussion. PSMs are defined by Cabinet Office as organisations transitioning out of the public sector but which continue to deliver public services and in which staff have a significant degree of influence over the organisation's operation and strategic direction. PSMs can take a wide range of legal forms and organizational types (i.e., charities, social enterprise and (albeit rarely) private enterprise.

It should be noted the above list is not exhaustive, but these are models most commonly seen in the public sector.

⁸⁰ This whole section is based on the experience of Spring Consortium across public sector organisations

Services kept 'in-house'

There are a variety of 'incremental' changes that local authorities can consider that might influence service delivery, while still retaining services in-house. This could include a managing agent to deliver the services in-house, improvement board or advisors to help guide management on the best way of running the service, setting up shared services through another local authority on a contract or agreement basis, joint delivery partnership, collaboration with other local authorities and executive commissioners who retain political control and executive authority while the local authority still provides the service. The key model considerations are:

1. Service stays within local authority control
2. Service quality improvement is typically marginal or remains as-is
3. Staff do not need to be TUPE'd
4. Require internal transformation to achieve improvement

Wholly publicly owned new entity

A transformational approach, allowing local authorities to retain control, is to set-up a wholly publicly owned new entity. A wholly owned local authority company is where the local authority establishes a separate company but retains full ownership. The operations, assets and staff are transferred into the company. This model lets local authorities retain full ownership, but can incentivise better cost controls and surplus/profit generation. The company can also leverage existing staff and can comply with the Teckal exemption so it avoids EU procurement requirements. Another option is to establish a wholly owned public sector joint venture to deliver services.

Emergent organisations

Much of the change that is happening in the delivery of services for local authorities is in emergent models where the local authorities cede some control, but are not completely outsourcing the delivery of children services. This includes the creation of a new company limited by shares or guarantee, such as a CIC. It could also include the following models:

- *Charity*: A type of non-profit distributing organisation (NPDO) focusing on non-profit and philanthropic goals as well as social well-being. Most charities take the legal form of having a company limited by guarantee to process any fund generation, and a charitable trust to retain grants and reserves;
- *Employee owned mutual*: New entity taking the form of a workers' cooperative. An independent business established by a mutual community who have a common interest in the goods and services the mutual provides. Members can be employees, customers or a 'mixed membership' model. Mutuals are funded from revenues from goods and services provided and/or contract fees;
- *Joint venture (JV) between local authority and a non for profit provider*: A company, under companies legislation, owned by the local authority and a JV partner, which is used as a vehicle for pursuing external business, the risks and rewards of which would be shared with the JV partner. What transfers into the company would be determined by commercial considerations in negotiation with the JV partner;

- *JV between local authority and newly established company (mutualisation)*: This model involves setting up an entity, which is jointly owned by the parent entity (say a local authority), interested beneficiaries, e.g. staff and another existing organisation which is expected to bring something needed by the other parties to address the parent organisation's objectives, e.g. a commercial provider which could (for example) bring investment, skills, market channels or branding, etc.;
- *Complex joint venture*: New entity that enters into a joint venture with partners across the public, private and voluntary sectors. Accordingly, requires a complex set of contracts and agreements to be established;
- *Community Interest Company*: As a CIC, an organisation has the specific objective of providing a benefit to the community and must use its income, assets and profits for the community it is formed to serve. The primary purpose of a CIC is to the benefit the community and not its shareholders/members, directors or employees. Some of the key considerations of CICs include:
 - Profits made cannot be distributed to the local authorities (e.g. as a dividend) and must be reinvested into the company;
 - Any assets owned by the CIC can only be disposed of at market value and the value retained within the company;
 - It provides a clear public statement that it is not for profit and reassures stakeholders that the community purpose is regulated;
 - It provides transparency and accountability of operation, supported by a clear governance framework, delegation of authority and explicit member role;
 - Relatively simple to set-up and less expensive than other options, as it is specifically designed for social enterprises;
 - The company format can be tailored to a specific organisation structure, governance or membership.

Services provided by an existing entity

Lastly, local authorities can consider whether to commission children's services from an existing entity. This is the most common way to externalise the delivery of local authority services and could include commissioning by contract, by grant or joint commissioning. This type of alternative delivery model has been widely adopted by local authorities and usually involved the local authority maintaining oversight of the service, while achieving significant cost savings. They can however bring time-intensive contract management processes and rely on diverse market of providers. They can also bring more risk in the delivery of services/quality as the local authorities have less control.

Appendix B: Operating model

AfC was established in April 2014 by the Royal Borough of Kingston (Kingston) and the London Borough of Richmond (Richmond) to provide their children's services. Since the creation of AfC both the services that the organisation provides and the organisation itself have undergone significant change.

While carrying out research for the main body of this report, we held a series of conversations with key stakeholders at AfC as well as reviewed existing documents and information. The outputs of those activities have enabled us to develop a current state representation of how AfC's components are configured and function. The purpose of this exercise is to provide a baseline of AfC's current operating model. Please note that this is not a full analysis of AfC's operations and is limited to the data and information that were available during the engagement; it could benefit from further information from AfC.

Customers and services

As the provider of children's services for two local authorities⁸¹, AfC has a wide and far-reaching group of external customers or stakeholders. The terms customer and stakeholder are not mutually exclusive. Customer refers to any audience, group of individuals or body who require interactions with or services from AfC. Stakeholder is used as a term to describe an audience group or body with an interest or concern in the work of AfC, which may change depending on external factors. The list of key customers and stakeholders include:

Customer/Stakeholder	Description
Children or young person	Children or young person under the age of 18 within Kingston or Richmond. Young people with disabilities are supported up to age 24. Children and young people are considered the core function of public protection that AfC seeks to provide best possible outcomes for.
Parents or carers	Mothers/fathers of children or young people, or a person who is not a parent but who takes primary responsibility for a child or young person.
Regulatory bodies	The public authority or government agency responsible for exercising autonomous authority over some area of AfC activity in a regulatory or supervisory capacity. The main regulatory body for AfC is the Office for Standards in Education, Children's Services and Skills (Ofsted).
Country and governmental bodies	The government of the United Kingdom and DfE. The DfE is responsible for issues affecting people in England up to the age of 19, including child protection and education. The local authority bodies of Kingston and Richmond.
Partners	Organisations that AfC delivers services in conjunction with, such as health services, the police and schools
Media, courts, unions	Are examples of key stakeholder groups that will have a periodic interest in AfC and which need to be managed through an appropriate process

AfC provides a full range of children's services for Kingston and Richmond. It has a core offering of children's services in Early Help, Social Care, Education, and Special Educational Needs and Disabilities.

Early Help services provide targeted help and support to children and families in need at the earliest stage, so that concerns do not escalate to an extent where they require higher-level and more costly specialist support. Early Help brings together services that strengthen families, engage young people, in positive activities, develop emotional health and wellbeing and prevent youth crime and anti-social behaviour.

⁸¹ This section was informed by AfC's website [on-line] retrieved from: <http://www.achievingforchildren.org.uk/>

Early Help	
Service	Description
Childcare	Childcare includes provision for children outside of school such as nurseries, child minders, crèche services, babysitting, and holiday playschemes.
Early years education	The team provides support and advice to all early years' settings, schools, and registered childminders and out of school provision. They focus on promoting high quality outcomes and provision for children and their families. They monitor the sufficiency, quality and access to childcare across the boroughs to meet the needs of families.
Children's centres	Children's centres are a partnership between the local authority, schools, police, health and voluntary sector. They provide professional help and support to children and families from pregnancy onwards
Family support	Family support services aim to improve family settings and include family group conference and family information service
School attendance and education welfare (EWS)	The major function of the EWS is to promote regular school attendance and punctuality through statutory intervention. In improving school attendance, the EWS use attendance data and referrals from schools to identify and work with pupils whose attendance falls below 85%.
Youth services	The Youth Service is for young people aged 11 to 18 (up to 24 for disabled young people). The activities and programmes on offer include youth projects, e.g. sports, outdoor activities, information and support, personal development and accreditation accessible to all young people.
Substance misuse services	The Young People's Substance Misuse Service is for children and young people under 18 years who have identified substance-related need. This could be young people who are using novel psychoactive substances, illicit substances or drinking alcohol.

Social Care services provide support to children and young people in need of help and protection. AfC's services include statutory assessment and care planning for children at risk of significant harm, provision for looked after children and those leaving care, as well as fostering and adoption services.

Social Care	
Service	Description
Statutory assessments and care planning	Where there are concerns about a Child Protection conferencing is used to analyse information about the child's needs and care setting to ensure the child's safety and health and development and decide what future action is to be taken. The Common Assessment Framework is used to bring all professionals involved in a child's care together to develop a coordinated plan to identify and meet the child's needs.
Services for looked-after children and care leavers	Most looked-after children are either in foster care or residential accommodation, although some may be in young offender institutions or boarding schools. The service works closely with social workers, education, mental health workers and an educational psychologist to provide support to looked after children and those leaving or have left care
Fostering and adoption	Fostering provides safe secure homes for babies, children and young people aged up to 18 who are in local authority care. Fostering is usually a short-term arrangement before a baby is adopted, or a child returns home, moves to relatives or is adopted, but some stay in foster care until they're 18. AfC strives to provide safe, secure, loving permanent substitute families through adoption for those children who cannot return to their birth families.

Education services start with planning sufficient school places and managing school admissions. AfC's services include advising on curriculum development and school leadership as well as providing support and challenge for school improvement and effectiveness.

Education	
Service	Description
School place planning	The School Place Planning Team works to ensure a sufficiency and diversity of state-funded school places.
School admissions	The School Admissions Team administers applications for admissions to state-funded schools and provides advice and guidance to parents and schools regarding all aspects of the admissions process.
School improvement	AfC's approach to delivering school improvement is built on decades of experience in the two boroughs and focuses on collaboration, peer-to-peer support and co-creation. It has been highlighted as an example of national best practice. AfC also offer school leadership development services
Alternative education provision	AfC provides alternative provision for Kingston and Richmond students aged 11 to 16. It offers 58 places across Malden Oaks provisions, made up of 44 Kingston and 14 Richmond places.

Governor support	Governor Support offers a professional package including information, continuing professional development (CPD), advice and support for all educational settings.
Apprenticeships and access to employment	The service offers apprenticeship job opportunities for young people aged between 16 and 24 in occupational areas such as Business and Administration, Customer Services, and Childcare.

Special Educational Needs and Disabilities (SEND) deliver an integrated support service for children with disabilities and their families that bring together health, social care and educational support. These services are delivered in partnership with local healthcare providers.

Special Educational Needs and Disabilities	
Service	Description
Educational psychology	The Educational Psychology Service (EPS) applies psychology and evidence-based practice (grounded in theory and research) to bring about change in the lives of children and young people (0-25 years of age).
Special educational needs	AfC recently launched their Local Offer which integrates all services for families and children with special educational needs and disabilities (SEND), including support in education, transport, health, leisure activities and preparing for adulthood.
Integrated services for children with disabilities	The Integrated Service for Disabled Children and Young People provides services to local special schools, children with significant additional needs in mainstream schools and across the community. The service delivers a broad range of clinical, therapeutic, social care and support services for children and young people who present with disabilities or additional needs.
Emotional health and wellbeing	The focus of this service is early intervention and prevention of mental health difficulties, including consultation, training and short term direct therapeutic interventions.

Governance

AfC is jointly owned by Kingston and Richmond. The involvement of two local authorities, under different political leadership, combined with the range and sensitive nature of the services involved, meant that decision making processes during the establishment of the company were more complex than if there had been one owner. The early establishment of a Joint Officer Board and Joint Committee provided an essential mechanism for both officers and elected members to review, discuss and reach agreement in a timely manner.

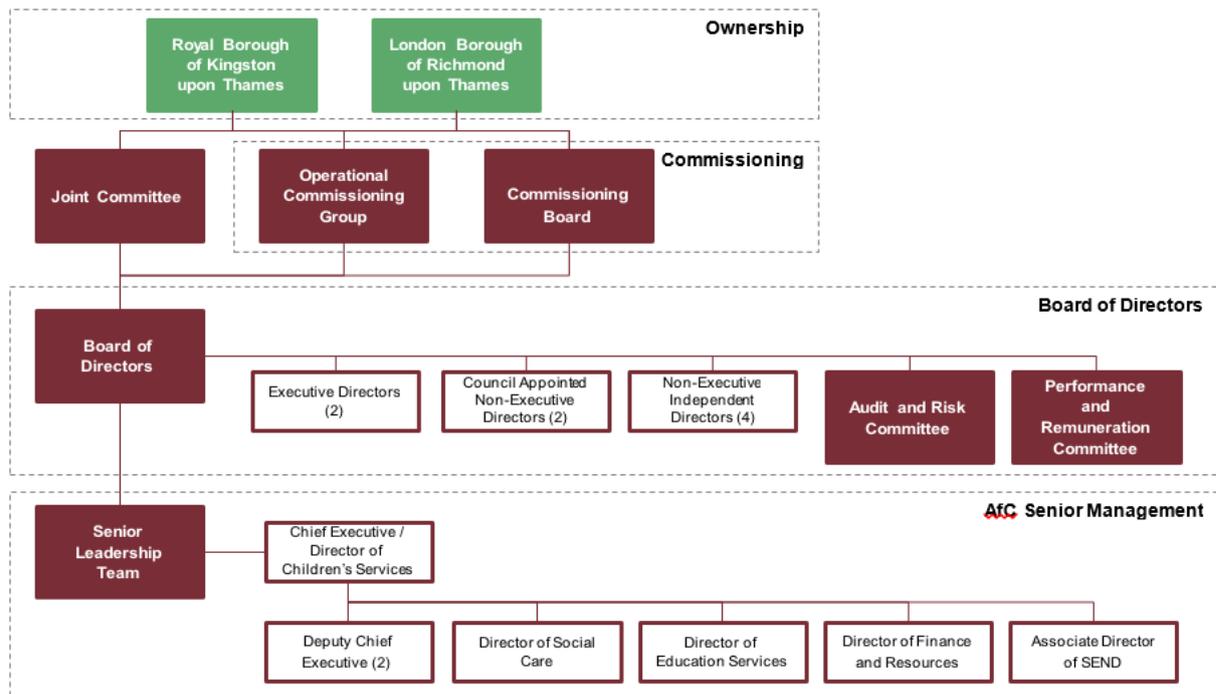
The governance arrangements of AfC are based on the following principles:⁸²

1. Transparency and accountability for decision making secured through a clear governance framework, scheme of delegated authority and explicit member role
2. Clarity of responsibilities in order to hold AfC to account and ability of local authorities to direct the actions of the Director of Children's Service
3. Alignment with both local authorities' priorities reflecting their wider strategic aims
4. Clarity of objectives and outcomes reflected in proportionate arrangements that support delivery
5. Clarity of arrangements and responsibilities in order to hold AfC to account through robust and transparent contracts

The governance structures have been developed to reflect the joint role played by the local authorities as commissioners and owners of the company.

⁸² AfC (2014). Enc 3 - Achieving for Children Benefits Realisation, p.39

The following diagram illustrates the governance framework at AfC:⁸³



Ownership

Kingston and Richmond local authorities are the joint and equal owners of AfC. AfC is structured to benefit from the Teckal exemption (so that local authorities can procure services from AfC without the need for application of the EU procurement regime) and it is important that the rules around the Teckal exemption, including those about ownership and governance, are complied with.

The two local authority owners' responsibilities are set out in an inter-authority agreement. They hold 16 Reserved Matters. These include:⁸⁴

- Changes in ownership of the company;
- Changes to the constitution and decision-making arrangements of the company;
- The appointment and remuneration of directors;
- The future direction and development of the company;
- Changes in arrangements for the assets of the company; and
- Significant commercial transactions.

The local authority owners exert a degree of financial control over AfC, including:⁸⁵

- The company's business plan and budget;
- The company's financial plan and any borrowing, credit facility or investment arrangements; and
- Any contract for revenue expenditure that has a total value of more than £10m or any

⁸³ AfC (2016). 2015/16 Annual Report and Statement of Accounts, p17

⁸⁴ Achieving for Children Joint Committee, Reserved Matters, September 2015 [online] retrieved from: <https://moderngov.kingston.gov.uk/documents/s59181/Reserved%20Matters.pdf>

⁸⁵ AfC (2014), "Enc 3 - Achieving for Children Benefits Realisation", p18

capital investment of more than £10,000.

The local authorities fulfil their ownership through the Joint Committee, which is responsible for ensuring that the company operates and develops in accordance with the wishes of both local authorities. Decisions about the services that are commissioned from AfC are delegated to a Children's Commissioning Board (CCB) who meet quarterly. An Operational Commissioning Group (OCG) meets monthly and is responsible for monitoring how well the Company performs in terms of financial management and the services it provides.

Board of Directors

The Board of Directors is responsible for overseeing the management of AfC and for providing advice to the local authority owners on its future direction and strategy. The Board of Directors is currently comprised of two executive directors, two non-executive directors that are serving officers of the local authorities (local authority appointed directors) and four non-executive independent directors. The Board of Directors meets approximately five times per financial year.

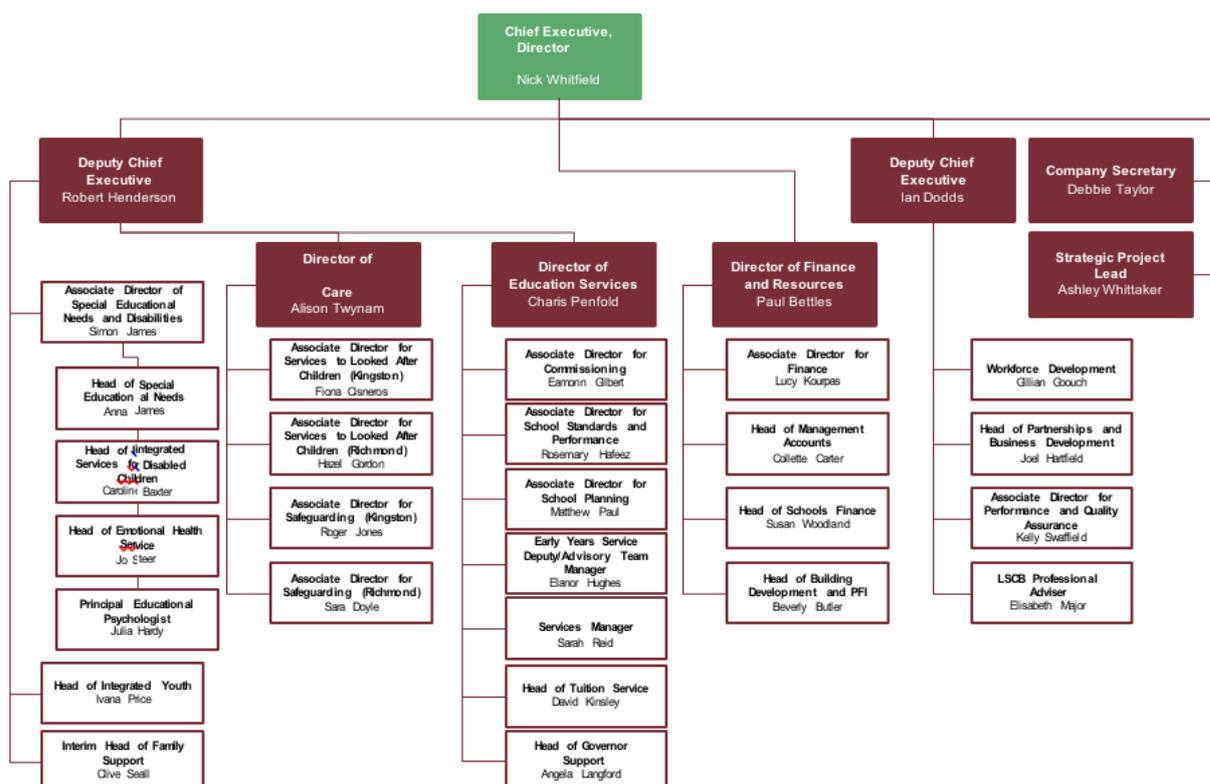
The Board has established an Audit and Risk Committee to liaise with the company's internal and external auditors and advise the Board on audit and risk matters. The Board has also established a Performance and Remuneration Committee that deals with the evaluation of performance, setting and monitoring remuneration and planning succession for the top tier of management.

AfC Senior Management

The Board of Directors has delegated the responsibility of the day to day running of AfC to the Chief Executive and the Senior Leadership Team. The Senior Leadership Team are responsible for ensuring AfC achieves the ambitions and strategy set by the Board of Directors, and delivers the best possible services for children and their families in line with the contract with the commissioning local authorities.

The following diagram provides a summary view of the organisation's current Senior Management Structure (as at February 2016):⁸⁶

⁸⁶ AfC Senior Management Structure, provided by AfC Management July 2016. Original document: *1.01 AfC senior management structure April 2016.pdf*



Nick Whitfield holds a dual role as Chief Executive as well as the Joint Director of Children’s Services (DCS) for both local authorities. He is employed by Richmond and Kingston local authorities as the DCS, which is a statutory appointment and he is seconded to AfC as Chief Executive and Executive Director. His appointment, remuneration and terms of employment are determined by both local authorities and the costs are shared by the local authorities.

Two other members of the Senior Management Team, Deputy Chief Executive Robert Henderson and Director of Children’s Services Alison Twynam, remain employed by the local authorities and are seconded to AfC due to statutory constraints.

Organisation

AfC came into existence on 1 April 2014. At the time there were approximately 620 FTE.⁸⁷ The key features of the original organisation design were:

- A joint senior management team, including separate Directors of Children’s Services for each local authority;
- Separate Directors of Social Care, one for each local authority area;
- Teams were organised into nine localities across two local authority areas.

The majority of services were integrated and redesigned in the first year of the merger and these structures are now embedding. The exception was Social Care, which continued to operate separately up until 2015/16. There is now one Director of Social Care with an Associate Director for Services to Looked After Children and an Associate Director for Safeguarding for each local authority.

In 2014 when AfC was created, there were a number of individuals (28) whose roles related

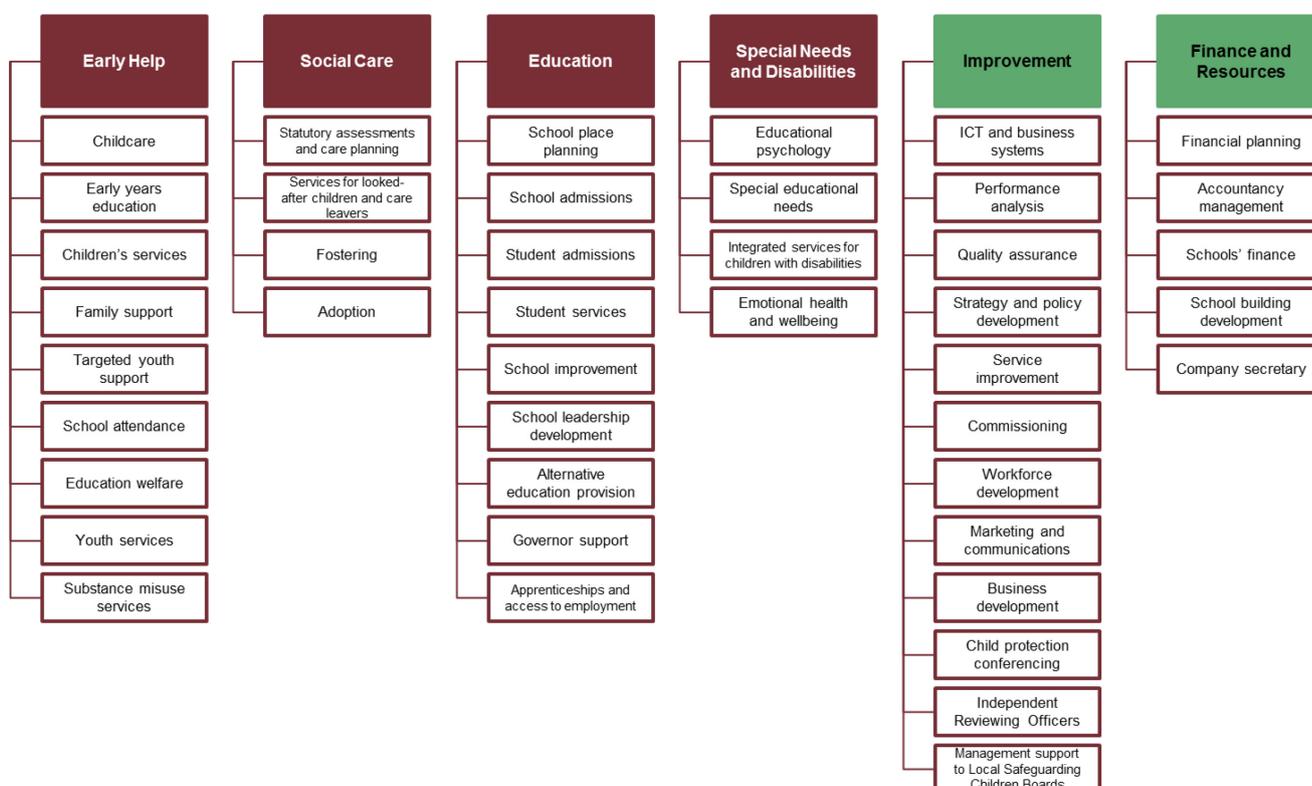
⁸⁷ AfC (2014). Enc 3 - Achieving for Children Benefits Realisation, p.3

to making decisions about children’s social care, or other functions which had to be retained by the local authorities and therefore remained employed by the various local authorities.⁸⁸

In 2016/17, 792 FTEs were employed by AfC, up from 733 FTEs in 2014/15.⁸⁹ The main reason for the increase is the transfer in of the SEN Transport function from Richmond and the transfer in of various social worker posts from Richmond and Kingston.⁹⁰

There continues to be a blend of services which have been retained in AfC and those which are procured from the respective local authorities or other external service providers⁹¹. Back office functions within AfC include: ICT and business systems, marketing, strategy and policy development, quality assurance, finance and company secretary. Most ‘infrastructure services and support’, such as payroll, HR management, legal services, communications, procurement support and health and safety advice are procured from one or both of the founding local authorities under a four year agreement until April 2017. It is likely that AfC will to test the market in 2016 to ensure these services continue to meet needs and deliver good value for money.

The following diagram provides a summary view of the organisation’s current structure:



People

The chart below details the staff (FTE) by department as at 2016/17:

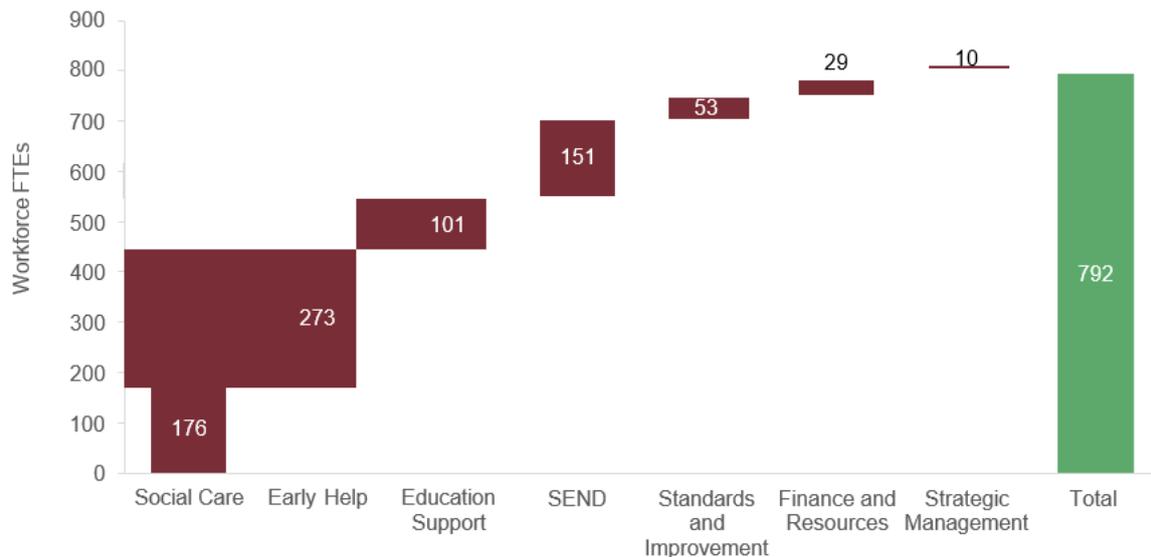
This chart shows the breakdown of Workforce FTEs in each department. Social Care 176, Early Help 273, Education Support 101, SEND 151, Standards and Improvement 53, Finance and Resources 29, Strategic Management 10 Total 792.

⁸⁸ AfC Management interviews with Spring Consortium, July 2016.

⁸⁹ AfC Budgeted Organisational FTEs, provided by AfC Management July 2016

⁹⁰ AfC (2016). 2015/16 Annual Report and Statement of Accounts, p.38

⁹¹ AfC Management interviews with Spring Consortium, July 2016.



Facilities/Location

AfC continues to operate from existing office accommodation in Central Kingston and Twickenham. There is also a wider network of buildings the company uses to deliver services to children and their families including children’s and youth centres.⁹² AfC currently operates 24 buildings on a services premises basis under a 25 year lease or license agreement with break clauses at regular intervals.⁹³

AfC does not directly own any significant assets including premises. It leases offices and operational buildings from Richmond and Kingston that have minimum periods of between 18 months and 4.5 years from 1 April 2014. It cannot invest in capital expenditure above a limit of £10k without agreement of the local authorities.⁹⁴ Since the establishment of AfC, the facilities footprint has remained relatively unchanged. Expenditure on premises during the original AfC budgets from Richmond and Kingston totalled £3.5m⁹⁵ however the most recent management accounts indicate expenditure on premises has risen to £4.2m⁹⁶ in 2015/16 up from £4.0m in 2014/15.⁹⁷

The original business plan was to continue to operate from existing locations, but that AfC would conduct a review of locations to ensure operational effectiveness. The most recent business plan indicates that AfC will be looking to investigate potential options to optimise and rationalise its real estate footprint in order to reduce overhead costs. The key question is to define what infrastructure is required, its capacity and where it should be located.

Technology/processes/information

One of the key challenges of the integration from the beginning was the development of information systems and the ICT infrastructure to enable staff to work as effectively as possible to deliver benefits to service users. The key themes of the ICT strategy from the beginning were:

⁹² AfC (2014). Achieving for Children Business Plan 2014/17, p 8

⁹³ AfC (2014). Achieving for Children Business Plan 2014/17

⁹⁴ AfC (2014). Achieving for Children Business Plan 2014/17, p 8

⁹⁵ AfC (2014). Enc 3 - Achieving for Children Benefits Realisation, p.9

⁹⁶ AfC (2016). 2015/16 Annual Report and Statement of Accounts, p.47-48

⁹⁷ AfC (2016). 2015/16 Annual Report and Statement of Accounts, p.47-48

- *Service improvement*: enable and support service transformation and working through providing better knowledge and data sharing, using technology to create efficient channels for service delivery and enable new ways of working;
- *Business systems*: consolidated around a small core of modular applications from best suppliers;
- *Infrastructure*: adopting a collaborative approach for ICT infrastructure services with secure delivery on a service basis through a 'multi-sources' approach without owning any ICT infrastructure;
- *Governance*: strategic and associated investment decisions to be made by the AfC Board with a programme of change projects being managed through a Programme Board;
- *Organisation*: an Information Services team which commissions ICT services, manages some change projects, oversees information governance and provides some elements of business application support.

Today, AfC is managing a three year plan to make sure the main ICT infrastructure and key business systems are fully integrated. New technologies are being implemented to support flexible and mobile working.⁹⁸ The integration of ICT systems and business processes continues to be seen as a key risk to the business as evidenced by the most recent Annual Report which includes "Lack of fully integrated ICT business systems and business processes, impacting efficiency, productivity and service delivery" as a risk.⁹⁹

The original business case estimated that by the end of 2017 65% of ICT systems would be integrated and by 2018 all ICT systems would be integrated and setting notional standards.

⁹⁸ AfC (2014). Achieving for Children Business Plan 2014/17, p 2

⁹⁹ AfC (2016). 2015/16 Annual Report and Statement of Accounts, p.10