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THE ROYAL BOROUGH OF KINGSTON UPON THAMES

LONDON BOROUGH OF RICHMOND UPON THAMES

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Royal Borough of Windsor & Maidenhead

Achieving for Children Joint Committee

Meeting Date:
Wednesday, 11 July 2018

Agenda

Meeting Time:
11.30 am

Meeting Venue:
Council Chamber - Town Hall - Maidenhead

Paul Martin, Chief Executive

Members	Councillor Natasha Airey Councillor Simon Dudley (Co-Chair) Councillor David Evans Councillor Kevin Davis Councillor Liz Green (Co-Chair) Councillor Diane White Councillor Penelope Frost Councillor Jo Humphreys Councillor Gareth Roberts (Co-Chair)
Committee Administrator	Shilpa Manek 01628 796310 shilpa.manek@rbwm.gov.uk

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Members are reminded that they are required to securely dispose of agenda packs that contain private information.

Democratic Services
Royal Borough of Windsor and Maidenhead
3 July 2018

1. APOLOGIES FOR ABSENCE

Apologies for absence and attendance of alternate members.

2. DECLARATIONS OF INTEREST (Pages 5 - 6)

Members are invited to declare any disclosable pecuniary interests and any other non-pecuniary interests (personal interests) relevant to items on this agenda.

3. MINUTES FROM THE LAST MEETING (Pages 7 - 10)

To consider and approve the minutes of the meeting held on 14th March 2018.

4. PUBLIC PARTICIPATION

Members of the public may ask questions or make representations. Notice of questions or representations to be submitted must be received by 12 noon on 10th July 2018. Please email shilpa.manek@rbwm.gov.uk

5. APPOINTMENT OF A NEW AFC CHIEF EXECUTIVE (Pages 11 - 14)

Joint Committee to authorize the CE appointment in consultation with the Leaders of each Council and the Chairman of the Board of Directors, to implement their preferred option for the appointment of a CE for Achieving for Children, and to make any decisions on interim arrangements to enable timely recruitment in line with the intention of the Councils.

6. 2018-2019 AFC BUSINESS PLAN AND MFTP INTERIM (Pages 15 - 44)

To approve the interim business plan for 2018-19 and to note that a three year plan will be developed for 2019-20 to reflect the outcome of the Council's agreed position, as owners, on the future direction and strategy of the company.

7. SUMMARY OF RESERVED MATTERS TAKEN BY CHIEF EXECUTIVES DURING THE YEAR (Pages 45 - 50)

The Joint Committee to note and formally record the reserved matter decisions that have been taken by the Member Councils, as the joint owners of AfC, since the committee's last meeting on 14 March 2018.

8. AUDITED AFC ACCOUNTS 2017-8 (Pages 51 - 166)

To note the above report.

9. ANY OTHER BUSINESS AND DATE OF NEXT MEETING

The Joint Committee to note the dates of future meetings:

Wednesday 14 November 2018 – 10.30am - Richmond

Wednesday 13 March 2018 – TBC - Kingston

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MEMBERS' GUIDE TO DECLARING INTERESTS IN MEETINGS

Disclosure at Meetings

If a Member has not disclosed an interest in their Register of Interests, they **must make** the declaration of interest at the beginning of the meeting, or as soon as they are aware that they have a DPI or Prejudicial Interest. If a Member has already disclosed the interest in their Register of Interests they are still required to disclose this in the meeting if it relates to the matter being discussed.

A member with a DPI or Prejudicial Interest **may make representations at the start of the item but must not take part in the discussion or vote at a meeting.** The speaking time allocated for Members to make representations is at the discretion of the Chairman of the meeting. In order to avoid any accusations of taking part in the discussion or vote, after speaking, Members should move away from the panel table to a public area or, if they wish, leave the room. If the interest declared has not been entered on to a Members' Register of Interests, they must notify the Monitoring Officer in writing within the next 28 days following the meeting.

Disclosable Pecuniary Interests (DPIs) (relating to the Member or their partner) include:

- Any employment, office, trade, profession or vocation carried on for profit or gain.
- Any payment or provision of any other financial benefit made in respect of any expenses occurred in carrying out member duties or election expenses.
- Any contract under which goods and services are to be provided/works to be executed which has not been fully discharged.
- Any beneficial interest in land within the area of the relevant authority.
- Any licence to occupy land in the area of the relevant authority for a month or longer.
- Any tenancy where the landlord is the relevant authority, and the tenant is a body in which the relevant person has a beneficial interest.
- Any beneficial interest in securities of a body where:
  a) that body has a piece of business or land in the area of the relevant authority, and
  b) either (i) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body <u>**or**</u> (ii) the total nominal value of the shares of any one class belonging to the relevant person exceeds one hundredth of the total issued share capital of that class.

<u>Any Member who is unsure if their interest falls within any of the above legal definitions should seek advice from the Monitoring Officer in advance of the meeting.</u>

A Member with a DPI should state in the meeting: ***'I declare a Disclosable Pecuniary Interest in item x because xxx. As soon as we come to that item, I will leave the room/ move to the public area for the entire duration of the discussion and not take part in the vote.'***

Or, if making representations on the item: ***'I declare a Disclosable Pecuniary Interest in item x because xxx. As soon as we come to that item, I will make representations, then I will leave the room/ move to the public area for the entire duration of the discussion and not take part in the vote.'***

Prejudicial Interests

Any interest which a reasonable, fair minded and informed member of the public would reasonably believe is so significant that it harms or impairs the Member's ability to judge the public interest in the item, i.e. a Member's decision making is influenced by their interest so that they are not able to impartially consider relevant issues.

A Member with a Prejudicial interest should state in the meeting: ***'I declare a Prejudicial Interest in item x because xxx. As soon as we come to that item, I will leave the room/ move to the public area for the entire duration of the discussion and not take part in the vote.'***

Or, if making representations in the item: ***'I declare a Prejudicial Interest in item x because xxx. As soon as we come to that item, I will make representations, then I will leave the room/ move to the public area for the entire duration of the discussion and not take part in the vote.'***

Personal interests

Any other connection or association which a member of the public may reasonably think may influence a Member when making a decision on council matters.

Members with a Personal Interest should state at the meeting: ***'I wish to declare a Personal Interest in item x because xxx'. As this is a Personal Interest only, I will take part in the discussion and vote on the matter.***

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ACHIEVING FOR CHILDREN JOINT COMMITTEE

Minutes of the meeting held on Wednesday, 14 March 2018.

PRESENT:

RBKuT
Councillor Kevin Davis (Chairman)
Councillor Richard Hudson
Councillor Margaret Thompson
RBW&M
Councillor David Evans
Councillor Natasha Airey
Councillor Phillip Bicknell (for Councillor Dudley)
LBRuT
Councillor Paul Hodgins (Co-Chair)
Councillor Stephen Speak
Councillor Susan Chappell

Also present:
Charlie Adan, Alison Alexander, Nick Whitfield, Rob Henderson, Ian Dodds, Mark Maidment, Mandy Skinner, Chris Smith, Lucy Kourpas, Elizabeth Brandill-Pepper, Kirsty Hogg, David Cook, Chris Smith

20. APOLOGIES FOR ABSENCE

Councillor Dudley sent apologies and was substituted for by Councillor Bicknell.

21. DECLARATIONS OF INTEREST

None

22. MINUTES FROM THE LAST MEETING

The minutes from the meeting on 6th December were agreed and signed.

23. PUBLIC PARTICIPATION

None

24. AFC TREASURY PLAN - RESERVED MATTER

Lucy Kourpas introduced this item, which is a Reserved Matter delegated to the Joint Committee for decision. The Treasury Plan is an essential part of the financial governance of the Company and enables the owning Councils to exercise control over the Company's financial arrangements. The Plan needs to be approved at least annually and whenever events require a review. The Plan was last approved and reviewed in September 2017 and the key features for the new Plan remain the same. Approval of the Plan is an element that supports the 'Teckal' exemption.

The Revolving Credit Facility (RCF) provides the primary funding for AfC, and the only funding in the foreseeable future. The RCF sets out the terms for AfC borrowing from the Councils. The shares are to remain the same for this Plan, as the changes are less than 5% for each Council.

RESOLVED: The Joint Committee noted the contents of the report, considered the Revolving Credit Facility and approved the Treasury Plan.

25. RESERVED MATTER - APPOINTMENT OF AUDITORS

Lucy Kourpas introduced this item, explaining that the appointment of an auditor for AfC is a Band 3 Reserved Matter that is delegated to the Joint Committee for decision.

The current auditor is Grant Thornton UK LLP (GT), who were originally appointed in 2014 for a period of 3 years to end with the 2016/17 financial year audit. GT were appointed as they were auditors for both Richmond and Kingston Councils and there were cost efficiencies from the 'group'. AfC is about to start the procurement process for new auditors, who need to be in place for handover from GT, to start on 9th July. The contract period will be 3 years, with the option to extend for a further two years. GT are part of the ESPS framework and there is the possibility that they might be re-appointed, in which case there will not be a handover.

As the dates of AfC's Audit and Risk Committee and Board and the Joint Committee mean that there are more than the 28 days statutory period between the despatch of AfC's accounts and the meeting of the Joint Committee, the decision to appoint an auditor needs to be delegated to officers. The terms of reference for the Joint Committee provide for this and it is suggested that the decision to is delegated to the Chief Executives of the owning Councils.

In response to member questions, Lucy Kourpas informed the Joint Committee that it is mandatory to reappoint auditors every three years, and Mark Maidment added that certain internal controls are required and that auditors must change every 10 years.

RESOLVED: The Joint Committee noted the contents of the report and the proposed procurement route and agreed to the delegation of the decision to appoint an auditor for AfC to the Chief Executives of the three owning Councils.

26. AFC BUSINESS PLAN PRESENTATION

Ian Dodds gave a slide presentation, giving context for the AfC Business Plan including; service quality, regulatory compliance, service developments, financial sustainability, business opportunities and operational effectiveness.

The Business Plan shows the contract budget for the next year as being £46,283,000 for Kingston, £51,964,000 for Richmond and £33,779,000 for Windsor and Maidenhead. These figures take into account planned efficiency savings and demand pressure for each Council.

The strategic beliefs are about building resilience so that families and communities can support children without the need for costly, statutory interventions and develop more inclusive services for children and young people with disabilities (SEND), complex needs and challenging behaviours. The strategic beliefs also include creating local provision and supporting children and young people to develop independence. For the Company, the strategic belief is to develop the skills and resources the company needs to deliver efficient, cost effective and financially sustainable children's services.

For each project the following would be considered:

- Benefit or outcome to be achieved
- Key success measured
- Financial investment required (GANT charts to be used)
- Identified financial saving
- Service lead
- Milestones and timescales

To develop resilience the Signs of Safety practice model, family-based solutions and systemic family therapy would be used, consistency of social work practice would be developed (sharing best practice) and emerging mental health needs considered.

In response to members' questions, Ian Dodds confirmed that the work to be carried out would be informed by the recent government Green Paper on CAMHS, although the final version was awaited. Some programmes would be completed more quickly than others and the Mayor of London initiative, 'Thrive London' and any additional resources available would be considered. The overall aim was to prevent children and young people needing intervention such as becoming looked after, and progress would be checked (through target setting) to ensure the programme was working. The aim was also to improve recruitment and retention of staff within AfC.

Members noted the importance of co-ordinating work with the CCG.

The programme for inclusion would provide specialist SEND resource bases, respite care facilities, early intervention pre-early health care plan (EHCP), reduce gaps in educational achievement (using the pupil premium), alternative education provision (improving consistency across the boroughs) and engagement with parents, schools etc around the inclusion agenda.

The capacity programme includes sustainable school place planning, IFA and increasing foster care capacity (to reduce residential provision requirement), placement commissioning (to ensure the right number of placements available), residential children's homes, supported accommodation for care leavers and integrated health and social care.

In response to members' questions, Ian Dodds explained the importance of finding sustainable school places.

Nick Whitfield noted that new members (after the election) would benefit from training about school admissions. There were issues about parents who put local grammar schools on their application forms, and sent children who did not get in to private schools – and how these cases were included in the figures. Pre-school provision outside the AfC area also could not be measured for the effect on data. A better narrative was needed around school places.

Ian Dodds explained the programme for independence, which covered SEN transport criteria, vocational opportunities and pathways and support and skill development for unaccompanied asylum seeking children (UASC). This would require systemic leadership, including other areas such as housing services.

Ian Dodds explained the resources programme, aiming for a permanent and resilient workforce, making HR and ICT services the best they can be, support and skills for UASC, improving the organisational culture and growing the Company and diversification.

In response to members' questions, Ian Dodds noted that the organisational culture improvements would be developing new ways of working. For example, supporting all levels of the workforce to take more responsibility, improving career pathways so that practitioners could step up to management roles, removing any 'blame culture' and building resilience.

Rob Henderson also explained that independence included giving staff the ability to promote independence – looking at what skills and abilities were required to enable a child to stay with their family or return to their family. Parents would also be encouraged to take responsibility.

Nick Whitfield noted the need to improve the interface between the Councils and AfC, and that the Councils needed to be aware of what AfC could provide. Charlie Adan noted that the organisational culture was learned behaviour and the responses to stimuli, such as bad press creating a culture of risk aversion. Charlie Adan also noted the growth agenda in Kingston, which was expected to benefit the most vulnerable children.

RESOLVED: The Joint Committee noted the verbal report.

27. ANY OTHER BUSINESS AND DATE OF NEXT MEETING

A member requested that key performance data from all three Councils should be brought to the Joint Committee for discussion, as it was the only meeting where all three boroughs' members were together. Sharing data would facilitate sharing of best practice. A member suggested that a different area's performance could be examined at different Joint Committee meetings. After discussion, it was felt this might be carried out at a separate workshop session.

A member also requested that information regarding budget setting should be brought to the next meeting of the Joint Committee.

Date of next meeting: 11th July 2018 at 11am – Windsor and Maidenhead

Members were informed of the rotation of clerkship to Windsor and Maidenhead for the July meeting.

RESOLVED: That a workshop session on performance data should be held after the next Joint Committee meeting. That budget setting information should be brought to the next Joint Committee meeting.

CHAIRMAN

ACHIEVING FOR CHILDREN JOINT COMMITTEE

DATE: **11 JULY 2018**

REPORT OF: **CHIEF EXECUTIVES OF THE ROYAL BOROUGH OF KINGSTON UPON THAMES, THE LONDON BOROUGH OF RICHMOND UPON THAMES AND THE ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD**

S0UBJECT: **RECRUITMENT OF A CHIEF EXECUTIVE FOR ACHIEVING FOR CHILDREN**

1. PURPOSE OF THE REPORT

This report provides the Joint Committee with options for the appointment of a new Chief Executive for the company following the retirement of the current post-holder in September 2018.

2. RECOMMENDATION

The Joint Committee authorises the Chief Executives, in consultation with the Leaders of each Council and the Chair of the Board of Directors, to implement their preferred option for the appointment of a Chief Executive for Achieving for Children, and to make any outstanding decisions on interim arrangements to enable timely recruitment in line with the intention of the Councils.

3. DETAILS

Nick Whitfield is retiring as Chief Executive of Achieving for Children in September 2018. The Joint Committee's discussion on the future direction and strategy for the company will determine the leadership skills and experience required from the new Chief Executive. There are a number of options available to the owning Councils:

(a) An external process to appoint a permanent Chief Executive with a revised job profile based on the leadership skills and experience required to deliver the future direction and strategy identified by the owning Councils. It is likely that external recruitment consultants would be jointly appointed by the Councils to complete the search for appropriate candidates, followed by the usual process for a Chief Officer appointment in each of the Councils.

(b) An internal process to appoint a permanent Chief Executive with a revised job profile based on the same leadership skills required in an external appointment as described in (a) above. Identification of suitable candidates would be through an expression of interest followed by the usual process for a Chief Officer appointment.

(c) Not appointing a permanent Chief Executive and considering an alternative leadership structure for the company.

The appointment of the Chief Executive of the company is a reserved matter (band 2) which requires a 75% majority vote of the shareholding guarantee. These decisions are delegated to the Councils' Chief Executives in consultation with the Leaders of the Councils. Additionally, in this case, the Chief Executives will consult and involve the Board of Directors in the appointment. An indicative timeframe to complete the appointment process and for a new Chief Executive to be in post is six months.

Until a permanent appointment has been made, the Deputy Chief Executive (Chief Operating Officer) has been appointed as the interim Chief Executive. This will help to ensure that employees in Achieving for Children are provided with stability and clear direction on their priorities through this period of change.

4. FINANCIAL IMPLICATIONS

The current salary range for the Chief Executive is £131,000 to £151,000. Estimated costs of an external recruitment consultant are 20% to 30% of the annual salary. The likely recruitment costs are therefore between £26,000 and £39,000.

5. PROCUREMENT IMPLICATIONS

It is likely that the Councils would be appoint an external consultant from one of their procurement framework agreements.

6. LEGAL IMPLICATIONS

There are no legal implications arising directly from this report.

7. CONSULTATION AND ENGAGEMENT

Consultation and public engagement is not directly relevant to this report.

8. WIDER CORPORATE IMPLICATIONS

There are no corporate implications arising directly from this report.

9. BACKGROUND DOCUMENTS

There are no background documents.

10. ANNEXES

There are no annexes.

11. CONTACT

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ACHIEVING FOR CHILDREN JOINT COMMITTEE

DATE: **11 JULY 2018**

REPORT OF: **CHAIR OF THE BOARD OF DIRECTORS**

SUBJECT: **APPROVAL OF BUSINESS PLAN 2018/19 INCLUDING THE MEDIUM-TERM FINANCIAL PLAN**

1. PURPOSE OF THE REPORT

The annual approval or amendment of Achieving for Children's business plan, including the financial plan, is a reserved matter for the Councils as the owners of the company. Achieving for Children would normally produce a three-year business plan and medium-term financial plan; however, interim plans have been developed for 2018/19 to enable the member Councils to review and agree the future direction and strategy for the company following a change in political leadership in the two founding Councils, the recent admission of the Royal Borough of Windsor and Maidenhead, and retirement of the current Chief Executive.

2. RECOMMENDATION

The Joint Committee approves the interim business plan for 2018/19 and notes that a three-year plan will be developed for 2019-2022 to reflect the outcome of the Councils' agreed position, as owners, on the future direction and strategy of the company.

3. DETAIL

The interim business plan is attached to this report as **Annex A** and the interim financial plan as **Annex B**. An early draft of the interim plan was presented to the Joint Committee at its meeting on 14 March 2018. The discussion at the meeting has shaped final plan; in particular, it reflects the challenging financial contexts facing the Councils and the need for the company to operate within budget. At the same time, demand for services is increasing: predominantly support for children in care and for children and young people with special educational needs and disabilities (SEND), and new statutory responsibilities to provide support and accommodation for care leavers until the age of 25. The interim plan therefore focuses on better managing demand for services, delivering the required efficiency savings and achieving longer-term financial sustainability; balanced with a need to maintain the quality of services and support innovation.

The programmes in the plan are based on a conviction that, in order to meet these challenges and achieve the best possible outcomes for children, young people and families, the company proposes to focus its work on four priority areas in 2018/19:

(a) Building resilience so that families and communities are better able to help, support and protect children without the need for statutory interventions.

(b) Creating local provision so that children and young people can stay closer to their families and support networks, and benefit from integrated services.

(c) Developing more inclusive services and opportunities for children and young people with disabilities, complex needs and challenging behaviours.

(d) Supporting children and young people to develop their independence and skills for adulthood.

The interim business plan sets out the actions that need to be taken and the projects that will need to deliver, or start to deliver, over the next 12 months to meet these aims. The majority of these projects will be delivered across Kingston, Richmond and Windsor and Maidenhead; however, some actions and projects have been designed to meet specific local challenges or circumstances. A senior manager will be responsible for leading each project to ensure it remains on track to deliver the desired outcome and efficiency savings. Key milestones, success measures and risks have been identified and these, together with progress, will be monitored and reported quarterly to the Board of Directors and to the Councils through the Operational Commissioning Group.

4. FINANCIAL IMPLICATIONS

There are no financial implications arising directly from this report.

5. PROCUREMENT IMPLICATIONS

There are no procurement implications arising directly from this report.

6. LEGAL IMPLICATIONS

There are no legal implications arising directly from this report.

7. CONSULTATION AND ENGAGEMENT

Consultation and public engagement is not directly relevant to this report.

8. WIDER CORPORATE IMPLICATIONS

There are no corporate implications arising directly from this report.

9. BACKGROUND DOCUMENTS

There are no background documents.

10. ANNEXES

A: Achieving for Children CIC, Interim Business Plan 2018/19
B: Achieving for Children CIC, Interim Financial Plan 2018/19

11. CONTACT

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achieving for children

Interim Business Plan 2018-19

Introduction

The admission of the Royal Borough of Windsor and Maidenhead into Achieving for Children in August 2017, alongside a change to the political leadership of the two founding Councils in May 2018 and the retirement of the company's Chief Executive in September 2018, provide a timely opportunity for the Councils and the Board of Directors to review the future direction and business strategy of its company. For these reasons, the company has produced an interim business plan for 2018/19 so that future priorities can be determined by the longer-term vision and strategy. A full three year business plan will be produced for 2019 to 2022.

All three of the owning Councils face challenging financial settlements which means that the company must operate within its budget, including the delivery of planned efficiency savings. At the same time demand for services is increasing, predominantly support and placements for children and young people with special educational needs and disabilities (SEND), and new statutory responsibilities to provide support and accommodation for care leavers until the age of 25. The business plan for 2018/19 must focus on ensuring the company is able to better manage demand, deliver the required efficiency savings and achieve longer-term financial sustainability; balanced with a drive to maintain the quality of those services and support innovation.

The programmes in the business plan are based on our conviction that, in order to meet the financial challenge, manage demand, maintain the quality of services and achieve the best possible outcomes for children, young people and families, we must truly focus our work on four key areas: building resilience in families; creating local provision that meets identified needs; promoting inclusion; and supporting independence. The business plan sets out the projects that the company will deliver, or start to deliver, over the next 12 months to meet these aims. The majority of these projects will be delivered across Kingston, Richmond and Windsor and Maidenhead; however, some actions and projects have been designed to meet specific local challenges or circumstances. The business plan does not include day-to-day business, but we will continue to maintain our attention on providing those early help, education, health and social care services that many families rely on.

The delivery of the each programme will be championed by a senior leader in Achieving for Children. A senior manager will be responsible for leading each project to ensure it remains on track to deliver the desired outcome and efficiency savings. Key milestones, success measures and risks have been identified and these, together with progress, will be monitored and reported quarterly to the Board of Directors and to the Councils through the Operational Commissioning Group.

Business Plan on a Page

We want to transform the way we deliver services so that we can continue to achieve excellent outcomes for children, young people and their families within a climate of reducing financial resources. The programmes in our plan are ambitious; however, we are confident that they will provide children and young people with the best possible opportunities to live safe, happy and successful lives.

RESILIENCE Build resilience so that families and communities are better able to help, support and protect children without the need for statutory interventions	**CAPACITY** Create local provision so that children and young people can stay closer to their families and support networks, and benefit from integrated services
INCLUSION Develop more inclusive services and opportunities for children and young people with disabilities, complex needs and challenging behaviours	**INDEPENDENCE** Support children and young people to develop their independence and skills for adulthood
RESOURCES Continue to develop the skills and resources the company needs to deliver efficient, cost-effective and financially sustainable services.	

Programme: RESILIENCE
We want to build resilience so that families and communities are better able to help, support and protect children without the need for statutory interventions. We will achieve this by adopting more reflective, collaborative and strengths-based approaches to working with the whole family so that parents are able to make positive and lasting changes to the care they provide to their children.

Outcome measures		Baseline 2017/18	Target 2018/19	Target 2019/20	Target 2020/21	Target 2021/22
Number of early help assessments	K	208	225	250	275	300
	R	146	175	200	225	250
	W	TBC	TBC	TBC	TBC	TBC
Number of child in need cases	K	812	775	750	725	700
	R	780	760	740	720	700
	W	740	730	720	710	700
Number of child protection plans	K	142	135	125	115	105
	R	123	115	110	105	105
	W	74	72	70	68	66
Number of looked after children	K	127	120	115	110	105
	R	104	100	98	96	94
	W	106	102	98	96	94

Project	Area	Investment	Saving	Timescale	Lead
Strengthen family-based solutions, including family group conferencing (FGC) and use of the family drug and alcohol court (FDAC), so that vulnerable families are better supported to care for their children without the need for them to become looked after.	K&R	£720,461	£440,000	March 2019	Associate Director for Safeguarding
	W&M	£159,691	Nil	March 2019	Deputy Director for Children's Social Care and Early Help
Embed the systemic family therapy model across social care services to support social workers in their approach to building resilience in families.	K&R	£1,753,240	£549,000	March 2019	Associate Director for Safeguarding
	W&M	£387,112	Nil	March 2019	Deputy Director for Children's Social Care and Early Help
Fully implement the Signs of Safety practice model across all services to ensure a consistent, collaborative and strengths-based approach to supporting children and young people in need of help and protection.	K&R	£212,000	£254,000	March 2019	Director for Children's Social Care
	W&M	£126,600	Nil	March 2019	Deputy Director for Children's Social Care and Early Help
Develop and improve the consistency of social work practice in Windsor and Maidenhead so that children and young people are safe and experience high quality support and care.	W&M	Nil	£85,000	March 2019	Deputy Director for Children's Social Care and Early Help
Continue the integration of health, social care and wellbeing services, with a particular focus on meeting the emerging emotional health needs of children and young people at the earliest opportunity.	K&R	Nil	Nil	March 2019	Associate Director for Health Services
	W&M	Nil	Nil	March 2019	Service Leader for Inclusion and Pupil Support

Programme: CAPACITY
We want to create local provision so that children and young people can stay closer to their families and support networks, and benefit from integrated education, health and social care services. By 2021, demand for school places is all our operational areas is forecast in rise by almost 15%. Meeting this demand, and maintaining choice for children and young people, will require the creation of more Free Schools and the permanent expansion of good and outstanding schools. This programme also seeks to increase the range of local placements and supported accommodation for children in care and care leavers to reduce our reliance on high-cost external placements.

Outcome measures		Baseline 2017/18	Target 2018/19	Target 2019/20	Target 2020/21	Target 2021/22
Percentage of children who have a school place at the start of the academic year.	K	100%	100%	100%	100%	100%
	R	100%	100%	100%	100%	100%
	W	100%	100%	100%	100%	100%
Number of foster care households.	K	45	50	55	60	65
	R	44	50	55	60	65
	W	45	50	55	60	65
Percentage of looked after children who live in care placements within 20 miles of their homes.	K	22%	25%	28%	32%	35%
	R	20%	22%	25%	28%	32%
	W	TBC	TBC	TBC	TBC	TBC
Percentage of care leavers who live in suitable	K	68%	72%	76%	80%	86%

accommodation.	R	87%	90%	93%	95%	95%
	W	72%	76%	80%	85%	90%

Project	Area	Investment	Saving	Timescale	Lead
Ensure effective medium- term planning for school places planning to ensure there is a school place for every pupil, and all schools are financially sustainable.	K&R	Nil	Nil	March 2019	Associate Director for School Place Planning
	W&M	Nil	Nil	March 2019	Service Leader for Education and Schools
Establish the company as an independent fostering agency and use the new operating model to increase our ability to recruit and support local foster carers.	K&R	Nil	Nil	March 2019	Associate Director for Provider Services
	W&M	Nil	£280,000	March 2019	
Develop the capacity needed to improve the commissioning of placements for children in care and those with SEND, as part of the delivery of the local Placement Commissioning and Sufficiency Strategy.	K&R	£160,000	£1,257,000	March 2019	Associate Director for Commissioning
	W&M	£40,000	£400,000	March 2019	
Develop and operate local residential children's homes to meet the requirements of children and young people with higher-level care needs	K&R	£1,100,000	£120,000	March 2019	Associate Director for Provider Services
Develop and operate local supported accommodation to meet the needs of young people who are leaving care	K&R	TBC	£250,000	March 2019	Associate Director for Provider Services

Programme: INCLUSION
We want to develop more inclusive services and opportunities for children and young people with disabilities, complex needs and challenging behaviours. There continues to be growth in demand for support for children with SEND, with requests for Education, Health and Care Plans increasing year-on-year by 6% in all operational areas, and a notable increase in children with severe and complex needs. There is currently a lack education provision available locally to meet these needs, meaning that we are reliant on high-cost external provision, often at a considerable distance from children's homes and support networks.

Outcome measures		Baseline 2017/18	Target 2018/19	Target 2019/20	Target 2020/21	Target 2021/22
Number of Education, Health and Care Plans.	K	1,042	1,120	1,176	1,205	1,250
	R	1,239	1,331	1,397	1,432	1,450
	W	917	940	960	980	1,000
Percentage of children with special educational needs and disabilities who are educated in maintained mainstream schools or specialist resource bases.	K	68%	70%	72%	74%	76%
	R	64%	68%	72%	74%	76%
	W	TBC	TBC	TBC	TBC	TBC
Number of (a) fixed-term and (b) permanent exclusions from schools.	K	(a) 450 (b) 3	(a) 425 (b) 3	(a) 400 (b)3	(a) 375 (b) 2	(a) 350 (b) 2
	R	(a)629 (b) 15	(a) 600 (b) 12	(a) 575 (b) 10	(a) 550 (b) 8	(a) 525 (b) 5
	W	(a) 599	(a) TBC	(a) TBC	(a) TBC	(a) TBC

		(b) 16	(b) 14	(b) 12	(b) 10	(b) 6

Project	Area	Investment	Saving	Timescale	Lead
Create local school places for children and young people with SEND through the development of specialist resource bases in mainstream schools	K&R	£3,284,359	£840,000	March 2019	Director of Education Services
	W&M	£722,772	£200,000	March 2019	Service Leader for Education and Schools
Develop respite care facilities for children with SEND and complex health needs at the Moor Lane Centre in Kingston	K&R	£2,000,000	£520,000	March 2019	Director of Education Services
Develop resources to support assessment and early intervention in mainstream early years settings, schools and colleges so that they are equipped to meet the needs of children and young people with SEND who are below the threshold for an EHCP.	K&R	Nil	£1,500,000	March 2019	Strategic Lead for Educational Inclusion
	W&M	Nil	£350,000	March 2019	Service Leader for Inclusion and Pupil Support
Develop alternative education provision for children and young people with challenging behaviours who have been permanently excluded or are at risk of exclusion from school	K&R	Capital costing in progress	£240,000	March 2019	Strategic Lead for Educational Inclusion
	W&M	Nil	Nil	March 2019	Service Leader for Inclusion and Pupil Support

Programme: INDEPENDENCE
We want to support children and young people to develop their independence and skills for adulthood. This programme particularly relates to supporting young people leaving care and those with SEND. It focuses on putting in place the accommodation, vocational training and independent living programmes that will be needed to support young people to make a successful transition to adulthood.

Outcome measures		Baseline 2017/18	Target 2018/19	Target 2019/20	Target 2020/21	Target 2021/22
Number of children and young people completing independent travel training.	K	9	15	20	25	30
	R	6	15	20	25	30
	W	0	15	20	25	30
Number of young people with a) special educational needs and b) leaving care in traineeships and apprenticeships.	K	a) 6 b) 2	a) 10 b) 5	a) 15 b) 8	a) 20 b) 10	a) 25 b) 12
	R	a) 7 b) 5	a) 10 b) 8	a) 15 b) 12	a) 20 b) 16	a) 25 b) 20
	W	TBC	TBC	TBC	TBC	TBC
Number of young people with special educational needs and leaving care not in education, employment and training.	K	57	50	45	40	35
	R	78	70	65	60	55
	W	TBC	TBC	TBC	TBC	TBC

Project	Area	Investment	Saving	Timescale	Lead
Implement new eligibility criteria and a new SEND transport policy to deliver new transport options that promote independent travel and life skills.	K&R	Nil	£945,000	March 2019	Associate Director for Commissioning
	W&M	Nil	Nil	March 2019	Service Leader for Education and Schools
Expand vocational opportunities for young people, including the further development of local traineeships and apprenticeships, particularly for those leaving care or with disabilities.	K&R	Nil	£1,350,000	March 2019	Associate Director for Commissioning
	W&M	Nil	Nil	March 2019	Service Leader for Education and Schools
Support care leavers (including unaccompanied asylum seeking children and those with special educational needs and disabilities), to develop the skills and have access to the housing options they need to successfully transition to adulthood and independence.	K&R	Nil	£580,000	March 2019	Associate Director for Permanency
	W&M	Nil	Nil	March 2019	Deputy Director for Children's Social Care and Early Help
Work to reduce the gap in attainment in literacy and numeracy between children in receipt of the pupil premium grant and their peers.	K&R	Nil	Nil	March 2019	Director of Education Services
	W&M	Nil	Nil	March 2019	Service Leader Education and Schools
Work with colleagues in adult social care to improve the pathway and transition planning for young people with SEND.	K&R	Nil	Nil	March 2019	Director of Education Services
	W&M	Nil	Nil	March 2019	Service Leader for Inclusion and Pupil Support

Programme: RESOURCES
We want to develop the skills and resources the company needs to deliver efficient, cost-effective and financially sustainable services. The company has plans to achieve £13 million in efficiency savings by delivering the projects in this business plan. It will involve transforming the way we provide services to families and reshaping our business resources so that they are flexible, responsive, efficient and offer good value for money. To achieve this, and the other projects in the business plan, we require practitioners to develop new skills and behaviours, and implement new ways of working with families.

Outcome measures		Baseline 2017/18	Target 2018/19	Target 2019/20	Target 2020/21	Target 2021/22
Employee voluntary turnover rate.	All	22%	20%	18%	16%	14%
Sickness or days lost to sickness.	All	4.94 days	4.00 days	3.75 days	3.50 days	3.25 days
Vacancy rate or agency rate.	All	15%	14%	13%	12%	10%
Percentage of employees who consider Achieving for Children to be a good place to work.	All	60%	65%	70%	75%	80%

Project	Area	Investment	Saving	Timescale	Lead
Implement an innovative recruitment and retention scheme which attracts experienced and well-qualified practitioners and managers, and helps to retain a permanent and resilient workforce	K&R	Nil	£100,000	March 2019	Associate Director for Workforce
	W&M	Nil	£85,000	March 2019	
Review and reorganise HR, and ICT services, and develop a strategic asset and accommodation strategy, so that the company has the corporate services it needs to be effective and deliver value for money	K&R	Nil	£300,000	March 2019	Associate Director for Strategy and Transformation
	W&M	Nil	Nil	March 2019	
Develop and implement an engagement strategy that strengthens our relationships with children, families, schools, and communities so that our decision-making is increasingly informed by local needs	K&R	Nil	Nil	March 2019	Associate Director for Business Development and Communications
	W&M	Nil	Nil	March 2019	
Develop the organisational culture of the company, including redefining our values, behaviours and ways of working, so that the whole workforce embraces strengths-based approaches to working with families, and feels valued, supported and motivated	K&R	Nil	Nil	March 2019	Associate Director for Workforce
	W&M	Nil	Nil	March 2019	

INTERIM MEDIUM TERM FINANCIAL PLAN
May 2018

1. INTRODUCTION

1.1 Achieving for Children's (AfCs) Medium Term Financial Plan (MTFP) is a key planning document and an integral element of AfC's Business Plan. It is produced as part of the budget process and is reviewed and updated at least annually. The document outlines the company's medium term financial plans and priorities. This strategy runs parallel to the Business Plan.

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

- Central government funding of children's services, local government and specifically the impact of this on the two Councils that own and fund the majority of AfC's costs
- Central government's policies and guidelines on children's services
- Changing demographics in our three boroughs that impact on the number of children
- Demand for children's services both statutory and preventative.
- Income generation via AfC specific arrangements.

1.3 This is an interim MTFP that is subject to change following the completion of the ongoing review of the Company's strategic direction.

2. KEY OBJECTIVES OF THE MTFP

2.1 The 2018/19 Plan will have a specific focus on achieving financial sustainability for the Company in the context of escalating financial pressure in the delivery of childrens and education services as well as in Local Government generally. The Plan will also look at how budgets will be managed given the varying levels of service that can be afforded by the commissioning Councils and how the company will fund services given the reducing financial resources available. It prioritises the following:

- Achieving short and medium term financial sustainability
- Achieving value for money
- Achieving challenging budget reduction targets
- Maximising income
- Ensuring funding is directed at priority areas
- Ensuring that as the Company grows the financial interests of all owners are safeguarded

3. FINANCIAL CONTEXT

3.1 This plan is being written in the context of significant and escalating pressure on childrens and education budgets in our local boroughs and the rest of the country. The funding and demand pressures in social care and high needs education services are becoming increasingly prevalent in national headlines and political discussions.

3.2 In response to this pressure London Councils has undertaken a study of the three key areas of pressure – social care, SEN transport and high needs education. This survey found the following:

High needs education

- In 2016/17, the amount spent on high needs was greater than the amount allocated through the high needs block of the Dedicated Schools Grant (DSG) in **26 out of 31 boroughs**

- The aggregate 'funding gap' across these 23 boroughs was **£100 million** – equivalent to **12.9 per cent** of aggregate high needs allocations or **£3.9 million** per borough

- 5 boroughs spent less on high needs than allocated through the high needs block of DSG – likely to be due to transfers within DSG to meet pressure in other blocks

SEN Transport

- **26 out of 30 boroughs** experienced overspends on SEN transport budgets in 2016/17, averaging £1m per borough.
- Against aggregate budgets of **£84.4 million**, this equates to an aggregate **29 per cent overspend**, or **£1 million per borough**
- Despite a substantially smaller budget, the average £1.0 million overspend on SEN transport compares to £3.5 million for the entire children's social care budget
- Across 20 boroughs providing full data over time, spend on SEN transport increased by **20 per cent** between 2013/14 and 2016/17

Social Care

- Overspends are widespread in children's social care: in 2016/17, **27 out of 30 boroughs** overspent on children's social care budgets – equating to **£3.5m per borough** or **9.6 per cent** of aggregate budgets
- Overspends as a proportion of budgets are slightly higher in outer London (10.1% compared to 8.9% in inner London)
- Amongst the 23 boroughs providing full data over the past four years, the number of boroughs experiencing overspends increased from 16 to 22 between 2013/14 and 2016/17
- Many (but not all) boroughs experienced a large increase in overspends in 2016/17, driving an increase in the average overspend from £2.3m in 2015/16 to £3.3 million in 2016/17

3.3 Although it is clear that there is increasing pressure across childrens and education services generally it is also wholly apparent that our Councils' budgets remain very tight. Local Government have seen significant funding reductions since 2010 and the Councils are all balancing borough priorities as well as increasing demand for adult and childrens services.

3.4 It is important that in the delivery of services there is ongoing discussion with the commissioning councils regarding affordability, scope of services, service models and quality. The focus of the organisation since its inception has very much been on quality. This has involved improving Kingston's services in to 'Good' services and maintaining service quality on the Richmond side. AfC are in the process embedding good practice into Windsor and Maidenhead services.

3.5 Given the tightening financial envelope it is important that as an organisation we are clear about what can be afforded and look to transform services to continue the quality journey whilst delivering within what our councils can afford. This may involve doing things differently and challenging the way things have always been done. The Business Plan outlines how this will be achieved and is discussed later on in this Plan.

4. FINANCIAL PERFORMANCE

4.1 AfC (and the Councils before AfC) have been required to deliver childrens services at a relatively low average cost due to the lower than average funding levels in each of our three boroughs. The following table shows the average cost per head in 2016/17 for the main categories of service. All our boroughs have relatively low cost childrens services when compared to group comparators. This is not unexpected given the low levels of historic funding. It is important that as a Company we look to learn lessons from Local Authorities who are achieving even lower levels of demand and average cost given it is clear, given the levels of funding provided for in the contract prices, that lower average costs are required to make childrens services affordable for our boroughs.

2016/17 Actuals	General Fund Education Services £ per head	General Fund Childrens Social Care £ per head	DSG High Needs Education* £ per EHCP
Kingston upon Thames	554	115	18,794
Richmond upon Thames	643	138	19,718
Windsor & Maidenhead	487	117	17,792
South East exc. London	563	134	13,737
South East	654	160	17,231
England	604	153	14,376
Outer London	709	161	20,047
All London	748	187	21,140

* excludes place funding as comparative data not available

4.2 The Councils agreed material growth amounts to accommodate increases in demand and associated overspends for 2017/18. Alongside this budgetary growth there has also been an expectation that AfC continues to contribute towards the relevant Council's cost reduction strategy. The following table outlines the growth and savings that were agreed with the Councils for the 2017/18 budget.

	Richmond £000	Kingston £000	Windsor & Maidenhead £000	Total £000
Growth	2,500	2,000	n/a	**4,500**
Savings	-2,116	-1,429	n/a	**-3,545**
NET GROWTH / SAVINGS	**384**	**571**	**n/a**	**955**

4.3 2017/18 has remained a challenging year budget-wise and the key points to note regarding the outturn are:

- Controllable budgets (e.g. salaries) were delivered within budget other than where there were pre-agreed overspends (RBWM)
- The Richmond non DSG element of the contract was delivered within budget
- In Kingston significant overspends occurred in both demand led social care and SEN Transport budgets
- In Windsor and Maidenhead there were pre-agreed overspends as well as overspends associated with increased pressures in year

- The DSG funds of all three Local Authorities overspent due to pressure on high needs funding
- All overspends were funded by the Councils, at year end, through the change control mechanism. The Change controls are summarised below:

	Richmond	Kingston	Windsor & Maidenhead
	£000	£000	£000
Controllable budgets	0	0	123
Social care and early help	-66	1,720	1194
SEN and children with disabilities	66	369	71
Education services	0	0	15
Total contract change controls	**0**	**2,089**	**1,403**
Dedicated Schools Grant	2,154	4,208	460

5. FINANCIAL SUSTAINABILITY

5.1 2018/19 will be the first full year where the Company is providing services on behalf of three Local Authorities. There are similar themes in terms of budget pressure across all of our Local Authorities but the context and financial priorities for each Council is different. AfC must therefore ensure that its Medium Term Financial Plan (MTFP) remains aligned to each of the councils' expectations in terms of affordability and priority areas and that it safeguards the individual budget positions of the three owning Councils.

5.2 In addition to the Company's core functions in the delivery of services AfC are also entering the second full year of the DfE grant funded Partners in Practice Programme. AfC must ensure that this funding continues to deliver on the areas agreed with the DfE and undertake an in depth evaluation of which programmes have worked in terms of service and financial outcomes and which areas may need to be wound down in the medium term.

5.3 The key elements of activity that need to be considered in this plan are:

Richmond contract	**Kingston contract**	**Windsor & Maidenhead contract**
Partners in Practice	**Improvement Work**	**Income Generation**

Contracts with Richmond, Kingston and Windsor & Maidenhead in 2018/19 and beyond

5.4 Achieving a financially sustainable business model is one of the Company's key priorities in 2018/19 and the medium term. The priorities outlined in the business plan look to balance quality and affordability as well as achieve service improvement within a reducing financial envelope. The Business Plan focuses on five themes and the following table looks at these themes to identify how they can be aligned to the organisation's financial objectives.

THEME	SERVICE OBJECTIVE	LINK TO FINANCIAL SUSTAINABILITY
Resilience	Build resilience so that families and communities are better able to help, support and protect children without the need for statutory interventions	This theme should help manage demand led children looked after services through providing early intervention support to prevent costs escalating and reducing the requirement for permanent accommodation.
Capacity	Create local provision so that children and young people can stay closer to their families and support networks, and benefit from integrated services	This will help control costs by giving AfC more control over the cost of placements, reducing average costs and reducing the amount spent on travel for both children and staff to out of borough locations.
Inclusion	Develop more inclusive services and opportunities for children and young people with disabilities, complex needs and challenging behaviours	Focusing funds on our borough schools should reduce the average cost of placements / travel costs and will maximise the amount of money that is given to local schools to support our borough children.
Independence	Support children and young people to develop their independence and skills for adulthood	This theme should have a positive impact in to adulthood. Focusing funding on support that will increase independence should both reduce average costs over time but will also enable the Councils to attract increased funding through the apprenticeship scheme.
Resources	Continue to develop the skills and resources the company needs to deliver efficient, cost-effective and financially sustainable services.	This theme will be embedded through the development of staff that make financial decisions, development of the central commissioning function to ensure that staff procuring placements are appropriately skilled, development of management financial information to inform decision making and a review of the financial delegations for decision

		making particularly where there is insufficient funding.

5.5 AfC has been in ongoing discussions with the three Commissioning Councils regarding the 2018/19 contract prices. The following tables outline the growth and savings built in to the 2018/19 contract prices and the Dedicated Schools Grant fund budgets:

General Fund Budget Pressure Summary 2018/19	RBK £000	LBR £000	RBWM £000	TOTAL £000	ACHIEVE RAG
Social Care placements and legal	2,420	500	1,161	**4,081**	
SEN Transport	500	100	289	**889**	
Other pressures	150	0	689	**839**	
MTFP Savings	1,105	1,011	342	**2,458**	
Total pressure	**4,175**	**1,611**	**2,481**	**8,267**	
Growth / additional funding agreed	-1,000	0	-1,124	**-2,124**	G
Pressure after funding agreements	**3,175**	**1,611**	**1,357**	**6,143**	
Savings that are definitely deliverable - Green	-417	-788	-411	**-1,616**	G
Savings that are challenging but should be deliverable - Amber	-1,107	-624	0	**-1,731**	A
Possible 2018/19 overspend	**1,652**	**199**	**946**	**2,797**	R
Savings that are challenging and may not be deliverable - Amber	-812	-683	-626	**-2,121**	A
Savings with significant challenge and low confidence on deliverability - Red	-352	-120	-320	**-792**	R
2018-19 under / overspend if riskier savings and policy changes delivered	**488**	**-604**	**0**	**-116**	

Dedicated Schools Grant Budget Pressure Summary 2018/19	RBK £000	LBR £000	RBWM £000	TOTAL £000	ACHIEVE RAG
Anticipated Pressure	**8,000**	5400	**850**	**14,250**	
One off advance	-3,000	0	0	**-3,000**	
Transfer from school budgets	-1,000	0	0	**-1,000**	
Impact of 2017/18 activity	-900	0	0	**-900**	
Pressure after funding agreements	**3,100**	**5,400**	**850**	**9,350**	
Savings that are definitely deliverable - Green	-547	-398	0	**-945**	G
Savings that are challenging but should be deliverable - Amber	-870	-650	-350	**-1,870**	A
Possible 2018/19 overspend	**1,683**	**4,352**	**500**	**6,535**	R
Savings that are challenging and may not be deliverable - Amber	-750	-800	0	**-1,550**	A
Savings with significant challenge and low confidence on deliverability - Red	-1,950	-500	-500	**-2,950**	R
2018-19 underspend if riskier savings are successfully delivered	**-1,017**	**3,052**	**0**	**2,035**	

5.7 Where the savings plans identified do not achieve an in year balanced position discussions have been held with the relevant Council to agree authorised overspends (e.g. Richmond DSG). Where a balanced position is reliant on the achievement of the riskier savings contact is ongoing with the relevant Council to report progress against achievement of the cost reductions and if these do not come to fruition there will be an agreement about alternative cost reductions or an in year contract change control.

Partners in Practice

5.8 AfC has been successful in securing Partners in Practice grant until 2020/21 to fund a series of projects in partnership with the Department for Education. The programme will enable AfC to undertake improvement work on a bigger scale than it may otherwise have been able to and to be a key player in improving social work practice. The work will also provide pump priming money which will allow AfC the space to try out a number of different social work approaches that could improve practice and help reduce cost and demand for services in the future. The key workstreams are as follows:

Programme 1 - Sector Improvement	**4,605,841**
Strand 1: Increasing the role of alternative delivery models in children's social care	1,065,800
Strand 2: Improving services quickly and on a national scale	2,364,036
Strand 3: Developing a pipeline of practice leaders for the sector	1,176,005
Programme 2 - Practice Innovation	**3,020,505**
Strand 1: Enhancing child protection capacity to conduct intensive direct work with families Strand 2: Developing a Young People's Resilience Service	3,020,505
TOTAL	**7,626,346**

5.9 The programme has now been up and running for a full year and the Company is working with the DfE to evaluate progress to date and which of the programmes are having positive outcomes. The organisation is also considering, based upon the outcome evaluation, which of the programmes and methodologies will be financially sustainable in a couple of years when the grant term ends.

Improvement Work and Income Generation

5.10 The Company continues to undertake improvement work with numerous Local Authorities outside of the Partners in Practice Programme and also to explore opportunities for income generation through its training offer, services to schools and where appropriate bidding for smaller contracts for the delivery of services. These services are helpful in maintaining AfCs reputation nationally and also in providing a contribution to the Company's corporate core. In 2017/18 the Company charged £5m for income generation services including £170k for improvement work outside of the Partners in Practice Programme.

Growth of AfC

5.11 AfC welcomed Windsor and Maidenhead as a new owner and commissioner of services in August 2018. Since the admission, officers have continued to work hard to integrate this new operational area in to the wider Company and a lot has been achieved in the first eight months in terms of making plans for service improvement and developing management information systems that will enable effective service and financial control. Much of this improvement work has been pump primed by the Partners in Practice grant as an element of it was to assist Local Authorities with services that were judged as 'requiring improvement' by Ofsted.

5.13 A substantial amount of work has been undertaken across AfC to establish a framework for introducing future owners to the Company. From a financial perspective it is important that the new structure safeguards the company's VAT status, teckal compliance, state aid adherence, financial controls and that the contract price is adequate to meet commissioning obligations. Set up costs associated with the introduction of a new contract must be met by that new commissioner.

5.14 AfC and the Councils have discussed further expansion plans previously. In terms of financial stability it is important that the needs of the existing owners are prioritised before further growth is progressed to ensure that the new partner joins a strong, financially stable organisation. Modest savings (£200k) were achieved by Richmond and Kingston Council when the company expanded in August principally due to the Senior Leadership within Business Services being shared across three rather than two Council contracts. If the Company considers further expansion a full business case will need to be developed to assess whether financial and other benefits might accrue from further economies of scale. In addition it is integral that a full due diligence assessment be carried out on any partner to ensure that they are financially sound and have service aspirations that are in line with existing members.

6 MEDIUM TERM BUDGET

6.1 The Company undertakes high level budgeting for a four year period (including current) to ensure that there is a planned approach to delivering services within the projected budget envelope. The following table outlines the high level changes to the general fund budget (Non DSG). The expectations are reviewed with the Councils in June each year to ensure that medium term financial planning remains aligned.

		2018/19	2019/20	2020/21	2021/22
Growth	£000	5,963	1,500	1,300	1,300
Savings	£000	-7,195	-2,284	-1,000	-1,000
Inflation	£000	1,359	1,200	1,200	1,200
Net change	**£000**	**127**	**416**	**1,500**	**1,500**

6.2 In relation to the general fund the biggest financial challenge for the medium term period is controlling demand led social care and transport budgets in Richmond and reducing the amount spent on demand led services in Kingston and Windsor & Maidenhead (relative to 2017/18). The savings in the table above reflect the required levels of reductions to achieve the Councils financial objectives on the three contracts as well as to meet expectations in relation to contributing to the Councils ongoing cost reduction regimes.

6.3 Discussions are ongoing with each Council to agree the extent to which they are willing to change or reduce services to achieve balanced in year positions. The challenge that will need to be worked through is how to balance scope of services and quality with further reductions in unit costs of services. These discussions will inevitably require a political steer and decisions to be made in the context of our Councils' wider financial positions.

6.4 All three Councils have historically received relatively low levels of funding for Council services and as a result services are delivered at a lower than average cost. AfC must focus on making informed recommendations that achieve our Councils' financial objectives as well as making best use of available funds to achieve the best outcomes for children and young people.

6.5 In addition to the general fund pressures the Company is working towards bringing DSG funded high needs education expenditure in line with the associated Government Grant allocation. The political and financial positions of each Council have informed the timescales for doing this with Kingston requiring this from 2018/19 and Richmond and Windsor & Maidenhead requiring action to reduce the gap in the short term, with a plan to bring expenditure in line over the coming years. Detailed recovery plans have been drawn up and are being proactively monitored. The plans are evolving as the organisation learns what is working in terms of cost reduction and what actions require contingency plans. This activity is a major priority for AfC and the Councils. AfC is also proactively working with Government and politicians to ensure that the financial context and pressures faced by Local Authorities in the delivery of childrens services is widely understood.

6.6 The following table details the annual savings needed to balance the DSG funds in each Council and are presented assuming the prior year savings are achieved and permanently reduce the cost base.

DSG Pressures	Richmond £000	Kingston £000	Windsor & Maidenhead £000	Pressure assuming achievement of prior year savings achieved £000
2018/19	4,000	4,100	850	**8,950**
2019/20*	3,200	4,462	1,000	**8,662**
2020/21*	4,400	5,410	1,200	**11,010**
	11,600	**13,972**	**3,050**	**28,622**

* Assumes cost base permanently reduced by actions identified for 2018/19. Non achievement of savings would increase the annual gap.

6.7 Task and Finish groups representing all partners have been set up and are meeting monthly to make recommendations regarding actions to balance the DSG funds in Richmond and Kingston in 2019/20 and beyond. Recommendations are anticipated in October 2018.

6.8 The three Deputy Chief Executives are responsible for identifying savings with their SLT and planning for the implementation of these changes. They are supported in doing this by a senior member of the finance team who attends their SLT meetings. All major areas of pressure have detailed financial recovery plans which are subject to continual monitoring, review and contingency action planning where actions do not achieve the required financial impact. It is integral that AfC achieves the plans' ambitions to reduce and control demand led budgets so that the back office infrastructure and front line staffing budgets that support the delivery of these services can be sustained in the longer term.

7 FINANCIAL CONTROL

7.1 AfC operates a devolved approach to budget management with nominated budget managers responsible for service spend. The budget manager is a member of staff at team manager level or above and is the officer who makes the operational decisions about how to spend money. The ongoing financial challenges faced by the Company has necessitated a review of the arrangements that govern budget manager spend. Under the revised financial regulations budget managers are able to spend up to their designated budget but must formally seek permission from their SLT member to spend above this limit. The SLT member may opt to transfer budget from elsewhere in their department on a temporary or permanent basis to enable the higher level of spend or may seek a contract change control from the relevant commissioning Council. Each budget manager is supported by a dedicated management accountant who meets with them at least quarterly and more frequently for higher risk budgets.

The finance team produces monthly monitoring information which is signed off by the relevant SLT before being sent to the Board and relevant Council.

7.2 The Company has three main categories of spend which determines the key controls and levers for controlling spend:

Budget Type	Key controls
Controllable budgets are budgets that AfC can directly impact by taking associated actions. They support statutory services but may not in themselves be statutory. Examples include training, stationary, travel, supplies and services.	Vacancy panel approval of all vacancies prior to recruitment. Centralisation of general budgets e.g. training, stationary, furniture and equipment etc. Where overspends are anticipated senior level sign off of spend over a pre agreed limit All budgets allocated to individual budget managers and signed off prior to the year Periodic review of agency staff by SLT Budget manager sign off of all invoices Budget manager training Monthly budget monitoring produced by finance team in consultation with the budget manager Consideration of overall position by SLT monthly
Stepped Costs are those that are demand led but can be directly controlled through associated action and the risks associated with reducing spend can be managed more easily. The main category of budget here relates to salary costs within frontline teams where the number of staff may not have to increase with every increase in demand but where there are a certain number of staff needed to maintain caseloads within an agreed range.	Vacancy panel approval of all vacancies prior to recruitment. SLT consideration of alternative options via the request form before recruitment decisions made Monitoring of workloads via information produced by the data intelligence team Manager sign off of funded establishment annually Periodic SLT review of teams over establishment

Budget Type	Key controls
	Monthly budget monitoring produced by finance team in consultation with the budget manager Consideration of overall position by SLT monthly
Demand led budgets are those that are directly linked to the meeting of statutory duty and are difficult to influence in the short term. Examples include placements for children looked after, rent and allowances for care leavers, direct costs related to agreed educational placements and legal costs associated with specific cases.	Child by child placement monitoring and sign off by budget manager monthly Budget manager sign off of all invoices Attendance of key staff at decision making panels including finance where finance decisions are being made Periodic high cost placement reviews Monthly reconciliation and production of management information Periodic review of placement types by commissioning team Monthly budget monitoring produced by finance team in consultation with the budget manager Consideration of overall position by SLT monthly

7.3 The Company has consistently maintained stepped costs and other controllable costs within the required budget envelopes but has struggled to deliver demand led costs within the Council's contract prices due to a number of reasons:

- fluctuations in demand
- increases in unit costs / limited supply of placements
- failure to deliver on savings plans associated with demand led budgets

7.4 To break this cycle and ensure that demand led services remain affordable for the commissioning councils, service specific recovery plans have been developed to provide a focused project management approach to each of the three pressure areas:

- SEN transport
- social care placements and associated legal costs
- high needs education services

7.5 The recovery plans are led by a nominated project lead who works with the responsible Deputy Chief Executive to ensure the plan progresses in a structured way, with the required pace and that activity and financial monitoring information is brought together for reporting to relevant partners including the AfC leadership team, the Board, the Council commissioners and Schools Forum. The plans focus on increasing income, managing demand and reducing average costs of services. Progress and achievement of net cost reductions will be monitored during the year with alternative actions being agreed with commissioners, if needed, through quarterly commissioning meetings.

8 CASHFLOW AND LIQUIDITY

8.1 AfC has access to a contractual Revolving Credit Facility of up to £45m to provide working capital for the provision of the three major contracts with the owning Councils. This is needed as services are billed for in arrears and so it can be up to two months before the company receives payment for services delivered. The company uses the facility to ensure that there is sufficient liquidity to meet day to day operational needs. AfC holds short term deposits with a number of banking institutions to ensure that the administrative burden of operating the loan facility remains practical. Investment limits are agreed with the owning councils annually as part of the Financial Plan.

8.2 AfC has had an average borrowing of £15m over the last 12 months, well below the £45m. The borrowing essentially pays for the services delivered to the Councils on credit and any one off set up costs that remain on the Company's Balance Sheet.

9 GOING CONCERN

9.2 As a company, AfC is required to demonstrate that it is a going concern. In order to do this the Board needs to consider its future financial position and assure itself that its position for the short/medium term is capable of continuing to trade. It also needs to provide assurance to the Councils that its financial plans are robust and issues around its future financial position are presented to, and agreed by the Councils. In addition, to market itself to provide services to other entities it needs to present its financial position as a solid and reliable trading partner.

9.3 It is important that AfC continues to engage with the three owning Councils in relation to what is affordable and what level and cost of service the Councils need to make the contracts with AfC financially viable for them.

9.4 Due to the nature of AfC's services and the decision to offer AfC staff the Local Government Pension Scheme (LGPS) AfC holds a considerable pension liability on its Balance Sheet. The decision to offer the LGPS was made at the inception of AfC and is an important factor in ensuring that AfC is in a good position to recruit and retain high quality social care staff. It is important that AfC is able to explain this position to potential trading partners and provide assurance that it is a going concern. This will be done through the Statement of Accounts and associated publications.

10 SUMMARY OF ACTIONS TO MOVE THE PLAN FORWARD:

- Implementation and review of the cost reduction programme
- Regular reporting of progress against plans to the Board and Councils
- Review of the financial scheme of delegation and financial regulations
- Training of all members of staff with budget manager responsibility
- Review of future years plans
- Annual review of MTFP with commissioners

- Working to achieve income generation targets within Teckal limitations and periodic review of Teckal position
- Detailed budget monitoring and reporting on all major risk areas including placement and salary budgets
- A final plan to be published once the review of the Company's Strategic direction is complete

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ACHIEVING FOR CHILDREN JOINT COMMITTEE

DATE: **11 JULY 2018**

REPORT OF: **COMPANY SECRETARY**

SUBJECT: **RESERVED MATTERS**

1. PURPOSE OF THE REPORT

This report provides the Joint Committee with a summary of the reserved decisions that have been made by the member Councils as the joint owners as Achieving for Children.

2. RECOMMENDATION

The Joint Committee notes and formally records the reserved matter decisions that have been taken by the member Councils, as the joint owners of Achieving for Children, since the Committee's last meeting on 14 March 2018.

3. DETAIL

An Inter-Authority Agreement sets out how Achieving for Children's three member Councils will act together in their joint ownership of the company; this includes how they will make the decisions that are reserved to them as owners.

There are 19 reserved decisions which are attached to this report as **Annex A**. The reserved decisions are banded: Band 1 decisions are reserved to the two founding Councils; Band 2 decisions require a 75% vote of the share guarantee in favour of the proposal; and Band 3 decisions are decided by a simple majority vote. The Joint Committee agreed the process for making reserved decisions at its meeting on 16 September 2015. The decisions are made by the Councils and are enacted in a General Meeting of the company attended by the Council Chief Executives or their nominated representative. The final stage of the process is for the Company Secretary to produce a report for the Joint Committee informing them of all reserved decisions that have been made by the owners of the company.

Decisions have been made on two reserved matters since the last Joint Committee meeting.

RESERVED MATTER DECISIONS - BAND 3

Reserved Matter	Decision	Date
Reserved Matter 12: appoint or remove any auditor of the company.	Grant Thornton UK LLP was appointed as the company's external auditor from 2018/19 to 2020/21. This followed an external procurement exercise.	The decision was made at a General Meeting of the company on 21 June 2018.
Reserved Matter 17: appoint or remove any Director of the company.	Sarah Ireland was appointed as a Director representing the Royal Borough of Kingston upon Thames, replacing Anne Reparth who has been removed as a Director.	The decision was made at a General Meeting of the company on 30 April 2018.

4. FINANCIAL IMPLICATIONS

There are no financial implications arising directly from this report.

5. PROCUREMENT IMPLICATIONS

There are no procurement implications arising directly from this report.

6. LEGAL IMPLICATIONS

There are no legal implications arising directly from this report.

7. CONSULTATION AND ENGAGEMENT

Consultation and public engagement is not directly relevant to this report.

8. WIDER CORPORATE IMPLICATIONS

There are no corporate implications arising directly from this report.

9. BACKGROUND DOCUMENTS

There are no background documents.

10. ANNEXES

A: Members' Inter-Authority Agreement, Schedule 2, Reserved Matter Decisions

11. CONTACT

Ian Dodds
Company Secretary
Achieving for Children
020 8831 6116
ian.dodds@achievingforchildren.org.uk

ANNEX A: RESERVED MATTERS

Band 1	
1.	Permit the registration of any person as a new member of the company.
Band 2	
2.	Vary, in any respect, the Articles.
3.	Pass any resolution for the winding up for the company or present any petition for the administration of the company, other than where the company is insolvent.
4.	Appoint or remove the Chief Executive of the company in consultation with the Board of Directors if not agreed unanimously
5.	Change the name of the company.
6.	Form any subsidiary of the company or acquire shares in any other company or participate in any partnership or joint venture with a view to providing services to third parties without being subject to the Trading Opportunities Evaluation Process as prescribed by the Members.
7.	Sell or dispose in any way whatsoever any part of the business of the company.
8.	Amalgamate or merge with any other company or business undertaking.
Band 3	
9.	Enter into any arrangement, contract or transaction resulting in expenditure either with a capital value greater than £10,000 or revenue value greater than £10 million. Any expenditure of such revenue by the company being less than £10 million shall be subject to the company's own financial regulations and shall be subject to prior approval within the business plan and operating revenue budget which shall be approved by the Members in accordance with the Reserved Matters.
10.	Enter into any arrangement, contract or transaction where the company is providing services to third parties without following the Trading Opportunities Evaluation Process as produced by the Members. Such arrangements, contracts or transactions shall also be subject to prior approval within the business plan which shall be approved by the Members in accordance with the Reserved Matters.
11.	Enter into any borrowing, credit facility or investment arrangement (other than trade credit in the ordinary course of business) that has not been approved by the Members under the Treasury Plan.
12.	Approve or remove any auditor of the company.

13.	Adopt or amend the business plan in respect of each financial year, which for the avoidance of doubt shall include the adoption and amendment of an operating revenue budget for the financial year to which it relates.
14.	Adopt or amend the Treasury Plan.
15.	Enter into any arrangement, contract or transaction within, ancillary or incidental to the ordinary course of the company's business or is otherwise than on arm's length terms.
16.	Deal with any surpluses of the company.
17.	Appoint or remove any Director from the Board of Directors.
18.	Agree any terms for any Director (but for the avoidance of doubt this does not include the terms and conditions of employment of Executive Directors as defined in the Articles of Association of the Company).
19.	Agree changes in employment terms and conditions which would be inconsistent with the National Joint Council National Agreement on Pay and Conditions of Service and any changes to the pay and grading structure of the Chief Executive post of the company.

ACHIEVING FOR CHILDREN JOINT COMMITTEE

DATE: **11 JULY 2018**

REPORT OF: **CHAIR OF THE BOARD OF DIRECTORS**

SUBJECT: **ANNUAL REPORT AND ACCOUNTS 2017/18**

1. PURPOSE OF THE REPORT

This report provides the Joint Committee with the company's audited Annual Report and Statement of Accounts for 2017/18, which were approved by the Board of Directors at their meeting on 5 June 2018.

2. RECOMMENDATION

The Joint Committee receives the Annual Report and Statement of Accounts for Achieving for Children for 2017/18.

3. DETAIL

The Annual Report and Statement of Accounts for 2017/18 are attached to this report as **Annex A.** The accounts have been prepared to meet the requirements of the Companies Act 2006 and the International Financial Reporting Standards. The content of the annual report element is largely prescribed; it contains a statement by the Chair of the Board of Directors, a strategic report detailing key achievements and risks, and a Directors' report setting out their responsibilities and remuneration.

In terms of the statement of accounts, gross expenditure in 2017/18 was £145.625 million; this includes part-year expenditure relating to the Royal Borough of Windsor and Maidenhead who became a member of the company in August 2017. Taking this into account, expenditure is broadly similar to 2016/17 where gross expenditure was £121.995m. Expenditure is broken down by service area and payment type in Note 9 of the accounts (see page 53 of the Annual Report and Statement of Accounts).

The company is reporting an in-year loss of £9 million for 2017/18. The loss relates to the cost of allowing for pension benefits to be accrued by employees in the Local Government Pension Scheme (LGPS) and includes £6.4 million of net pension liabilities relating to the transfer of staff into the company from the Royal Borough of Windsor and Maidenhead. The loss for the year will be added to profits and losses from previous years and carried forward on the company's Statement of Financial Position. This shows the net worth of the company as at 31 March 2017 (see page 39 of the Annual Report and Statement of Accounts). The Royal Borough of Kingston upon Thames and the London Borough of Richmond upon Thames each held a 40% share of the guarantee in the company, and the Royal Borough of Windsor and Maidenhead held a 20% share, therefore the proportionate amount of the net worth also appears on each Council's Statement of Financial Position. This effectively represents the value of each Council's investment or liability in the company.

The company's net worth shows a significant negative balance of £39 million for two main reasons. Firstly, the company cannot hold significant assets (such as property) and so the value of the company is largely made up of liabilities (such as pension deficit). The Councils have opted not to transfer ownership of relevant assets to the company to ensure they retain decision-making regarding the future use of the assets. Secondly, the Board of Directors and owning Councils have committed to offering the LGPS to ensure equity with the terms and conditions of employees who transferred into the company from the Councils, and to be able to attract a quality workforce. The deficit represents the shortfall in budget set aside to pay for pension rights earned by employees to date. This will not be paid out until the current member retires and does not represent an immediate cash flow issue. The fund is subject to triennial valuation and so employer contribution rates will be adjusted to ensure that the fund is adequately resourced to meet retirement benefits when they are due. The combination of these two factors means that the company's net worth is likely to remain in a negative position for the foreseeable future.

The Annual Report and Statement of Accounts have been audited by Grant Thornton UK LLP. The audit report is attached as **Annex B** to this report. Grant Thornton have issued an unmodified opinion on the Annual Report and Accounts. There are no material or non-trivial errors. The detailed work that was completed to reach this conclusion is described in the external audit report. The report and recommendations were considered and agreed by the Board of Directors at their meeting on 5 June 2018 as required by the Companies Act 2006.

4. FINANCIAL IMPLICATIONS

There are no financial implications arising directly from this report.

5. PROCUREMENT IMPLICATIONS

There are no procurement implications arising directly from this report.

6. LEGAL IMPLICATIONS

Achieving for Children is required to produce and publish an Annual Report and Statement of Accounts that complies with the Companies Act 2006 and International

Financial Reporting Standards. The report must be subject to an independent audit and the Board of Directors must consider any recommendations resulting from the audit. Achieving for Children has submitted the Annual Report and Accounts to Companies House for publication and has therefore complied with these legal requirements.

7. CONSULTATION AND ENGAGEMENT

Consultation and public engagement is not directly relevant to this report.

8. WIDER CORPORATE IMPLICATIONS

There are no corporate implications arising directly from this report.

9. BACKGROUND DOCUMENTS

There are no background documents.

10. ANNEXES

A: Achieving for Children CIC, Annual Report and Statement of Accounts 2017/18
B: Grant Thornton UK LLP, Audit Findings for Achieving for Children CIC 2017/18

11. CONTACT

David Archibald
Chair of the Board of Directors

Ian Dodds
Interim Chief Executive
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Lucy Korpas
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Annual Reports and Statement of Accounts

2017/18

achieving for children

Registration Number 08878185

Achieving for Children

Community Interest Company

Annual Report and Statement of Accounts

2017-18

Contents

Our vision: Helping children to live safe, happy and successful lives.

Our promises:

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

This Annual Report summarises the performance of Achieving for Children for the period between 1 April 2017 and 31 March 2018 and has been authorised for issue by the Board of Directors.

N. Whitfield

Nick Whitfield
Chief Executive

COMPANY INFORMATION

REGISTRATION:

Achieving for Children Community Interest Company

Registered in England and Wales as a Private Limited Company

Registration Number 08878185

OWNERSHIP DETAILS:

The Company is jointly owned by the Royal Borough of Kingston upon Thames (40%), the London Borough of Richmond upon Thames (40%) and the Royal Borough of Windsor and Maidenhead (20%). The Company is limited by guarantee.

REGISTERED OFFICE:

Gifford House
67c St Helier Avenue
Morden
SM4 6HY

AUDITOR:

Grant Thornton UK LLP
30 Finsbury Square
London EC2A 1AG

SOLICITORS:

South London Legal Partnership
Gifford House
67c St Helier Avenue
Morden
SM4 6HY

BANK DETAILS:

National Westminster Bank
25 King Street
Twickenham
TW1 3SU

COMPANY DIRECTORS and OFFICERS:

See page 23 of the Annual Report

WEBSITE:

achievingforchildren.org.uk

Statement by the Chair of the Board of Directors

I am pleased to present Achieving for Children's Annual Report. 2017/18 was our fourth year in business, delivering services to children and their families in Kingston and Richmond upon Thames, and since August 2017, in Windsor and Maidenhead. This is the first step in our ambitious growth strategy to expand into new local authority areas. We have also grown in respect of the services that we deliver for children. Health visiting and school nursing are now part of our service offer, and we have also opened our first supported accommodation unit for care leavers in central Kingston. Our expansion as a residential care provider will continue in 2018 with our plans to open two residential children's homes and a respite care centre for children with disabilities and complex health needs.

Achieving for Children is now firmly established as an excellent provider of children's services and has been nationally recognised for the innovation and quality of its work with children and families, including services in Richmond being rated "good" by Ofsted following an inspection in October 2017. During the year we have been able to further develop our offer, as one of the government's Partners in Practice, by transforming the way that we deliver social care services in Kingston and Richmond. The implementation of the Signs of Safety practice model, enhancement of our Strengthening Families provision, and development of the Youth Resilience service, are all aimed at changing the way we work collaboratively with families, building on their strengths and developing their skills and resilience, so that fewer children require statutory support and interventions. The success of these developments, and the learning we have derived from them, will be extended to our services in Windsor and Maidenhead in the coming year. As a Partner in Practice, we have also continued to support other children's services in their improvement journeys, including the development of an alternative delivery model in Reading which will launch in 2018.

Our work to support early years' providers and schools continues to be effective. We are proud that the very large majority of our children attend a good or outstanding school, and that they continue to achieve better than their peers at all Key Stages. We have continued to work with government and our owning Councils to extend choice in local education by opening a new secondary Free School in Richmond and expanding specialist resource provisions for children and young people with special educational needs and disabilities.

The financial challenges remain and the demand for our services is increasing, particularly in relation to support required by children with special educational needs and disabilities; however, we are confident that our Business Plan provides the solutions we need to protect the essential services on which our children and families depend. Of course, none of this would have been possible without strong leadership and the professionalism and diligence of our workforce. The Board of Directors looks forward to working with them to deliver our Business Plan so that we deliver the best possible outcomes for children and families in Kingston, Richmond and Windsor and Maidenhead, as well as remaining at the leading-edge of children's services nationwide.

David Archibald
Chair of the Board of Directors

STRATEGIC REPORT

1. Introduction by the Chief Executive

2017/18 has been a year of transformation for the company. We fulfilled our ambition to grow by admitting a new member when the Royal Borough of Windsor and Maidenhead joined the company in August 2017. We started to operate our Cluster delivery model with services provided to children and families in multi-professional teams, in their local areas, and at the earliest opportunity; we developed new preventative services for adolescents and for our most complex families where there is domestic violence, parental substance misuse and mental health concerns; we implemented the Signs of Safety practice model and systemic family therapy; and we extended our support to local authorities throughout England by providing improvement consultancy, advice and support to improve their children's services, using funding from the national Partners in Practice programme.

We have remained steadfastly focused on delivering the best possible services to local children and their families in Kingston, Richmond and Windsor and Maidenhead, so that they are able to live safe, happy, healthy and successful lives. We have achieved this by listening and responding to their needs and by working in close collaboration with schools and our many partner organisations. We know that this must remain a focus for the company in the coming year, so that we are able to deliver relevant and responsive services, particularly as funding becomes more challenging across the whole public sector.

Our dedicated and highly-skilled workforce are the key to our success. The positive relationships they have built with families as champions for children has facilitated the delivery of high-quality and highly valued local services. The outcome of their work for individual children, young people and families is set out in our annual Impact Report. It demonstrates their work as agents for change in families, whether that is supporting a young man with challenging behaviour to remain in school, returning a child to their family's care, or enabling a young person with a disability to succeed in an apprenticeship and gain employment.

Next year will undoubtedly be a challenge; however, by carefully and safely managing the demand for our services, continuing to make our business processes more efficient, and delivering our business plan, we will be able to achieve the long-term sustainability of the company. I am confident about the future and know that, thanks to the vision of our owning Councils, Board Directors and senior leaders, backed by our talented employees and supported by our strategic partners, we will be able to achieve even more for children and young people in 2018/19.

N. Whitfield

Nick Whitfield CBE
Chief Executive of Achieving for Children

2. Our achievements against our 2017-18 objectives

This section sets out the progress we have made against the objectives in our Business Plan for 2017-18. Further information can be found in the Impact Report which is published on our website.

Early help
• In Kingston and Richmond, we have expanded our Strengthening Families offer to provide additional support to our most complex families. Our approach is underpinned by the belief that families, with the support of local services and communities, can be supported to improve their circumstances and find solutions to problems by building on their strengths. The new Strengthening Families Plus offer includes intensive family coaching, domestic violence prevention, parenting support, adult mental health specialists and employment advice. We have worked with 60 families, delivering positive outcomes including: supporting seven young people to return home from care; stabilising seven foster placements; helping 12 families to sustain the changes they have made following child protection interventions; and completing parenting work with a further four families so that they no longer need our support. • We have developed a Youth Resilience Service for young people in Kingston and Richmond by integrating our Adolescent Response Team, Substance Misuse Service, and Youth Offending Service. The service aims to enable young people to remain with their families by supporting sustainable solutions in relation to their offending, substance misuse, risky behaviour or homelessness (16/17 year olds). There is a coordinated approach through one assessment and one care plan facilitating access to specialist social work support, family therapy; educational psychology; emotional mental health services and substance misuse work. The service worked with 222 young people, including at an innovative youth offending project at Tolworth bus garage in partnership with RATP Dev London, where young people are completing community service by cleaning buses and removing graffiti. 20 young people have been supported with four going on to follow apprenticeship programmes with the company. • 10,027 families used our children's centres making 66,399 visits. Services have been delivered with more than 40 partner organisations. In all our children's centres we have responded to the needs of local parents by extending our activity programme, increasing opportunities for parents to meet with midwives and health visitors, and raising awareness of early education provision in local schools and nurseries. In Windsor and Maidenhead, additional school holiday events were delivered in children's centres in response to requests from parents. Family Fun Days attracted 764 families with young children. • The Windsor and Maidenhead Youth Service provided a programme of fun, educational and diverse activities for 8-18 year olds, with a total of 2,189 attendances across the six week holiday period during summer of 2017. Activities included: canoeing and kayaking; woodland skills; fishing; music production; and snowboarding. Youth workers, social workers, family workers and other professionals working with children in care and vulnerable young people were able to apply for free spaces on activities for their service users, which resulted in 198 attendances from children in care and 367 attendances from other vulnerable young people.

- The Duke of Edinburgh's Award Scheme experienced great success in Kingston and Richmond with over 3,450 young people signed up and 1,681 young people completing their Bronze, Silver or Gold Award. The impact has meant that over 45,000 hours of volunteering have been given back to the local community via the volunteering section of the scheme, which has a social value of over £465,000. In Windsor and Maidenhead, two young people, a youth service manager and a longstanding volunteer were invited to St James' Palace to attend the awards event. The young people were presented with their Gold Awards, and the manager and local volunteer who supported them were recognised with long service awards.

Children's social care

- We have started to implement the Signs of Safety model which enables practitioners to better work in partnership with children and families, building on family strengths, to promote safety for children in need of help and protection. We have introduced peer supervision for social workers, developed our case recording systems, and changed our child protection conferences so that it involves more collaborative working with parents. 470 practitioners and managers in Kingston and Richmond have received training in the Signs of Safety model, with practitioners in Windsor and Maidenhead starting their training in 2018-19. This will help to ensure that the company has a consistent practice framework in all its operational areas.

- We have recruited 12 additional family therapists and have adopted a systemic family therapy approach across our social care teams, to enable frontline practitioners to be more reflective, support and challenge each other, and to implement collective ownership of cases. This approach is being used to improve the engagement of families with social workers and in our work with them to keep their children safe.

- We have improved our Single Point of Access and Multi-Agency Safeguarding Hub (MASH) arrangements across the company. In Kingston and Richmond, we have expanded the service to include the police, Kingston housing, Child and Adolescent Mental Health Services (CAMHS) and health visitors. This integration has resulted in faster and more targeted referrals to CAMHS and improvements to the quality and timeliness of decision-making on referrals. In Windsor and Maidenhead, we have reviewed MASH processes to ensure that referrals are appropriately allocated to either early help services or to children's social care. The improved process for stepping-down cases from social care to early help has resulted in a reduction in re-referrals to our statutory children's services.

- We have worked with partner local authorities in South London to implement a Family Drug and Alcohol Court (FDAC), which helps parents reduce or cease their drug and alcohol use and aims to prevent the need for child protection or care proceedings by improving parenting capacity. Four families from Kingston and Richmond have been supported by the FDAC to make positive improvements to their lives.

- We completed a £1.2 million refurbishment of sheltered accommodation in central Kingston to create supported accommodation for 16 care leavers. Young people and local residents contributed to the design of the building and the operating model. The new accommodation, which opened in January 2018, has enabled care leavers to return to the local area to be closer to their family, friends and support networks. We also launched a crowdfunding campaign to create artwork for the unit to make it feel more like a home. Art therapists worked with 12 young people to create the artworks; the project also helped them to develop new skills and to build relationships with each other.

- Our Leaving Care services have increased the number of care leavers in education, employment or training. In Kingston and Richmond, we have established a range of workshops with JobCentre Plus, and have delivered workshops to help care leavers develop skills in budgeting and cooking, as well as raising their awareness of substance misuse and sexual health. In Windsor and Maidenhead, we have improved access to apprenticeships and seen more care leavers gain places at university. We have also delivered specific initiatives to increase interest in careers in construction. In Kingston and Richmond, we have developed a new eight-week construction course for young people aged 16 to 24; in Windsor and Maidenhead, we have delivered construction and engineering workshops to pupils in two schools.

Education including Special Educational Needs and Disabilities

- 96% of pupils in Kingston, 90% of pupils in Richmond and 87% of pupils in Windsor and Maidenhead attended a school judged to be good or outstanding by Ofsted. This represents a greater proportion in all three local authorities than the national average.

- 76% of pupils in Kingston, 78% of pupils in Richmond and 77% of pupils in Windsor and Maidenhead achieved a good level of development in the Early Years Foundation Stage. These were above the national average of 71% and represented an improvement in each local authority based on the previous year.

- The proportion of pupils achieving the expected standard or above in reading, writing and mathematics at Key Stage 2 (KS2) last year was 65% in Kingston, 76% in Richmond and was 66% in Windsor and Maidenhead - all above the national average of 61%. The proportions achieving the high standard in each subject were 12%, 27% and 12% respectively. Again, this was above the national average of 9% in each local authority.

- The progress 8 score for each local authority was above the national average at Key Stage 4, with scores of +0.41 in Kingston, +0.14 in Richmond and +0.13 in Windsor and Maidenhead, indicating that pupils made more progress from their different starting points than their peers nationally. Attainment also remained above the national average.

- School place planning remains a priority in both operational areas. In Kingston and Richmond, to ensure school places for pupils with special educational needs and disabilities (SEND), we consulted on proposals to provide almost 200 additional school places by creating new and expanding existing specialist resource provisions in mainstream schools. We also worked with the Auriga Academy Trust to establish a new free school which will open in September 2019. The free school will enable more children and young people with SEND to be educated locally. In Windsor and Maidenhead, we worked with the Council to expand Cheapside Primary School to create 98 additional school places. We started lease negotiations to enable two free schools to begin construction; and contributed to a school feasibility programme to identify options for new school places as part of local housing developments.

- Early years' providers in Kingston and Richmond benefited from a government grant of £130,699 to support the delivery of 30 hours of free childcare for working families. 1,487 children eligible for the offer have accessed a 30-hour funded place with local providers. An average of 93% and 89% of all eligible two year olds were successfully placed in childcare provision in Richmond and Kingston respectively. The two year old offer aims to improve disadvantaged children's social and cognitive outcomes, so that by the age of five they are ready to start school.

- We have developed a new approach to SEN transport which promotes independent travel for children and young people with SEND. The approach has included the introduction of a new and streamlined assessment process and a review of drop-off and pick-up points to maximise the efficiency of routes.

- Our SEN services have successfully met the national deadline to transfer all Statements of Special Educational Needs to Education, Health and Care Plans by 31 March 2018. This has involved converting 2,500 Statements in Kingston and Richmond and 902 in Windsor and Maidenhead.

- 100% of eligible children in care achieved their expected educational standard at Key Stage 2 and exceeded their expected attainment at Key Stage 4, compared to their peers. 96% of children who came into care attended good or outstanding schools. This compares favourably with the national average for all pupils of 86%.

Health

- We implemented Emotional Wellbeing Champions in schools in Windsor and Maidenhead to remove the stigma around mental health. 162 Champions and 32 members of school staff were trained to lead campaigns across 20 different schools in the borough. We expanded the Emotional Literacy Support Assistant (ELSA) so that schools are better able to support the emotional needs of their pupils. 84% of schools in Windsor and Maidenhead have at least one ELSA with 148 ELSAs in total across all schools. The Educational Psychology Service manage and regularly run training programmes for Teaching Assistants working in schools. This enables them to provide individualised and small group support for pupils who need more intensive input to overcome emotional challenges and develop resilience.

- The School Nursing Team in Windsor and Maidenhead has established a nocturnal enuresis clinic to help manage bedwetting in children and young people. 40 children and young people were supported. 80% completed the programme successfully and feedback from children and young people and parents and carers has been extremely positive.

- There has been an increase in referral rates for children and young people requiring neuro-developmental assessments in Kingston and Richmond. The Educational Psychology Service completed a pilot project to offer a consultation session to parents or carers of children and young people who have recently been assessed for autistic spectrum disorders. Consultations were held with 14 families. 78% reported that that the consultation helped them to make a difference at home and 67% reported that it helped make a difference at school. The pilot programme has been extended to reach more families.

Business services

- The Royal Borough of Windsor and Maidenhead was admitted into the company as a new member on 1 August 2017. This involved 346 employees transferring to the company, as well as the company taking on new service areas such as school nursing and health visiting.

- Children's services in Richmond were inspected by Ofsted in October 2017 and were rated as good, meaning it is in the top 20% of children's services in England. The inspectors commented that services have improved further since the last inspection in 2012. The report praised a number of areas, including: senior leaders ensuring a relentless focus on the needs of children and young people, and child-centred practice throughout the organisation. There was recognition that the company model had "added value to the delivery of services to children."

- We introduced lightweight Chromebooks to facilitate mobile working and enable practitioners to be efficient in the delivery of excellent services to children and their families. Additionally, we procured a number of new IT systems and upgraded existing systems to streamline processes and case recording so that practitioners are able to spend more time working directly with families.

- We established Practice Weeks as part of our quality assurance framework so that senior leaders and managers are able to hear directly from practitioners, parents and children about what has worked well, what concerns them and what needs to change for a family. 114 cases were reviewed in Kingston and Richmond and have helped us to strengthen the quality and effectiveness of the social care services we provide. In Windsor and Maidenhead, we have used the Practice Week approach to review the support we provided to 76 children in care and 45 children and families subject to child protection plans.

- Four employees received national recognition for their professional contribution to children's services. Lynn Lock from our Youth Resilience Service was named Practice Educator of the Year at the Social Worker of the Year awards; Clare Luby from the adoption service was shortlisted as Team Leader of the Year; and Jack McWaters from the safeguarding service was shortlisted as the newly-qualified social worker of the year. Katy Bourne, who volunteers at our Albany Park watersports centre, received the Neil Desai Award at the Kingston Borough Sports Awards, in recognition of her contribution to coaching young people with disabilities in canoeing.

- The Anstee Bridge Choir received national media coverage as one of ten choirs featuring on the Choirs with Purpose album, which raised money for charities and was a challenger for the number one spot in the Christmas music charts. Anstee Bridge helps young people in Kingston build their confidence and re-engage in mainstream education through creative learning.

- The Staff Council has led on key projects to improve employee wellbeing. This included coordinating the twice yearly staff recognition scheme to recognise the excellent performance of individuals and teams. 300 employees voted for the winners in December 2017. The Staff Council arranged social events including summer and Christmas parties, sports days, and karaoke; and secured £10,000 to deliver improvements to break-out areas across all main sites in Kingston and Richmond.

- Our third staff survey was completed in September 2017. The response rate was positive. 74% of employees stated that they are able to give ideas and suggestions to improve the company; 76% stated that their manager communicates effectively with them; and 88% stated that they were clear about what they are expected to achieve in their job. Areas of improvement were identified relating to the recruitment and retention of staff, and ensuring employees have a clear understanding of the company’s direction and business plan. Senior leaders worked with the Staff Council to develop an action plan to address these areas for improvement.

- We completed consultancy work with ten local authorities to help them deliver key improvements to their services for children. This included work with Doncaster, Sunderland, Enfield, Southwark, Sunderland, Surrey, Dudley, Wandsworth, Reading and Croydon. Our consultancy has contributed to positive changes in a number of these authorities, including Doncaster moving from an inadequate to good rating with Ofsted. We also established our Prime recruitment solution to provide a permanent stream of experienced and motivated social workers to support this improvement work.

3. Risks and risk management

Our risk management framework helps to ensure we identify and manage key risks that could affect our ability to deliver company objectives. The management of risk is embedded in our day to day business activities, and well-established processes and policies are in place. All of our employees have a role in reducing risk through our internal control framework. Risks are recorded in a risk register which is regularly reviewed by the Senior Leadership Team and the Audit and Risk Committee of the Board of Directors. The risk register includes strategic and operational risks. Strategic risks are the direct responsibility of the Senior Leadership Team and concern the overall direction of the Company and its sustainability. Operational risks concern day to day activities which need to be managed in order for services to be delivered. They are managed by individual service managers and are regularly reported to service directors.

Details of the Company’s financial instrument risks are set out in Note 23 of our accounts. These are not regarded as material to an understanding of the assets, liabilities, financial position and profit or loss of the Company.

Risks in the table overleaf relate to Kingston, Richmond and Windsor and Maidenhead apart from where indicated otherwise.

RISK DESCRIPTION	IMPACT OF RISK	RISK MITIGATION
Failure to control escalating placement costs for children and young people in care and people leaving care.	Unsustainable financial position for the company and the Councils. Financial efficiencies will need to be made in other essential services with a potential reduction in the support and services provided to children, young people and their families. This may lead to escalating concerns or needs and additional demands for other children's services.	Open framework agreement and dynamic purchasing system in place for the procurement of care and SEND placements. A placement commissioning team has been recruited to manage the identification and purchase of placements in line with children's identified needs, and to provide challenge to social work managers where more cost-effective placements may provide similar or improved outcomes for children and young people. Strengthened decision-making and approval processes have been established including the Kingston and Richmond Director of Children's Services agreement to placements over £2,500 per week. Monthly financial monitoring is in place with oversight and scrutiny by the senior leadership team and reporting to the Board of Directors and Councils.
Failure to provide sufficient information, advice, guidance and support to schools in the management of delegated school budgets.	Schools are unable to set a balanced budget leading to increased pressure on the dedicated schools budget which is already overspent in the High Needs Block (SEND). Schools are required to make reductions to their spending which has an impact on the quality of teaching and learning for children and young people and reduced educational outcomes. In Kingston and Richmond, there are proposals in the DSG Recovery Plans for 2018/19 reduce the funding available to schools.	Dedicated schools finance specialists provide regular information, advice and guidance to schools through regular contact and meetings with School Business Managers and Headteachers. There are quarterly Schools Forum meetings to agree priorities for the dedicated schools grant. Detailed monthly budget monitoring and reporting is in place with oversight and scrutiny by senior leaders and Board of Directors to agree actions where necessary. There is regular reporting to the Councils. Internal and external audit arrangements are in place. In Kingston and Richmond, Recovery Plans to bring the Dedicated Schools Grant (High Needs Block) into balance in 2018/19 have also been agreed with the Councils.
The company is unable to sustain the existing high quality level of service delivery due to significant reductions in government grants and local funding from the commissioning Councils.	Reductions in non-statutory services are necessary. The company is unable to meet its existing contractual obligations and does not have sufficient capacity to maintain services with a potential reduction in the support and services provided to children, young people and their families. This may lead to escalating concerns or needs	A project management approach has been implemented to ensure clear financial planning is in place to deliver Council-requested financial efficiencies and respond to notified reductions in government grant. Regular monitoring and reporting is in place through a Programme Board to ensure that financial efficiencies are delivered. A risk and issue log is in place for all savings plans. Processes are in place with the Councils to agree invest to

RISK DESCRIPTION	IMPACT OF RISK	RISK MITIGATION
	and additional demands for other children's services.	save proposals. There is regular reporting and scrutiny on the achievement of efficiency savings to the senior leadership team, the Board of Directors and the Councils.
The company is unable to achieve the financial savings required from the efficiency programmes agreed with the commissioning Councils due to delayed decision-making and/or lack of engagement or support from key Council partners.	Financial savings are not achieved and lead to increased budget pressures and the need to reduce employee and service budgets without effective planning and impact analysis. Reductions in financial resources lead to service reductions and poor quality services leaving children and young people without effective support.	As noted above, a project management approach has been implemented to ensure clear financial planning is in place to deliver Council-requested financial efficiencies. This includes early identification and engagement with Council partners. Regular monitoring and reporting is in place through a Programme Board to ensure that financial efficiencies are delivered. There is an escalation process to the Councils to unblock delays in decision-making and poor engagement with Council partners through the Lead Commissioner. A risk and issue log is in place for all savings plans. Processes are in place with the Councils to agree invest to save proposals. There is regular reporting and scrutiny on the achievement of efficiency savings to the senior leadership team, the Board of Directors and the Councils.
Failure to provide sufficient, appropriate and timely support to children and young people with SEND and their parents.	Children and young people with SEND do not receive a coherent service that meets their assessed needs leading to poor quality outcomes. The company fails to meet its statutory responsibilities to children with SEND leading to adverse Tribunal judgements and increased costs. There is a poor working relationship with local parents and reputational damage to the company.	Kingston and Richmond: A SEND review has been completed and has led to the establishment of work-streams to improve provision for children with SEND and support for those working with them. The resulting action plans are monitored by the SEND Action Group which meets half-termly. A monthly performance snapshot includes key performance indicators to give early warning if service quality and reliability starts to reduce. There are clear mechanisms in place to engage, involve and communicate with children, young people and families to gather feedback on the quality and effectiveness of services and plan improvement. Additional staffing resources have been agreed to manage the increased demand for Education, Health and Care Plans and the transfer of SEN Statements.
		Windsor and Maidenhead: The Ofsted SEND inspection (2017) identified a number of areas for improvement. An action plan is in place which is monitored

RISK DESCRIPTION	IMPACT OF RISK	RISK MITIGATION
		on a monthly basis by the SEND Board. A new monthly performance snapshot includes key performance indicators to give early warning if service quality and reliability starts to reduce. There are clear mechanisms in place to engage, involve and communicate with children, young people and families to gather feedback on the quality and effectiveness of services and plan improvement. Additional staffing resources have been agreed to support the delivery of the action plan.
Failure to comply with health and safety legislation and associated guidance.	Employees, parents, children and young people are exposed to unacceptable risks when using company facilities and services. These may lead to accidental injury or death in extreme circumstances. The company is exposed to a claim for corporate manslaughter and the associated reputational damage.	Competent health and safety advice is provided through a contract with the Occupational Health and Safety Service in Kingston Council. A Health and Safety Policy and associated guidance for employees and contractors is in place alongside incident reporting procedures. Regular site inspections and risk assessments are undertaken and corrective actions are taken where necessary. Emergency procedures are periodically tested. There are quarterly reports to the company leadership team and Board of Directors on health and safety compliance, and an annual assessment is completed using the checklist provided by the Health and Safety Executive. The first assessment will be completed by March 2018.
Failure to identify children and young people in need of help and protection, and a failure to provide the appropriate support to ensure these children are appropriately safeguarded (Windsor and Maidenhead).	Children and young people suffer neglect and abuse as a result of the company's actions or inactions. There is a failure to trust in the company's ability to protect and promote the welfare of children and young people. This may lead to significant reputational damage to the company. Additional management and financial resources are required to improve services.	A diagnostic review has been completed to identify improvement priorities. A self-assessment and Learning and Improvement Plan are in development. Continuous improvement workshops with managers are being led by the Principal Social Worker. Management has been strengthened in the SPA/MASH. Reviews of casework including strategy discussions, s.47 investigations and child protection plans have been completed. Social work caseloads are manageable. New performance management and quality assurance mechanisms are recently in place to test the quality of threshold application, decision-making and interventions with children and families.
Failure to apply an appropriate threshold for	Children and young people are brought into care unnecessarily.	There are clear thresholds for bringing children into care with appropriate

RISK DESCRIPTION	IMPACT OF RISK	RISK MITIGATION
bringing children into care; failure to ensure that effective multi-agency support and permanency is provided to children in care; and failure to ensure appropriate support plans are in place for children and young people leaving care (Windsor and Maidenhead).	Permanency plans do not lead to safe, stable and appropriate long-term or permanent care placements. Care plans do not identify or provide the care, education and health support that children need to achieve good or better outcomes. There is a failure to trust in the company's ability to support children in care. This may lead to significant reputational damage to the company. Additional management and financial resources are required to improve services.	management oversight and approval. An Achieving Permanence Panel has been recently established to ensure timely decision-making about the permanency plans for children and young people. Continuous improvement workshops with managers are being led by the Principal Social Worker. Management has been strengthened in the permanency service. Reviews of casework for children in care have been completed. Social work caseloads are manageable. New performance management and quality assurance mechanisms are recently in place to test the quality of threshold application, decision-making and interventions with children and families.

4. Our Finances

The Company was incorporated on 5th February 2014 and commenced trading on 1 April 2014. The majority of its revenue comes from its contract with the three owning Councils for the provision of children's services. This income totalled £133 million in 2017/18 (£110m in 2016/17) which represents 92% (90% in 2016/17) of total income (on a management accounts rather than financial accounts basis).

Management Accounts Position

The Company incurred direct expenditure of £146 million (£122 million in 2016/17) in the delivery of services. Spend on the Richmond and Kingston services has remained the same as in 2016/17 at £122m and the Company has spent £24m on services on behalf of Windsor and Maidenhead. Demand led budgets remain the biggest financial pressure for the Company and have been the subject of significant contract price adjustment during the year. The Commissioning Councils agreed all requests for contract price change controls during the year. The increased contract funding relates to Social Care placements, SEN Transport, redundancy costs and high needs education services (funded by the ringfenced Dedicated Schools Grant) as follows:

	Social Care and SEN Transport - General Fund £000	High Needs Services - Dedicated Schools Grant £000	Total £000
Richmond Contract	176	1,386	**1,562**
Kingston Contract	2,265	4,066	**6,331**
Windsor and Maidenhead Contract	1,403	639	**2,042**
TOTAL	**3,844**	**6,091**	**9,935**

The final outturn after change controls was as follows:

	Expenditure £000	Income £000	Overspend / (Underspend) £000
Operational Strategic Management	478	728	**-250**
Social Care and Early Help	50,446	50,182	**264**
Education	7,603	7,585	**18**
Special Educational Needs and Children with Disabilities	65,368	65,024	**344**
Public Health	1,133	1,213	**-80**
Business Services	19,384	19,681	**-297**
Partners in Practice	1,214	1,214	**0**
Grand Total	**145,626**	**145,627**	**-1**

Financial Statements

For the reporting period the Company made a trading loss of £12.275m (2016/17 £2.048m) and reported a total comprehensive expense of £9.001m (2016/17 £12.676m) which is attributable to its parent Councils in accordance with their share of ownership (Richmond 40%, Kingston 40%, Windsor & Maidenhead 20%). The loss comprises:

	2017/18 £000	2016/17 £000
Trading Profit / (loss)	-12,275	-2,048
Other comprehensive income/expense (re-measure of net defined benefit liability)	3,274	-10,628
Total comprehensive (expense)/income	**-9,001**	**-12,676**

For the reporting period, the main differences between the Company's outturn in its management accounts report and its trading loss reported in the Statement of Comprehensive Income (page 36) are related to pension adjustments under IAS 19. The difference between the loss from continuing operations and the position for total comprehensive expense of £9.001 million is due to re-measurement of the pension liability under IAS 19. A full reconciliation between the management accounts position and the financial accounts position is detailed in Note 9 to the Accounts.

The Statement of Financial Position, or Balance Sheet, includes a net pension liability of £37.706 million (£28.219 million at 31 March 2017). This change reflects an increase in employer contribution rates from 15.5% to 16% for 2017/18 and the admission of RBWM into the company (see note 3). The majority of the Company's employees are members of the Local Government Pension Scheme (LGPS) which is a defined benefit scheme. When the Company started trading on 1 April 2014, the majority of its staff transferred their employment from the Councils into the Company under TUPE, which included transferring their membership of the LGPS to the Company. The Company is an employer in the LGPS scheme, within the two pension funds administered by Wandsworth (Richmond) and Kingston Councils.

The net pension liability at 31 March 2018 is calculated under the provisions of IAS19 whereas the employer's pension contributions that the Company actually makes to the pension funds are based on an actuarial valuation undertaken under the rules of the LGPS. The Company's contributions are re-assessed at each triennial valuation for pension funds in the LGPS. The most recent valuation was carried out as at 31 March 2016 and has resulted in an increase in employer contribution rates from 15.5% to 16% (effective April 2017). The next triennial valuation is due as at 31 March 2019.

The Company holds assets (trade and other receivables, cash and cash equivalents, non-current assets) totalling £34.152 million at 31 March 2018 (£28.224 million at 31 March 2017). The majority relates to Trade and Other Receivables and Cash and Cash Equivalents. This reflects the control that the Councils exert over the Company and the implications of Achieving for Children being constituted as a Community Interest Company (CIC) – the consequences being that the Company is subject to an 'asset lock' as a CIC and the Councils have decided that the Company should not own any significant value of assets. The assets that it does own are IT-related and have a relatively short economic life.

Financial Support from the Company's Owners

The Councils are contracted with the Company for a minimum period of seven years from 1st April 2014 (Richmond and Kingston) and 1st August 2017 (Windsor and Maidenhead), with an option to extend the contract period by another five years. The contract prices are agreed annually to take into account changes in service requirements, inflationary and other cost pressures on the Company, and the need for cost reductions to be identified so that the Company can deliver value for money and contribute to the Councils' overall financial targets.

In addition to the annual review of the contract prices, the Company can request additional funding under a 'change control' provision in the contract when the Company is faced with additional costs, for example from increases in the number of children requiring services.

In terms of its liquidity, the Company can borrow from the Councils under the Revolving Credit Facility of £45 million. This provides funding to the Company to cover cash flow, losses and any investment requirements.

Future Financial Plans

The Company has prepared a Medium Term Financial Plan (MTFP) which forecasts its income and expenditure and financial risks over the next three years. The emphasis of the 2018/19 MTFP is on financial sustainability given the challenging funding context for children's and education services nationally. The Plan includes details of how the Company intends to meet the Councils' cost reduction targets in the medium term and links directly to the Company's Business Plan.

Going Concern

Achieving for Children CIC has been assessed by the Directors as a Going Concern. Despite the significant accounting losses reported in these Accounts the Board and Senior Leadership Team have made significant progress in identifying how these financial challenges will be met and continues to develop these plans. The Board's Medium Term Financial Plan outlines these financial plans in more detail and addresses what actions are being taken to reduce the Company's cost base to accommodate proposed reductions in the owners' contract prices over the next three years. As with the parent Councils, the Company will revise pension contributions in line with the most up to date actuarial assessment and guidance. An assessment was carried out as at 31st March 2016 and the increased employer contribution rate (16% from 15.5%) was applied from 1st April 2017. The increased cost was fully funded under the contracts with the Councils. The Company is wholly owned by three Councils who are determined to be Going Concerns. The Company is able to borrow from the Councils under a Revolving Credit Facility to ensure short term cash flow and the Councils are contractually committed to procuring children's services from AfC for seven years from April 2014 (Richmond and Kingston) and seven years from August 2017 (Windsor and Maidenhead).

5. Looking Forward

Our focus over the next three years will be on the delivery of safe and high quality services for children and families. We will ensure our early help offer remains strong, our children's social care services effectively safeguard children and young people, and that we meet the needs of those with Special Educational Needs and Disabilities (SEND). We will maintain our reputation as an excellent provider of educational support services, while continuing to meet demand for additional school places.

We will focus on implementing the Signs of Safety practice model across all services to ensure a consistent, collaborative and strengths-based approach to our work with families. We will also establish the company as an independent fostering agency and use the opportunity to strengthen our ability to recruit and support local foster carers; and we will improve our commissioning arrangements to deliver better quality placements which provide greater value for money. We will continue to progress our plans for our own residential care for looked-after children, and short break care facilities for young people with SEND as part of improving services and reducing costs. We will also support schools to meet the needs of pupils who have SEND in a mainstream setting, provide alternative education provision for pupils with challenging behaviours, and support schools to reduce the attainment gap between pupils in receipt of the pupil premium and their peers.

Our Business Plan summary below sets out the key programmes we will be undertaking between 2018 and 2021:

RESILIENCE Build resilience so that families and communities are better able to help, support and protect children without the need for statutory interventions	**CAPACITY** Create local provision so that children and young people can stay closer to their families and support networks, and benefit from integrated services
INCLUSION Develop more inclusive services and opportunities for children and young people with disabilities, complex needs and challenging behaviours	**INDEPENDENCE** Support children and young people to develop their independence and skills for adulthood

RESOURCES Continue to develop the skills and resources the company needs to deliver efficient, cost-effective and financially sustainable services

Signed on behalf of the Board:

David Archibald
Chair of the Board of Directors

DIRECTORS' REPORT

6. Our Company and our governance arrangements

6.1 Achieving for Children as a Company

We deliver education and children's services to children and families in Kingston and Richmond upon Thames and the Royal Borough of Windsor and Maidenhead. Our services fall into six areas shown in the diagram below. Taken together, these services describe how we will deliver our ambition to ensure that all children and young people live safe, happy and successful lives.

Early Help • Childcare • Early years education • Children's centres • Family support • Targeted youth support • School attendance • Education welfare • Youth services • Substance misuse services • Health visitors (in Windsor and Maidenhead)	**Social Care** • Statutory assessments and care planning • Services for looked-after children and care leavers • Fostering • Adoption
Education • School place planning • School admissions • Student services • School improvement • School leadership development • Alternative education provision • Governor support	**Special Educational Needs, Disabilities and Health Services** • Educational psychology • Special educational needs • Integrated services for children with disabilities • Emotional health and wellbeing

• Apprenticeships and access to employment • School nurses (in Windsor and Maidenhead)	
Business Services • ICT and business systems • Performance and business intelligence • Quality assurance • Strategy and policy development • Service improvement • Commissioning support • Workforce development • Marketing and communications • Business development • Financial planning and monitoring • Accountancy services • Schools' finance • School building development	

Our workforce

In 2017-18, we employed 1,031 full time equivalent employees. Our employees come from a broad range of professional disciplines including social work, teaching, health services and public sector management.

We work hard to ensure that our workforce represents the diversity of the children and young people we work with. We are also committed to the recruitment, continuing employment, training, career development and promotion of people with disabilities. In 2017-18:

- 82.5% of our employees were female.
- 28% of our employees were from a Black, Asian or Minority Ethnic (BAME) backgrounds.
- 3.5% of our employees reported that they had a disability.
- The largest faith group is Christian (44%). Employees with no faith or religion or who did not declare their religion or belief account for 50% of the workforce.
- The majority of employees are aged 25 to 54; 6% are under 25 and 2.5% are over 65.
- 18.5% of our employees are married or in a civil partnership; 8% are single; 2% are co-habiting; 4% have a partner; 1% are divorced; and under 1% are separated. The marital status of 66% of our employees is not known.
- 82% of our employees who earn over £50,000 are female; 3.5% of these employees have a disability and 26.5% of these employees are BAME.

To ensure our employees are kept informed, consulted and involved in the development of the company we have established a number of regular communication channels. E-mail briefings are sent out to all employees weekly and there is a regular blog by the Chief Executive and other senior leaders. Senior leaders also hold regular drop-in sessions with employees to provide them with an opportunity to raise issues and concerns. There is an annual management conference and regular management meetings with representation from across the company. Managers are responsible for feeding back information to employees through regular team meetings and supervision. Company-wide briefings are held when required. The work of the Board of Directors is shared with employees through meeting summaries which are produced after each Board meeting. The Non-Executive Directors visit services to meet and speak with employees so that they have a rounded understanding of the services provided to children and their families.

We have established a Staff Council in Kingston and Richmond that brings together employees from different teams and services in the company. Their role is to collect the views of colleagues and represent these to senior leaders in order to shape the effective operation of services and the future direction of the company. In the past year, the Staff Council has focused on implementing the staff awards scheme and improving the working environment for employees. We are also working with employees to establish a Staff Council in Windsor and Maidenhead. There are also a number of other staff engagement mechanisms, such as the i-Hub innovation academy which seeks to harness and develop the entrepreneurial ideas of our employees.

Gender Pay Gap

Under the Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017, public sector employers with 250 or more employees are required to publish a snapshot of their workforce data.

Our data, which has been published on the government's website, shows that:

- 79% of our workforce are women;
- 75% of the top quartile of earners are women;
- The average hourly pay for women is 1.8% lower than for men; and
- The median hourly pay for women is 2.2% lower than for men.

The gender pay gap is not about equal pay for men and women. It is the difference between the average and median pay of men and women. It does not measure equal pay, which relates to what women and men are paid for the same jobs or work of equal value. In Achieving for Children equal pay is addressed through our job evaluation scheme.

The data required by government is a fairly simplistic indicator of a complex set of issues. Our ambition is to ensure equality of opportunity for women. We will seek to achieve this by:

- Refining and developing our attraction and recruitment processes.
- Championing our talent and leadership programmes.
- Reviewing and developing our learning and development offer.
- Growing and promoting our mentoring and coaching offer.
- Supporting women to remain in work through our flexible working arrangements.

Our partners

We know that excellent children's services cannot be delivered in isolation. We have worked with health services, the police, schools and organisations in the voluntary sector to make sure our services are relevant and responsive to the needs of local children and families. The company represent 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.

Our commitment to partnership working is evident in the way in which we engage with children and young people. We know that children and young people are best supported if they are able to shape and determine the services they and their families receive. Our Engagement Strategy sets out how we work together so that children, young people, parents and carers have opportunities to influence the design, commissioning, delivery and evaluation of our services so that they are better able to meet their needs now and in the future.

6.2 Governance

Ownership

The Royal Borough of Kingston upon Thames (40%), London Borough of Richmond upon Thames (40%) and Royal Borough of Windsor and Maidenhead (20%) are the joint owners of Achieving for Children, which is a community interest company limited by guarantee. Their responsibilities and the ownership decisions they must make are set out in an inter-authority agreement. The Councils fulfil their ownership role through a Joint Committee. The Committee is responsible for ensuring that the Company operates and develops in accordance with the wishes of all Councils. To ensure the role of company owners in the governance of the company is explicit and there is a clear scheme of delegated authority, the Reserved Matters are structured according to bands as set out below along with the associated decision making arrangements:

- Band 1 decisions - reserved to the founding members and require both Kingston and Richmond to unanimously agree to pass. These are matters that relate to the company size and form.

- Band 2 decisions- matters that require 75% of the votes of all members (special resolution) to be cast in favour to pass. These are matters that are required in law to be a special resolution.

- Band 3 decisions – matters require the majority of votes by the members to be cast in favour to pass.

A full description of the Governance Arrangements and Scheme of Delegation are available at the following link

https://cabnet.richmond.gov.uk/documents/s66532/Joint%20Committee%2020.03.17%20Goverance%20Report.pdf

Operational commissioning decisions and performance review are delegated to a number of specialised officer boards that meet regularly throughout the year with membership including Chief Executives of the Councils and AfC, Directors of Finance of the Councils and AfC, the Director of Children's Services, Lead Commissioners of the three Councils as well as other relevant officers.

Financial Governance Arrangements

The Council owners exert a degree of financial control over the Company. In particular the owners have to approve:

- The Company's business plan, including its budget
- The Company's financial plan and any borrowing, credit facility or investment arrangements
- Any contract for revenue expenditure that has a total value of more than £10 million or any capital investment of more than £10,000

The Councils provide funding to the Company through a Revolving Credit Facility. This is a short-term loan facility that provides working capital, investment finance and funds any losses for the Company. The Councils closely monitor the Company's financial performance through the Operational Commissioning Group.

In addition to the requirements of the Companies Act 2006, as a community interest company Achieving for Children is governed by the Companies (Audit, Investigations and Community Enterprise) Act 2004 and the Community Interest Company Regulations 2005. The Company is established as a not-for-profit organisation and seeks to provide value for money services to the Councils – any surplus that is made is earmarked for investment in children's services. The Company trades primarily with its parent Councils and other entities involved in providing children's services within the UK. The company is domiciled in the UK for tax purposes. The Company does not make any donations or provide any support to political parties.

Board of Directors

The AfC Board of Directors is the body appointed by the Council's to oversee the activity of the Company. The Councils, as owners of the company, reserve the power to appoint all directors.
The composition of the Board of Directors was formally reviewed in March 2017 in preparation for a third owning Council joining AfC. The following changes were made:

- the categories of Director were simplified and the category of 'Council seconded Director was removed.
- to reflect a new member joining the company the number of Directors that can be appointed was increased but does not exceed fourteen in total in order to maintain proportionality
- each member of the company can appoint up to two 'Council appointed Directors' and nominate a named alternative to attend in the absence of the Council appointed Directors.
- the number non-executive independent Directors is now a minimum of four and no greater than six.

The composition of the Board is therefore as follows:

Previous Board Composition	Current Board Composition
2 x Executive Directors	2 x Executive Directors
2 x Council Appointed Directors (max 1 x per member)	6 x Council Appointed Directors (max 2 x per member)
1 x Council Seconded Directors	
4 x Non-Executive Independent Directors	6 x Non-Executive Independent Directors
9 TOTAL	**14 TOTAL**

The governance arrangements for the company are set out in its Articles of Association. Board Directors are appointed for the skills and experience that they bring, and have responsibility for overseeing the management of the company and for providing advice to the owners on its future direction and strategy. Each of the Non-Executive Independent Directors leads on a particular service area or priority and regularly visit services to meet with employees and service-users in order to maintain an overview of performance.

Directors of the Company in 2017/18 were:

	MEMBERSHIP OF BOARD	
	From	To
Executive Directors		
Nick Whitfield	01/04/2017	31/03/2018
Ian Dodds	01/04/2017	31/03/2018
Council Appointed Directors		
Liz Bruce	12/06/2017	31/03/2018
Robert Henderson	01/04/2017	31/03/2018
Andy Jeffs	01/08/2017	31/03/2018
Cathy Kerr	01/04/2017	12/06/2017
Anne Redparth	12/07/2017	31/03/2018
Rob Stubbs	01/08/2017	31/03/2018
Leigh Whitehouse	01/04/2017	12/06/2017
Non-Executive Independent Directors		
David Archibald	01/04/2017	31/03/2018
David Groves	01/04/2017	15/01/2018
Catherine Jervis	11/09/2017	31/03/2018
Nina Hingorani-Crain	11/09/2017	31/03/2018
Gill Holmes	01/04/2017	01/08/2017
Jane Spencer	01/04/2017	31/03/2018
Chris Symons	11/09/2017	31/03/2018
Sian Wicks	11/09/2017	31/03/2018

Board Committee Meetings and Attendance

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 Committee has reviewed risk management and assurance and the company's risk register and has received regular updates on progress of the internal audit plan that provides assurance against any significant control weaknesses

Meetings of the Board and Committees were held during 2017/18 as follows:

BOARD OF DIRECTORS	AUDIT AND RISK COMMITTEE	REMUNERATION COMMITTEE
25-Apr-17		
	25-May-17	
26-Jun-17	26-Jun-17	26-Jun-17
27-Jul-17		
10-Oct-17		
26-Oct-17	26-Oct-17	
14-Dec-17	12-Dec-17	
06-Feb-18	06-Feb-18	

The following table shows the attendance at meetings in 2017/18:

	ATTENDANCE AT BOARD OF DIRECTORS		ATTENDANCE AT AUDIT AND RISK COMMITTEE		ATTENDANCE AT REMUNERATION COMMITTEE		MEMBERSHIP OF BOARD	
	Potential	Actual	Potential	Actual	Potential	Actual	From	To
Executive Directors *								
Nick Whitfield	7	6	0	0	0	0	01/04/2017	31/03/2018
Ian Dodds	7	6	0	2	0	0	01/04/2017	31/03/2018
Council Appointed Directors **								
Liz Bruce	6	5	4	0	0	0	12/06/2017	31/03/2018
Robert Henderson	7	4	5	0	0	0	01/04/2017	31/03/2018
Andy Jeffs	4	2	3	0	0	0	01/08/2017	31/03/2018
Cathy Kerr	1	0	2	0	0	0	01/04/2017	12/06/2017
Anne Redparth	4	4	3	0	0	0	12/07/2017	31/03/2018
Rob Stubbs	4	3	3	0	0	0	01/08/2017	31/03/2018
Leigh Whitehouse	1	0	2	0	0	0	01/04/2017	12/06/2017
Non-Executive Independent Directors ***								
David Archibald	7	7	5	5	1	1	01/04/2017	31/03/2018
David Groves	6	6	3	3	1	1	01/04/2017	15/01/2018
Catherine Jervis	4	3	3	2	0	0	11/09/2017	31/03/2018
Nina Hingorani-Crain	4	4	3	2	0	0	11/09/2017	31/03/2018
Gill Holmes	3	3	3	3	1	0	01/04/2017	01/08/2017
Jane Spencer	7	7	5	5	1	1	01/04/2017	31/03/2018
Chris Symons	4	4	3	3	0	0	11/09/2017	31/03/2018
Sian Wicks	4	4	3	3	0	0	11/09/2017	31/03/2018

* Executive Directors are not members of the Audit and Risk Committee and attend by invitation to advise the Committee

** Nominated substitutes can attend for Council Appointed Directors and the attendance

*** Membership of the Remuneration Committee is restricted to Non-Executive Independent Directors

Remuneration of Directors

There are different arrangements for setting the remuneration of Board Directors:

a) Executive Directors employed by AfC have their terms and conditions determined by the Company.
b) Council Appointed Directors are employed by the three Councils and are executive directors for their respective Councils. Their terms of employments are determined by the employing Council and relates to their service to the Council. Their service on the Board of Achieving for Children is not remunerated and no costs are charged to the company for their services.
c) Non-Executive Independent Directors are part time directors of Achieving for Children and their remuneration is based on a daily rate that includes attendance at Board and Committee meetings and associated work. Their appointment and terms are determined by the Councils.

Non-Executive Independent Directors are appointed, and their remuneration agreed, by the Councils acting as the owners of the Company in a general meeting. Their remuneration is based on a daily rate of £495 and covers all meetings and preparation work.

The remuneration for Directors of the Company is set out below:

DIRECTOR		SALARY £	NATIONAL INSURANCE £	PENSION BENEFITS £	OTHER EXPENSES £	TOTAL £
Executive Directors						
Nick Whitfield	2017/18	110,915	14,181	0	552	***125,647***
	2016/17	134,963	17,556	22,502	999	**176,020**
Ian Dodds	2017/18	104,115	13,242	16,658	0	**134,015**
From October 2016	*2016/17*	*50,786*	*6,449*	*7,872*	*143*	***65,250***
Robert Henderson	2017/18	*129,545*	*16,682*	*23,318*	*46*	***169,591***
	2016/17	*113,373*	*14,457*	*19,713*	*18*	***147,561***
Non-Executive Independent Directors						
David Groves	2017/18	10,271	1,136	0	0	**11,407**
To 15 January 2018	*2016/17*	*14,108*	*1,574*	*0*	*0*	***15,682***
David Archibald	2017/18	9,281	905			**10,187**
From 18 January 2017	*2016/17*	*9,900*	*993*	*0*	*0*	***10,893***
Catherine Jervis *From 11 September 2017*	2017/18	3,713	324	594	0	**4,631**
Nina Hingoranis-Crain *From 11 September 2017*	2017/18	2,475	0	0	0	**2,475**
Gill Holmes *To 1 August 2017*	2017/18	1,980	179	0	0	**2,159**
	2016/17	*5,445*	*565*	*0*	*0*	***6,010***
Jane Spencer	2017/18	6,930	675	0	0	**7,605**
	2016/17	*6,039*	*526*	*0*	*0*	***6,565***
Chris Symons *From 11 September 2017*	2017/18	2,935	217	470	0	**3,622**
Sian Wicks *From 11 September 2017*	2017/18	3,960	359	634	0	**4,952**
TOTAL 2017/18		**386,121**	**47,900**	**41,674**	**597**	**476,292**
TOTAL 2016/17		**334,614**	**42,120**	**50,087**	**1,160**	**427,981**

Remuneration of Council appointed directors

Council appointed directors serve as part of their duties to their Councils, and they receive no additional remuneration in respect of these appointments. They are not remunerated by Achieving for Children nor does the Company bear any charge for their services as directors. Their remuneration is published in the accounts of their respective Councils and is available on their websites:

https://www.kingston.gov.uk/info/200285/financial_information/738/accounts

http://www.richmond.gov.uk/budgets_and_spending

https://www3.rbwm.gov.uk/downloads/download/208/annual_statement_of_accounts_reports

Remuneration of Senior Management of the Company

The Board of Directors has delegated the responsibility for the day to day running of Achieving for Children to the Chief Executive and Directors who make decisions on the Senior Leadership Team (SLT). These delegations are detailed in a Scheme of Delegation. The organisation's directors are responsible for ensuring the company 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 our contract with the commissioning Councils.

Nick Whitfield, Rob Henderson and Ian Dodds are Board Directors and the other senior leaders have the term 'director' in their job title but are not Directors of the Company. The following provides details of the 2017/18 Company Senior Leadership Team membership.

Company Senior Leadership Team (extended)	
Nick Whitfield	Chief Executive (all contracts)
Robert Henderson	Deputy Chief Executive (Richmond and Kingston contract)
Ian Dodds	Deputy Chief Executive (Business Services - all contracts)
Kevin Mcdaniel	Deputy Chief Executive (Windsor and Maidenhead contract)
Alison Twynam	Director of Social Care (Richmond and Kingston contract)
Lin Ferguson	Director of Social Care (Windsor and Maidenhead contract)
Charis Penfold	Director of Education Services (Richmond and Kingston contract)
Lucy Kourpas	Director of Finance and Resources (Business Services - all contracts)
Deborah Glassbrook	Director of Improvement (Business Services - all contracts)
Andrew Thorne	Director of AfC Prime (Partners in Practice)

The remuneration of each member of the Company Senior Leadership Team who was not on the Company Board of Directors in 2017/18 was:

		SALARY £	NATIONAL INSURANCE £	PENSION BENEFITS £	OTHER EXPENSES £	TOTAL £
Kevin McDaniel *(From 1 August 2017)*	2017/18	66,667	8,449	9,533	0	84,649
Alison Twynam	2017/18	107,687	13,735	19,384	329	141,134
	2016/17	106,716	13,607	18,555	241	139,119
Lin Ferguson *(From 5th February 2018)*	*2017/18*	14,702	1,841	2,101	0	18,644
Charis Penfold	2017/18	99,948	12,670	15,992	1,211	129,822
	2016/17	96,731	12,229	14,993	1,207	125,160
Lucy Kourpas	2017/18	95,598	11,048	15,296	0	121,942
(From 1 October 2016)	*2016/17*	46,767	5,894	7,249	0	59,910
Deborah Glassbrook	2017/18	97,712	12,358	15,634	0	125,704
(From 1 October 2016)	*2016/17*	*41,962*	*5,231*	*6,504*	*215*	53,912
Andrew Thorne *(From October 17)*	2017/18	35,359	4,869	6,297	0	46,525
Ian Dodds *(prior to appointment as Executive Director in October 2016)*	*2016/17*	*50,109*	*6,355*	*7,767*	*0*	*64,231*
Paul Bettles *(To 30 September 2016)*	*2016/17*	*46,767*	*5,894*	*7,249*	*7*	*59,917*
Simon James *(To January 2017)*	*2016/17*	*66,432*	*8,235*	*10,297*	*0*	*84,964*

Review of Governance and Internal Control

The Audit and Risk Committee is responsible for advising the Board on the adequacy and effectiveness of the Company's governance, risk management, internal control, treasury management and value for money systems and frameworks.

The governance review arrangements require that each Deputy Chief Executive carries out a review of the effectiveness of internal control for their respective areas of responsibility and this has been reviewed by the Chief Executive. They have reported their findings to the Audit and Risk Committee which agreed a Statement of Internal Control at its meeting in June 2018 and advised the Board that the Company had adequate and effective arrangements in place in relation to Company's governance, risk management, internal control, treasury management and value for money systems and frameworks.

6.3 Directors' Responsibilities

The directors are responsible for preparing the Annual Report that includes the Strategic Report and Directors' Report, and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Accordingly, the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether IFRSs as adopted by the EU have been followed, subject to any material departures disclosed and explained in the Group and parent Company Financial Statements respectively; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company’s transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Furthermore, the Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company’s website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors are responsible for preparing the annual report in accordance with applicable law and regulations. The directors consider that the annual report and financial statements, when taken as a whole, is fair, balanced and understandable.

Each of the Directors, who are identified on page 24, is responsible for preparing the annual report and financial statements. In particular, each of the Directors confirms that to the best of their knowledge:

- The statement of accounts, which have been prepared in accordance with IFRSs, give a true and fair view of the assets, liabilities, financial position and loss of the Company;
- The Strategic Report, contained in pages 5 to 18 and the Directors’ Report, contained in pages 19 to 29, together set out a fair review of the development and performance of the business and position of the Company and describe the principal risks that it faces;
- So far as each Director is aware, there is no relevant audit information of which Grant Thornton UK LLP, as the Company’s auditors, are unaware; and
- They have taken all steps they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that Grant Thornton UK LLP are aware of that information.

Signed on behalf of the Board:

David Archibald
Chair of the Board of Directors

19th June 2018

Introduction to the Financial Accounts and Audit Fees

Introduction

These accounts have been compiled in line with International Financial Reporting Standards (IFRSs) and cover the period from 1 April 2017 to 31 March 2018. The accounts have been audited by Grant Thornton UK LLP. For transparency purposes the following table details the fees payable to Grant Thornton.

Description	2017/18 £000	2016/17 £000
Fees payable to Grant Thornton UK LLP:		
Annual audit fee for the audit of the Company's annual Accounts	35	28
Taxation compliance services (Corporation Tax)	0	6
Certification of Teachers Pension Return	8	4
Total fees payable to Grant Thronton for audit and other services	**43**	**38**
Fees payable to Price Waterhouse Coopers:		
Taxation compliance services (Corporation Tax)	**5**	**0**

Grant Thornton UK LLP is constituted as a limited liability partnership in accordance with the Limited Liability Partnership Act 2000.

The financial accounts and disclosures are set out in the Company's Statement of Accounts that follows the Auditor's Report.

Auditor's Report

The report by Achieving for Children's independent auditor on the financial statements for the period ending 31 March 2018 is set out on the following page.

Independent auditor's report to the members of Achieving for Children Community Interest Company

Opinion

We have audited the financial statements of Achieving for Children Community Interest Company (the 'company') for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position and the Statement of Cashflows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.
We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report has been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on pages 29-30, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Richard Hagley (BSc FCA)
Senior Statutory Auditor, for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
30 Finsbury Square
London
EC2A 1AG

COMMUNITY INTEREST COMPANY

STATEMENT OF ACCOUNTS

1st April 2017 – 31st MARCH 2018

AUDITED JUNE 2018

http://www.achievingforchildren.org.uk/

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THE CORE FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2018

This statement measures the Company's performance for the period and shows the accounting profit or loss in accordance with International Financial Reporting Standards (IFRS).

	NOTES	Trading	One-off Transfer in of Net Pension Liability	Total	Trading
		2017/18	2017/18	2017/18	2016/17
		£000	£000	£000	£000
Revenue	7	123,067	0	123,067	101,589
Other income	7	6,068	0	6,068	5,764
Employee benefits	5	-43,912	-6,388	-50,300	-32,715
Depreciation	10	-148	0	-148	-41
Other expenses	8	-89,822	0	-89,822	-75,922
Operating Profit /(Loss		**-4,747**	**0**	**-11,135**	**-1,325**
Finance income	18	5	0	5	12
Finance costs	18	-1,143	0	-1,143	-735
Profit /(Loss) before tax		**-5,885**	**0**	**-12,273**	**-2,048**
Tax expense	19	-2	0	-2	0
Profit /(Loss) from continuing operations		**-5,887**	**-6,388**	**-12,275**	**-2,048**
Other comprehensive income:					
Items that will not be re-classified subsequently to profit or loss					
- Re-measurement of net defined benefit liability	5	3,274	0	3,274	-10,628
Items that will be reclassified subsequently to profit of loss		0	0	0	0
Other comprehensive income for the period net of tax		**3,274**	**0**	**3,274**	**-10,628**
TOTAL COMPREHENSIVE INCOME / (EXPENSE) FOR THE YEAR		**-2,613**	**-6,388**	**-9,001**	**-12,676**
Loss for the year attributable to parent companies:					
LB Richmond upon Thames (40%)		**-1,045.2**	**-2,555.2**	**-3,600.4**	**-6,338.0**
RB Kingston upon Thames (40%)		**-1,045.2**	**-2,555.2**	**-3,600.4**	**-6,338.0**
RB Windsor and Maidenhead (20%)		**-522.6**	**-1,277.6**	**-1,800.2**	**0**
Total		**-2613.0**	**-6,388.0**	**-9,001.0**	**-12,676.0**

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2018

This statement shows the movement or change in value of net equity from the beginning of the reporting period to the 31st March.

The Company's net worth or equity is currently showing as a significant negative balance. The owning Councils retain decision making power on a number of reserved matters and as a result of Community Interest Companies being subject to a legislative 'asset lock', have determined that AfC cannot hold significant Non-Current Assets. In addition, the Board and owning Councils have committed to offering the Local Government Pension Scheme to ensure compliance with the offer of equivalent terms and conditions for TUPE staff and it is a key part of the Company's recruitment and retention strategy. The LGPS is a funded defined benefit scheme and as a result AfC is reporting a significant pension deficit on the Statement of Financial Position. This deficit represents the shortfall in money set aside to pay for pension rights earned to date. This money will not be paid out until the current members retire and does not represent an immediate cashflow issue. The fund is subject to a triennial valuation and employer contribution rates will be adjusted to ensure that the fund is adequately resourced to pay out retirement benefits due, when they are due. The combination of these two factors means that AfC's Equity is likely to remain in a negative position for the foreseeable future but does not mean that the Company is not a Going Concern. The reasons for a positive Going Concern assessment are detailed in Note 2 to these Accounts.

	Notes	Pensions Reserve £000	Retained Earnings £000	Total Attributable to Owners £000
Balance at 31 March 2016		3,657	-21,169	-17,512
Profit / (Loss) for the year	SCI		-2,048	-2,048
Other Comprehensive Income				
- Re-measurement of net defined benefit liability	5	-10,628		-10,628
Total comprehensive income for the year		-10,628	-2,048	-12,676
Balance at 31 March 2017		-6,971	-23,217	-30,188
Profit / (Loss) for the year	SCI		-12,275	-12,275
Other Comprehensive Income				
- Re-measurement of net defined benefit liability	5	3,274		3,274
Total comprehensive income for the year		3,274	-12,275	-9,001
Balance at 31 March 2018*		-3,697	-35,492	-39,189

* The annual balance will be carried forward within the Company's Statement of Financial Position

There were no non-controlling entities for the 2016/17 and 2017/18 periods.

Pensions Reserve – This reserve represents the cumulative amount that has been recognised via Other Comprehensive Income in relation to re-measurement of the net defined benefit liability due to changes in actuarial assumptions. Examples include changes in demographic assumptions, changes in financial assumptions, changes in the asset ceiling and return on assets that are not included in net interest.

Retained Earnings – This represents the net cumulative carrying amount of the Profit / (Loss) from continuing operations.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

The Statement of Financial Position or Balance Sheet shows the net worth of the Company as at the 31st March in accordance with IFRS. It shows what the Company owes and owns and the equity within the Company that is attributable to Achieving for Children's (AfC) parent Councils.

Company Registration Number 08878185	**Notes**	**31 March 2018 £000**	**31 March 2017 £000**
ASSETS			
Property, Plant and Equipment	10	500	16
Payment in Advance		33	34
Non-Current Assets		**533**	**50**
Trade and Other Receivables	13	26,326	26,324
Cash and Cash Equivalents	14	7,293	1,850
Current Assets		**33,619**	**28,174**
TOTAL ASSETS		**34,152**	**28,224**
EQUITY AND LIABILITIES			
Equity		**-39,189**	**-30,188**
Liabilities:			
Pension and other employee obligations	5	37,706	28,219
Non-Current Liabilities		**37,706**	**28,219**
Borrowings	17	18,500	21,014
Trade and other payables	15	17,113	9,112
Provisions	16	22	67
Current Liabilities		**35,635**	**30,193**
Total Liabilities		**73,341**	**58,412**
TOTAL EQUITY AND LIABILITIES		**34,152**	**28,224**

Signed:

David Archibald, Chair of the Board

19th June 2018

STATEMENT OF CASHFLOWS FOR THE PERIOD ENDING 31 MARCH 2018

The Statement of Cashflows shows the changes in cash and cash equivalents of the Company during the reporting period and how cash movements relate to the profit and loss for the period.

	Notes	2017/18 £000	2016/17 £000
Operating Activities			
Loss before tax	SCI	-12,275	-2,048
Non cash flow adjustments	20	16,988	5,418
Contributions to defined benefit plans	5	-4,123	-3,381
Net changes in working capital	20	8,000	-7,851
Net cash from operating activities		**8,590**	**-7,862**
Investing Activities			
Net cash used in investing activities	10	**-633**	0
Financing Activities			
Proceeds from borrowings		13,010	19,000
Repayment of borrowings		-15,524	-10,700
Net cash from / used in financing activities		**-2,514**	**8,300**
Net movement in cash and cash equivalents		**5,443**	**438**
Cash and cash equivalents at the beginning of the year	14	1,850	1,412
Cash and cash equivalents at the end of the year		**7,293**	**1,850**

AfC borrows money from its parent Councils via a revolving credit facility for ongoing operations. The amount owed to the Councils under this arrangement is detailed in Note 17 to the accounts.

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 1 GENERAL INFORMATION AND STATEMENT OF COMPLIANCE WITH IFRS

Achieving for Children (AfC) was registered as a Community Interest Company on 5th February 2014. The Company is jointly owned by the LB Richmond upon Thames (40%), RB Kingston upon Thames (40%) and RB Windsor and Maidenhead (20%). The Company began trading on 1st April 2014. This statement of accounts reports on the fourth year of trading and covers the period from 1st April 2017 to 31st March 2018.

AfC was established to provide children's social care and education services to children, families and young people across the boroughs of Richmond and Kingston as well as other areas. In August 2017 Windsor and Maidenhead joined the Company and services now extend to this third borough. The main contracts during the accounting period to which this statement relates are with the LB Richmond, RB Kingston and RB Windsor and Maidenhead. The Company also supports other local authorities and public sector partners through the provision of services and advice. This has included undertaking work as a Department for Education 'Partner in Practice' during 2017/18.

This Statement of Accounts has been prepared in accordance with International Financial Reporting Standards as required by the Companies Act 2006. The Accounts summarise the Company's financial performance (Statement of Comprehensive Income), equity (Statement of Equity), financial position (Statement of Financial Position) and cash flow (Statement of Cashflows) for the period. The financial statements have been prepared under the historical cost convention. Pension assets and liabilities are measured in line with the requirements of IAS19, further details are included in Note 5.

In preparing this Statement the Company has considered the impact that exit from the European Union (BREXIT) may have. No material financial impact is expected but the organisation may be affected by resulting changes to the law, including those relating to education and children's services, employment, procurement regulations and statutory reporting. In addition, changes in the cost of goods and services due to changes in the cost of import or changes to exchange rates could impact on the cost of running services and require negotiations with Commissioners with regard to contract prices.

There will be a requirement to adopt IFRS 15 Recognition of Revenue from Contracts with Customers from 1st January 2018. AfC will assess all material contracts against this new standard as part of the 2018/19 Statement of Accounts preparation process. In addition, changes are being introduced to IFRS 16 Leases. Considerable work will be needed in preparation for the 2018/19 accounts to ensure financial reporting complies with this new standard. It is likely to result in the recognition of additional assets and liabilities associated with operational leases.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

The Company has followed a detailed set of IFRS compliant accounting policies in the production of these accounts. The full policies are contained in Note 28 to these Accounts. The Accounting policies are revised annually to ensure they remain appropriate and relevant. The most significant policies to note are:

- **Recognition of Income and Expenditure**
  Activity is accounted for in the period that it takes place, not simply when cash payments are made or received. In particular:
  <u>Income</u> **-** Revenue from the sale of goods and services is recognised when the Company transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Company. Revenue from the provision of services is recognised when it is probable that economic benefits or service potential associated with the transaction will flow to the Company.

Expenditure - Supplies are recorded as expenditure when they are consumed. Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

The de-minimis limit for adjusting the accounts for income and expenditure not physically received or paid (accruals) but relating to the reporting year is £5,000.

- **Post-Employment Benefits**

  The following pension schemes are available to employees of AfC:

  - Teachers' Pension Scheme is available to teachers
  - National Health Service Pension Scheme is available to staff carrying out health functions
  - Local Government Pensions Scheme (LB Wandsworth (formerly Richmond) and RB Kingston schemes) are available to all staff

  These are all Defined Benefit Schemes, but the first two are accounted for as Defined Contribution Schemes due to their nature. For Defined Contributions Schemes, the payments are accounted for on an accruals basis with no adjustment under IAS 19.

  The LGPS is accounted for as required by IAS 19 to show the cost of benefits earned in the period of account against the relevant service. This uses figures provided by the Actuary in assessing the current value of benefits earned during the period, the impact of decisions or changes made during the period, interest and re-measurement costs. Further details are provided in Note 5 to the Accounts.

  The value (on an IAS19 basis) of the net liability associated with staff transferring in from the RB Windsor and Maidenhead has been estimated at a mid-point between the two actuarial estimates that are available at the time of producing these accounts. The amount has been recognised through the Comprehensive Income and Expenditure Account. The Councils pension teams are currently in negotiation about the exact value of the transfer and therefore the mid point is the most materially correct value to recognise given the information known at the time of producing these accounts.

The following Critical Judgements and assumptions have been made in applying Accounting Policies:

- Agency relationship – It has been assessed that the passporting of Dedicated Schools Grant on behalf of the parent Councils to various education establishments is an agency relationship and has therefore been excluded from AfC's Accounts. Further details are available in Note 6.

- Going Concern – Achieving for Children CIC has been assessed by the Directors as a Going Concern. Despite the significant accounting losses reported in these Accounts the Board and Senior Leadership Team have made significant progress in identifying how these financial challenges will be met and continues to develop these plans. The Board's Medium Term Financial Plan outlines these financial plans in more detail and addresses what actions are being taken to reduce the Company's cost base to accommodate proposed reductions in the owners' contract prices over the next three years. As with the parent Councils, the Company will revise pension contributions in line with the most up to date actuarial assessment and guidance. An assessment was carried out as at 31st March 2016 and an increased employer contribution rate (16% from 15.5%) was applied from 1st April 2017. The increased cost was fully funded under the contracts with the Councils. The Company is wholly owned by three Councils who are determined to be Going Concerns. The Company is able to borrow from the Councils under a contractual Revolving Credit Facility to ensure short term cash flow and the Councils are contractually committed to procuring children's services from AfC for seven years from April 2014 (Richmond and Kingston) and seven years from August 2017 (Windsor and Maidenhead).

- Deferred Tax Asset – The Company has assessed that the deferred tax asset should be recognised as a contingent asset rather than as an asset within the Statement of Financial Position. It is not probable that the Company will make significant taxable profits in the short to medium term. If the Company does make taxable profits in the coming years it will be able to reduce its initial tax liability by offsetting taxable losses incurred.

The Statement of Accounts contains estimated figures that are based on assumptions made by the Company about the future or that are otherwise uncertain. Estimates are made taking into account historic experience, current trends and other relevant factors. The items in the accounts that have a more significant associated estimation risk are:

- Recognition of income and expenditure – The identification and calculation of accrued income and expenditure is done using the best information available. Where actual amounts have not yet been agreed, adjustments for anticipated income and expenditure have been based on estimations.

- Actuarial valuation of pension liabilities and assets – Pension assets and liabilities and associated costs have been presented based upon an actuarial estimate that has been calculated in line with methodologies prescribed in IAS19. The actuary makes assumptions based on indicators of future trends. Full details and a sensitivity analysis is provided in note 5 to the accounts.

NOTE 3 MATERIAL AND EXCEPTIONAL ITEMS OF INCOME AND EXPENSE

Exceptional Items:
Exceptional items are material items which derive from events or transactions that fall within the ordinary activities of the reporting entity and which individually or, if of a similar type, in aggregate, need to be disclosed by virtue of their size or incidence if the financial statements are to give a true and fair view.

The Company has disclosed one off pension liability costs, associated with the transfer in of staff from RB Windsor and Maidenhead, separately on the face of the Statement of Comprehensive Income by virtue of their size and materiality. The staff transferred in with a net nil liability when calculated on the actuarial basis used for the Triennial Valuation of the fund. The £6.388m net liability represents the estimated difference in the triennial valuation methodology and the IAS19 basis of valuation that is required by IFRS. The net liability is reported under Non-Current Liabilities in the Statement of Financial Position. Further details are available in Note 5.

Material Items:
A material item is an item of expenditure or income that is unusual in scale and non-recurring. The following material items are reported as part of the accounts:

Change Controls – The contract prices for the Councils changed throughout the reporting year. Under the contracts, AfC can bid for more contract income if it is needed to ensure that service standards are maintained or if there are significant fluctuations in demand for services (e.g. more children requiring care). The Company was granted additional income as follows:

	Social Care and SEN Transport - General Fund £000	High Needs Services - Dedicated Schools Grant £000	Total £000
Richmond Contract	176	1,386	**1,562**
Kingston Contract	2,265	4,066	**6,331**
Windsor and Maidenhead Contract	1,403	639	**2,042**
TOTAL	**3,844**	**6,091**	**9,935**

This additional income is included in the Statement of Comprehensive Income under Revenue.

NOTE 4 ACQUISITIONS AND DISPOSALS

The Royal Borough of Windsor and Maidenhead was admitted into the company as a new member on 1 August 2017. The staff transferred in with a net nil liability when calculated on the actuarial basis used for the Triennial Valuation of the fund. The £6.388m net liability represents the estimated difference in the triennial valuation methodology and the IAS19 basis of valuation that is required by IFRS. The net liability is reported under Non-Current Liabilities in the Statement of Financial Position. The staff associated with both these functions, were transferred in under TUPE rules.

	2017/18 Asset £000	2017/18 Liability £000	2017/18 Net £000	2016/17 Asset £000	2016/17 Liability £000	2016/17 Net £000
Pensions Costs:						
Associated with staff transferring on 1st August 2017	11,386	-17,774	**-6,388**	-	-	-
	11,386	**-17,774**	**-6,388**			
Employee Leave:						
Associated with staff transferring during the period	0	0	**0**	-	-	**-**
	11,386	**-17,774**	**-6,388**	**-**	**-**	**-**

No operations have been discontinued during the period.

NOTE 5 EMPLOYEE BENEFITS

Expenses recognised within Statement of Comprehensive Income as employee benefits are analysed below:

	Trading 2017/18 £000	Trading 2016/17 £000
Salaries	-30,646	-25,072
Employee absence liability	-72	16
National Insurance	-3,067	-2,493
Pension Fund Contributions – LGPS	-9,511	-4,871
Pension Fund liability for Business Combinations*	-6,388	0
Pension Fund Contributions - Other schemes	-269	-129
Other (redundancy, compensation etc.)	-347	-166
	-50,300	**-32,715**

*The Company has taken on the pension fund liability associated with the transfer in of RBWM Local Government staff under TUPE regulations. This transaction is non-recurring.

Salaries

During the 2017/18 year the Company employed an average of 961 FTE staff including the admission of RBWM (688 in 2016/17). The Company has undergone staff restructuring that has reduced the overall staff establishment during 2017/18. The level of salary spend has increased due to increased fte staff resulting from the Company expansion, the staff pay award, incremental drift and other factors. Details of staffing across services in 2017/18 are:

Service	FTE's
Business Services	189
Education Services	89
Public Health	41
SEN and Children with Disabilities	158
Social Care and Early Help	477
Strategic Management	7
Total	**961**

Defined Benefit Pension Plans (LGPS)

As part of the terms and conditions of employment of its officers, the Company makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, AfC has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

Staff can be members of either the LB Wandsworth or RB Kingston upon Thames funds. Staff that transferred into the Company in the first period remain on their original plan and new employees, including the in-year transfer of RBWM staff, are admitted to the plans on an alternate basis to ensure that membership numbers between the two funds remain relatively equal.

The Company participates in the following post-employment arrangements:

- The Local Government Pension Scheme, administered by the LB Wandsworth and the Local Government Pension Scheme, administered by the RB Kingston – this is a funded defined benefit salary scheme, meaning that the Company and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. The Company is responsible for any deficit on its share of the Fund.
- Arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

The principal risks to the Company are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These risks are managed by the Fund over the long term, via the independent actuarial valuation process setting appropriate contribution rates.

Transactions Relating to Post-employment Benefits

The Company recognises the cost of retirement benefits in the Statement of Comprehensive Income when they are earned by employees, rather than when the benefits are eventually paid as pensions.

The following table shows the impact of LGPS post-employment benefits on Statement of Comprehensive Income:

	2017/18 £000	**2016/17 £000**
Current service costs	-9,459	-4,922
Past service costs	-21	-15
Effect of settlements	0	65
Business Combinations (Pension Fund liability for staff transferred under TUPE)	-6,388	0
Total recognised in operating profit / (loss)	**-15,868**	**-4,872**
Finance costs	-2,901	-2,394
Finance income	1,884	1,810
Total post-employment benefit charged to the profit / (loss) from continuing operations	**-16,885**	**-5,456**
Re-measurement of the Net defined Benefit Liability :		
Change in demographic assumptions	0	1,666
Change in financial assumptions	3,084	-16,125
Other experience	-10	-6,799
Return on plan assets (excluding amounts already included in the net interest expense)	200	10,630
Total recognised in Other Income	**3,274**	**-10,628**
Total recognised in Total Comprehensive Income for the period	**-13,611**	**-16,084**

Pensions Assets and Liabilities Recognised in the Statement of Financial Position

The amount included in the Statement of Financial Position arising from the Company's obligation in respect of its defined benefit plans is as follows:

	2017/18 £000	2016/17 £000
Present Value of the Defined Benefit Obligation	-121,148	-92,993
Fair Value of Plan Assets	83,442	64,774
Net Liability arising from Defined Benefit Obligations	**-37,706**	**-28,219**

There were no liabilities in relation to unfunded liabilities.

Reconciliation of Present Value of the Scheme Assets and Liabilities

	2017/18			2016/17		
	Assets £000	Liabilities £000	Total £000	Assets £000	Liabilities £000	Total £000
Opening Present Value of Scheme Liabilities	**64,774**	**-92,993**	**-28,219**	**48,496**	**-64,012**	**-15,516**
Transfer in of assets and liabilities 2015/16	-	-	**-**	-	-	**-**
Current Service Cost	0	-9,459	**-9,459**	0	-4,922	**-4,922**
Past Service Cost	0	-21	**-21**	0	-15	**-15**
Effect of settlements	0	0	**0**	-224	289	**65**
Interest (Cost) / Income	1,884	-2,901	**-1,017**	1,810	-2,394	**-584**
Contributions from the employer	4,123	0	**4,123**	3,381	0	**3,381**
Contributions from employees	1,760	-1,760	**0**	1,518	-1,518	**0**
Gains / (Losses) on Curtailment	0	0	**0**	0	0	**0**
Benefits paid	-686	686	**0**	-837	837	**0**
Business Combinations	11,386	-17,774	**-6,388**	0	0	**0**
Re-measurement Gains / (Losses) :						
- Actuarial Gains / (Losses) arising from change in demographic assumptions	0	0	**0**	0	1,666	**1,666**
- Actuarial Gains / (Losses) arising from changes in financial assumptions	0	3,084	**3,084**	0	-16,125	**-16,125**
- Other experience	0	-10	**-10**	0	-6,799	**-6,799**
- Return on assets (excluding the amount included in the net interest expense)	200	0	**200**	10,630	0	**10,630**
Closing Fair Value of Scheme Assets and Liabilities at 31 March	**83,441**	**-121,148**	**-37,707**	**64,774**	**-92,993**	**-28,219**

The Company estimates that it will pay £5.8m in employer contributions in 2018/19. The contribution rate increased from 15.5% to 16% for 2017/18 to 2019/20 in line with the recent triennial valuation.

Local Government Pension Scheme assets comprised:

	31-Mar-18				31-Mar-17			
	£000	%	£000	%	£000	%	£000	%
	LB WANDSWORTH (RICHMOND)		RB KINGSTON		LB WANDSWORTH (RICHMOND)		RB KINGSTON	
Equity Securities								
- Consumer	0	0%	1,641	4%	0	0%	1,578	4%
- Manufacturing	0	0%	1,033	2%	0	0%	1,045	3%
- Energy and Utilities	0	0%	856	2%	0	0%	719	2%
- Financial Institutions	0	0%	1,825	4%	0	0%	1,305	4%
- Health Care	0	0%	1,140	3%	0	0%	1,106	3%
- Information Technology	0	0%	1,909	4%	0	0%	1,698	4%
- Other	0	0%	1,358	3%	0	0%	1,101	3%
Bonds								
- Corporate Bonds (investment grade)	0	0%	0	0%	0	0%	0	0%
- UK Government	0	0%	0	0%	0	0%	0	0%
Property (UK)	1,163	3%	2,294	5%	2,659	9%	1,706	5%
Investment Funds and Trusts								
- Equities	28,203	73%	17,365	39%	18,022	61%	12,220	35%
- Bonds	5,748	15%	5,439	12%	4,727	16%	4,792	14%
- Other	3,319	9%	9,927	22%	3,841	13%	7,729	22%
Cash and Cash Equivalents	-2	0%	224	0%	295	1%	230	1%
	38,431	**100%**	**45,011**	**100%**	**29,544**	**100%**	**35,229**	**100%**

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

Both the Local Government Pension Scheme and discretionary benefits liabilities have been estimated by Hymans Robertson LLP and Barnett Waddingham LLP, independent firms of actuaries. Estimates for Statements of the Fund are being based on the latest full valuation of the schemes available at the time of producing the calculations.

The significant assumptions used by the actuary have been:

	2017/18		2016/17	
	LB WANDSWORTH (RICHMOND)	RB KINGSTON	LB WANDSWORTH (RICHMOND)	RB KINGSTON
Long term expected rate of return on assets in the scheme	1.5%	1.25%	2.7%	2.6%
Mortality assumptions				
Longevity at 65 for current pensioners:				
Men	24.3 years	22.5 years	24.3 years	22.5 years
Women	25.9 years	24.8 years	25.9 years	24.8 years
Longevity at 65 for future pensioners:				
Men	26.5 years	24.2 years	26.5 years	24.2 years
Women	28.2 years	26.7 years	28.2 years	26.7 years

Take up option to convert annual position into retirement lump sum	2017/18	2017/18	2016/17	2016/17
	LB WANDSWORTH (RICHMOND)	RB KINGSTON	LB WANDSWORTH (RICHMOND)	RB KINGSTON
- Pre April 2008 Service	50%	50%	50%	50%
- Post April 2008 Service	50%	75%	50%	75%

	31-Mar-18	31-Mar-17
	% pa	% pa
Financial Assumptions		
Rate of inflation	2.40%	2.40%
Rate of increase in pensions – Wandsworth (Richmond)	2.30%	2.40%
Rate of increase in pensions – Kingston	2.40%	2.40%
Rate of increase in salaries – Wandsworth (Richmond)	2.70%	2.80%
Rate of increase in salaries – Kingston	2.80%	2.80%
Discount Rate - Wandsworth (Richmond)	2.70%	2.70%
Discount Rate – Kingston	2.70%	2.60%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that only the assumption analysed changes, while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method.

Change in Assumptions at 31 March	31-Mar-18		31-Mar-17	
	Approximate monetary amount £000	Approximate % increase to employer	Approximate monetary amount £000	Approximate % increase to employer
0.5% decrease in Real Discount Rate	15,915	13%	11,958	13%
0.5% increase in the salary increase rate	3,475	3%	2,643	3%
0.5% increase in the pension increase rate	12,170	10%	9,099	10%

Defined benefit pension schemes accounted for as defined contribution schemes

The Company participates in two defined benefit pension schemes which are accounted for as defined contribution schemes:

- **Teacher's Pension Scheme (TPS)**

Staff employed by the Company on teachers terms and conditions are members of the Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE). The Scheme provides teachers with specified benefits upon their retirement, and the Company contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. The scheme is a multi-employer defined benefit scheme. The scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. Valuations of the notional fund are undertaken every four years. The Company is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes and it is therefore accounted for on the same basis as a defined contribution scheme. AfC is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. There were no such costs in 2017/18 and 2016/17. The Company is not liable to the scheme for any other entities obligations under the plan.

- **National Health Service (NHS) Pension Scheme**

The Company employs some staff who undertake medical procedures and therefore qualify for membership to the NHS Pension Scheme. The NHS pension scheme is an unfunded, multi-employer, defined benefit scheme that covers NHS employers. In the NHS, the scheme is accounted for as if it were a defined contribution scheme: "NHS bodies shall account for the NHS Superannuation Scheme as a defined contribution plan" (NHS Manual full reference). The Company is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of these Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. The Company is not liable to the scheme for any other entities obligations under the plan.

	Teachers' Pension Scheme 2017/18 £000	NHS Pension Scheme 2017/18 £000	Teachers' Pension Scheme 2016/17 £000	NHS Pension Scheme 2016/17 £000
Total Contributions	-150	-119	-107	-22
Employer's Contribution Rate	17.1%	14.5%	16.5%	14.3%
Anticipated Employer's Contributions next year	19.0%	14.5%	16.5%	14.4%
**rates applicable from 1st September each year*				

NOTE 6 AGENCY TRANSACTIONS

During the period, AfC acted as agent for the LB Richmond upon Thames and RB of Kingston upon Thames with regard to the payment of Dedicated School Grant to schools, nurseries and other educational organisations. AfC calculates the grant allocations in line with prescribed methodologies and arranges payment of the money to the relevant organisations. These calculations are formulaic and therefore the Company does not directly control the value of the transactions. The Company is fully reimbursed by the Councils for all payments made. These agency transactions have been excluded from the Accounts and will instead be reported within the Council's Accounts. The net impact of the difference in cash received and amounts paid out on behalf of the Councils is recognised as a net debtor on the Statement of Financial Position. There were no agency transaction in RBWM for 2017/18. The key figures and impact on the primary statements are summarised below:

	Income 2017/18 £000	Expenditure 2017/18 £000	Total 2017/18 £000	Income 2016/17 £000	Expenditure 2016/17 £000	Total 2016/17 £000
Net impact on Statement of Comprehensive Income:						
Contract Income:						
- LB Richmond upon Thames	-5,394	-	**-5,394**	-5,416	-	**-5,416**
- RB Kingston upon Thames	-9,805	-	**-9,805**	-8,582	-	**-8,582**
	-15,199	**0**	**-15,199**	**-13,998**	**0**	**-13,998**
Transactions with schools / nurseries:						
- LB Richmond upon Thames	-1,176	6,570	5,394	-394	5,810	5,416
- RB Kingston upon Thames	-128	9,933	9,805	-380	8,962	8,582
	-1,304	**16,503**	**15,199**	**-774**	**14,772**	**13,998**
Impact on Profit and Loss Account	**-16,503**	**16,503**	**0**	**-14,772**	**14,772**	**0**
Net impact on Statement of Financial Position:						
	Debtors	**Creditors**	**Total**	**Debtors**	**Creditors**	**Total**
Contract Income:						
- LB Richmond upon Thames	-0	13	13	-455	-	-455
- RB Kingston upon Thames	-612	-	-612	-899	-	-899
	-612	**13**	**-599**	**-1,354**	**0**	**-1,354**
Transactions with schools / nurseries:						
- LB Richmond upon Thames	-27	7	-20	-80	183	103
- RB Kingston upon Thames	0	244	244	-145	10	-135
	-27	**251**	**224**	**-225**	**193**	**-32**
Total	**-639**	**264**	**-375**	**-1,579**	**193**	**-1,386**
- LB Richmond upon Thames	368	-	368	796	-	796
- RB Kingston upon Thames	7	-	7	590	-	590
Net Debtor	**375**	**-**	**375**	**1,386**	**-**	**1,386**
Impact on Statement of Financial Position	**-264**	**264**	**0**	**-193**	**193**	**0**

NOTE 7 REVENUE AND OTHER INCOME

The Company holds contracts with three Councils for the provision of education and children's services that make up 95% (95% in 2016/17) of the revenue reported in the Statement of Comprehensive Income. The contracts are for seven year periods with Richmond and Kingston being from 1st April 2014 and Windsor and Maidenhead from 1st August 2017. All contracts have an option to extend by a further five years. The contract income below is presented net of agency transactions (further details included in note 6).

A further breakdown of income is as follows:

	2017/18 £000	2016/17 £000
Contract income LB Richmond Upon Thames	51,085	52,961
Contract income RB of Kingston Upon Thames	43,384	43,147
Contract income RB of Windsor and Maidenhead	23,349	0
Fees & charges for services	4,720	5,156
Lettings	187	99
Client contributions	101	72
Income from local authorities	241	154
Revenue reported within operating loss	**123,067**	**101,589**
Government Grants	266	259
Grants and contributions*	5,801	5,504
Donations	0	1
Other	1	0
Other income reported within operating loss	**6,068**	**5,764**
Total income reported in operating loss	**129,135**	**107,353**

* grants and contributions from third parties other than Central Government

NOTE 8 OTHER EXPENSES

The following table provides a breakdown of other expenses reported in the Statement of Comprehensive Income:

	2017/18 £000	2016/17 £000
Indirect employee costs	-6,376	-5,034
Premises	-3,891	-4,309
Transport	-7,824	-6,084
Supplies and services	-6,002	-5,582
Third party (contract) payments and transfer payments	-60,091	-48,848
Support services	-5,638	-6,065
Other expenses	**-89,822**	**-75,922**

NOTE 9 RECONCILIATION TO MANAGEMENT ACCOUNTS

Management reports on nine key segments or divisions throughout the period. Each division is managed by a member of the Senior Leadership Team and there are regular finance updates to the Board and parent Councils during the period. The following tables show the outturn position that was reported to management.

Management Outturn 2017/18	Operational Strategic Management £000	Social Care and Early Help £000	SEN and Children with Disabilities £000	Education £000	Public Health £000	Business Services £000	Partners in Practice £000	Grand Total £000
Income								
LB Richmond Contract	0	0	0	0	0	56,480	0	56,480
RB Kingston Contract	0	0	0	0	0	53,189	0	53,189
RB Windsor & Maidenhead	0	0	0	0	0	23,349	0	23,349
Customer and Client Receipts	0	1,922	1,731	2,465	0	2,083	0	8,201
Other Grants and Contributions	0	708	3,370	8	0	50	0	4,136
Government Grants	0	266	0	0	0	0	0	266
Interest Receivable	0	0	0	0	0	5	0	5
	0	**2,896**	**5,101**	**2,473**	**0**	**135,156**	**0**	145,626
Expenditure								
Employees	343	22,586	7,255	4,998	1,101	7,495	1,125	44,903
Premises	0	243	7	5	0	3,637	0	3,892
Transport	2	514	6,680	556	18	49	5	7,824
Supplies and Services	132	1,959	956	1,648	14	1,873	84	6,666
Third Party Payments**	0	22,389	34,598	90	0	137	0	57,214
Transfer Payments	0	1,351	15,662	314	0	2,035	0	19,362
Support Services	0	1,405	210	-8	0	4,030	0	5,637
Interest Paid	0	0	0	0	0	125	0	125
Tax	0	0	0	0	0	2	0	2
	477	**50,447**	**65,368**	**7,603**	**1,133**	**19,383**	**1,214**	145,625
Outturn	**-477**	**-47,551**	**-60,267**	**-5,130**	**-1,133**	**115,773**	**-1,214**	1
Re-Allocate contract price	727	47,286	59,924	5,112	1,213	-115,476	1,214	0
Underspend/ (overspend)	**250**	**-265**	**-343**	**-18**	**80**	**297**	**0**	1

Management Outturn 2016/17	Kingston Social Care £000	Richmond Social Care £000	SEN and Children with Disabilities £000	Early Help £000	SEN Transport £000	Education Services £000	Standards and Improvement £000	Finance and Resources £000	Strategic Management £000	Grand Total £000
Income										
LB Richmond Contract	0	0	0	0	0	0	0	58,378	0	**58,378**
RB Kingston Contract	0	0	0	0	0	0	0	51,728	0	**51,728**
Customer and Client Receipts	252	261	2,016	1,077	42	2,221	1,461	172	0	**7,502**
Other Grants and Contributions	0	22	3,942	100	0	3	76	115	0	**4,258**
Government Grants	0	0	0	259	0	0	0	0	0	**259**
Interest Receivable	0	0	0	0	0	0	0	12	0	**12**
	252	**283**	**5,958**	**1,436**	**42**	**2,224**	**1,537**	**110,405**	**0**	**122,137**
Expenditure										
Employees	3,855	3,970	7,236	10,139	997	4,963	3,081	1,320	688	**36,249**
Premises	16	1	3	101	0	3	191	3,994	0	**4,309**
Transport	104	132	136	116	5,482	66	33	8	5	**6,082**
Supplies and Services	355	222	755	910	0	1,524	900	830	31	**5,527**
Third Party Payments**	7,046	8,840	34,175	1,053	57	72	2	268	3	**51,516**
Transfer Payments	225	532	7,918	393	0	215	34	2,794	0	**12,111**
Support Services	655	742	132	34	0	51	3	4,446	0	**6,063**
Interest Paid	0	0	0	0	0	0	0	138	0	**138**
	12,256	**14,439**	**50,355**	**12,746**	**6,536**	**6,894**	**4,244**	**13,798**	**727**	**121,995**
Outturn	**-12,004**	**-14,156**	**-44,397**	**-11,310**	**-6,494**	**-4,670**	**-2,707**	**96,607**	**-727**	**142**
Re-Allocate contract price	11,996	14,156	44,178	11,378	6,494	4,664	2,642	-96,124	616	0
Underspend/ (overspend)	**-8**	**0**	**-219**	**68**	**0**	**-6**	**-65**	**483**	**-111**	**142**

**Contract payments to third parties e.g. payments for independent child placements, payments for SEN placements, general contract payments etc.

The basis on which the Company reports during the period is different to the IFRS compliant reporting required for this Statement of Accounts. The following table provides a reconciliation between the outturn reported to management and the Statement of Comprehensive Income:

	2017/18			2016/17		
	Reallocated in SOCI £000	Amounts not reported to management for decision making (IFRS adjustments) £000	Cumulative total including management accounts £000	Reallocated in SOCI £000	Amounts not reported to management for decision making (IFRS adjustments) £000	Cumulative total including management accounts £000
Outturn			**1**			**142**
Interest Receivable	-5			-12		
Interest Payable	126			138		
Recognition of annual leave owing to employees		-74			15	
Pension Adjustments:						
Recognition of TUPE liability transfer		-6,388			0	
Employer contributions		-5,357			-1,489	
Recognition of non current assets		633			0	
Recognition of lease principal		0			29	
Recognition of lease interest		0			13	
Recognition of provisions		75			-120	
Depreciation		-148	**-11,138**		-41	**-1,467**
Operating profit			**-11,137**			**-1,325**
Interest Receivable	5			12		
Interest Payable	-126			-138	-13	
Pension Adjustments:						
Net Interest Payable		-1,017	**-1,138**		-584	**-723**
Profit / (Loss) from continuing operations			**-12,275**			**-2,048**
Pension Adjustments:						
Remeasurements		3,274	**3,274**		-10,628	**-10,628**
Total comprehensive income / (expenditure) for the year			**-9,001**			**-12,676**

The Company pays Dedicated Schools Grant to educational establishments on behalf of LB Richmond and RB Kingston. These transactions are treated as an agency relationship in the financial accounts as the decision making power remains with the Councils. The net impact of removing these transactions from the Statement of Comprehensive Income is nil as both income and expenditure are removed. Further details are included in note 6.

NOTE 10 NON CURRENT ASSETS

Details of movement in non-current assets are included in the table below:

	2017/18			2016/17		
	Intangible Software	Tangible ICT Equipment	Total	Intangible Software	Tangible ICT Equipment	Total
	£000	£000	£000	£000	£000	£000
Gross carrying amount:						
Opening balance	**87**	**48**	**135**	**87**	**48**	**135**
Additions	0	633	633	0	0	0
Disposals	0	0	0	0	0	0
Balance 31 March	**87**	**681**	**768**	**87**	**48**	**135**
Depreciation, Amortisation and impairment:						
Opening balance	**-87**	**-33**	**-120**	**-58**	**-21**	**-79**
Disposals	0	0	0	0	0	0
Depreciation / Amortisation	0	-148	-148	-29	-12	-41
Balance 31 March	**-87**	**-181**	**-268**	**-87**	**-33**	**-120**
Carrying amount 31 March	**0**	**500**	**500**	**0**	**15**	**15**
Useful Life	3 years	3 - 5 years		3 years	4 years	
Payment in advance			**33**			**34**

The Company has purchased Chromebooks for most staff (total cost £564,000 and depreciated over five years) and mobile phones for some staff (total cost £69,000 and depreciated over three years) in 2017/18 and purchased computer tablets during 2015/16.

The Company paid a one off charge in 2016/17 for the use of accounting software over a 25 year period from January 2017. Ownership of the software has not transferred to AfC and this transaction has been treated as a Payment in Advance.

The following table summarises the amounts included in the table above that relate to leased assets:

	2017/18	2016/17
	£000	£000
Intangible software asset	87	87
less cumulative depreciation	-87	-87
	0	**0**

NOTE 11 LEASES

Finance leases as lessee

There have been no arrangements assessed as finance leases in the 2017/18 financial year.

The Company aquired an Integrated Children's System via a finance lease from the RB Kingston during 2014/15. This system was valued at £64k and included in the Company's Statement of Financial Position with an estimated life of three years. The system asset along with an equivalent liability has been written down over the three years (from 2014/15 to 2016/17) and was fully written down by 31st March 2017.

	31 March 2018 £000	31 March 2017 £000
Non-Current Assets:		
Intangible Asset	-	22
less depreciation	-	-22
	-	**0**
Liabilities:		
Current Finance Lease Liability	-	0
Non-Current Finance Lease Liability	-	0
	-	**0**

Future Lease Payments:	Interest £000	Principal £000	Total £000	Interest £000	Principal £000	Total £000
Not later than 1 year	0	0	**0**	0	0	**0**
Later than 1 year	0	0	**0**	0	0	**0**
Later than 5 years	0	0	**0**	0	0	**0**
Total	**0**	**0**	**0**	**0**	**0**	**0**

Operating leases as lessee

The Company leases offices and operational buildings from RB Kingston, LB Richmond and RB Windsor and Maidenhead that can be terminated on 12 months notice. It also leases vehicles from LB Richmond and RB Kingston that (at 31 March 2018) are all over twelve years old and it leases vehicles from RB Windsor and Maidenhead that are 13 years old and 6 years old. These vehicles have no carrying value and are leased at a peppercorn as they have no definite future life. The leases with Windsor and Maidenhead started on 1 August 2017.

AfC entered into three new agreements during 2015/16 to enable access to software systems or modules in relation to School Admissions, Early Help and SEN. The 'off the shelf' packages have been customised to meet AfCs requirements. The Admissions package was renewed for a minimum periods of three years from July 2017 and the other two are for a minimum notice period of 3 months to expire on any anniversary of the commencement date which would be mid-September resulting in a minimum lease period of 5.5 months from 1 April in any financial year. The Company also entered into a lease for an e-learning system in 2017/18 that is used for training purposes in relation to the above systems and is renewable annually.

From 1 August 2017 the Company took over the use of two ICT-related leases that are used on schools' admissions and care management from RB Windsor and Maidenhead and these two leases are on minimum notice of one year or less. The lease rentals for these systems are paid by Windsor and Maidenhead AfC and this cost is taken into account in the setting contract price between Windsor and Maidenhead and AfC for children's services. This is an embedded lease within the overall contract between AfC and Windsor and Maidenhead, and AfC makes no direct payment for use of these leases.

The Company has a short term lease agreement in place for the use of multi functional devices (MFD) for printing and scanning. This agreement was for 15 months from September 2016 and was re-negotiated in 2017/18 for a period of two years ending 31 March 2020.

The company leases vehicles to provide transport for children to travel to school. Two lease contracts were entered into in August 2015 when AfC took over the operation of the service from Richmond Council for a minimum period of twelve months and one month's notice thereafter. These vehicles are on one month's notice as at 31 March 2017. In September 2016 AfC entered into a lease with Skanska for the provision of twelve vehicles for a fixed period of 30 months. The minimum rental period as at 31 March 2018 is 11 months.

The future minimum lease payments are as follows:

Future Lease Payments:	**31 March 2018 £000**	**31 March 2017 £000**
Not later than 1 year	2,766	2,414
Later than 1 year	50	178
Later than 5 years	0	0
Total	**2,816**	**2,592**

Finance and operating leases as lessor

The Company has no leases as lessor.

NOTE 12 FINANCIAL ASSETS AND LIABILITIES

Categories of financial assets and liabilities

The carrying amounts of financial assets and financial liabilities are as follows:

	31 March 2018 £000	**31 March 2017 £000**
Financial assets / Loans and Receivables		
Trade and other receivables categorised as Financial Instruments	24,084	24,406
Trade and other receivables not categorised as Financial Instruments	2,275	1,952
Cash and cash equivalents categorised as a Financial Instrument	7,293	1,850
	33,652	**28,208**

	31 March 2018 £000	31 March 2017 £000
Financial liabilities at amortised cost		
Current borrowings	18,500	21,014
Finance lease liabilities	0	0
Trade and other payables categorised as Financial Instruments	11,827	5,070
Trade and other payables not categorised as Financial Instruments	5,286	4,042
Provisions not categorised as a Financial Instrument	22	67
	35,635	**30,193**

A description of the Company's financial instrument risk, including risk management objectives and policies is given in Note 23.

NOTE 13 TRADE AND OTHER RECEIVABLES

Trade and other receivables are made up as follows:

	31 March 2018 £000	31 March 2017 £000
Trade receivables, gross	24,084	24,406
Impairment of Receivables	-107	-137
Trade receivables	**23,977**	**24,269**
Employee leave	164	123
Prepayments	2,185	1,932
Total current trade and other receivables	**26,326**	**26,324**
Non-current payment in advance (prepayments)	**33**	**34**
Total trade and other receivables	**26,359**	**26,358**

The net carrying value of trade receivables is considered a reasonable approximation of fair value. All of the Company's trade and other receivables have been reviewed for indicators of impairment.

The Company has made allowances against specific balances for impairment of receivables. The movement in allowance for credit losses and write offs are presented below:

	31 March 2018 £000	31 March 2017 £000
Balance 1 April 2017	**-137**	**-40**
Amounts written off (uncollectable)	0	15
Impairment of Receivables	30	-112
Balance 31 March 2018	**-107**	**-137**

NOTE 14 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	31 March 2018 £000	31 March 2017 £000
Current Account (includes impact of transactions in transit)	2,273	-2,183
Instant Access Deposit Account	5,010	4,023
Impresst Accounts (cash in hand and in bank)	10	10
	7,293	**1,850**

NOTE 15 TRADE AND OTHER PAYABLES

Trade and other payables consist of the following:

	31 March 2018 £000	31 March 2017 £000
Current		
Trade payables	11,827	5,070
Employee leave	557	443
Receipts in advance	250	168
Taxes (e.g. VAT, National Insurance)	4,479	3,431
	17,113	**9,112**

NOTE 16 PROVISIONS

Short term provisions consist of the following:

	Redundancy £000	Disputed Invoices £000	Total £000
Balance at 1st April 2016	**44**	**72**	**116**
Additional provisions made in 2016/17	67	0	67
Amounts used in 2016/17	-38	-72	-110
Unused amounts reversed in 2016/17	-6	0	-6
Balance at 31 March 2017	**67**	**0**	**67**
Additional provisions made in 2017/18	22	0	22
Amounts used in 2017/18	-67	0	-67
Unused amounts reversed in 2017/18	0	0	0
Balance at 31 March 2018	**22**	**0**	**22**

NOTE 17 OTHER LIABILITIES

The following table contains a breakdown of other current and non-current liabilities (excluding trade receivables and payables):

	31 March 2018 £000	31 March 2017 £000
Finance lease liabilities	0	0
Short term loans from parent councils	18,500	21,014
Provisions	22	67
Other liabilities – current	**18,522**	**21,081**
Finance lease liabilities	0	0
Pension fund defined benefit liability (see note 5)	37,706	28,219
Other liabilities - non-current	**37,706**	**28,219**

Details of the terms of the short term loans are set out in Note 24.

NOTE 18 FINANCE COSTS AND FINANCE INCOME

Finance costs for the reporting period consist of the following:

	2017/18 £000	2016/17 £000
Interest receivable on short term cash deposits	5	12
Total interest receivable	**5**	**12**
Interest on short term borrowings from parent councils	-125	-138
Finance lease interest	-1	-13
Net interest expense on defined benefit liability	-1,017	-584
Total interest payable	**-1,143**	**-735**

NOTE 19 CORPORATION TAX

The following table shows the tax reconciliation based on IAS12.

	2017/18 Accounts £000	%	2016/17 Accounts £000	%
Profit / (Loss) on ordinary activities before tax	**-12,272**		**-2,048**	
Tax on loss on ordinary activities at standard CT rate of 19.00% (PY 20.00%)	-2,332	19.00%	-410	20.00%
Effects of:				
Expenses not deductible for tax purposes	0	0.00%	1	-0.06%
Adjustments to brought forward values	0	0.00%	0	0
Amounts charged directly to equity or otherwise transferred`	622	-5.07%	-2,125	103.81%
Capital allowances in excess of depreciation	0	0.00%	0	0.00%
Other short term timing differences	0	0.00%	0	0.00%
Defined benefit scheme timing differences	0	0.00%	0	0.00%
Adjust closing deferred tax to average rate 20.00%	0	0.00%	898	-43.87%
Utilisation of tax losses and other deductions	67	-0.55%	-345	16.86%
Deferred tax not recognised	1,643	-13.38%	1,983	-96.86%
Unexplained difference	0	0.00%	0	0.00%
Tax charge/credit for the period	1		2	

Deferred Tax Asset

As a Community Interest Company AfC must pay Corporation Tax on all taxable profits at the domestic effective tax rate. The Company has reported a loss before tax for the 2017/18 and 2016/17 financial period of £12m and £2m. A small tax amount of £2,379 was payable for the 2016/17 financial year on the interest received by the Company in year. It is not probable that the Company will make significant taxable profits in the short to medium term and therefore it has not recognised a deferred tax asset in the Accounts. If the Company does make taxable profits in the coming years it will be able to reduce its initial tax liability by offsetting taxable losses incurred. The amount recognised as a contingent asset at 31 March 2018 is £6.620m (£5.09m at 31 March 2017).

NOTE 20 NON CASH FLOW ADJUSTMENTS AND CHANGES IN WORKING CAPITAL

The following tables provide a breakdown of the non-cash transactions recognised in the Statement of Comprehensive Income and Statement of Financial Position.

	2017/18 £000	2016/17 £000
Net changes in working capital:		
Change in trade and other receivables (increase)	-1	-2,236
Change in trade and other payables (decrease)	8,001	-5,615
Total changes in working capital	**8,000**	**-7,851**

	2017/18 £000	2016/17 £000
Non Cash Flow Adjustments:		
Business Combinations (Recognition of pension liability transferred with TUPE)	6,388	0
Current and past service costs	9,480	4,871
Net interest on defined benefit liability	1,017	584
Accounts payable and receivable transactions paid out by parent companies	0	0
Capitalisation and lease principal	0	-29
Depreciation	148	41
Provisions	-45	-49
	16,988	**5,418**

AfC borrows money from the parent Councils via a revolving credit facility for ongoing operations. The amount still owed to the Councils under this arrangement is detailed in note 17 to the accounts.

NOTE 21 RELATED PARTY TRANSACTIONS

The Company's related parties include its owners (LB Richmond, RB Kingston and RB Windsor), company directors, senior managers with strategic decision making powers, post-employment benefit plans and others as stated below.

Transactions with the Company's owners

Achieving for Children is jointly owned by the London Borough of Richmond upon Thames, the Royal Borough of Kingston upon Thames and the Royal Borough of Windsor and Maidenhead (RBWM). The boroughs have influence over major policy decisions and funding. The Company is contracted jointly by both Councils to provide their children's services. The Councils also provide support services and accomodation to the Company and a loan facility of up to £45m. The table below summarises the key transactions:

	LB Richmond 2017/18 £000	RB Kingston 2017/18 £000	RB Windsor & Maidenhead 2017/18 £000	LB Richmond 2016/17 £000	RB Kingston 2016/17 £000
Receipts*	70,734	60,909	23,577	67,214	62,652
Accrued income	6,565	9,299	4,256	11,184	9,225
Payments	682	6,339	2,530	8,765	8,852
Accrued expenditure	2,580	1,420	302	365	1,174
Total Value* **	**80,561**	**77,967**	**30,665**	**87,528**	**81,903**
Other balances:					
Borrowing**	7,400	6,290	4,810	10,507	10,507

* These figures have not been adjusted for the agency relationship to ensure full disclosure
**Borrowing represents the balance at 31st March. The cashflow statement details physical cash paid and received on financing activities
***Transactions are inclusive of VAT

Transactions with schools maintained by the Councils have been excluded as the contract price captures the value of these transactions. Individual schools are not deemed to have control over the Company.

Transactions with directors and senior management

Directors (including non-executive) and senior management have direct control over the Company's finance and operating policies. The table below summarises the remuneration received by these individuals. As a result of legislative requirements relating to the employment of statutory officers, some members of the Senior Leadership Team are employed by the parent Councils and seconded to Achieving for Children. The total remuneration paid has been captured in the table below and includes total remuneration paid by AfC and the parent Councils. Further details on the remuneration of individual Directors are included in the Director's Report.

	2017/18 £	2016/17 £
Short Term Benefits:		
Salary	903,794	790,097
National Insurance	112,870	99,566
Expenses	2,137	2,829
Post-Employment Benefits:		
Defined benefit pension plans	125,910	122,700
Total Remuneration	**1,144,711**	**1,015,192**

During the period directors, senior management or members of their immediate families had relationships / influence over the organisations detailed in the table overleaf. Organisations have been detailed regardless of whether transactions occurred with AfC. Where transactions have occurred, the relevant officer or director was not involved in decision making.

	Transactions in the period		Amounts owed at period-end		Total value of transactions	Transactions in the period		Amounts owed at period-end		Total value of transactions
	Payments 2017/18 £000	Receipts 2017/18 £000	Owed to 2017/18 £000	Owed by 2017/18 £000	2017/18 £000	Payments 2016/17 £000	Receipts 2016/17 £000	Owed to 2016/17 £000	Owed by 2016/17 £000	2016/17 £000
Every Child, Every Day Multi Academy Trust	400	140	40	13	**593**	111	0	0	0	**111**
Alexandra School	293	30	40	1	**364**	202	52	1	0	**255**
Darell Primary and Nursery School	69	47	0	1	**117**	54	41	0	3	**98**
Richmond upon Thames School Trust	0	25	38	0	**63**	-	-	-	-	**0**
Richmond Theatre Trust	1	0	0	0	**1**	0	0	0	0	**0**
Orleans House Trust	0	0	0	1	**1**	0	0	0	0	**0**
Access Medical Services	0	0	0	0	**0**	-	-	-	-	**0**
Blackheath Cator Estate Residents Ltd	0	0	0	0	**0**	-	-	-	-	**-**
David Archibald Consulting	0	0	0	0	**0**	0	0	0	0	**0**
European Medicines Agency	0	0	0	0	**0**	-	-	-	-	**-**
Future Schools Trust	0	0	0	0	**0**	0	0	0	0	**0**
Greenwich Leisure Limited	0	0	0	0	**0**	-	-	-	-	**-**
Hingorani-Crain Ltd	0	0	0	0	**0**	-	-	-	-	**-**
Learning Schools Trust	0	0	0	0	**0**	-	-	-	-	**-**
New Line Learning	0	0	0	0	**0**	0	0	0	0	**0**
Openbox Consulting	0	0	0	0	**0**	0	0	0	0	**0**
Seldoc Healthcare	0	0	0	0	**0**	-	-	-	-	**0**
Social Care Institute for Excellence	0	0	0	0	**0**	7	0	0	0	**7**
South East London Doctors Cooperative	0	0	0	0	**0**	-	-	-	-	**0**
West London Family Court	0	0	0	0	**0**	-	-	-	-	**0**
London Borough of Wandsworth	-	-	-	-	**-**	1,363	1,209	91	198	**2,861**
Barnado's Children's Charity	-	-	-	-	**-**	296	0	3	0	**299**
Coombe Academy Trust – Boys'	-	-	-	-	**-**	79	64	0	20	**163**

	Transactions in the period		Amounts owed at period-end		Total value of transactions	Transactions in the period		Amounts owed at period-end		Total value of transactions
	Payments 2017/18 £000	Receipts 2017/18 £000	Owed to 2017/18 £000	Owed by 2017/18 £000	2017/18 £000	Payments 2016/17 £000	Receipts 2016/17 £000	Owed to 2016/17 £000	Owed by 2016/17 £000	2016/17 £000
Grey Court School	-	-	-	-	-	29	36	0	44	**109**
Coombe Academy Trust – Girls’	-	-	-	-	-	29	55	0	17	**101**
Association of Directors of Adult Social Services	-	-	-	-	-	0	0	0	0	**0**
Richmond Pension Board	-	-	-	-	-	0	0	0	0	**0**
Adult and Family Court Magistrate	-	-	-	-	-	0	0	0	0	**0**
Thurrock LSCB	-	-	-	-	-	0	0	0	0	**0**
Belfast Health and Social Care Board	-	-	-	-	-	0	0	0	0	**0**

0 means there are nil transactions with the related party
- means no related party has been declared for financial year

All transactions include VAT

The Chair of the Board (David Archibald) was a Trustee and Board Member of Social Care Institute for Excellence. The payments in 16/17 related to Learning Together Foundation course training delivered to AfC. There were no trasnactions in 2017/18.

The former Chair of the Board (David Groves) left AfC in January 2018 and worked with Grey Court and Coombe Schools in 16/17. His wife has been the Chair of Governors at Alexandra Infant School since March 2015 (previously a Governor). The transactions between AfC and these schools relate to the provison of education services and grant allocations.

A Non Executive Independent Director (Chris Symons) is a Director at Greenwich Leisure Limited (GLL). There were no transactions between AfC and GLLduring 2016/17 or 2017/18.

A former Non Executive Independent Director (Gill Holmes) in 2016/17 was the Director for Communications and Policy at Barnardo's Childrens Charity, commencing this role in February 2016. AfC has purchased childrens social care services from Barnardos on both a contractual and spot purchasing basis as well as a range of training provision.

One of the Company's Non Executive Independent Directors (Jane Spencer) is a Governor for Darell Primary School. The transactions between AfC and these schools relate to the provison of education services and grant allocations. She was also trustee of Every Child, Every Day Charitable Academy Trust (ECEDAT). This charitable trust consists of Grey Court School and Hollyfield School. The transactions with AfC relate to Special Educational Needs funding. Other work includes being a Governor for Richmond upon Thames School Trust and a Magistrate in the London Family Court. The transactions with Richmond upon Thames School relates to Special Educational Needs provision.

The Chief Executive (Nick Whitfield) was a member of Richmond upon Thames School Trust and the Chair of the local governing body for Newline Learning. The transactions with Richmond upon Thames School relates to Special Educational Needs provision. There were no transactions between Newline Learning and AfC during 2017/18.

The Deputy Chief Executive (Ian Dodds) has been Chair of the Richmond Theatre Trust Board from 2015/16. Richmond Theatre Trust occasionally works on grant-funded theatre education initiatives with services in AfC. He is also an Honarary Treasurer for Orleans House Trust where there is history of occasional venue hire for learning programmes.

Transactions with post-employment benefit plans

Employees of AfC are members of a number of pension plans. The defined benefit plans (the LGPS) are separately administered by the LB Richmond and RB Kingston who are also owners of the Company. The pension funds are treated as separate financial entities and the terms of the benefit plans are prescribed by regulation. Note 5 to these accounts contains further details of the specific plans and associated figures.

NOTE 22 CONTINGENT ASSETS AND LIABILITIES

Contingent Liabilities

Contingent liabilities relate to possible expenditure arising from a past event that has not been recognised in the Statement of Accounts due to the probability that a transfer of economic benefits will not arise, or cannot be reliably estimated. The possible liability is dependent on the outcome of something happening in the future. A review is undertaken annually to identify any potential liabilities.

- **Legal Cases / Tribunals / Insurance Claims**

As at the 31st March there were a number of tribunals and claims outstanding against the Company. None of these claims are expected to materially impact the accounts but some could lead to non-trivial damages / costs in future years should the tribunal rule against AfC. If claims do arise then these will be met by the Company's insurance policy (£50k excess) or via in year budgets.

- **Termination Benefits**

The Company must make significant reductions in its cost base over the next three years to achieve contract price reduction targets set by the contracting Councils. Plans continue to be developed to address these cost pressures and it is probable that some termination benefits will be paid out to staff as part of these plans. The Company is not able to estimate these at present but any future liabilities will be met through in year budgets, contract change control mechanisms and the phasing of reductions in the Company's cost base.

Contingent Assets

Contingent assets relate to possible income arising from a past event that has not been recognised in the Statement of Accounts due to the probability that a transfer of economic benefits will not arise, or cannot be reliably estimated. The right to the potential asset is dependent on something happening in the future. A review is undertaken annually to identify potential contingent assets.

Deferred Tax Asset

As a Community Interest Company AfC must pay Corporation Tax on all taxable profits at the domestic effective tax rate. The Company has reported a loss before tax for the 2017/18 and 2016/17 financial period of £12m and £2m. A small tax amount of £2,379 was payable for the 2016/17 financial year on the interest received by the Company in year. It is not probable that the Company will make significant taxable profits in the short to medium term and therefore it has not recognised a deferred tax asset in the Accounts. If the Company does make taxable profits in the coming years it will be able to reduce its initial tax liability by offsetting taxable losses incurred. The amount recognised as a contingent asset at 31 March 2018 is £6.620m (£5.09m at 31 March 2017).

NOTE 23 FINANCIAL INSTRUMENTS RISK

Risk management objectives and policies

The Company is exposed to various risks in relation to financial instruments. The Company's financial assets and liabilities are summarised in Note 12. The main types of risks are market risk, credit risk and liquidity risk.

The Company's risk management procedures are focused on the unpredictability of financial markets and are structured to implement suitable controls to minimise these risks.

Market risk analysis

The principle risk that the Company is exposed to is fluctuations in interest rates that can impact on its operating costs. The Company only has exposure to short term borrowing and deposits that are on variable interest rate terms with no currency exposure.

As an indication of the sensitivity to interest rates, a change in short term interest rates of 1% would change finance costs by +/- £185k (£170k for 2016/17), and the impact on the pension liability (of the defined benefit plan – LGPS) would change the net liability by +/- £31.8 million (£23.9 million 2016/17).

Outstanding loan at 31 March was £18.5 million.

Credit risk analysis

Credit risk arises if a counterparty fails to discharge an obligation to the Company. The Company is exposed to credit risk in respect of short term deposits, cash and cash equivalents and trade and other receivables. The maximum exposure to credit risk is limited to the carrying amounts of financial assets recognised at 31 March 2018, as shown in the following table:

	31 March 2018 £000	31 March 2017 £000
Financial assets / Loans and Receivables		
Trade and other receivables categorised as Financial Instruments	24,084	24,406
Trade and other receivables not categorised as Financial Instruments	2,275	1,952
Cash and cash equivalents	7,293	1,850
	33,652	**28,208**

A significant proportion of trade and other receivables are in respect of public sector entities, which mitigates the overall risk. Impairment of receivables in 2017/18 was £107k (£137k for 2016/17).

The Company only deals with financial institutions that have high credit ratings and monitors these to avoid risk.

Liquidity risk analysis

Liquidity risk arises if the Company is unable to meet its obligations. The Company is able to borrow from its owners (the London Borough of Richmond upon Thames and Royal Borough of Kingston upon Thames) under a revolving credit facility agreement. This agreement provides a loan facility of £45million (increased from £30 million from 1 August 2017) which the Company can draw down on to meet its liquidity requirements and also has up to £15m (£10m in 2016/17) on same-day withdrawal deposit/current accounts to manage day-to-day cash requirements.

The Company manages its liquidity needs through monitoring forecast cash inflows and outflows arising from its business on a daily and weekly basis and also monitors longer term impacts on its cash flow arising from changes to its business plan.

The Company is required to submit a Financial Plan at least annually to its owners for their approval that sets out the Company's treasury management plans and procedures.

The revolving credit arrangement in place with its owners is regarded as sufficient mitigation against liquidity risk for the company.

NOTE 24 FAIR VALUE MEASUREMENT

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into Levels of fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: unobservable inputs for the asset or liability

The Company holds only the following financial assets and liabilities:

- Cash and cash equivalents
- Current borrowings
- Trade and other receivables and payables

There are no quoted prices that can be used to measure fair value of these assets and liabilities.

Cash, cash equivalents, trade and other payables are all very short term assets and are assessed as being at fair value.

Current borrowings are in respect of one loan facility, provided by the owners of the Company (RB Kingston, LB Richmond and RB Windsor and Maidenhead) – the amount borrowed at 31 March is shown in the following table in Note 25. This is a revolving short term loan agreement which is repayable on 31 September and 31 March each year, or earlier if the company gives the Councils notice. Interest is 0.5% (one half percent) above Bank of England Base Rate. The terms of the loan are judged to reflect current market rates and the actual value of the loan is taken as fair value.

Trade payables are discharged within 30 days and are deemed to be at fair value.

Trade receivables are due within 30 days and are deemed to be at fair value. Receivables not settled within 30 days are amortised in respect of assumed credit losses based on the age of debt.

NOTE 25 CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Company is jointly owned by LB Richmond, RB Kingston and RB Windsor and Maidenhead as a company limited by guarantee and is a 'not for profit' organisation registered as a Community Interest Company. It provides benefit to its owners by providing services to them under contract at economic cost. The Company is not required to provide a financial return to its owners and has no target for its capital-to-overall financing ratio. The owners of the Company provide funding for the Company through a short-term loan facility and the Company does not have any other borrowings or equity.

The amounts managed as capital by the Company for the reporting period under review are summarised as follows:

	31 March 2018 £000	31 March 2017 £000
Cash and cash equivalents	7,293	1,850
Capital	**7,293**	**1,850**
Borrowings	18,500	21,014
Overall financing	**18,500**	**21,014**
Capital-to-overall financing ratio	**0.39**	**0.09**

NOTE 26 POST REPORTING DATE EVENTS

No significant events have occurred between the 31st March reporting date and the date these accounts were authorised by the Chair of the Board.

NOTE 27 AUTHORISATION OF FINANCIAL STATEMENTS

These Financial Statements were approved for submission to audit by the Director of Finance and Resources on 19th June 2018:

L. Kourpas

Lucy Kourpas (CPFA)
Director of Finance and Resources

NOTE 28 ACCOUNTING POLICIES

General principles

Basis of preparation - accounting practices

These financial statements have been prepared in accordance with International Financial Reporting Standards as required by the Companies Act 2006. The Accounts summarise the Company's financial performance (Statement of Comprehensive Income), equity (Statement of Changes in Equity), financial position (Statement of Financial Position) and cash flow (Statement of Cashflows) for the period. The Accounts have been prepared on the historical cost basis.

Changes in accounting policies and prior period adjustments

Prior period adjustments arise either as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for in the current financial period and future periods affected by the change, and do not result in a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or where the change provides more reliable or relevant information about the effect of transactions, other events and economic conditions on the Company's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Exceptional Items

Exceptional items are those which are separately identified by virtue of their size or incidence to enable a full understanding of the Company's financial performance. The nature and amount of these items is disclosed separately, either on the face of the Statement of Comprehensive Income or in the notes to the accounts, depending on how significant the items are. The company has not identified any exceptional items on the face of the Statement of Comprehensive Income.

Items Re-classifiable to the Operating Profit or Loss

Where there are items in the Statement of Comprehensive Income that are re-classifiable to the Operating Profit / Loss from Other Comprehensive Income and Expenditure, when certain conditions are met, these will be disclosed separately on the face of the Statement of Comprehensive Income (within Other Comprehensive Income). At present the Company has no such transactions.

Accruals of Income and Expenditure

Activity is accounted for in the period that it takes place, not simply when cash payments are made or received. In particular:

Income

- Revenue from the sale of goods and services is recognised when the Company transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the organisation.
- Revenue from the provision of services is recognised when the Company can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Company.

Contract income, fees and charges, lettings, grants, donations and other income arise from the provision of services or the sale of goods or services.

Expenditure

- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption (and the values are material) they are carried as inventories on the Statement of Financial Position.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

Revenue income and expenditure for the year is reported in the Statement of Comprehensive Income.

Interest

- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Debtor and creditor balances (accruals policy) Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Statement of Financial Position. Where debts may not be settled (i.e. collection is doubtful), the balance of receivables is written down and a charge made to revenue for the income that might not be collected.

Exceptions to this accruals policy are made where it would be impractical in terms of time and cost required and where the effect of not accruing has no material effect on the Company's accounts. The Company has set a general de-minimis level for accruals of creditors that are calculated manually at period-end. This level is reviewed annually and is currently set at £5,000. Two exceptions to this de-minimis rule apply:

- Qualifying expenditure upon which income from third parties is dependent and associated income.
- Invoices for substantially the same supply or service that are chargeable to the same service area are aggregated where their total is over £5,000.

Third Party and Government Grants / Contributions

Whether paid on account, by instalments or in arrears, Government Grants, third party contributions and donations are recognised as due when there is reasonable assurance that:

- the Company will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due are not credited to the Statement of Comprehensive Income until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Statement of Financial Position as creditors / receipts in advance. When conditions are satisfied, the grant or contribution is credited to the Statement of Comprehensive Income.

Agency Relationship

Where the Company acts as an agent of the Parent Councils, in paying grant monies to schools, these transactions are excluded from the Accounts on the basis that the Company is not making decisions about how the money is spent. The Company is just passporting money based on pre-set criteria, on behalf of a third party. These transactions are reported in the Accounts of the party who ultimately controls the money (i.e. the Councils).

Inventories

The Company recognises all inventories (stock) that have a value over £10,000 as at 31 March. The Company initially recognises inventory when it has control of it and when it expects to have a right to the future economic benefits / service potential. All inventories are measured at the lower of cost or net realisable value. Where there are large numbers of items of inventory that are ordinarily interchangeable, the Company uses the weighted average cost method of stock measurement. The Company held no material inventories at 31st March 2018.

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that are readily convertible to known amounts of cash with insignificant risk of change in value (this will exclude fixed term deposits as they are not highly liquid and not readily convertible to cash).

In the Statement of Cashflows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand.

Employee Benefits

Benefits payable during employment

Short-term employee benefits are those due to be settled within 12 months of the period-end.

They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the period in which employees render service to the Company. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the period-end which employees can carry forward into the next financial period. The accrual is made at the salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Statement of Comprehensive Income so that holiday benefits are charged to revenue in the financial period to which they relate.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Company to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. These are charged on an accruals basis to the Statement of Comprehensive Income when the Company is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, the amount is recognised on an IAS19 basis in the Statement of Comprehensive Income.

Post Employment Benefits (IAS19)

Employees of the Company can be members of four separate pension funds:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The National Health Service Pension Scheme, administered by the Department of Health (DoH)
- The Local Government Pensions Scheme, administered by the London Borough of Wandsworth
- The Local Government Pensions Scheme, administered by the Royal Borough of Kingston upon Thames

All schemes provide defined benefits to members, earned as employees who have worked for the Company.

However, the arrangements for the teachers' and NHS scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Company. The scheme is therefore accounted for as if it was a defined contribution scheme and no liability for future payments of benefits is recognised in the Statement of Financial Position. The employer's contributions are charged to the Statement of Comprehensive Income for the period.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the LB Wandsworth (Richmond) and RB Kingston Pension Fund attributable to the Company are included in the Statement of Financial Position on an actuarial IAS19 basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate (based on the indicative rate of return on 20 year gilts adjusted for credit spread).
- The assets of each Pension Fund attributable to the Company are included in the Statement of Financial Position at their fair value:
    - quoted securities – current bid price
    - unquoted securities – professional estimate
    - unitised securities – current bid price
    - property – market value

- The change in the net pensions liability is analysed into the following components:
    - Service cost comprising:
        - current service cost – the increase in the present value of a defined benefit obligation (liabilities) resulting from employee service in the current period. – allocated to the Statement of Comprehensive Income
        - past service cost – the change in the present value of the defined benefit obligation for employee service in prior periods, resulting from a plan amendment (the introduction or withdrawal of, or changes to, a defined benefit plan) or a curtailment (a significant reduction by the authority in the number of employees covered by a plan). – debited to the Statement of Comprehensive Income
        - Any gain or loss on settlement – arising when the Company enters into a transaction that eliminates all further legal or constructive obligations for part or all of the benefits provided under a defined benefit plan – debited to the Statement of Comprehensive Income
    - Net interest on the net defined benefit liability (asset) - the change during the period in the net defined benefit liability (asset) that arises from the passage of time - charged to the Statement of Comprehensive Income
    - Re-measurements of the net defined benefit liability (asset) comprising:
        - actuarial gains and losses – changes in the present value of the defined benefit obligation resulting from: a) experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and b) the effects of changes in actuarial assumptions charged to Other Comprehensive Income for the period
        - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to Other Comprehensive Income for the period

Discretionary Benefits

The Company has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff, including teachers, are accrued in the period of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Statement of Financial Position when the Company becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Statement of Comprehensive Income for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments. AfC had no available for sale financial instruments in 2017/18.

Loans and Receivables

Loans and receivables are recognised when the Company becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Statement of Comprehensive Income for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Company has made, this means that the amount presented in the Statement of Financial Position is the outstanding principal receivable (plus accrued interest) and interest credited to the Statement of Comprehensive Income is the amount receivable for the period in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Statement of Comprehensive Income. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Statement of Comprehensive Income.

Foreign Currency Translation

Where the Company enters into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the period-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Statement of Comprehensive Income.

Relationships and Interests in Companies and Other Entities

Achieving for Children is jointly owned by the LB Richmond upon Thames, RB Kingston upon Thames and RB Windsor and Maidenhead. The Company will disclose the proportion of profit / loss and net assets that is attributable to each Council. The parent Councils will in turn consolidate their interest in the Company as part of their group accounts.

Where the Company assesses that its relationship with another entity is classified as a subsidiary, associate, or joint venture it will present its accounts to reflect these interests as follows:

Subsidiary	Associates	Joint Ventures
• Company controls the financial and operating activities of that entity	• Company has significant influence over the	• Company has joint control over another entity

Subsidiary	Associates	Joint Ventures
and benefits from this control.	operations of another entity.	
• Line by Line consolidation - Where material, the Company will consolidate 100% of all transactions and balances into the Company's Accounts and the Company will present both single entity and group entity accounts.	• Equity Method – The interest is presented as an investment and adjusted each period for the current share of the net assets and the relevant share of profit or loss will be recognised in the Statement of Comprehensive Income	

<u>Non Current Assets</u>

The Company recognises two categories of non-current asset:

- Tangible - Assets that have physical substance and are held for use in the production or supply of goods or services, or for administrative purposes and that are expected to be used during more than one financial period
- Intangible - Expenditure on non-monetary assets that do not have physical substance but are controlled by the Company as a result of past events (e.g. software licences) are capitalised when it is expected that future economic benefits or service potential will flow to the Company

The Company has set the following de-minimis limits for the recognition of non-current assets.

- Land and buildings - £50,000
- Vehicles, plant and equipment - £10,000
- Intangible assets - £10,000

	Tangible	Intangible
Recognition	Expenditure on the acquisition, creation or enhancement is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Company and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. Where an asset consists of various components with different useful lives these are recognised separately.	
Measurement	Assets are initially measured at cost, comprising the purchase price and any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Assets are then carried in the Statement of Financial	Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held can be determined by reference to an active market. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

	Tangible	Intangible
	Position at fair value, determined as the amount that would be paid for the asset in its existing condition. For non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value. • Assets are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the period-end. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Reductions in fair value are written off against relevant balances in the revaluation reserve and then to the Statement of Comprehensive Income.	Reductions in value are written off against relevant balances in the revaluation reserve and then to the Statement of Comprehensive Income. •
Depreciation	• Depreciation is provided for on all tangible assets by the systematic allocation of their depreciable amounts over their useful lives. The Company applies the straight line method of depreciation and the useful life is determined by a relevant expert. Depreciation is charged to the Statement of Comprehensive Income each period and writes down the value of the asset on the Statement of Financial Position. A full years depreciation is charged in the period of acquisition.	• The depreciable amount of an intangible asset is amortised over its useful life to the Statement of Comprehensive Income. A full years depreciation is charged in the period of acquisition

Leases (IAS17)

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets. Achieving for Children does not have legal title to any non-current assets and as such would not partake in the leasing out of non-current assets.

Finance Leases

Non-Current Assets held under finance leases are recognised on the Statement of Financial Position at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Company are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the asset – applied to write down the lease liability, and
- a finance charge debited to the Statement of Comprehensive Income

Non-current assets that are assessed as a finance lease are recognised on the Company's Statement of Financial Position as a Non-Current Asset and depreciated over the shorter of the lease term or estimated useful life via an annual charge to the Statement of Comprehensive Income.

In recognising finance leases, the Company applies the following de-minimis levels:

- Land and buildings - £50,000
- Vehicles, plant and equipment - £10,000
- Intangible assets - £10,000

Operating Leases

Rentals paid under operating leases are charged to the Statement of Comprehensive Income as an expense in the period.

Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Company may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation. Provisions are charged as an expense to the Statement of Comprehensive Income in the period that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position. Estimated settlements are reviewed at the end of each financial period – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Redundancy Costs

The Company provides for redundancy costs at the point that it is demonstrably committed (cannot retract the offer). If a notification of redundancy has been issued before 31 March but the amount has not yet been paid, a liability is recognised in the accounts.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Company a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Company. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Statement of Financial Position but disclosed in a note to the Accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Company a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Company. Contingent assets are not recognised in the Statement of Financial Position but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

Taxation

Corporation Taxation

The Company is liable to pay Corporation Tax on all taxable profits. Where this applies, the tax will be separately identified on the face of the Statement of Comprehensive Income and profits / losses will be shown gross and net of taxation. Any amounts owed to the HMRC at the period-end will be recognised as a creditor / debtor on the Statement of Financial Position.

Where the Company makes taxable losses / has temporary differences, it will recognise a deferred tax asset on the Statement of Financial Position only where it is probable that the Company will make taxable profits and pay Corporation Tax in the foreseeable future. If taxable profits are not probable the potential deferred tax asset will be recognised as a contingent asset and disclosed within the notes to the Accounts.

Value Added Taxation

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income. The net amount owed or owing to the HMRC at the Statement of Financial Position Date will be recognised as a net creditor / debtor on the Statement of Financial Position.

Post Reporting Date Events

Events after the Statement of Financial Position date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Financial Statements is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Financial Statements are adjusted to reflect such events (an adjusting event).

- those that are indicative of conditions that arose after the reporting period

The Financial Statements are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect (a non-adjusting event).

Events taking place after the date of authorisation for issue are not reflected in the Financial Statements.

GLOSSARY OF TERMS

ACCRUALS
Amounts charged to the accounts for goods or services received during the period for which payments have not yet been made, and for income due, which has not yet been received.

BALANCE SHEET / STATEMENT OF FINANCIAL POSITION
A statement of the Company's assets and liabilities at the 31 March (Statement of Financial Position date).

CAPITAL EXPENDITURE
Expenditure on the acquisition or enhancement of assets that have a significant value and a useful life beyond one year.

CASH & CASH EQUIVALENTS
Cash is represented by notes and coins held by the Company and deposits available on demand. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value e.g. instant access accounts.

COMMUNITY INTEREST COMPANY
A Community Interest Company is a special type of Ltd Company which exists to benefit the community rather than the private shareholders. Its primary objectives are social objectives and any surpluses are re-invested into the organisation.

CREDITORS OR TRADE PAYABLES
Organisations and individuals to whom the Company owes money.

CURRENT ASSETS
These are assets that will be consumed within the next accounting period (i.e. less than one year). Examples are stock, cash and receivables.

CURRENT LIABILITIES
Those amounts which will become payable or could be called upon in the next accounting period (i.e. less than one year).

DEBTORS or TRADE RECEIVABLES
Organisations and individuals who owe money to the Company.

DEDICATED SCHOOLS GRANT
A ring-fenced, Central Government Grant paid to Councils by the Department for Education to fund education services within the boroughs. A significant proportion is devolved to schools on a formulaic basis.

DEPRECIATION
The writing down of the value of a fixed asset in the Statement of Financial Position in line with its expected useful life.

EMPLOYEE BENEFITS
Salaries, wages, paid annual leave, paid sick leave, pension benefits and termination benefits.

FINANCIAL INSTRUMENTS
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

FINANCE LEASE
Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee.

NON CURRENT ASSETS
These are assets that are likely to be in use by the Company for more than one year, such as property, plant and equipment.

IAS19
Accounting standard requiring the recognition by an authority of the attributable share of the assets and liabilities of pension funds with which it is associated showing the employer's commitment to increase contributions to make up any shortfall in attributable net assets, or its ability to benefit (via reduced contributions) from a surplus in the scheme, even though the fund retains title to the assets and the responsibility to pay pensions.

STATEMENT OF COMPREHENSIVE INCOME
A Core Financial Statement that provides a summary of the resources generated and consumed by the Company in the period.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)
The regulations under which the accounts are published. A set of international accounting standards stating how particular types of transactions and other events should be reported in financial statements. IFRS are issued by the International Accounting Standards Board.

INTANGIBLE FIXED ASSETS
Intangible fixed assets that are likely to be in use by the Company for more than one year are recognised where there is no 'physical' asset but the Company controls future economic benefits from the asset. For example computer software.

NET BOOK VALUE
An asset or liabilities original book value net of any accounting adjustments such as depreciation.

NET REALISABLE VALUE
The value of an asset that can be realised upon the sale of the asset, less any costs associated with either the eventual sale or the disposal of the asset in question.

OPERATING LEASE
This is a type of lease under which lease rentals are paid for the use of the asset over the period of the lease. The asset remains the property of the lessor and has to be returned at the end of the lease.

OUTTURN
This is the final expenditure and income in any financial period. Outturn reports usually compare the final net expenditure (expenditure less income) against the relevant budget.

PROVISIONS
Amounts set aside for liabilities and losses which are likely to occur but where the exact amount or timing is uncertain but can be reasonably estimated.

TANGIBLE NON-CURRENT ASSETS
Tangible fixed assets are 'physical' assets that provide future economic benefit and are likely to be in use by the Company for more than one year.

TERMINATION BENEFITS
Amounts payable to employees as a result of a decision by the Company to terminate an officer's employment prior to normal retirement age or an officers decision to accept voluntary redundancy.

THIRD PARTY PAYMENTS
Items reported under Third Party Payments for management accounts include contract payments made throughout the year. Examples include payments to third parties for independent child placements, Special Education Needs placements and other contract payments.

TRANSFER OF UNDERTAKINGS (PROTECTION OF EMPLOYEMENT) REGULATIONS 2006 (TUPE)
A part of UK labour law, protecting employees whose business is being transferred to another business. The regulations aim to protect employees employment and most significant terms and conditions.

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This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report. This draft has been created from the template dated DD MMM YYYY

Grant Thornton

The Audit Findings for Achieving for Children Community Interest Company

Year ending 31 March 2018

June 2018

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5 June 2018

Dear Sirs

Audit Findings for Achieving for Children Community Interest Company for the year ending 31 March 2018

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Richard Hagley

Director
For Grant Thornton UK LLP

Contents

Section 1: Status of the audit and opinion

Status of the audit

Our work is substantially complete and there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the outstanding matters detailed below.

- We are awaiting compilation of the tax disclosures and resolution of queries around sample items, in particular those relating to payroll expenditure. We are also in the process of performing our review of management's assessment of the applicability of the going concern assumption. We are carrying out final quality control and review procedures and will provide a further update to the Audit and Risk Committee.
- Our audit to date has not identified any adjusted or unadjusted misstatements. Our audit has identified a small number of presentation and disclosure items that management have agreed to amend. We will carry out a review of the final version of the financial statements once completed.
- We will review the final signed financial statements, signed letter of representation and carry out a review of significant events up to the date of issuing our overall audit opinion. We expect to issue our audit opinion at the end of June.

Status

- Likely to result in material adjustment or significant change to disclosures within the financial statements
- Potential to result in material adjustment or significant change to disclosures within the financial statements
- Not considered likely to result in material adjustment or change to disclosures within the financial statements

Audit opinion

Our anticipated audit report opinion will be unmodified

Section 2: Audit findings

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Overview of audit findings

Account	Material misstatement risk?	Description of risk	Changes to Audit Plan?	Sufficiency of controls?	Significant audit findings?
Bank loans & overdrafts	Remote	N/A		●	None
Cash and cash equivalents	Remote	N/A		●	None
Deferred taxation	Remote	N/A		●	None
Defined benefit pension asset/liability	Significant	The pension fund asset and liability as reflected in your balance sheet represent significant estimates in the financial statements.		●	None
Equity / Reserves	Remote	N/A		●	None
Intangible Assets	-	-	-	●	-
Inventory	-	-	-	●	-
Investments	-	-	-	●	-
Payables	Reasonably Possible	Creditors related to core activities (e.g. supplies) understated or not recorded in the correct period		●	None
Properlty Plant and Equipment	-	-	-	●	-
Provisions	-	-	-	●	-
Receivables	Significant	Revenues fraudulently recognised		●	None
VAT	Remote	N/A		●	None
Last line BS		-		●	

Changes to Audit Plan

- We have not had to alter or change our Audit Plan as previously communicated to you in February 2018

Controls
For further details see Internal controls
- Significant deficiency
- Deficiency
- No findings
- Controls not evaluated under Audit Plan

Overview of audit findings (continued)

Account	Material misstatement risk?	Description of risk	Changes to Audit Plan?	Sufficiency of controls?	Significant audit findings?
Contract revenues	Significant	Revenues fraudulently recognised		●	None
Depreciation / amortisation	-	-	-	●	-
Employee remuneration	Reasonably Possible	Employee remuneration and benefit obligations		●	None
Finance costs	-	-	-	●	-
Operating Lease Expenditure	Remote	N/A		●	None
Other Comprehensive Income Items	Remote	N/A		●	None
Other operating expenses	Reasonably Possible	Creditors related to core activities (e.g. supplies)		●	None
Other revenues	Significant	Revenues fraudulently recognised		●	None
Taxation	Remote	N/A		●	None

Changes to Audit Plan

- We have not had to alter or change our Audit Plan as previously communicated to you in February 2018

Controls

For further details see Internal controls

- ● Significant deficiency
- ● Deficiency
- ● No findings
- ● Controls not evaluated under Audit Plan

Findings in relation to significant risks

Risks identified in our Audit Plan	Commentary
1 Improper revenue recognition • Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue	We have: • Reviewed and tested the revenue recognition policies; • Documented our understanding of the controls in place over revenue recognition; and • Tested material revenue streams including significant income contracts with commissioning Councils. Subject to the finalisation of our audit work in this area, there are no issues in respect of revenue recognition which we wish to draw to the specific attention of those charged with governance.
2 Management override of controls • Under ISA 240 (UK) there is a presumed risk that the risk of management over-ride of controls is present in all entities	We have: • Reviewed accounting estimates, judgements and decisions made by management; • Undertaken substantive testing of journals entries; and • Reviewed unusual significant transactions (refer specifically to transfer in of the Windsor and Maidenhead net pension liability, detailed further under step (3) below). Subject to the finalisation of our audit work in this area, there are no issues in respect of management override of controls which we wish to draw to the specific attention of those charged with governance.
3 Valuation of the pension fund net liability • The pension fund asset and liability as reflected in the balance sheet represents a significant estimate in the financial statements.	We have: • Identified the controls put in place by management to ensure that the pension fund liability is not materially misstated, and assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement; • Reviewed the competence, expertise and objectivity of the actuary who carried out the pension fund valuation, and gained an understanding of the basis on which the valuation is carried out; • Undertaken procedures to confirm the reasonableness of the actuarial assumptions made; • Undertaken detailed review and testing on the transfer in of net pension liability as a result of Windsor and Maidenhead joining as a new parent Council; • Reviewed the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary; and • Confirmed the assets held by the fund with the custodian, investment manager or pension fund auditor. Subject to the finalisation of our audit work in this area, there are no issues in respect of the valuation of the pension fund net liability which we wish to draw to the specific attention of those charged with governance.

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Findings in relation to reasonably possible risks

Risks identified in our Audit Plan	Commentary
4 **Operating expenses** Creditors related to core activities (e.g. supplies) understated or not recorded in the correct period	We have: • Evaluated the accounting policy for recognition of non-payroll expenditure for appropriateness • Gained an understanding of the system for accounting for non-payroll expenditure and evaluated the design of the associated controls • Performed detailed substantive testing on operating expenditure recorded for the financial year • Verified that operating expenses included within the financial statements are complete via review of the reconciliations between the Accounts Payable system and the General Ledger • Obtained and tested a listing of non-payroll payments made in April 2018 to ensure that they had been charged to the appropriate year. Subject to the finalisation of our audit work in this area, there are no issues in respect of completeness of operating expenditure or creditors which we wish to draw to the specific attention of those charged with governance.
5 **Employee remuneration** Employee remuneration and benefit obligations and expenses understated	We have: • Evaluated the accounting policy for recognition of payroll expenditure for appropriateness • Gained an understanding of the system for accounting for payroll expenditure and evaluated the design of the associated controls • Agreed that the payroll costs were complete within the financial statements via review of the reconciliations between the payroll system and the General Ledger • Undertaken a trend analysis and detailed analytical review to ensure pay is materially complete. Subject to the finalisation of our audit work in this area, there are no issues in respect of completeness of payroll expenditure which we wish to draw to the specific attention of those charged with governance.

Going concern

Going concern commentary

AFC is commissioned by its parent councils to deliver children's services in Kingston, Richmond and Windsor and Maidenhead under an on-going contract.

As part of the transfer of staff from the original parent councils in 2014/15, and Windsor and Maidenhead in 2017/18, AFC took on a substantial IAS 19 pension liability. This arose due to the differences in the basis of calculation between the 'on-going' basis, under which you had a net nil liability, and the IAS 19 'accounting' basis used for financial reporting.

This meant that AFC made a large deficit in its first year and continues to carry a significant pension liability on the statement of financial position.

In addition, future planning assumptions require AFC to deliver substantial savings over the medium term and you are planning to expand the business to other localities.

Furthermore, financial pressures on children's services budgets at the three parent councils may cast further uncertainty on the feasibility of the current operational model over the medium term.

We have:

- reviewed management's ongoing assessment of the going concern assumptions and supporting information, e.g. 2018/19 and 2019/20 budgets and cash flow forecasts and associated sensitivity analysis;
- reviewed the completeness and accuracy of disclosures; and
- reviewed ongoing contractual arrangements with parent councils and business planning assumptions.

As detailed on page 9, our audit work in this area is still underway. Subject to finalisation, there are no issues in respect of this risk which we wish to draw to the specific attention of those charged with governance.

Other findings

	Significant matter	Commentary	
1	Significant events or transactions that occurred during the year	**Change in Financial System** On 1 April 2017, the company changed its general ledger and integrated accounting system from SAP to Agresso. This involved a large scale transfer of data. There is a risk that the data transferred was not complete or accurate and that this could impact upon financial reporting.	We have: • Identified the controls put in place by management to ensure that the data transfer was complete and accurate. We also assessed whether these controls were implemented as expected and whether they were sufficient to mitigate the risk of material misstatement • Reviewed reconciliations of the data transfer and followed up any discrepancies to gain assurance over the completeness of the data transfer. Our audit work in this area is now complete. There are no issues in respect of the change in financial system which we wish to draw to the specific attention of those charged with governance.

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Findings – accounting policies

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	• Revenue from the sale of goods and services is recognised when the Company transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Company. • Revenue from the provision of services is recognised when it is probable that economic benefits or service potential associated with the transaction will flow to the Company.	• The revenue recognition policies are in line with the requirements of International Financial Reporting Standards. • As a large proportion of AFC's income is contract based, little estimation is required. We have confirmed significant income back to contracts with the parent councils. • Provisions for impaired receivables has been recognised within the financial statements. We have reviewed this balance and considered the judgements made by management in arriving at this balance. No issues have been noted from the work performed. • For other income, audit testing has confirmed that, for the sample selected, income has been accounted for in line with the policy. • For the 2018/19 financial statements, management will need to review their revenue recognition policies compliance with IFRS 15 (revenue from contracts with customers), which comes into effect for accounting periods beginning on or after 1 January 2018. We have held initial discussions with management on this change.	●
Judgements and estimates	• Key estimates and judgements include: – taxation and specifically the recognition of deferred tax assets re losses – pension fund valuations and settlements	• The disclosed accounting policies are appropriate and consistent with accounting standards. • Management has exercised judgement in the recognition and valuation of estimates. Management has engaged external expertise (e.g. actuary, tax consultant) to provide an assessment of the transactions, assets and liabilities arising. We have reviewed the judgements made and confirmed they have been reasonably applied.	●

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Assessment

- ● Marginal accounting policy which could potentially be open to challenge by regulators
- ● Accounting policy appropriate but scope for improved disclosure
- ● Accounting policy appropriate and disclosures sufficient

Other communication requirements

	Issue	Commentary
1	**Matters in relation to fraud**	• We have previously discussed the risk of fraud with the Board, who confirmed they are not aware of any significant instances. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
2	**Matters in relation to related parties**	• We are not aware of any related parties or related party transactions which have not been disclosed.
3	**Matters in relation to laws and regulations**	• The principal laws and regulations with which the group complies include the Companies Act 2006 and the Companies (Audit, Investigations and Community Enterprise) Act 2004. We are not aware of any significant incidences of non-compliance.
4	**Written representations**	• Representations will be requested from management in respect of the significant assumptions used in making accounting estimates.
5	**Confirmation requests from third parties**	• We requested from management permission to send confirmation requests for significant transactions and balances with the parent councils at 31 March 2018. This permission was granted and the requests were sent. As at the date of writing this Audit Findings Report, a number of these responses are outstanding. • We requested from management permission to send confirmation requests for cash balances at 31 March 2018. This permission was granted and the requests were sent. All confirmations have been received.
6	**Disclosures**	• Our review found no material omissions in the financial statements
7	**Audit evidence and explanations**	• All information and explanations requested from management were provided.
8	**Significant difficulties**	• No significant difficulties were required in the performance of our audit work. However, some delays were encountered in receiving sample documentation requested, in particular in relation to Windsor and Maidenhead payroll samples. Whilst we appreciate that this is a new arrangement in 2017/18, we would recommend that management ensure a clear process is established for the provision of audit evidence by Windsor and Maidenhead going forward.

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Adjusted and unadjusted misstatements

As at the date of writing this Audit Findings Report, we have not identified any non-trivial misstatements impacting upon the total comprehensive expense for the year or total assets employed. This position is subject to the finalisation of our audit procedures and will be kept under review, with any non-trivial misstatements arising between now and the date of signing our audit opinion being communicated separately to those charged with governance.

Classification and disclosure changes

Disclosure omission	Detail	Adjusted?
Various	A number of minor changes have been made to disclosure notes and accounting policies throughout the financial statements to improve accuracy, clarity and understandability.	✓

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Section 3: Changes to auditor's report

Changes to the auditor's report

Revised ISAs

Detailed below is a summary of the key changes impacting the auditor's report for 31 March 2018. Note this is only for audits of financial statement for periods commencing on or after 17 June 2016:

Section of the auditor's report	Description of the requirements
Conclusions relating to going concern	We will be required to conclude and report whether: • The directors' use of going concern basis of accounting is appropriate • The directors' have disclosed identified material uncertainties that may cast significant doubt about the entity's ability to continue as a going concern
Other information	We will be required to include a section on other information which includes: • Responsibilities of management and auditors regarding other information • A statement that the opinion on the financial statements does not cover the other information unless required by law or regulation • Reporting whether inconsistencies or misstatements where identified
Additional responsibilities for directors and the auditor	We will be required to include the respective responsibilities for directors and us, as auditors, regarding going concern.
Format of the report	The opinion section appears first followed by the basis of opinion section.

Section 4: Independence, ethics, fees and non-audit services

Independence and ethics

Independence and ethics

- We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

Fees and non-audit services

The table below sets out the total fees for audit and non-audit services charged from the beginning of the financial year to 31 March 2018, as well as the threats to our independence and safeguards have been applied to mitigate these threats.

	Fees £	Threat identified	Safeguards
Audit of company	35,000	None	Not applicable
Total audit	**35,000**		
Certification of the 2016/17 Teachers' Pension return	4,200	None	Not applicable
Certification of the 2017/18 Teachers' Pension returns (expected)	8,400	None	Not applicable
Total non-audit services	**12,600**		

- The above non-audit services are consistent with the company's policy on the allotment of non-audit work to your auditor.
- None of the above services were provided on a contingent fee basis.
- For the purposes of our audit we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to Achieving for Children Community Interest Company. The table summarises all non-audit services which were identified
- The fees reconcile to the financial statements.

This covers all services provided by us and our network to the group/company, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence. (ES 1.69)

Section 5: Other non-audit matters

Financial Reporting Developments

IFRS 15 ‘Revenue from Contracts with Customers’

- IFRS 15 ‘Revenue from Contracts with Customers’ applies to most revenue arrangements and changes the criteria for accounting for variable consideration, contract modification and determining whether revenue is recognised at a point in time or over time. It also includes new guidance and requirements for the treatment of costs associated with contracts either in obtaining contracts or fulfilling the performance obligations included in them.
- Guidance is more detailed and in certain cases more prescriptive however is still principles rather than rules based. It introduces complexities which arise out of both the 5 step recognition principle and additional presentation and disclosure requirements.

Financial impacts

- Revenue profile as timing of revenue recognition may change
- Changes to key performance indicators and other key measures
- Availability of distributable profits
- Management/employee bonus and compensation plans

Accounting systems and processes

The potential changes, require management to assess not only the effect on the numbers but also on their capability to appropriately, and reliably, aggregate data. This includes:

- Implementation of effective control measures which provide a reasonable level of assurance that information available is both accurate and complete
- Sound policies for areas of significant judgement and estimation, which provide reliable, accurate data, as well as to greatest extent possible result in information which can be appropriately audited
- Systems will need to be able to capture the relevant data on an ongoing basis throughout the period and not just at year end. (ie there is no year end spreadsheet based ‘quick-fix’)

It is important that management allow enough time to update relevant accounting systems required to produce and aggregate such data for incoming standard.

We strongly advise that you begin assessing the implication of IFRS 15 now and devising a comprehensive action plan well in advance of implementation. Grant Thornton may be able to assist you in understanding specific implications on Achieving for Children Community Interest Company, subject to relevant ethical restrictions.

Under IFRS 15 there are 5 steps to recognising revenues

1. Identify the contract with a customer
2. Identify the performance obligations
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognise revenue when/as performance obligations are satisfied

The company will be required to adopt IFRS 15 for the 2018/19 financial year end, with a choice of full retrospective application (ie restatement of the comparative period), subject to various practical expedients, or a cumulative catch-up adjustment to opening reserves as at 1 April 2018.

For the simplest of the company’s contracts the timing and measurement of revenue recognition may well be unchanged. However, more complex contractual arrangements and those with elements of variable consideration will require further thought and analysis. Management do not anticipate that the adoption of IFRS 15 will have a significant impact upon their recognition of revenue. However, it will be important for management to assess and consider the impact over the forthcoming months to ensure that the financial statements remain compliant with the standards.

The potential impacts of the new revenue standard have been considered at Appendix B. As management are yet to perform their own assessment, these are at present generic considerations rather than specific to AFC.

Section 6: Communication of audit matters

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Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant matters in relation to going concern	●	●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		●
Non-compliance with laws and regulations		●
Unadjusted misstatements and material disclosure omissions		●
Expected modifications to the auditor's report, or emphasis of matter		●

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

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Grant Thornton at a glance

Grant Thornton International Ltd

- Fee income $4.8 billion
- Over 130 countries
- Over 700 locations
- Over 47,000 people
- Global methodologies, strategy, global brand, global values – consistent global service

FTSE 100 are non-audit clients
51%

People worldwide
47,000

Independent nominated advisor of AiM
No.1

UK offices (+ Cayman and British Virgin Islands)
27+

Largest auditor, UK's top privately-held companies
6th

Member firms of Grant Thornton International Ltd
140+

Americas

- Fee income $2.26 billion
- Over 300 offices, 30 countries, presence in all major financial and economic centres
- Over 16,530 people, including partners

Europe, Middle East and Africa

- Fee income $1.8 billion
- Over 300 offices, 80 countries, presence in all major financial and economic centres
- Over 17,000 people, including partners

Asia Pacific

- Fee income $690 million
- Over 220 offices, 25 countries, presence in all major financial and economic centres
- Over 12,580 people, including partners

Potential impacts of the new revenue standard

Specific issues which may give rise to complexity

- Multiple element contracts, including identifying separate components and allocating any discounts
- Contract modifications
- Accounting for variable consideration, licensing arrangements
- Treatment of credit risk/collectability
- Capitalisation of costs of obtaining a contract
- Revenue recognition at a point in time or over time
- Time value, when to adjust a contract price for a financing component
- Disclosure requirements

Specific considerations to each of the five steps

Step 1 – Identifying the contract

Practical considerations and questions

- How are all of your ‘standard’ terms and conditions captured?
  Non standard terms and conditions – how will the finance team ensure the accounting system captures information in respect of ‘deals’ and non-standard arrangements made by the sales team and account handlers? Eg:
  - side letters
  - marketing and promotional materials
  - verbal arrangement

Collectability evaluation

- An arrangement is not a contract under IFRS 15 until collection of the transaction price is probable. Only the customer's ability and intention to pay the expected consideration when due is considered.
- There is a fine line between the entity granting price concessions and the customer’s ability and intention to pay the agreed consideration. A customer’s inability/unwillingness to pay the agreed transaction price affect the determination of whether a contract exists however the entity’s willingness to accept a lower consideration is factored into the determination of the transaction price. Significant judgment may be required to differentiate between the two.
- Management should consideration customary business practices, published policies or specific statements which give an expectation that the entity will accept an amount that is less than the price stated in the contract.

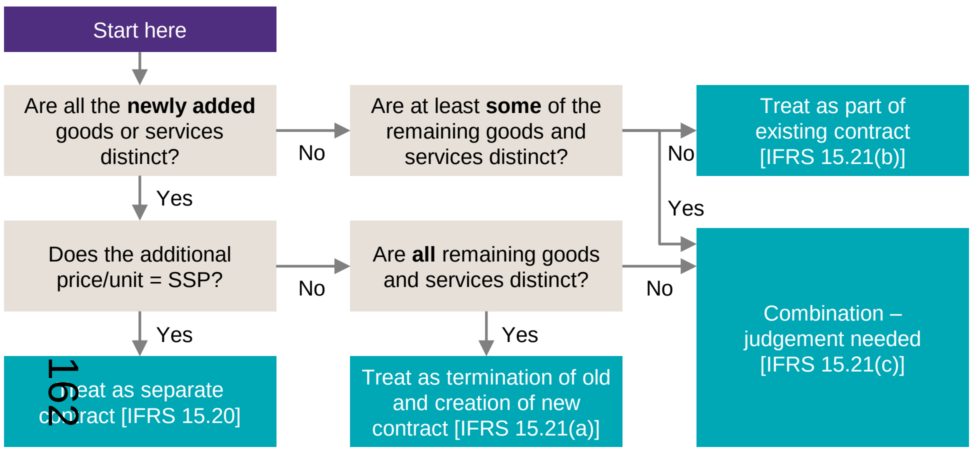
Contract modifications

- Modification arises when the parties approve a change in the scope and/or the price of a contract. Practical issues may arise in determining whether a modification effectively results in a new contract arising or not, in terms of capturing sufficient appropriate information to determine the effects on the transaction price.
- A modification is treated as a separate contract when both of the following are met:
  - the scope of contract increases due to additional distinct promised goods/services; and
  - the price of the contract increases by an amount which reflects the stand-alone selling price for the additional good/service, adjusted for circumstances of the particular contract (eg discount for selling cost)

Potential impacts of the new revenue standard (continued)

Step 1 – Identifying the contract (continued)

Treatment of contract modifications



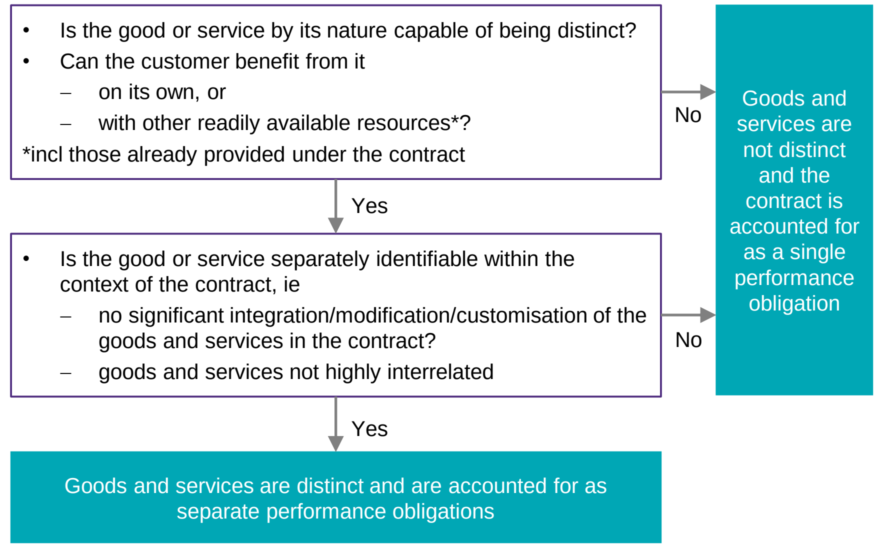
Combining contracts

- Contracts are only combined when negotiated as package with a singular commercial objective, consideration in one contract depends on the performance of the other or the contracts have single performance obligation

Step 2 – Identify the performance obligation

- Performance obligations arise from **promises** within a contract with a customer to transfer either:
  - a good or service (or bundle of goods or services) that is **distinct**; or
  - a series of **distinct** goods or services that are substantially the same and that have the same pattern of transfer to the customer
- The focus is on whether the good or service is **capable** of being distinct, therefore some companies are looking at changing technical specifications of their products to build-in restrictions, previously included in the terms of the contract.

Performance obligations – are the promised goods/services in the contract distinct?



Series of distinct goods or services:

- A series of distinct goods or services has the same pattern of transfer to the customer if both of the following criteria are met:
  - each distinct good or service would itself meet the criteria for a performance obligation satisfied over time; and
  - the same method would be used to measure progress toward satisfaction of the performance obligation to transfer each distinct good or service in the series.

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Potential impacts of the new revenue standard (continued)

Step 2 – Identify the performance obligation (continued)

Options

Are customer options (discounts, vouchers, loyalty schemes etc) within the contract separate performance obligations (POs)?

- Could the customer receive the discount or right without entering into the contract?
- Is the discount typical for the goods/services?
- Does the option approximate the standalone selling price for the good/service?

No to all:

- Option/Discount may represent a material right
- If so, recognise as a separate PO

Is the standalone selling price of the option directly observable?

Yes: Allocate part of the transaction price to the performance obligation on a relative standalone selling price basis

No: Estimate the discount the customer would obtain when exercising the option

Yes to any:

- Option/Discount does not represent a material right
- Do not recognise as a separate PO

Warranties

Significant judgement will be required in determining whether a warranty is an assurance type (ie Product will perform to its agreed specifications) or service type warranty and therefore whether it represents a separate performance obligation or not and accordingly the recognition of any revenue related thereto. It may be difficult to estimate stand-alone selling price if a service type warranty is not generally sold separately.

Licenses

Does the contract include goods or services that are not separable from the licence?

Yes: Licence is not distinct and is accounted for together with other goods and services as a single performance obligation

No: Licence is distinct and accounted for separately

Step 3 – Determining the transaction price

The **transaction price** is the amount of **consideration** to which an entity **expects to be entitled** in exchange for the goods or services promised under a contract, excluding amounts collected on behalf of third parties.

What about?

Transaction price

- Consideration payable to customer
- Time value of money
- Non-cash consideration
- Variable consideration
- Constraint on variable consideration

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Potential impacts of the new revenue standard (continued)

Step 3 – Determining the transaction price (continued)

Variable consideration

- Variable consideration is anything that causes the transaction price to vary (ie discounts, refunds, incentives, performance incentives, penalties, contingent consideration, etc). IFRS 15 requires entities to determine their best **estimate** of variable consideration in each contract, subject to constraints to ensure it is **highly probable** that there will **not** be a significant reversal when uncertainty about the variable consideration is resolved.

Rights of return

- Where an entity has refund obligations the balance sheet will need to reflect the entire refund obligation as a liability and will include an asset for the 'right to returned goods' based on the carrying amount of inventory less costs of recovery.
- Revenue should only be recognised when it is highly probable it will not be subsequently reversed (eg only recognise revenue for products it does not expect to be returned).

Estimate variable consideration

Expected value or most likely amount

Apply constraint

Limited to extent that it is 'highly probable' that there will not be a significant revenue reversal

Reassess variable consideration at the end of each reporting period

Consider all information reasonably available (historical, current and forecast)

Time value of money

- Under IFRS 15, the time value of money needs to be taken into account if the cash flows relating to revenue will be deferred, or received in advance in excess of 12 months.

Consideration payable to the customer

Is consideration payable to the customer for a distinct good or service?

Yes

- Account for the purchase of distinct good or service similarly to purchases from suppliers:
  - if consideration owed to the customer > fair value of goods/services: reduce transaction price by that excess
  - if entity cannot estimate fair value of goods/services received from customer: reduce transaction price by total consideration owed to the customer

No

- Reduce the transaction price by the amount owed to the customer at later of:
  - related revenue is recognised
  - consideration is paid or promised to customer

Contract costs

- Incremental cost of obtaining the contract:
  - recognise as an asset only if expected to be recovered through the contract
- Cost to fulfil contract:
  - recognise as separate asset if all the following are met:
    - cost relate directly to contract or specifically identified anticipated contract
    - cost generate or enhance resources to used in satisfying PO's; and
    - cost are expected to be recovered

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Potential impacts of the new revenue standard (continued)

Step 4 – Allocating the transaction price

Recognition over time or at a point in time?

Objective

- Allocate the transaction price to each performance obligation at contract inception

Mechanics

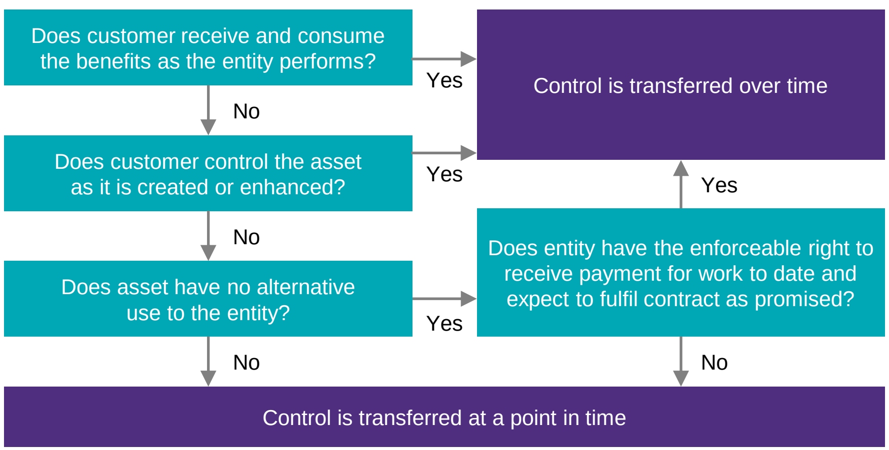
- Allocate the transaction price to each performance obligation on a relative stand-alone selling price basis

Stand-alone selling price

- Price at which an entity would sell a promised good or service separately to a customer
- Best evidence = observable selling price
- If not available, estimate by maximising use of observable inputs

The entity needs to consider whether it may be difficult to determine the stand-alone selling price of all goods/services provided and whether these will differ significantly to prices quotes in contracts and whether/how it could calculate an estimate based on directly observable input.

Step 5 – Recognising revenue



Presentation and disclosure

- Significant increases in the level of disclosures required and a number of new requirements increase the burden to gather the data needed to draw up the financial statements (appropriate systems, internal controls, policies and procedures are needed).
- Required disclosures include:
  - disaggregation of revenues into categories that depict nature/timing/amount/uncertainty
- Contract balances (including reconciliations of changes therein)
  - opening and closing balances for receivables, contract assets and contract liabilities
  - revenue recognised in period that was included in contract liabilities in previous period
  - revenue recognised in period from performance obligations satisfied in previous period (eg price adjustments)
- Price allocated to remaining performance obligations (contracts > one year)
  - amount and when expected to be recognised
- Methods, inputs and assumptions for
  - determining transaction price
  - assessment of constraint of variable consideration
  - allocation of transaction price (including standalone selling prices)
- Costs to obtain/fulfil contracts
  - closing balances analysed by category of asset
  - amortisation

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