

## **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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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 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.

<b>RESILIENCE</b>  Build resilience so that families and communities are better able to help, support and protect children without the need for statutory interventions	<b>CAPACITY</b>  Create local provision so that children and young people can stay closer to their families and support networks, and benefit from integrated services
<b>INCLUSION</b>  Develop more inclusive services and opportunities for children and young people with disabilities, complex needs and challenging behaviours	<b>INDEPENDENCE</b>  Support children and young people to develop their independence and skills for adulthood
<b>RESOURCES</b>  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 in all our operational areas is forecast to 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
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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.

<b>2016/17 Actuals</b>	<b>General Fund Education Services £ per head</b>	<b>General Fund Childrens Social Care £ per head</b>	<b>DSG High Needs Education* £ per EHCP</b>
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.

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

- 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 £000	Kingston £000	Windsor & Maidenhead £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
<b>Total contract change controls</b>	<b>0</b>	<b>2,089</b>	<b>1,403</b>
<b>Dedicated Schools Grant</b>	<b>2,154</b>	<b>4,208</b>	<b>460</b>

## 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
<b>Resilience</b>	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.
<b>Capacity</b>	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.
<b>Inclusion</b>	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.
<b>Independence</b>	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.
<b>Resources</b>	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.
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- 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	
<b>Total pressure</b>	<b>4,175</b>	<b>1,611</b>	<b>2,481</b>	<b>8,267</b>	
Growth / additional funding agreed	-1,000	0	-1,124	-2,124	G
<b>Pressure after funding agreements</b>	<b>3,175</b>	<b>1,611</b>	<b>1,357</b>	<b>6,143</b>	
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
<b>Possible 2018/19 overspend</b>	<b>1,652</b>	<b>199</b>	<b>946</b>	<b>2,797</b>	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
<b>2018-19 under / overspend if riskier savings and policy changes delivered</b>	<b>488</b>	<b>-604</b>	<b>0</b>	<b>-116</b>	

Dedicated Schools Grant Budget Pressure Summary 2018/19	RBK £000	LBR £000	RBWM £000	TOTAL £000	ACHIEVE RAG
<b>Anticipated Pressure</b>	<b>8,000</b>	<b>5400</b>	<b>850</b>	<b>14,250</b>	
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	
<b>Pressure after funding agreements</b>	<b>3,100</b>	<b>5,400</b>	<b>850</b>	<b>9,350</b>	
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
<b>Possible 2018/19 overspend</b>	<b>1,683</b>	<b>4,352</b>	<b>500</b>	<b>6,535</b>	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
<b>2018-19 underspend if riskier savings are successfully delivered</b>	<b>-1,017</b>	<b>3,052</b>	<b>0</b>	<b>2,035</b>	

- 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:

<b>Programme 1 - Sector Improvement</b>	<b>4,605,841</b>
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
<b>Programme 2 - Practice Innovation</b>	<b>3,020,505</b>
Strand 1: Enhancing child protection capacity to conduct intensive direct work with families	3,020,505
Strand 2: Developing a Young People's Resilience Service	
<b>TOTAL</b>	<b>7,626,346</b>

- 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, technical 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
<b>Net change</b>	<b>£'000</b>	<b>127</b>	<b>416</b>	<b>1,500</b>	<b>1,500</b>

- 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
	<b>11,600</b>	<b>13,972</b>	<b>3,050</b>	<b>28,622</b>

\* 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
<p><b>Controllable budgets</b> 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.</p>	<p>Vacancy panel approval of all vacancies prior to recruitment.</p> <p>Centralisation of general budgets e.g. training, stationary, furniture and equipment etc.</p> <p>Where overspends are anticipated senior level sign off of spend over a pre agreed limit</p> <p>All budgets allocated to individual budget managers and signed off prior to the year</p> <p>Periodic review of agency staff by SLT</p> <p>Budget manager sign off of all invoices</p> <p>Budget manager training</p> <p>Monthly budget monitoring produced by finance team in consultation with the budget manager</p> <p>Consideration of overall position by SLT monthly</p>
<p><b>Stepped Costs</b> 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.</p>	<p>Vacancy panel approval of all vacancies prior to recruitment.</p> <p>SLT consideration of alternative options via the request form before recruitment decisions made</p> <p>Monitoring of workloads via information produced by the data intelligence team</p> <p>Manager sign off of funded establishment annually</p> <p>Periodic SLT review of teams over establishment</p>

Budget Type	Key controls
	<p>Monthly budget monitoring produced by finance team in consultation with the budget manager</p> <p>Consideration of overall position by SLT monthly</p>
<p><b>Demand led budgets</b> 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.</p>	<p>Child by child placement monitoring and sign off by budget manager monthly</p> <p>Budget manager sign off of all invoices</p> <p>Attendance of key staff at decision making panels including finance where finance decisions are being made</p> <p>Periodic high cost placement reviews</p> <p>Monthly reconciliation and production of management information</p> <p>Periodic review of placement types by commissioning team</p> <p>Monthly budget monitoring produced by finance team in consultation with the budget manager</p> <p>Consideration of overall position by SLT monthly</p>

- 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